James Hardie

MANAGEMENT'S ANALYSIS OF RESULTS

19 November 2007

James Hardie Industries N.V.
Results for the 2nd Quarter and Half Year Ended 30 September 2007

US GAAP - US$ Millions	Three Months and First Half Ended 30 September					
	Q2 FY08	Q2 FY07	% Change	HY FY08	HY FY07	% Change
Net Sales						
USA Fibre Cement	$308.0	$339.0	(9)	$654.1	$687.9	(5)
Asia Pacific Fibre Cement	76.1	63.8	19	147.3	123.0	20
Other	6.0	8.6	(30)	13.1	16.0	(18)
Total Net Sales	$390.1	$411.4	(5)	$814.5	$826.9	(1)
Cost of goods sold	(251.3)	(256.2)	2	(508.8)	(514.0)	1
Gross profit	138.8	155.2	(11)	305.7	312.9	(2)
Selling, general and administrative expenses	(58.1)	(57.2)	(2)	(113.6)	(108.9)	(4)
Research & development expenses	(7.1)	(6.6)	(8)	(13.4)	(14.1)	5
SCI and other related expenses	-	(3.2)	-	-	(5.6)	-
Asbestos adjustments	(28.9)	(47.2)	39	(59.0)	(74.4)	21
EBIT	44.7	41.0	9	119.7	109.9	9
Net interest income (expense)	2.0	1.0	-	2.5	(1.0)	-
Operating profit before income taxes	46.7	42.0	11	122.2	108.9	12
Income tax expense	(27.6)	(20.9)	(32)	(64.0)	(53.2)	(20)
Operating profit before cumulative effect of change in accounting principle	19.1	21.1	(9)	58.2	55.7	4
Cumulative effect of change in accounting principle for stock-based compensation, net of income tax expense of nil and US$0.4 million, respectively	-	-	-	-	0.9	-
Net operating profit	$19.1	$21.1	(9)	$58.2	$56.6	3
Earnings per share – diluted (US cents)	4.1	4.5	(9)	12.4	12.1	2
Volume (mmsf)						
USA Fibre Cement	511.7	573.4	(11)	1,085.1	1,179.1	(8)
Asia Pacific Fibre Cement	104.5	100.7	4	202.5	192.5	5
Average net sales price per unit (per msf)						
USA Fibre Cement	US$602	US$591	2	US$603	US$583	3
Asia Pacific Fibre Cement	A$859	A$837	3	A$866	A$849	2

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 13. The company presents financial measures that it believes are customarily used by its Australian investors. Specifically, these financial measures, for which reconciliations to GAAP measures follow such definitions, include "EBIT", "EBIT margin", "Operating profit" and "Net operating profit". The company may also present other terms for measuring its sales volumes ("million square feet (mmsf)" and "thousand square feet (msf)"); financial ratios ("Gearing ratio", "Net interest expense cover", "Net interest paid cover", "Net debt payback", "Net debt/cash"); and Non-US GAAP financial measures ("EBIT and EBIT margin excluding asbestos", "Net operating profit excluding asbestos", "Diluted earnings per share excluding asbestos", "Operating profit before income taxes excluding asbestos", "Income tax expense excluding asbestos", "Effective tax rate excluding asbestos", and "EBITDA"). Unless otherwise stated, results and comparisons are of the 2nd quarter and 1st half of the current fiscal year versus the 2nd quarter and 1st half of the prior fiscal year.

Total Net Sales

Total net sales for the quarter decreased 5% compared to the same quarter of the previous year, from US$411.4 million to US$390.1 million. For the half year, total net sales decreased 1% from US$826.9 million to US$814.5 million.

Net sales from USA Fibre Cement for the quarter decreased 9% from US$339.0 million to US$308.0 million due to decreased sales volume, partly offset by an increase in the average net sales price. For the half year, net sales from USA Fibre Cement decreased 5% from US$687.9 million to US$654.1 million due to decreased sales volume, partly offset by a higher average net sales price.

Net sales from Asia Pacific Fibre Cement for the quarter increased 19% from US$63.8 million to US$76.1 million. For the half year, net sales from Asia Pacific Fibre Cement increased 20% from US$123.0 million to US$147.3 million. The increases were due to favourable currency exchange differences, increased sales volumes and a higher average net sales price.

Other net sales for the quarter decreased 30% from US$8.6 million to US$6.0 million, and for the half year decreased 18% from US$16.0 million to US$13.1 million. The decreases were due to reduced sales in the USA Hardie Pipe business, partly offset by improved sales performance in the Europe Fibre Cement business.

USA Fibre Cement

Quarter

Net sales decreased 9% from US$339.0 million in the second quarter of the prior fiscal year to US$308.0 million due to decreased sales volume, partly offset by an increase in the average net sales price.

Sales volume decreased 11% from 573.4 million square feet to 511.7 million square feet for the quarter, as demand for the company's products was adversely affected by the weaker residential housing construction market.

The average net sales price increased 2% from US$591 per thousand square feet to US$602 per thousand square feet primarily due to price increases within the past year.

Half Year

Net sales decreased 5% from US$687.9 million to US$654.1 million due to decreased sales volume, partly offset by a higher average net sales price.

Sales volume decreased 8% from 1,179.1 million square feet to 1,085.1 million square feet for the half year, as demand for the company's products was adversely affected by a weaker residential housing construction market.

The average net sales price increased 3% from US$583 per thousand square feet to US$603 per thousand square feet due to price increases within the past year.

Discussion

The residential construction market weakened further during the quarter as high inventory levels of new houses for sale and affordability issues associated with higher interest rates and tightened lending standards in the mortgage market continued to impact housing construction activity.

Housing starts, as reported by the US Census Bureau, decreased 24% for the three months ended 30 September 2007, following a 21% and 31% decline in starts for the previous two quarters respectively. The National Association of Home Builders reported that builder confidence in September was at a record low level. Repair and remodelling activity was again slightly weaker during the quarter compared to the same period last year.

The impact of the weaker housing market on net sales was again partly offset by market penetration against alternative materials and a small increase in the average net sales price. There was moderate sales growth in our ColorPlus® collection of products, XLD® trim and in our half-inch interior backerboard product, but sales of other higher-priced differentiated products such as HardieShingle™ planks and Vented Soffit were significantly lower compared to the same period last year.

Geographically, sales volumes in our exterior products category were lower in all operating divisions, although the Western Division continued to perform particularly well, reporting only a 3% decrease in sales volumes despite a 24-30% decline in housing starts for the regions in that division. Sales in our interior products category were slightly lower compared to the same quarter last year.

In September, the business launched Artisan® Lap and Artisan™ Accent Trim in the Atlanta, Georgia market. The new premium exterior products are designed to appeal to architects, developers and builders who work in the custom home segment of the market. A wider geographic launch of these products is expected to commence in 2008.

For the half year, market penetration in the exterior and interior product categories and an increase in the average net sales price helped to partly buffer the impact on net sales of significantly weaker residential housing construction activity during the first six months of this fiscal year.

On 31 October 2007, the company announced the proposed suspension of production at its Blandon, Pennsylvania plant in response to current US housing market conditions. The Blandon facility has an annual production capacity of 200 million square feet, but has been running at reduced operating levels since the business was reset in late 2006-early 2007 in anticipation of reduced demand. Blandon is the least cost-efficient of the business' ten manufacturing plants, which have a total production capacity of 3.4 billion square feet.

Asia Pacific Fibre Cement

Net sales for the quarter increased 19% from US$63.8 million to US$76.1 million. Net sales increased 7% in Australian dollars due to a 4% increase in sales volume and a 3% increase in the average Australian dollar net sales price. The increase in reported sales in US dollars was also assisted by the favourable Australian dollar exchange rate. Over the period the weighted average value of the Australian dollar was 12% higher against the US dollar compared to the same period last year.

Net sales for the half year increased 20% from US$123.0 million to US$147.3 million. Net sales increased 7% in Australian dollars due to a 5% increase in sales volume and a 2% increase in the average Australian dollar net sales price. The increase in reported sales in US dollars was also assisted by the favourable Australian dollar exchange rate. Over the period the weighted average value of the Australian dollar was 13% higher against the US dollar compared to the same period last year.

Discussion

Residential construction activity was slightly weaker in Australia, flat in New Zealand and stronger in the Philippines compared to the same quarter last year. Net sales increased in Australia, New Zealand and the Philippines. In Australia, the business continued to grow the fibre cement segment and increase market share through sales of its Scyon™ product range. Sales of the Scyon™ product range increased 65% compared to the same quarter last year. In New Zealand, continuing strong growth in sales of Linea™ weatherboards helped the business increase market share and the proportion of value-added, differentiated products in its sales mix. In the Philippines, net sales increased mainly as a result of higher domestic prices and an increased proportion of higher-priced exports in the sales mix.

The average sales price increased 3%, from A$837 per thousand square feet to A$859 per thousand square feet due to a price increase in Australia, New Zealand and the Philippines and a change in the sales mix.

For the half year, the increase in net sales was driven by stronger primary demand for fibre cement in Australia and New Zealand, helped by sales growth in the Scyon™ product range in Australia and Linea™ weatherboards in New Zealand, a higher average net sales price and favourable foreign currency movements.

Other

USA Hardie Pipe

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

Europe Fibre Cement

Sales continued to grow steadily during the quarter and half year.

Gross Profit

Quarter

Gross profit decreased 11% from US$155.2 million to US$138.8 million. The gross profit margin decreased 2.1 percentage points from 37.7% to 35.6%.

USA Fibre Cement gross profit decreased 14% compared to the same quarter last year due to lower sales volume and higher unit costs. The increase in unit costs was due primarily to higher material costs and costs associated with recommencing production on two manufacturing lines at Fontana, California and Peru, Illinois to help rebuild inventory to enable an improvement in service levels. Pulp costs increased 10% compared to the same quarter last year. The gross profit margin decreased by 2.1 percentage points.

Asia Pacific Fibre Cement gross profit increased 12% compared to the same period last year due to favourable currency movements. In Australian dollars, gross profit was flat due to increased sales volumes and a higher average sales price being offset by higher manufacturing costs. The gross profit margin decreased by 1.9 percentage points.

Half Year

Gross profit decreased 2% from US$312.9 million to US$305.7 million. The gross profit margin decreased 0.3 of a percentage point from 37.8% to 37.5%.

USA Fibre Cement gross profit decreased 4% compared to the same period last year due to lower sales volumes and higher unit costs, partly offset by a higher average net sales price. The gross profit margin decreased by 0.2 of a percentage point.

Asia Pacific Fibre Cement gross profit increased 12% compared to the same period last year due to favourable currency movements. In Australian dollars, gross profit was flat due to increased sales volumes and a higher average sales price, offset by higher manufacturing costs. The gross profit margin decreased by 2.2 percentage points.

Selling, General and Administrative (SG&A) Expenses

SG&A expenses increased 2% for the quarter from US$57.2 million to US$58.1 million. As a percentage of sales, SG&A expenses increased 1.0 percentage point to 14.9%.

For the half year, SG&A expenses increased 4% from US$108.9 million to US$113.6 million, primarily due to higher warranty provisions relating to non-US activities. As a percentage of sales, SG&A expense increased 0.7 of a percentage point to 13.9%.

SG&A expenses for the current quarter and half year also include non-claims handling related operating expenses of the Asbestos Injuries Compensation Fund (AICF) amounting to US$1.1 million and US$1.7 million, respectively.

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

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

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

Research and Development Expenses

Research and development expenses include costs associated with "core" research projects that are designed to benefit all business units. These costs are recorded in the Research and Development segment rather than being attributed to individual business units. These costs were 45% higher for the quarter at US$4.5 million and 33% higher for the half year at US$8.5 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 26% lower for the quarter at US$2.6 million and 36% lower for the half year at US$4.9 million.

Special Commission of Inquiry (SCI) and Other Related Expenses

During the second quarter, SCI and other related expenses were nil compared to US$3.2 million for the same period last year. For the half year, SCI and other related expenses were nil compared to US$5.6 million for the same period last year. Now that the Amended Final Funding Agreement (Amended FFA) has been implemented, the company anticipates no significant SCI and other related expenses going forward.

Asbestos Adjustments

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

The asbestos-related assets and liabilities are denominated in Australian dollars. Therefore the reported value of these asbestos-related assets and liabilities in the company's consolidated balance sheets in US dollars is subject to adjustment depending on the closing exchange rate between the two currencies at the balance sheet date.

The asbestos adjustments for the quarter and half year ended 30 September 2007 are as follows:

US$ Million	Q2 FY08	Q2 FY07	HY FY08	HY FY07
Effect of foreign exchange	$ (27.0)	$ (5.4)	$ (60.2)	$ (32.6)
Other adjustments	(1.9)	(41.8)	1.2	(41.8)
Asbestos adjustments	$ (28.9)	$ (47.2)	$ (59.0)	$ (74.4)

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

EBIT

EBIT for the quarter increased from US$41.0 million for the same quarter last year to US$44.7 million for the current quarter. EBIT for the quarter includes net unfavourable asbestos adjustments of US$28.9 million and AICF SG&A expenses of US$1.1 million. For the same period in the prior year, EBIT includes net unfavourable asbestos adjustments of US$47.2 million, as shown in the table below.

EBIT for the half year increased from US$109.9 million for the same period last year to US$119.7 million for the current period. EBIT for the half year includes net unfavourable asbestos adjustments of US$59.0 million and AICF SG&A expenses of US$1.7 million; for the same period in the prior year EBIT includes net unfavourable asbestos adjustments of US$74.4 million, as shown in the table below.

EBIT - US$ Millions	Three Months and First Half Ended 30 September					
	Q2 FY08	Q2 FY07	% Change	HY FY08	HY FY07	% Change
USA Fibre Cement	$84.3	$97.8	(14)	$198.7	$201.1	(1)
Asia Pacific Fibre Cement	12.4	11.5	8	24.8	21.8	14
Other	(1.9)	(1.5)	(27)	(3.2)	(4.2)	24
Research & Development	(4.8)	(4.1)	(17)	(8.9)	(8.7)	(2)
General Corporate	(15.3)	(15.5)	1	(31.0)	(25.7)	(21)
Asbestos adjustments	(28.9)	(47.2)	39	(59.0)	(74.4)	21
AICF SG&A expenses	(1.1)	-	-	(1.7)	-	-
EBIT	44.7	41.0	9	119.7	109.9	9
Excluding:						
Asbestos:						
Asbestos adjustments	28.9	47.2	(39)	59.0	74.4	(21)
AICF SG&A expenses	1.1	-	-	1.7	-	-
EBIT excluding asbestos	$74.7	$88.2	(15)	$180.4	$184.3	(2)
Net sales	$390.1	$411.4	(5)	$814.5	$826.9	(1)
EBIT margin excluding asbestos	19.1%	21.4%		22.1%	22.3%	

USA Fibre Cement EBIT

USA Fibre Cement EBIT for the quarter decreased 14% from US$97.8 million to US$84.3 million, primarily due to lower volume and higher manufacturing costs partly offset by lower SG&A spending. For the half year, EBIT decreased 1% from US$201.1 million to US$198.7 million, primarily due to a lower gross margin partly offset by lower SG&A spending. The USA Fibre Cement EBIT margin was 1.4 percentage points lower at 27.4% for the quarter and increased 1.2 percentage points to 30.4% for the half year.

Asia Pacific Fibre Cement EBIT

Asia Pacific Fibre Cement EBIT for the quarter increased 8% from US$11.5 million to US$12.4 million. In Australian dollars, Asia Pacific Fibre Cement EBIT for the quarter decreased 3% due to a flat gross margin and increased SG&A expenses. SG&A expenses include a lease cost adjustment of US$2.7 million related to prior periods. The EBIT margin was 1.7 percentage points lower at 16.3% for the quarter.

Asia Pacific Fibre Cement EBIT for the half year increased 14% from US$21.8 million to US$24.8 million. In Australian dollars, Asia Pacific Fibre Cement EBIT for the half year increased 2%. The EBIT margin was 0.9 of a percentage point lower at 16.8% for the half year.

Other EBIT

The USA Hardie Pipe business recorded a small EBIT loss for the quarter and half year compared to a small positive EBIT for the same periods last year.

The Europe Fibre Cement business incurred significantly reduced EBIT losses for the quarter and half year as it continued to build sales.

General Corporate Costs

General corporate costs for the quarter decreased by US$0.2 million from US$15.5 million to US$15.3 million.

For the half year, general corporate costs increased by US$5.3 million from US$25.7 million to US$31.0 million. The increase was primarily due to increased warranty provisions relating to non-US activities and legal expenses associated with the ASIC proceedings.

Net Interest Income (Expense)

Net interest income for the quarter increased from US$1.0 million to US$2.0 million. The increase was primarily due to interest income of US$2.6 million earned on investments by the AICF in the current quarter and an increase in interest income earned by the underlying business, partly offset by a decrease in capitalised interest.

For the half year, net interest income (expense) increased from expense of US$1.0 million to income of US$2.5 million. The increase was primarily due to interest income of US$4.2 million earned on investments by the AICF and the one-time make-whole payment of US$6.0 million made in the first half of fiscal year 2007, partly offset by a decrease in capitalised interest and a decrease in the interest income earned by the underlying business.

Income Tax Expense

Income tax expense for the quarter increased from US$20.9 million to US$27.6 million. For the half year, income tax expense increased from US$53.2 million to US$64.0 million.

The company's effective tax rate on earnings excluding asbestos was 35.6% for the half year ended 30 September 2007. The increase in the effective tax rate excluding asbestos over the same period in the prior year is due to a tax provision write-back in the prior half year and the impact of the change in the geographical mix of earnings.

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

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

Disputed Amended Australian Income Tax Assessment

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

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

RCI is appealing the amended assessment. During fiscal year 2007, the company agreed with the ATO that, in accordance with the ATO Receivable Policy, the company would pay 50% of the total amended assessment, being A$184.0 million. The company also agreed to guarantee the payment of the remaining 50% of the amended assessment should its appeal not be successful and to pay GIC accruing on the unpaid balance of the amended assessment in arrears on a quarterly basis. Up to 30 September 2007, GIC totalling A$88.7 million has been paid to the ATO. On 15 October 2007, the company paid A$3.2 million in GIC in respect of the quarter ended 30 September 2007. However, the company has not recorded any liability at 30 September 2007 for the remainder of the amended assessment because, at this time, the company believes it is more likely than not that RCI's view of its tax position will be upheld on appeal.

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

Readers are referred to Note 10 of the company's 30 September 2007 Consolidated Financial Statements for further information on the ATO amended assessment.

Net Operating Profit

Net operating profit for the quarter decreased from US$21.1 million to US$19.1 million. Net operating profit excluding asbestos decreased 32% from US$68.3 million to US$46.5 million as shown in the table below.

For the half year, net operating profit increased from US$56.6 million to US$58.2 million. Net operating profit excluding asbestos decreased 12% from US$131.0 million to US$115.1 million as shown in the table below.

Net Operating Profit US$ Millions	**Three Months and Half Year Ended 30 September**					
	Q2 FY08	Q2 FY07	% Change	HY FY08	HY FY07	% Change
Net operating profit	$19.1	$21.1	(9)	$58.2	$56.6	3
Excluding:						
Asbestos:						
Asbestos adjustments	28.9	47.2	(39)	59.0	74.4	(21)
Tax expense related to asbestos adjustments	-	-	-	0.4	-	-
AICF SG&A costs	1.1	-	-	1.7	-	-
AICF interest income	(2.6)	-	-	(4.2)	-	-
Net operating profit excluding asbestos	$46.5	$68.3	(32)	$115.1	$131.0	(12)

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.

Excluding restricted cash, the company had cash and cash equivalents of US$33.1 million as of 30 September 2007. At that date it also had credit facilities totalling US$355.0 million, of which US$123.0 million was drawn. The credit facilities are all uncollateralised and consist of the following:

		At 30 September 2007	
Description	**Effective Interest Rate**	**Total Facility**	**Principal Drawn**
(US$ millions)			
364-day facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until June 2008	5.95%	$68.3	$53.0
364-day facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until December 2008	5.72%	$41.7	$40.0
Term facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until June 2010	6.17%	245.0	30.0
Total		$355.0	$123.0

At 30 September 2007, the company had net debt of US$89.9 million, compared with net debt of US$153.9 million at 31 March 2007.

The company's credit facilities consist of 364-day facilities in the amount of US$110.0 million, which as of 30 September 2007, US$68.3 million expire in June 2008 and US$41.7 million expire in December 2008. The company also has term facilities in the amount of US$245.0 million, which expire in June 2010. At 30 September 2007, there was US$123.0 million drawn under the combined facilities and US$232.0 million was available, but unutilised.

In July 2006, pursuant to an agreement negotiated with the ATO and in accordance with the ATO Receivable Policy, the company made a payment of A$189.0 million (US$166.9 million) along with the provision of a guarantee from JHI NV in favour of the ATO for the unpaid balance of the assessment. The company has also agreed to pay GIC accruing on the unpaid balance of the assessment in arrears on a quarterly basis. Even if the company is ultimately successful in its appeal and the cash deposit is refunded, this procedural requirement to post a cash deposit materially and adversely affects the company's financial position and liquidity in the intervening period. See "Disputed Amended Australian Income Tax Assessment" above for further information on the ATO amended assessment.

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

Share Repurchase Program

On 15 August 2007, the company announced a share repurchase program of up to 10% of the company's issued capital, approximately 46.8 million shares. The company repurchased approximately 7.5 million shares of common stock having an aggregate cost of A$54.0 million (US$47.1 million) as at 30 September 2007. During the period between 1 October 2007 and 12 October 2007, the company repurchased approximately 4.2 million shares of common stock having an aggregate cost of A$30.8 million (US$27.1 million). The company plans to repurchase shares periodically depending on market conditions.

Cash Flow

Operating cash flow for the half year ended 30 September 2007 increased from a utilisation of US$22.3 million to cash generated of US$231.0 million. The increase was driven primarily by the payment of the initial ATO deposit during the six months ended 30 September 2006 totaling US$141.4 million compared to US$3.7 million payment in the current half year. In addition, the increase was driven by an increased focus on working capital management throughout the half year. Capital expenditures for the purchase of property, plant and equipment decreased from US$61.4 million to US$24.2 million.

Subsequent Events

On 31 October 2007, the company announced plans to suspend production at its Blandon, Pennsylvania plant in North America. The company will record an impairment charge of approximately US$31.7 million and a provision for closure costs currently estimated at US$1.8 million in the third quarter of fiscal year 2008.

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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 an audio-cast of the presentation on 19 November 2007, are available from the Investor Relations area of the James Hardie website at www.jameshardie.com

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

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

Definitions

Financial Measures – US GAAP equivalents

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

Operating profit – is equivalent to the US GAAP measure of income.

Net operating profit – is equivalent to the US GAAP measure of net income.

Sales Volumes

mmsf – million square feet, where a square foot is defined as a standard square foot of 5/16" thickness.

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

Financial Ratios

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

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

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

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

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

Non-US GAAP Financial Measures

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

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

Net operating profit excluding asbestos – Net operating profit excluding asbestos is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than net income. The company has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations. The company uses this non-US GAAP measure for the same purposes.

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

Diluted earnings per share excluding asbestos – Diluted earnings per share excluding asbestos is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than diluted earnings per share. The company has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations. The company's management uses this non-US GAAP measure for the same purposes.

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

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

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

EBITDA – is not a measure of financial performance under US GAAP and should not be considered an alternative to, or more meaningful than, income from operations, net income or cash flows as defined by US GAAP or as a measure of profitability or liquidity. Not all companies calculate EBITDA in the same manner as James Hardie has and, accordingly, EBITDA may not be comparable with other companies. The company has included information concerning EBITDA because it believes that this data is commonly used by investors to evaluate the ability of a company's earnings from its core business operations to satisfy its debt, capital expenditure and working capital requirements.

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

Supplemental Financial Information

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

As set forth in Note 6 of the 30 September 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 financial statements, and, in all cases, the corresponding GAAP amounts are shown on the same line as the non-GAAP measure, to avoid any possible confusion.

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

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

US$ Million	Total Fibre Cement Operations - excluding Asbestos Compensation	Asbestos Compensation	As Reported
ASSETS			
Current assets:			
Cash and cash equivalents	$182.0	$(148.9)	$33.1
Restricted cash and cash equivalents	5.0	-	5.0
Restricted cash and cash equivalents - Asbestos	-	61.6	61.6
Restricted short-term investments - Asbestos	-	78.5	78.5
Accounts and notes receivable, net of allowance for doubtful accounts of $1.8m	170.8	0.3	171.1
Inventories	136.2	-	136.2
Prepaid expenses and other current assets	36.9	0.3	37.2
Insurance receivable - Asbestos	-	10.3	10.3
Workers' compensation - Asbestos	-	3.0	3.0
Deferred income taxes	25.8	-	25.8
Deferred income taxes - Asbestos	-	9.1	9.1
Total current assets	556.7	14.2	570.9
Property, plant and equipment, net	838.6	0.4	839.0
Insurance receivable - Asbestos	-	171.0	171.0
Workers' compensation - Asbestos	-	83.7	83.7
Deferred income taxes	3.1	-	3.1
Deferred income taxes - Asbestos	-	342.5	342.5
Deposit with Australian Taxation Office	186.3	-	186.3
Other assets	1.4	-	1.4
Total assets	$1,586.1	$611.8	$2,197.9
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	$149.8	$1.1	$150.9
Short-term debt	93.0	-	93.0
Accrued payroll and employee benefits	38.0	0.1	38.1
Accrued product warranties	7.3	-	7.3
Income taxes payable	26.5	(14.7)	11.8
Asbestos liability	-	69.5	69.5
Workers' compensation - Asbestos	-	3.0	3.0
Other liabilities	14.8	-	14.8
Total current liabilities	329.4	59.0	388.4
Long-term debt	30.0	-	30.0
Deferred income taxes	123.9	-	123.9
Accrued product warranties	10.0	-	10.0
Asbestos liability	-	1,309.1	1,309.1
Workers' compensation - Asbestos	-	83.7	83.7
Other liabilities	136.6	3.8	140.4
Total liabilities	629.9	1,455.6	2,085.5
Commitments and contingencies			
Shareholders' equity			
Common stock	252.1	-	252.1
Additional paid-in capital	185.4	-	185.4
Retained earnings (Accumulated deficit)	561.4	(843.0)	(281.6)
Common stock in treasury	(47.1)	-	(47.1)
Accumulated other comprehensive income	4.4	(0.8)	3.6
Total shareholders' equity	956.2	(843.8)	112.4
Total liabilities and shareholders' equity	$1,586.1	$611.8	$2,197.9

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

US$ Million	Total Fibre Cement Operations - excluding Asbestos Compensation	Asbestos Compensation	As Reported
Net Sales			
USA Fibre Cement	$654.1	-	$654.1
Asia Pacific Fibre Cement	147.3	-	147.3
Other	13.1	-	13.1
Total Net Sales	814.5	-	814.5
Cost of goods sold	(508.8)	-	(508.8)
Gross profit	305.7	-	305.7
Selling, general and administrative expenses	(111.9)	(1.7)	(113.6)
Research and development expenses	(13.4)	-	(13.4)
Asbestos adjustments	-	(59.0)	(59.0)
EBIT	180.4	(60.7)	119.7
Net interest (expense) income	(1.7)	4.2	2.5
Operating profit (loss) before income taxes	178.7	(56.5)	122.2
Income tax expense	(63.6)	(0.4)	(64.0)
Net Operating Profit (Loss)	$115.1	$(56.9)	$58.2

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

US $ Million	Total Fibre Cement Operations - excluding Asbestos Compensation	Asbestos Compensation	As Reported
Cash Flows From Operating Activities			
Net income (loss)	$115.1	$(56.9)	$58.2
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortisation	27.7	-	27.7
Deferred income taxes	30.7	-	30.7
Prepaid pension cost	0.9	-	0.9
Stock-based compensation	3.1	-	3.1
Asbestos adjustments	-	59.0	59.0
Other	(0.2)	(2.1)	(2.3)
Changes in operating assets and liabilities:			
Restricted cash and cash equivalents	-	21.5	21.5
Accounts and notes receivable	(3.7)	0.1	(3.6)
Inventories	14.6	-	14.6
Prepaid expenses and other current assets	(4.1)	-	(4.1)
Insurance receivable	-	9.4	9.4
Accounts payable and accrued liabilities	41.5	-	41.5
Asbestos liability	-	(31.2)	(31.2)
Deposit with Australian Taxation Office	(3.7)	-	(3.7)
Other accrued liabilities and other liabilities	9.1	0.2	9.3
Net cash provided by operating activities	$231.0	-	$231.0
Cash Flows From Investing Activities			
Purchases of property, plant and equipment	(24.2)	-	(24.2)
Net cash used in investing activities	$(24.2)	-	$(24.2)
Cash Flows From Financing Activities			
Proceeds from short-term borrowings	10.0	-	10.0
Repayments of long-term borrowings	(75.0)	-	(75.0)
Proceeds from issuance of shares	2.2	-	2.2
Tax benefit from stock options exercised	0.2	-	0.2
Treasury stock purchased	(47.1)	-	(47.1)
Dividends paid	(70.7)	-	(70.7)
Net cash used in financing activities	$(180.4)	-	$(180.4)
Effects of exchange rate changes on cash	(27.4)	-	(27.4)
Net decrease in cash and cash equivalents	(1.0)	-	(1.0)
Cash and cash equivalents at beginning of period	34.1	-	34.1
Cash and cash equivalents at end of period	$33.1	-	$33.1
Components of Cash and Cash Equivalents			
Cash at bank and on hand	$29.5	-	$29.5
Short-term deposits	3.6	-	3.6
Cash and cash equivalents at end of period	$33.1	-	$33.1

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, invitation memoranda and prospectuses, in media releases and other written materials and in oral statements made by our officers, directors or employees to analysts, institutional investors, lenders and potential lenders, representatives of the media and others. Examples of forward-looking statements include:

- expectations about the timing and amount of payments to the Asbestos Injuries Compensation Fund (AICF), a special purpose fund for the compensation of proven asbestos-related personal injury and death claims;
- expectations with respect to the effect on our financial statements of those payments;
- statements as to the possible consequences of proceedings brought against us and certain of our former directors and officers by the Australian Securities and Investments Commission;
- expectations that our credit facilities will be extended or renewed;
- projections of our operating results or financial condition;
- statements regarding our plans, objectives or goals, including those relating to competition, acquisitions, dispositions and our products;
- statements about our future performance;
- statements about product or environmental liabilities; and
- statements regarding tax liabilities and related proceedings.

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

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors, some of which are discussed under "Risk Factors" beginning on page 6 of our Form 20-F filed on 6 July 2007 with the Securities and Exchange Commission, include but are not limited to: all matters relating to or arising out of the prior manufacture of products that contained asbestos by current and former James Hardie subsidiaries; required contributions to the AICF and the effect of foreign exchange on the amount recorded in our financial statements as an asbestos liability; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which we operate; the consequences of product failures or defects; exposure to environmental, asbestos or other legal proceedings; general economic and market conditions; the supply and cost of raw materials; the success of our research and development efforts; our reliance on a small number of product distributors; compliance with and changes in environmental and health and safety laws; risks of conducting business internationally; compliance with and changes in laws and regulations; foreign exchange risks; the successful implementation of new software systems; and the effect of natural disasters. We caution you that the foregoing list of factors is not exhaustive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements. Forward-looking statements speak only as of the date they are made.