28 May 2007

James Hardie Industries N.V.
Results for the 4th Quarter and Full Year Ended 31 March 2007

US GAAP - US$ Millions	Three Months and Full Year Ended 31 March					
	Q4 FY07	Q4 FY06	% Change	FY07	FY06	% Change
Net Sales						
USA Fibre Cement	$289.9	$325.6	(11)	$1,262.3	$1,218.4	4
Asia Pacific Fibre Cement	64.3	57.2	12	251.7	241.8	4
Other	6.7	7.0	(4)	28.9	28.3	2
Total Net Sales	$360.9	$389.8	(7)	$1,542.9	$1,488.5	4
Cost of goods sold	(227.1)	(250.3)	9	(969.9)	(937.7)	(3)
Gross profit	133.8	139.5	(4)	573.0	550.8	4
Selling, general & administrative expense	(52.3)	(63.4)	18	(214.6)	(209.8)	(2)
Research & development expense	(5.6)	(7.0)	20	(25.9)	(28.7)	10
Special Commission of Inquiry (SCI) & other related expenses	(5.4)	(2.7)	(100)	(13.6)	(17.4)	22
Impairment of roofing plant	-	(13.4)	-	-	(13.4)	-
Asbestos adjustments	(286.3)	(715.6)	60	(405.5)	(715.6)	43
Other operating expense	-	-	-	-	(0.8)	-
EBIT	(215.8)	(662.6)	67	(86.6)	(434.9)	80
Net interest (expense) income	(4.2)	0.7	-	(6.5)	(0.2)	-
Operating loss before income taxes	(220.0)	(661.9)	67	(93.1)	(435.1)	79
Income tax benefit (expense)	323.1	11.0	-	243.9	(71.6)	-
Operating profit (loss) before cumulative effect of change in accounting principle	103.1	(650.9)	-	150.8	(506.7)	-
Cumulative effect of change in accounting principle for stock-based compensation, net of income tax expense of US$0.4 million	-	-	-	0.9	-	-
Net operating profit (loss)	$103.1	$(650.9)	-	$151.7	$(506.7)	-
Earnings (loss) per share – diluted (US cents)	22.0	(140.7)	-	32.5	(109.7)	-
Volume (mmsf)						
USA Fibre Cement	484.9	575.1	(16)	2,148.0	2,182.8	(2)
Asia Pacific Fibre Cement	98.2	90.3	9	390.8	368.3	6
Average net sales price per unit (per msf)						
USA Fibre Cement	US$598	US$566	6	US$588	US$558	5
Asia Pacific Fibre Cement	A$833	A$859	(3)	A$842	A$872	(3)

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 16. 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 adjustments", "EBIT and EBIT margin excluding asbestos adjustments, impairment charge and SCI and other related expenses", "Net operating profit excluding asbestos adjustments and tax benefit related to asbestos adjustments", "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", "Diluted earnings per share excluding asbestos adjustments, tax benefit related to asbestos adjustments, impairment charge, SCI and other related expenses, make-whole payment and tax provision write-back", "Operating profit before income taxes excluding asbestos adjustments", "Income tax benefit/(expense) excluding tax benefit related to asbestos adjustments and tax provision write-back", "Effective tax rate excluding asbestos adjustments, tax benefit related to asbestos adjustments and tax provision write-back", and "EBITDA"). Unless otherwise stated, results and comparisons are of the current 4th quarter and current full year versus the 4th quarter and full year of the prior fiscal year.

Total Net Sales

Total net sales for the quarter decreased 7% compared to the same quarter of the previous year, from US$389.8 million to US$360.9 million. For the full year, total net sales increased 4% from US$1,488.5 million to US$1,542.9 million.

Net sales from USA Fibre Cement for the quarter decreased 11% from US$325.6 million to US$289.9 million, due to decreased sales volume which was partially offset by an increased average net sales price. For the full year, net sales from USA Fibre Cement increased 4%, from US$1,218.4 million to US$1,262.3 million, due to a higher average net sales price partially offset by decreased sales volume.

Net sales from Asia Pacific Fibre Cement for the quarter increased by 12% from US$57.2 million to US$64.3 million and 4% for the full year from US$241.8 million to US$251.7 million, due to increased sales volumes and favourable currency exchange rate differences, partially offset by a decreased average net sales price.

Other net sales for the quarter decreased 4% from US$7.0 million to US$6.7 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. For the full year, Other net sales increased by 2% from US$28.3 million to US$28.9 million due to improved sales performance in the USA Hardie Pipe business and the Europe Fibre Cement business partially offset by decreased sales resulting from the sale of the Chile fibre cement business in July 2005.

USA Fibre Cement

Quarter

Net sales decreased 11% from US$325.6 million in the fourth quarter of the prior fiscal year to US$289.9 million due to decreased sales volume, which was partially offset by an increased average net sales price.

Sales volume decreased 16% from 575.1 million square feet to 484.9 million square feet for the quarter, as base demand for the company's products decreased due to a weaker residential housing construction market.

The average net sales price increased 6% from US$566 per thousand square feet to US$598 per thousand square feet due to price increases on certain products implemented during this fiscal year and an increased proportion of higher-priced, differentiated products in the sales mix.

Full year

Net sales increased 4% from US$1,218.4 million to US$1,262.3 million due to a higher average net sales price, partially offset by decreased sales volume.

Sales volume decreased 2% from 2,182.8 million square feet to 2,148.0 million square feet due mainly to a decrease in base demand for the company's products during the second half of the fiscal year as a result of weaker residential housing construction activity, partially offset by growth in primary demand during the first half of the fiscal year.

The average net sales price increased 5% compared to the same period last year, from US$558 per thousand square feet to US$588 per thousand square feet. The increase was due primarily to price increases on certain products implemented during this fiscal year and an increased proportion of higher-priced, differentiated products in the sales mix.

Discussion

The new housing construction market continued to weaken, with the US Census Bureau reporting that new housing starts were down 25% and 30% respectively for the three months ended 31 December 2006 and 31 March 2007, compared to the same periods last year.

Despite interest rates remaining relatively low, deepening problems in the sub-prime mortgage market kept builder and consumer confidence at weak levels.

According to Brian Catalde, President of the National Association of Home Builders (NAHB), "Builders, overall, have been systematically cutting back on new building activity for more than a year now. This slowdown is enabling them to reduce their inventory and better position themselves for the balance of the year, especially when faced with uncertainties over the impacts of the sub-prime[to match first reference above – they need to be the same] -related tightening of mortgage lending standards on home sales". Despite this, supply of new residential housing remains greater than demand and industry inventory levels at the end of the quarter continued to be above optimal levels at around 7 to 8 months supply, as reported by the NAHB.

Demand in our exterior products category for the quarter was affected significantly by weaker housing construction activity. The decrease in net sales was due mainly to softer demand in our exterior products category, which spanned all regions except the mid-Atlantic region. Net sales were lower for all products in the exteriors category other than the higher-priced, differentiated products, XLD® trim and the ColorPlus® collection.

With all ColorPlus® lines now complete and operational, including those in our plants in Reno, Nevada and Pulaski, Virginia, the business has commenced launching the ColorPlus® collection of products into both the Western and Southern divisions.

Repair and remodelling activity was relatively steady during the quarter and sales in our interior products category were flat compared to the same period last year. Continued acceptance of Hardibacker 500® as a wet area wall solution helped grow sales for that product during the quarter, almost off-setting weaker sales of our ¼" Hardibacker® product in a number of our larger markets.

The net sales growth for the full year largely reflects further market penetration against alternative materials, mainly wood and vinyl, across the Northern, Southern and Western Divisions and in the exterior and interior product categories, and an increase in the average net sales price.

Asia Pacific Fibre Cement

Net sales for the quarter increased 12% from US$57.2 million to US$64.3 million. Net sales increased 5% in Australian dollars largely due to a 9% increase in sales volume, partially offset by a 3% decrease in the average Australian dollar net sales price.

Net sales for the full year increased 4% from US$241.8 million to US$251.7 million. Net sales increased 2% in Australian dollars, due to a 6% increase in sales volume from 368.3 million square feet to 390.8 million square feet, partially offset by a 3% decrease in the average Australian dollar net sales price.

Australia and New Zealand Fibre Cement

Quarter

Net sales for the quarter increased 10% from US$51.1 million to US$56.4 million. Net sales increased 4% in Australian dollars due to a 6% increase in sales volume, partially offset by a 2% decrease in the average Australian dollar net sales price.

Full year

Net sales for the full year increased 2% from US$218.1 million to US$223.4 million. In Australian dollars, net sales increased 1% due to a 5% increase in sales volume, offset by a 4% decrease in the average Australian dollar net sales price.

Discussion

In the Australia and New Zealand business, both the new housing and renovation markets continued to weaken during the quarter, but sales volumes increased 6% due to market share gains in the fibre cement segment in both Australia and New Zealand. These gains were achieved through market initiatives designed to grow primary demand for fibre cement and increase sales of value-added, differentiated products. There was strong sales growth in the recently-launched Scyon™ range of premium products and in Linea™ weatherboards. Selling prices for non-differentiated products continue to be subject to strong competitive pressures, leading to a lower average net sales price for the quarter.

For the full year, sales volume was also higher in a softer market compared to the same period last year, due to market initiatives designed to grow primary demand for fibre cement and increase sales of value-added, differentiated products. The average net sales price was also lower for the full year due to competitive pressures.

Philippines Fibre Cement

Net sales for the quarter increased compared to the same quarter last year due to increased sales volumes and a slight increase in the average net sales price. For the full year, net sales increased due to increased sales volumes, partially offset by a slight decrease in the average Philippine peso net sales price. The increase in sales volume for the quarter and fiscal year was due to stronger domestic building and construction activity and increased export demand.

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 housing activity in Florida, partly offset by an increase in the average net sales price. For the full year, net sales increased due to improved sales volumes and a higher 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

Quarter

Gross profit decreased 4% from US$139.5 million to US$133.8 million. The gross profit margin increased slightly from 35.8% to 37.1%.

USA Fibre Cement gross profit decreased 6% compared to the same quarter last year due to lower sales volumes and higher unit costs, partially offset by a higher average net sales price and lower freight costs. The gross profit margin increased 2.1 percentage points.

Asia Pacific Fibre Cement gross profit increased 6% compared to the same period last year due to favourable currency movements. In Australian dollars, gross profit remained flat due to the improved performance of the Philippines business being offset by reduced profitability of the Australia and New Zealand Fibre Cement business. The gross profit margin decreased 1.4 percentage points.

Full year

Gross profit increased 4% from US$550.8 million to US$573.0 million. The gross profit margin increased 0.1 percentage points to 37.1%.

USA Fibre Cement gross profit increased 5% compared to the same period last year due mainly to increased net sales and, to a lesser extent, lower freight costs. The gross profit margin increased 0.5 percentage points.

Asia Pacific Fibre Cement gross profit decreased 3% primarily due to reduced profitability in the Australian Fibre Cement business. The decrease was due mainly to a lower average net sales price, increased freight and raw material costs in Australia, costs associated with the start-up of the manufacture of new products, and inefficiencies associated with the rebuild of inventory at the Rosehill, New South Wales plant associated with the plant's temporary closure in December 2006 for asbestos-related reasons. In Australian dollars, gross profit decreased 5%. The gross profit margin decreased 2.2 percentage points.

Selling, General and Administrative (SG&A) Expense

SG&A expense decreased 18% for the quarter, from US$63.4 million to US$52.3 million, primarily due to reduced sales and marketing spending in the USA Fibre Cement business and a decrease in the accrual for employee bonuses compared to the same period last year. As a percentage of sales, SG&A expense decreased 1.8 percentage points from 16.3% to 14.5%.

For the full year, SG&A expense increased 2% from US$209.8 million to US$214.6 million, primarily due to an increase in spending in the USA Fibre Cement business reflecting expenditures on business initiatives including a build-up of organisational infrastructure to drive growth strategies. As a percentage of sales, SG&A expense decreased 0.2 of a percentage point to 13.9%.

Research and Development Expense

Research and development expense includes 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 20% lower for the quarter at US$5.6 million and 10% lower for the full year at US$25.9 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 41% lower at US$2.6 million for the quarter and 21% lower at US$12.9 million for the full year.

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 in early 2001. 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 (the Asbestos Injuries Compensation Foundation or AICF) to provide funding for these claims on a long-term basis. On 1 December 2005, James Hardie, a wholly owned subsidiary of James Hardie (the “Performing Subsidiary”) and the NSW Government signed the Final Funding Agreement (Original FFA). An amended version of that agreement (Amended FFA) was executed on 21 November 2006 and approved by the company’s shareholders on 7 February 2007.

Costs incurred during the quarter associated with the SCI and other related expenses totalled US$5.4 million, bringing the total for the full year to US$13.6 million, compared with US$17.4 million incurred in the prior fiscal year.

Readers are referred to Note 12 of the company’s 31 March 2007 Financial Report for further information on the SCI and other related expenses.

ASIC Proceedings and Investigation

On 14 February 2007, the Australian Securities & Investments Commission (ASIC) advised the company that it had commenced civil proceedings against JHI NV, a former subsidiary and 10 then-serving or 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.

On 20 February 2007, the company announced that the three serving directors named in the ASIC proceedings had resigned from the Board and Board Committees.

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. However, at this stage it is not possible to determine the amount of any such liability.

Readers are referred to Note 12 of the company’s 31 March 2007 Financial Report for further information on the ASIC Investigation.

Asbestos Compensation Funding Arrangement

Following receipt of security holders’ approval at the company’s Extraordinary General Meeting held on 7 February 2007, all conditions precedent to the Amended FFA were satisfied. In accordance with the Amended FFA, James Hardie made an initial contribution of A$184.3 million (US$148.7 million) to the AICF on 9 February 2007. The new asbestos compensation funding arrangement is now operational. The AICF had net assets of A$182.1 million at 31 March 2007.

Readers are referred to “SCI and Other Related Expenses” above and Note 12 of the company’s 31 March 2007 Financial Report for further information on the voluntary funding proposal, and for information on the SCI and related matters.

Asbestos Adjustments to EBIT

The asbestos adjustments are derived from an estimate of future Australian asbestos-related liabilities in accordance with the Amended FFA [already defined above] that was signed with the NSW [already defined above] Government on 21 November 2006 and approved by the company's security holders on 7 February 2007. The adjustments include the "grossing-up" effect of recognising the anticipated tax benefit and other liabilities and assets arising from the asbestos related payments.

The asbestos adjustments comprise the following components for the three months and full year ended 31 March:

US$ Million	Q4 FY07	Q4 FY06	FY07	FY06
Adjustments to the net Amended FFA liability at 30 September 2006	-	-	(41.8)	-
Adjustments to the net Amended FFA liability at 31 March 2007	70.3	-	70.3	-
Impact of tax-effecting the net Amended FFA liability	(335.0)	-	(335.0)	-
Effect of foreign exchange	(17.1)	-	(94.5)	-
Contributions to asbestos research and education	(4.5)	-	(4.5)	-
Initial recording of provision at 31 March 2006	-	(715.6)	-	(715.6)
Asbestos adjustments to EBIT	(286.3)	(715.6)	(405.5)	(715.6)

Adjustments to the Net Amended FFA liability

The discounted central estimate as calculated by KPMG Actuaries Pty Ltd (KPMG Actuaries) is the main component of the net Amended FFA liability. In addition to the discounted central estimates there are US GAAP adjustments that are required to be made as the standards of US GAAP differ from actuarial standards. KPMG Actuaries Pty Ltd issued two additional reports during fiscal year 2007 (at 30 September 2006 and at 31 March 2007) adjusting the discounted central estimate and other amounts related to the net Amended FFA liability. The following table illustrates the impact on the net Amended FFA liability of the updated KPMG Actuaries' valuations:

September 2006 Valuation:

(in A$ millions, except where indicated)	30 September 2006	31 March 2006	Increase / (decrease)
Discounted Central Estimate	A$ 1,554.8	A$ 1,517.0	A$ 37.8
US GAAP Adjustments			
Discounting and inflation allowance	(112.6)	(113.2)	0.6
Uninflated and undiscounted central estimate	1,442.2	1,403.8	38.4
Provision for claims handling costs of AICF	67.7	67.7	-
Other US GAAP adjustments	31.5	28.7	2.8
Net (assets) liabilities of AICF excluding funding payments	(33.0)	(71.6)	38.6
Total net Amended FFA liability pre-tax	1,508.4	1,428.6	79.8
Total net Amended FFA liability post-tax	A$ 1,055.9	A$ 1,000.0	A$ 55.9
Exchange rate – A$ to US$ - 30 September 2006			1.3365
Increase (decrease) in the net Amended FFA liability (US$)			US$ 41.8

March 2007 Valuation:

(in A$ millions, except where indicated)	**31 March 2007**	**30 September 2006**	**Increase / (decrease)**
Discounted Central Estimate	A$ 1,355.1	A$ 1,554.8	A$ (199.7)
US GAAP Adjustments			
Discounting and inflation allowance	(82.1)	(112.6)	30.5
Uninflated and undiscounted central estimate	1,273.0	1,442.2	(169.2)
Provision for claims handling costs of AICF	69.2	67.7	1.5
Other US GAAP adjustments	39.6	31.5	8.1
Net (assets) liabilities of AICF excluding funding payments	2.2	(33.0)	35.2
Total net Amended FFA liability pre-tax	1,384.0	1,508.4	(124.4)
Total net Amended FFA liability post-tax	A$ 968.8	A$ 1,055.9	A$ (87.1)
Exchange rate – A$ to US$ - 31 March 2007			1.2395
Increase (decrease) in the net Amended FFA liability (US$)			US$ (70.3)

The uninflated and undiscounted central estimate and the provision for claims handling costs of the AICF are recorded on the balance sheet under the caption asbestos liability. The other US GAAP adjustments, net assets (liabilities) of the AICF, and the tax effect of the net Amended FFA liability are recorded within other captions on the balance sheet; readers are referred to the section *Net Amended FFA Liability* below for further details.

Impact of Tax Effecting the Net Amended FFA Liability

Prior to the final approval of the Amended FFA by James Hardie shareholders on 7 February 2007, the net Amended FFA liability had been recorded in the accounts of James Hardie net of the anticipated tax effect on the company of its payments to the AICF. Following approval by shareholders, a deferred tax asset of US$335.0 million has been recorded to reflect the anticipated tax deductions commensurate with the projected payments under the Amended FFA.

Effect of Foreign Exchange

The components of the net Amended FFA liability are denominated in Australian dollars and thus the reported value of the net Amended FFA liability 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$17.1 million and US$94.5 million for the three months and full year ended 31 March 2007, respectively.

Contributions to Asbestos Research and Education

Following the adoption of the Amended FFA, a provision of US$4.5 million was recorded for amounts James Hardie will pay for asbestos medical research funding and an asbestos education campaign over the next ten years based on the provisions of the Amended FFA.

Net Amended FFA Liability

The net Amended FFA liability is presented in the consolidated balance sheet within the following captions at 31 March 2007:

US$ Millions	
Insurance receivables – current	$ 9.4
– non-current	165.1
Workers' compensation receivable – current	2.7
– non-current	76.5
Workers' compensation liability – current	(2.7)
– non-current	(76.5)
Asbestos liability – current	(63.5)
– non-current	(1,225.8)
Deferred tax asset – current	7.8
– non-current	318.2
Income taxes payable (reduction to income tax payable)	9.0
Other net liabilities	(6.3)
Net Amended FFA liability at 31 March 2007	$ (786.1)

EBIT

EBIT increased from a loss of US$662.6 million for the same quarter last year to a loss of US$215.8 million for the current quarter. EBIT for the quarter includes asbestos adjustments of US$286.3 million and SCI and other related expenses of US$5.4 million, as shown in the table below.

For the full year, EBIT increased from a loss of US$434.9 million to a loss of US$86.6 million. EBIT for the fiscal 2007 includes asbestos adjustments of US$405.5 million and SCI and other related expenses of US$13.6 million as shown in the table below.

EBIT - US$ millions

	Three Months and Full Year Ended 31 March					
	Q4 FY07	Q4 FY06	% Change	FY07	FY06	% Change
USA Fibre Cement	$ 84.6	$82.7	2	$ 362.4	$342.6	6
Asia Pacific Fibre Cement	8.8	9.3	(5)	39.4	41.7	(6)
Research & Development	(3.5)	(3.9)	10	(17.1)	(15.7)	(9)
Other	(2.7)	(3.8)	29	(9.3)	(13.1)	29
Impairment charge for roofing plant	-	(13.4)	-	-	(13.4)	-
General Corporate	(16.7)	(17.9)	7	(56.5)	(61.4)	8
Asbestos adjustments	(286.3)	(715.6)	60	(405.5)	(715.6)	43
EBIT	(215.8)	(662.6)	67	(86.6)	(434.9)	80
Excluding:						
Impairment charge for roofing plant	-	13.4	-	-	13.4	-
Asbestos adjustments	286.3	715.6	(60)	405.5	715.6	(43)
SCI and other related expenses	5.4	2.7	100	13.6	17.4	22
EBIT excluding asbestos adjustments, impairment charge and SCI and other related expenses	$ 75.9	$ 69.1	10	$ 332.5	$ 311.5	7
Net sales	$ 360.9	$ 389.8	(7)	$ 1,542.9	$ 1,488.5	4
EBIT margin excluding asbestos adjustments, impairment charge and SCI and other related expenses	21.0%	17.7%		21.6%	20.9%	

USA Fibre Cement EBIT

USA Fibre Cement EBIT for the quarter increased 2% from US$82.7 million to US$84.6 million, primarily due to decreased SG&A spending and lower freight costs, partially offset by the decrease in net sales. For the full year, EBIT increased 6% from US$342.6 million to US$362.4 million. The increase was due primarily to increased net sales and lower unit freight costs, partially offset by higher SG&A expenses. The USA Fibre Cement EBIT margin was 3.8 percentage points higher at 29.2% for the quarter and 0.6 of a percentage point higher at 28.7% for the full year.

Asia Pacific Fibre Cement EBIT

Asia Pacific Fibre Cement EBIT for the quarter decreased 5% from US$9.3 million to US$8.8 million, due to reduced EBIT performance in the Australia and New Zealand Fibre Cement business, partially offset by improved EBIT performance in the Philippines Fibre Cement business and favourable currency movements. In Australian dollars, EBIT for the quarter decreased 11%. For the full year, EBIT decreased 6% from US$41.7 million to US$39.4 million, due to reduced EBIT performance in the Australia and New Zealand Fibre Cement business, partially offset by improved EBIT performance in the Philippines Fibre Cement business. In Australian dollars, EBIT for the full year decreased 7%. The EBIT margin decreased 2.6 percentage points to 13.7% for the quarter and decreased 1.5 percentage points to 15.7% for the full year.

Australia and New Zealand Fibre Cement EBIT for the quarter decreased 14% from US$9.2 million to US$7.9 million. In Australian dollars, EBIT decreased 21% due to higher SG&A spending, increased manufacturing costs and a lower average net sales price partially offset by increased sales volumes. The EBIT margin decreased 4.1 percentage points to 14.0% for the quarter.

For the full year, EBIT for the Australia and New Zealand Fibre Cement business decreased 8% from US$38.9 million to US$35.7 million. In Australian dollars, EBIT decreased 10% due to increased manufacturing costs, including costs associated with the temporary closure of the Rosehill plant in late 2006 and a lower average net sales price, partially offset by an increase in sales volume and decreased SG&A spending. The EBIT margin decreased 1.8 percentage points to 16.0% for the full year.

The Philippines Fibre Cement business recorded an increase in EBIT for the quarter and the full year due to increases in volume and improved operating efficiencies, partially offset by increased SG&A costs.

Other EBIT

The USA Hardie Pipe business recorded a small negative EBIT for the quarter and a small positive EBIT for the full year compared to small EBIT losses in the same periods last year.

The Europe Fibre cement business incurred an EBIT loss for the quarter and the full year as it continued to build 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 fiscal 2007, this business incurred closure costs of US$1.2 million.

General Corporate Costs

General corporate costs for the quarter decreased by US$1.2 million from US$17.9 million to US$16.7 million. The decrease was primarily due to a decrease of US$4.1 million in earnings-related employee bonuses, partially offset by an increase in SCI and other related expenses of US$2.7 million.

For the full year, general corporate costs decreased by US$4.9 million from US$61.4 to US$56.5 million. The reduction was primarily caused by a decrease of US$6.5 million in earnings-related bonuses and a decrease of US$3.8 million in SCI and other related expenses, partially offset by an increase of US$1.0 million in defined benefit pension costs and an increase of US$4.5 million in other corporate costs.

Net Interest (Expense) Income

Net interest expense for the quarter increased US$4.9 million from net interest income of US$0.7 million to net interest expense of US$4.2 million. For the full year, net interest expense increased from US$0.2 million to US$6.5 million. The increase in net interest expense was due to the higher average level of net debt outstanding compared to the same periods in the prior year.

Income Tax Benefit (Expense)

Income tax benefit for the quarter increased US$312.1 million from US$11.0 million to US$323.1 million primarily due to the US$335.0 million tax benefit related to asbestos adjustments. In the prior year, the income tax benefit was a result of the release of a tax provision of US$20.7 million. Excluding the tax benefit related to asbestos adjustments and the tax provision write-back of US$3.0 million, income tax expense for the quarter was US$14.9 million. The company's effective tax rate on earnings excluding asbestos adjustments, tax benefit related to asbestos adjustments and tax provision write-back was 22.5%.

The income tax benefit for the full year increased US$315.5 million from an income tax expense of US$71.6 million in fiscal year 2006 to an income tax benefit of US$243.9 million in fiscal year 2007. The increase is due primarily to the US$335.0 million tax benefit related to asbestos adjustments and the tax provision write-back of US$10.4 million, partially offset by the increase in taxable income for the full year and a change in the geographical mix of earnings. The company's effective tax rate on earnings excluding asbestos adjustments, tax benefit related to asbestos adjustments and the write-back of a tax provision was 32.5%.

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 Australian Taxation Office (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 subsequent remissions of general interest charges 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 general interest charges.

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 (US$152.5 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 general interest charges accruing on the unpaid balance of the amended assessment in arrears on a quarterly basis. The first payment of accrued general interest charges of A$2.9 million (US$2.3 million) was paid on 16 October 2006. However, the company has not recorded any liability at 31 March 2007 for the remainder of the amended assessment because, at this time, the company believes RCI's view of its tax position will be upheld on appeal; therefore no such liability is probable in accordance with US accounting standards.

The company has treated all payments in relation to the disputed assessment as a deposit in the condensed consolidated financial statements and the company currently intends to treat any future payments as a deposit pending resolution of this matter.

Readers are referred to Note 14 of the 31 March 2007 Financial Report for further information on the ATO amended assessment.

Net Operating Profit (Loss)

Net operating profit (loss) for the quarter increased from a net operating loss of US$650.9 million in the final quarter of fiscal 2006 to a net operating profit of US$103.1 million in the fourth quarter of fiscal 2007. Net operating profit for the current period includes asbestos adjustments of US$286.3 million, a tax benefit related to asbestos adjustments of US$335.0 million, SCI and other related expenses of US$5.4 million (US$5.0 million after tax), and a tax provision write-back of US$3.0 million. In the comparable period last year, net operating loss included an impairment charge of US$13.4 million (US$8.0 million after tax) relating to the closure of the roofing plant, SCI and other related expenses of US$2.7 million (US$2.5 million after tax) and a write-back of tax provision of US$20.7 million. For the quarter, net operating profit excluding asbestos adjustments, tax benefit related to asbestos adjustments, impairment charge, SCI and other related expenses and tax provision write-back increased 3% from US$54.5 million to US$56.4 million as shown in the table below.

For the full year, net operating profit (loss) decreased from a net operating loss of US$506.7 million in fiscal year 2006 to a net operating profit of US$151.7 million in fiscal year 2007 and includes asbestos adjustments for the full year of US$405.5 million and a tax benefit related to asbestos adjustments of US$335.0 million. Also included in net operating profit for fiscal year 2007 are SCI and other related expenses of US$13.6 million (US$12.6 million after tax), the make-whole payment on the prepayment of US$ notes of US$6.0 million (US$5.6 million after tax) and a tax provision write-back of US$10.4 million. In the comparable period last year, net operating loss included an impairment charge of US$13.4 million (US$8.0 million after tax) relating to the closure of the roofing plant, SCI and other related expenses of US$17.4 million (US$16.5 million after tax) and a write-back of tax provision of US$20.7 million. For the full year, net operating profit excluding asbestos adjustments, tax benefit related to asbestos adjustments, impairment charge, SCI and other related expenses, the make-whole payment and the tax provision write-back increased 8% to US$230.0 million as shown in the table below.

Net Operating (Loss) Profit - US$ millions

	Three Months and Full year Ended 31 March					
	Q4 FY07	Q4 FY06	% Change	FY07	FY06	% Change
Net operating profit (loss)	$ 103.1	$ (650.9)	-	$ 151.7	$(506.7)	-
Excluding:						
Impairment charge for roofing plant (net of tax)	-	8.0	-	-	8.0	-
Asbestos adjustments	286.3	715.6	60	405.5	715.6	43
Tax benefit related to asbestos adjustments	(335.0)	-	-	(335.0)	-	-
SCI and other related expenses (net of tax)	5.0	2.5	-	12.6	16.5	24
Make-whole payment (net of tax)	-	-	-	5.6	-	-
Tax provision write-back	(3.0)	(20.7)	-	(10.4)	(20.7)	(50)
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	$ 56.4	$ 54.5	3	$ 230.0	$212.7	8

The company has included the above 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 excluding asbestos-related adjustments, the tax benefit related to asbestos adjustments, impairment charge, SCI and other related expenses, the make-whole payment and the tax provision write-back.

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.

The company had cash and cash equivalents of US$34.1 million as of 31 March 2007. At that date it also had credit facilities totalling US$355.0 million, of which US$188.0 million was drawn. The credit facilities are all uncollateralised and consist of the following:

		At 31 March 2007	
Description	**Effective Interest Rate**	**Total Facility**	**Principal Drawn**
(US$ millions)			
US$ 364-day facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until December 2007	5.82%	$ 110.0	$ 83.0
US$ term facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until June 2010	5.98%	$ 245.0	$ 105.0
Total		$ 355.0	$ 188.0

At 31 March 2007, the company had net debt of US$153.9 million, compared with net cash of US$12.4 million at 31 March 2006.

At 31 March 2007, the company had US$ 364-day facilities in the amount of US$110.0 million, which expire in December 2007 and term facilities in the amount of US$245.0 million, which expire in June 2010. At 31 March 2007, there was US$188.0 million drawn under the combined facilities and US$167.0 million was available, but unutilised.

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$152.5 million) along with the provision of a guarantee from JHI NV in favour of the ATO for the unpaid balance of the assessment. [do we need to explain here what the assessment was – or refer people to the section above – just seems strange to have it appear like this] The company has also agreed to pay general interest charges 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 full year fell from cash provided by operating activities of US$240.6 million to cash used in operating activities of US$67.1 million. The decrease was primarily due to the A$191.9 million (US$154.8 million) ATO deposit payment and the A$184.3 (US$148.7) initial funding payment made to the AICF. As a result, at 31 March 2007, the company had net debt of US$153.9 million compared to net cash of US$12.4 million at 31 March 2006.

Capital expenditures for the purchase of property, plant and equipment decreased from US$162.0 million to US$92.6 million for the full year.

Asbestos Compensation Funding Arrangement

In late 2006, the Board of JHI NV approved amendments to the Original 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 Amended FFA on 21 November 2006.

The Amended FFA was consistent in all material respects 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 AICF. The arrangements include:

- the establishment of the AICF to provide compensation to Australian asbestos-related personal injury claimants with proven claims against the Former James Hardie Companies;
- initial funding of approximately A$184.3 million provided by the Performing Subsidiary to the AICF, calculated on the basis of an actuarial report prepared by KPMG Actuaries as of 30 September 2006. That report provided an estimate of the discounted net present value of all present and future Australian asbestos-related personal injury claims against the Former James Hardie Companies of A$1.55 billion (US$1.25 billion);
- subject to the cap described below, an annual contribution in advance to top up the funds in the AICF to equal the actuarially calculated estimate of expected Australian asbestos-related personal injury claims against the Former James Hardie Companies for the following three years, to be revised annually (so as to create a rolling cash “buffer” in the AICF);
- a cap on the annual payments made by the Performing Subsidiary to the AICF, initially set at 35% of the company’s free cash flow (defined as cash from operations in accordance with US GAAP in force at the date of the Original FFA) for the immediately preceding financial year, with provisions for the percentage to decline over time depending upon the company’s financial performance (and therefore the contributions already made to the AICF) and the claims outlook;
- an initial term to 31 March 2045, at the end of which time the parties may either agree upon a final payment to be made by the company in satisfaction of any further funding obligations, or have the term automatically extended for further periods of 10 years until such agreement is reached or the relevant asbestos-related liabilities cease to arise;
- the entry by the parties and/or others into agreements ancillary to or connected with the Amended FFA (the “Related Agreements”);
- no cap on individual payments to asbestos claimants;
- the Performing Subsidiary’s payment obligations are guaranteed by JHI NV;
- the AICF’s claims to the funding payments required under the Amended FFA will be subordinated to the claims of the company’s lenders;
- the compensation arrangements will extend to members of the Baryulgil community for asbestos-related claims arising from the activities of a former subsidiary of ABN 60; and

- JHI NV will, for 10 years, provide an annual sum of A$500,000 for the purpose of medical research into the prevention, treatment and cure of asbestos disease and contribute an annual sum of A$75,000 towards an education campaign for the benefit of the Australian public on the dangers of asbestos.

In the fourth quarter of fiscal year 2007, all conditions precedent, including the following, were satisfied:

- receipt of an independent expert's report confirming that the funding proposal is in the best interests of the company and its enterprise as a whole;
- approval of the company's lenders and confirmation satisfactory to the company's Board of Directors, acting reasonably, that the contributions to be made by JHI NV and the Performing Subsidiary under the Amended FFA will be tax deductible;
- confirmation as to the expected tax consequences arising to the AICF and others from implementing the arrangements;
- approval by the company's security holders at an extraordinary general meeting held on 7 February 2007; and
- initial funding payment of A$184.3 million (US$148.7 million) to the AICF on 9 February 2007.

The Amended FFA is now in operation. The AICF has net assets at 31 March 2007 of A$182.1 million.

Readers are referred to "SCI and Other Related Expenses" above and Note 12 of the company's 31 March 2007 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 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 28 May 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 2006 with the SEC on 29 September 2006.

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 website or by contacting one of the company's corporate offices. Contact details are available on the company's website.

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 asbestos adjustments – EBIT and EBIT margin excluding asbestos adjustments 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	Q4 FY07	Q4 FY06	FY07	FY06
EBIT	$ (215.8)	$ (662.6)	$ (86.6)	$ (434.9)
Asbestos adjustments	286.3	715.6	405.5	715.6
EBIT excluding asbestos adjustments	70.5	53.0	318.9	280.7
Net Sales	$ 360.9	$ 389.8	$ 1,542.9	$ 1,488.5
EBIT margin excluding asbestos adjustments	19.5%	13.6%	20.7%	18.9%

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

US$ Million	Q4 FY07	Q4 FY06	FY07	FY06
EBIT	$ (215.8)	$ (662.6)	$ (86.6)	$ (434.9)
Asbestos adjustments	286.3	715.6	405.5	715.6
Impairment of roofing plant	-	13.4	-	13.4
SCI and other related expenses	5.4	2.7	13.6	17.4
EBIT excluding asbestos adjustments, impairment charge and SCI and other related expenses	$ 75.9	$ 69.1	$ 332.5	$ 311.5

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	Q4 FY07	Q4 FY06	FY07	FY06
Net operating profit (loss)	$ 103.1	$ (650.9)	$ 151.7	$ (506.7)
Asbestos adjustments	286.3	715.6	405.5	715.6
Tax benefit related to asbestos adjustments	(335.0)	-	(335.0)	-
Net operating profit excluding asbestos adjustments and tax benefit related to asbestos adjustments	$ 54.4	$ 64.7	$ 222.2	$ 208.9

Diluted earnings per share excluding asbestos adjustments, tax benefit related to asbestos adjustments, impairment charge, SCI and other related expenses, make-whole payment and tax provision write-back – Diluted earnings per share 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 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	Q4 FY07	Q4 FY06	FY07	FY06
Net operating (loss) profit	$ 103.1	$ (650.9)	$ 151.7	$ (506.7)
Asbestos adjustments	286.3	715.6	405.5	715.6
Tax benefit related to asbestos adjustments	(335.0)	-	(335.0)	-
Impairment of roofing plant (net of tax)	-	8.0	-	8.0
SCI and other related expenses (net of tax)	5.0	2.5	12.6	16.5
Make-whole payment (net of tax)	-	-	5.6	-
Tax provision write-back	(3.0)	(20.7)	(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	$ 56.4	$ 54.5	$ 230.0	$212.7
Weighted average common shares outstanding - Diluted (millions)	469.0	467.0	466.4	465.0
Diluted earnings per share excluding asbestos adjustments, tax benefit related to asbestos adjustments, impairment charge, SCI and other related expenses, make-whole payment and tax provision write-back (US cents)	12.0	11.7	49.3	45.7

Effective tax rate excluding asbestos adjustments, tax benefit related to asbestos adjustments and tax provision write-back – Effective tax rate excluding asbestos adjustments, tax benefit related to asbestos adjustments and tax provision write-back is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than effective tax rate. The company has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations. The company's management uses this non-US GAAP measure for the same purposes.

US$ Million	Q4 FY07	Q4 FY06	FY07	FY06
Operating (loss) profit before income taxes	$ (220.0)	$ (661.9)	$ (93.1)	$ (435.1)
Asbestos adjustments	286.3	715.6	405.5	715.6
Operating profit before income taxes excluding asbestos adjustments	$ 66.3	$ 53.7	$312.4	$ 280.5
Income tax benefit / (expense)	323.1	11.0	243.9	(71.6)
Tax benefit related to asbestos adjustments	(335.0)	-	(335.0)	-
Tax provision write-back	(3.0)	(20.7)	(10.4)	(20.7)
Income tax benefit / (expense) excluding tax benefit related to asbestos adjustments and tax provision write-back	$ (14.9)	$ (9.7)	$ (101.5)	$ (92.3)
Effective tax rate excluding asbestos adjustments, tax benefit related to asbestos adjustments and tax provision write-back	22.5%	18.1%	32.5%	32.9%

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 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 12 of the 31 March 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 31 March 2007 Financial Report.

James Hardie Industries N.V.
Consolidated Balance Sheet
31 March 2007
(Unaudited)

US$ Million	Total Fibre Cement Operations - excluding Asbestos Compensation	Asbestos Compensation	As Reported
ASSETS			
Current assets:			
Cash and cash equivalents	$ 34.1	$ -	$ 34.1
Restricted cash and cash equivalents	5.0	146.9	151.9
Accounts and notes receivable, net of allowance for doubtful accounts of $1.5m	162.9	0.5	163.4
Inventories	147.6	-	147.6
Prepaid expenses and other current assets	32.3	0.1	32.4
Insurance receivables	-	9.4	9.4
Workers' compensation	-	2.7	2.7
Deferred income taxes	27.3	7.8	35.1
Total current assets	409.2	167.4	576.6
Property, plant and equipment, net	827.3	0.4	827.7
Insurance receivables	-	165.1	165.1
Workers' compensation	-	76.5	76.5
Deferred income taxes	6.9	318.2	325.1
Deposit with Australian Taxation Office	154.8	-	154.8
Other assets	2.3	-	2.3
Total assets	$ 1,400.5	$ 727.6	$ 2,128.1
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	$ 100.0	$ 0.8	$ 100.8
Short-term debt	39.3	43.7	83.0
Accrued payroll and employee benefits	41.9	0.1	42.0
Accrued product warranties	5.7	-	5.7
Income taxes payable	19.6	(9.0)	10.6
Asbestos liability	-	63.5	63.5
Workers' compensation	-	2.7	2.7
Other liabilities	9.3	-	9.3
Total current liabilities	215.8	101.8	317.6
Long-term debt	-	105.0	105.0
Deferred income taxes	93.8	-	93.8
Accrued product warranties	9.5	-	9.5
Asbestos liability	-	1,225.8	1,225.8
Workers' compensation	-	76.5	76.5
Other liabilities	36.6	4.6	41.2
Total liabilities	355.7	1,513.7	1,869.4
Commitments and contingencies			
Shareholders' equity			
Common stock, Euro 0.59 par value, 2.0 billion shares authorised; 467,295,391 shares issued and outstanding	251.8	-	251.8
Additional paid-in capital	180.2	-	180.2
Retained earnings (Accumulated deficit)	607.4	(786.1)	(178.7)
Accumulated other comprehensive income	5.4	-	5.4
Total shareholders' equity	1,044.8	(786.1)	258.7
Total liabilities and shareholders' equity	$ 1,400.5	$ 727.6	$ 2,128.1

James Hardie Industries N.V.
Consolidated Statement of Operations
For the full year ended 31 March 2007
(Unaudited)

US$ Million	Total Fibre Cement Operations - excluding Asbestos Compensation	Asbestos Compensation	As Reported
Net Sales			
USA Fibre Cement	$ 1,262.3	$ -	$ 1,262.3
Asia Pacific Fibre Cement	251.7	-	251.7
Other	28.9	-	28.9
Total Net Sales	1,542.9	-	1,542.9
Cost of goods sold	(969.9)	-	(969.9)
Gross profit	573.0	-	573.0
Selling, general and administrative expenses	(214.6)	-	(214.6)
Research and development expenses	(25.9)	-	(25.9)
SCI and other related expenses	(13.6)	-	(13.6)
Asbestos adjustments	-	(405.5)	(405.5)
EBIT	318.9	(405.5)	(86.6)
Net interest expense	(6.5)	-	(6.5)
Operating profit (loss) before income taxes	312.4	(405.5)	(93.1)
Income tax (expense) benefit	(91.1)	335.0	243.9
Operating Profit (loss) Before Cumulative Effect of Change in Accounting Principle	221.3	(70.5)	150.8
Cumulative effect of change in accounting principle for stock-based compensation (net of $0.4 million tax)	0.9	-	0.9
Net Operating Profit (loss)	$ 222.2	$ (70.5)	$ 151.7
Volume (mmsf)			
USA Fibre Cement	2,148.0	-	2,148.0
Asia Pacific Fibre Cement	390.8	-	390.8
Average net sales price per unit (per msf)			
USA Fibre Cement	US$588	-	US$588
Asia Pacific Fibre Cement	US$842	-	US$842

James Hardie Industries N.V.
Consolidated Statement of Cash Flows
For the full year ended 31 March 2007
(Unaudited)

US $ Million	Total Fibre Cement Operations - excluding Asbestos Compensation	Asbestos Compensation	As Reported
Cash Flows From Operating Activities			
Net income (loss)	$ 222.2	$ (70.5)	$ 151.7
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortisation	50.7	-	50.7
Deferred income taxes	15.6	(326.0)	(310.4)
Prepaid pension cost	(0.4)	-	(0.4)
Stock-based compensation	4.5	-	4.5
Asbestos adjustments	-	405.5	405.5
Effect of cumulative change in accounting principle	(0.9)	-	(0.9)
Deposit with Australian Taxation Office	(154.8)	-	(154.8)
Other	1.3	-	1.3
Changes in operating assets and liabilities:			
Restricted cash and cash equivalents	(5.0)	(146.9)	(151.9)
Accounts and notes receivable	(4.8)	-	(4.8)
Inventories	(19.5)	-	(19.5)
Prepaid expenses and other current assets	(0.1)	-	(0.1)
Accounts payable and accrued liabilities	(18.4)	-	(18.4)
Other accrued liabilities and other liabilities	(8.8)	(10.8)	(19.6)
Net cash provided by (used in) operating activities	$ 81.6	$ (148.7)	$ (67.1)
Cash Flows From Investing Activities			
Purchases of property, plant and equipment	(92.6)	-	(92.6)
Net cash used in investing activities	$ (92.6)	$ -	$ (92.6)
Cash Flows From Financing Activities			
Repayments of short-term borrowings	(98.0)	-	(98.0)
Proceeds from long-term borrowings	105.0	-	105.0
Repayments of long-term borrowings	(121.7)	-	(121.7)
Initial funding of AICF	(148.7)	148.7	-
Proceeds from issuance of shares	18.5	-	18.5
Tax benefit from stock options exercised	1.8	-	1.8
Dividends paid	(42.1)	-	(42.1)
Collections of loans receivable	0.1	-	0.1
Net cash provided by (used in) financing activities	$ (285.1)	$ 148.7	$ (136.4)
Effects of exchange rate changes on cash	15.1	-	15.1
Net decrease in cash and cash equivalents	(281.0)	-	(281.0)
Cash and cash equivalents at beginning of period	315.1	-	315.1
Cash and cash equivalents at end of period	$ 34.1	$ -	$ 34.1
Components of Cash and Cash Equivalents			
Cash at bank and on hand	$ 26.1	-	$ 26.1
Short-term deposits	8.0	-	8.0
Cash and cash equivalents at end of period	$ 34.1	$ -	$ 34.1

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 & 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 5 of our Form 20-F filed on 29 September 2006 with the Securities and Exchange Commission, include but are not limited to: all matters relating to or arising out of the prior manufacture of products that contained asbestos by current and former James Hardie subsidiaries; 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 successful implementation of the internal control over financial reporting requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as codified by Item 308 of regulation S-K. We caution you that the foregoing list of factors is not exhaustive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements. Forward-looking statements speak only as of the date they are made.