

# Results for Announcement to the Market

## James Hardie Industries N.V.

ARBN 097 829 895

<b>Three Months Ended 30 June 2009</b>				
Key Information	Three Months Ended 30 June			
	2009 US\$M	2008 US\$M	Movement	
Net Sales From Ordinary Activities	284.5	365.0	Down	22%
Profit From Ordinary Activities After Tax Attributable to Shareholders	(77.9)	1.4	Down	-
Net Profit Attributable to Shareholders	(77.9)	1.4	Down	-
Net Tangible (Liabilities) Assets per Ordinary Share	US\$(0.35)	US\$(0.55)	Up	25%

### Dividend Information

- No final dividend for fiscal year 2009 was paid to share/CUFS holders.

### Movements in Controlled Entities during the three months ended 30 June 2009

The following entities were created: JHCBM NV (11 May 2009), JHCBM plc (2 June 2009), JHIHCBM Public plc (2 June 2009), James Hardie Holdings Limited (10 June 2009), James Hardie International Finance Limited (10 June 2009) and James Hardie Technology Limited (16 June 2009)

The following entity was liquidated: James Hardie Pulp Co., Inc. (5 June 2009)

The following entity changed its name: James Hardie Technology Limited changed its name to James Hardie Technology Holdings Limited (22 June 2009)

### Review

The results and financial information included within this half year report have been prepared using US GAAP and have been subject to an independent review by external auditors.

## Results for the 1<sup>st</sup> Quarter Ended 30 June 2009

### Contents

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

James Hardie Industries N.V. is incorporated in The Netherlands with corporate seat in Amsterdam. The liability of members is limited. The information contained in the above documents comprise the information required by ASX Listing Rule 4.2A and should be read in conjunction with the James Hardie 2009 Annual Report which can be found on the company website at [www.jameshardie.com](http://www.jameshardie.com).

18 August 2009

## 1<sup>st</sup> quarter net operating profit US\$41.6m (Excluding asbestos, ASIC expenses and tax adjustments)

James Hardie today announced a US\$41.6 million net operating profit, excluding asbestos, ASIC expenses and tax adjustments, for the quarter ended 30 June 2009, an increase of 4% compared to the same period last year.

For the first quarter, net operating loss including asbestos, ASIC expenses and tax adjustments was US\$77.9 million, compared to a profit of US\$1.4 million for the same quarter last year. Included in the current period result are unfavourable asbestos adjustments of US\$119.8 million, solely attributable to the movement in the A\$/US\$ exchange rate, from 0.6872 at 31 March 2009 to 0.8126 at 30 June 2009.

Top line results continue to reflect weakness in housing construction activity in the US and general economic conditions, where sales declined compared to sales in the corresponding quarter of the previous year.

According to the US National Association of Home Builders (NAHB), seasonally-adjusted US housing starts in June 2009 were at an annualised rate of 582,000, 46% below the June 2008 rate and down 74% from the January 2006 peak of 2.265 million annualised starts.

### Operating Performance

Total sales for the first quarter decreased 22% to US\$284.5 million, gross profit was down 11% to US\$110.4 million and EBIT excluding asbestos and ASIC expenses was 3% lower at US\$63.8 million, compared to the same period last year. EBIT including asbestos and ASIC expenses for the first quarter moved from EBIT of US\$22.9 million in fiscal year 2009 to EBIT loss of US\$57.1 million, in the current year.

Despite a decrease of 21% in net sales in the USA and Europe Fibre Cement business for the quarter compared to the corresponding quarter of the prior fiscal year, EBIT was 5% higher at US\$68.8 million for the current quarter, as a result of lower average unit manufacturing costs, lower freight costs, decreased SG&A spending, improved plant performance and an increase in average net sales price.

*In this Media Release, James Hardie may present financial measures, sales volume terms, financial ratios, and Non-US GAAP financial measures included in the Definitions section of this document starting on page 6. The company presents financial measures that it believes are customarily used by its Australian investors. Specifically, these financial measures, which are equivalent to or derived from certain US GAAP measures as explained in the definitions, include "EBIT", "EBIT margin", "Operating profit" and "Net operating profit". The company may also present other terms for measuring its sales volume ("million square feet" or "mmsf" and "thousand square feet" or "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 excluding asbestos and ASIC expenses", "EBIT margin excluding asbestos and ASIC expenses", "Net operating profit excluding asbestos, ASIC expenses and tax adjustments", "Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments", "Operating profit before income taxes excluding asbestos", "Effective tax rate excluding asbestos and tax adjustments", "EBITDA" and "General corporate costs excluding domicile change related costs"). Unless otherwise stated, results and comparisons are of the 1<sup>st</sup> quarter of the current fiscal year versus the 1<sup>st</sup> quarter of the prior fiscal year.*

For the first quarter, Asia Pacific Fibre Cement net sales were down 26% and EBIT decreased 31% to US\$10.9 million. The decreases were primarily due to unfavourable foreign exchange rate movements of the Asia Pacific Fibre Cement business' currencies compared to the US dollar and lower gross margin performance partially offset by lower SG&A expenses.

Loss per share for the quarter was US18.0 cents compared to diluted earnings per share of US0.3 cents in the same period last year.

Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments increased from US9.3 cents in the first quarter of fiscal year 2009 to US9.6 cents for this quarter.

### 1<sup>st</sup> Quarter at a Glance

US\$ Millions	Q1 FY 2010	Q1 FY 2009	% Change
Net sales	\$ 284.5	\$ 365.0	(22)
Gross profit	110.4	124.0	(11)
EBIT excluding asbestos and ASIC expenses	63.8	65.5	(3)
AICF SG&A expenses	(0.5)	(0.6)	17
Asbestos adjustments	(119.8)	(40.5)	-
ASIC expenses	(0.6)	(1.5)	60
EBIT	(57.1)	22.9	-
Net interest expense	(0.7)	(1.1)	36
Other income	4.8	-	-
Income tax expense	(24.9)	(20.4)	(22)
Net operating (loss) profit	(77.9)	1.4	-
Diluted (loss) earnings per share (US cents)	(18.0)	0.3	-

Net operating profit excluding asbestos, ASIC expenses and tax adjustments increased 4% for the quarter to US\$41.6 million, as shown in the following table:

US\$ Millions	Q1 FY 2010	Q1 FY 2009	% Change
Net operating (loss) profit	\$ (77.9)	\$ 1.4	-
Excluding:			
Asbestos:			
Asbestos adjustments	119.8	40.5	-
AICF SG&A expenses	0.5	0.6	(17)
AICF interest income	(0.7)	(0.9)	22
Gain on AICF investments	(0.4)	-	-
ASIC expenses	0.6	1.5	(60)
Tax adjustments	(0.3)	(3.1)	(90)
<b>Net operating profit excluding asbestos, ASIC expenses and tax adjustments</b>	<b>\$ 41.6</b>	<b>\$ 40.0</b>	<b>4</b>
Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments (US cents)	9.6	9.3	3

## CEO Commentary

“While the US residential construction market appears to be ‘nearing the bottom’ it remains too early to ascertain the timing, rate or extent of any potential recovery,” said James Hardie CEO, Louis Gries.

“Earnings this quarter benefited from lower costs, particularly for pulp, energy and freight.

“Our priority remains to ensure that the company is positioned to drive its long-term strategy, sustain earnings in a low demand environment, and retain the operational flexibility to increase utilisation of capacity when a recovery eventuates,” Mr Gries added.

“Within this environment, the recent launch of our 7<sup>th</sup> generation climate-specific range of HardieZone™ fibre cement products and the increased penetration of the ColorPlus® range of products demonstrates the company’s continued focus on product leadership and innovation.”

## USA and Europe Fibre Cement

First quarter net sales were down 21% compared to the same quarter last year, to US\$223.2 million. Sales volume decreased 24% to 357.1 million square feet, and the average net sales price increased 4% from US\$601 to US\$625 per thousand square feet.

Sales volume in the USA and Europe Fibre Cement business decreased 24% in the quarter compared to the same period last year, reflecting a 27% decline in exterior products and a 9% decline in interior products. Product demand was lower across all regions. This was primarily a result of the ongoing weakness in the US housing market, where both new construction and the repair and remodel segments of the market have continued to deteriorate.

EBIT for the quarter was 5% higher at US\$68.8 million despite a 24% decrease in volume, primarily due to lower average unit manufacturing costs, lower freight costs, decreased SG&A spending, improved plant performance and an increase in the average net sales price. The EBIT margin was 30.8% for the quarter compared to 23.3% for the corresponding period last year.

## Asia Pacific Fibre Cement

Net sales decreased 26% to US\$61.3 million for the quarter. In Australian dollars, net sales decreased 8% due to a 13% decrease in sales volume, partially offset by a 5% increase in the average Australian dollar net sales price.

The Australian Bureau of Statistics (ABS) data shows residential housing approvals down 18.4% in the three months to June 2009 compared to the previous corresponding period, with detached houses down 7% and medium density down 39%. The Queensland market, which is the strongest regional market for James Hardie products, experienced the greatest decline at 37%.

In New Zealand, housing consents remain at 25-year lows. Within this context the New Zealand business performance was solid with category share continuing to increase. A positive driver for the business is differentiated products which now account for 47% of total sales volume.

Asia Pacific Fibre Cement EBIT was 31% lower for the quarter at US\$10.9 million, mainly driven by unfavourable currency exchange rate movements in the Asia Pacific business' currencies compared to the US dollar. In Australian dollars, Asia Pacific Fibre Cement EBIT decreased 13% for the quarter due to lower gross margin performance, partially offset by lower SG&A expenses.

## Cash Flow

Net operating cash flow for the quarter ended 30 June 2009 decreased from US\$94.8 million in the same quarter of the prior year to US\$82.4 million. Capital expenditures for the purchase of property, plant and equipment for the quarter ended 30 June 2009 increased to US\$9.7 million, from US\$3.8 million in the same quarter of the prior year.

The strength of free cash flow in the quarter enabled the company to reduce net debt by US\$53.3 million to US\$228.3 million, compared to net debt at 31 March 2009.

## Outlook

The US residential construction market is displaying initial signs that it is "hearing the bottom" of the cycle. House sales have improved, albeit off a very low base, largely due to the implementation of first-time home buyer tax credits and improvements in affordability. Looking forward, however, the US housing market is facing continuing challenges including:

- the expiry of the first-time home buyer tax credit in November;
- a recent upturn in interest rates;
- a continuing lack of credit for home buyers and for medium density housing developments;
- tighter home loan lending standards;
- a deteriorating employment market and
- an excess supply of existing housing stock.

These factors when combined will likely draw out any potential recovery phase of the cycle.

The US residential repair and remodel market has proved to be relatively resilient throughout the downturn and, with some incremental improvement in consumer sentiment, is likely to continue to outperform new construction. However, the latest industry projections are still estimating declines on a year-on-year basis in the range of 7% to 9%. The repair and remodel sector currently represents more than 50% of our US business.

In Australia, market forecasts are for a 14% drop in addressable housing starts in 2009-2010. Queensland, the strongest market for James Hardie products, and Western Australia, are expected to show the greatest rates of decline. The government stimulus package, the new home owners' grant, and improved affordability are helping to mitigate the severity of the downturn, although the greatest effect of these initiatives is not expected to drive improved demand for our products until the second half of our financial year.

New residential construction in New Zealand is anticipated to remain at the current historic low levels of approximately 1,000 new housing approvals per month. The New Zealand business is seeking to partially offset the market decline through an expansion of its product range and by improving its share of the exterior cladding market.

The company notes the range of analysts' forecasts for operating profit excluding asbestos, for the year ending 30 March 2010 is between US\$39 million and US\$67 million. Management anticipates full year earnings excluding Asbestos, ASIC expenses and costs of redomicile to be around the top of the current range of analysts' forecasts. Management cautions that conditions remain uncertain and notes that the costs of some inputs, particularly pulp and energy, have recently increased.

Changes in the company's asbestos liability (to reflect changes in foreign exchange rates), ASIC proceedings, income tax related issues and other matters referred to in the disclaimer at the end of this document may have a material impact on the company's condensed consolidated financial statements. Readers are referred to Notes 6, 8 and 9 of the company's 30 June 2009 Condensed Consolidated Financial Statements for more information about the company's asbestos liability, ASIC proceedings and income tax related issues.

Readers are referred to the company's 30 June 2009 Condensed Consolidated Financial Statements and the company's 30 June 2009 Management's Analysis of Results for additional information regarding the company's results, including information regarding income taxes, asbestos and contingent liabilities.

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

These documents, along with a webcast of the management presentation on 18 August 2009, are available from the Investor Relations area of James Hardie's website at: [www.jameshardie.com](http://www.jameshardie.com)

The company routinely posts information that may be of importance to investors in the Investor Relations section of its website, including press releases, financial results and other information. The company encourages investors to consult this section of its website regularly.

The company lodged its annual filing for the year ended 31 March 2009 with the SEC on 25 June 2009.

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

## 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 Volume

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

US\$ Millions	Q1 FY 2010	Q1 FY 2009
EBIT	\$ (57.1)	\$ 22.9
Asbestos:		
Asbestos adjustments	119.8	40.5
AICF SG&A expenses	0.5	0.6
ASIC expenses	0.6	1.5
EBIT excluding asbestos and ASIC expenses	63.8	65.5
Net Sales	\$ 284.5	\$ 365.0
EBIT margin excluding asbestos and ASIC expenses	22.4%	17.9%

**Net operating profit excluding asbestos, ASIC expenses and tax adjustments** – Net operating profit excluding asbestos, ASIC expenses and tax 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\$ Millions	Q1 FY 2010	Q1 FY 2009
Net operating (loss) profit	\$ (77.9)	\$ 1.4
Asbestos:		
Asbestos adjustments	119.8	40.5
AICF SG&A expenses	0.5	0.6
AICF interest income	(0.7)	(0.9)
Gain on AICF investments	(0.4)	-
ASIC expenses	0.6	1.5
Tax adjustments	(0.3)	(3.1)
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	\$ 41.6	\$ 40.0

**Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments** – Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments 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	Q1 FY 2010	Q1 FY 2009
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	\$ 41.6	\$ 40.0
Weighted average common shares outstanding - Diluted (millions)	435.4	432.2
Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments (US cents)	9.6	9.3

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

US\$ Millions	Q1 FY 2010	Q1 FY 2009
Operating (loss) profit before income taxes	\$ (53.0)	\$ 21.8
Asbestos:		
Asbestos adjustments	119.8	40.5
AICF SG&A expenses	0.5	0.6
AICF interest income	(0.7)	(0.9)
Gain on AICF investments	(0.4)	-
Operating profit before income taxes excluding asbestos	\$ 66.2	\$ 62.0
Income tax expense	(24.9)	(20.4)
Tax adjustments	(0.3)	(3.1)
Income tax expense excluding tax adjustments	(25.2)	(23.5)
Effective tax rate excluding asbestos and tax adjustments	38.1%	37.9%

**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.

US\$ Millions	Q1 FY 2010	Q1 FY 2009
EBIT	\$ (57.1)	\$ 22.9
Depreciation and amortisation	15.0	14.0
EBITDA	\$ (42.1)	\$ 36.9

**General corporate costs excluding domicile change related costs** – General corporate costs excluding domicile change related costs is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than general corporate costs. 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.

<b>US\$ Millions</b>	<b>Q 1 FY 2010</b>	<b>Q 1 FY 2009</b>
General corporate costs	\$ 12.5	\$ 12.4
Excluding:		
Domicile change related costs	4.5	0.2
General corporate costs excluding domicile change related costs	\$ 8.0	\$ 12.2

## Disclaimer

This Media Release 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, existing and potential lenders, representatives of the media and others. Statements that are not historical facts are forward-looking statements and such forward-looking statements are statements made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include:

- statements about our future performance;
- projections of our results of operations or financial condition;
- statements regarding our plans, objectives or goals, including those relating to our strategies, initiatives, competition, acquisitions, dispositions and/or our products;
- expectations concerning the costs associated with the suspension or closure of operations at any of our plants and future plans with respect to any such plants;
- expectations that our credit facilities will be extended or renewed;
- expectations concerning dividend payments;
- statements concerning our corporate and tax domiciles and potential changes to them;
- statements regarding tax liabilities and related audits and proceedings;
- statements as to the possible consequences of proceedings brought against us and certain of our former directors and officers by the ASIC;
- expectations about the timing and amount of contributions to the AICF, a special purpose fund for the compensation of proven Australian asbestos-related personal injury and death claims;
- expectations concerning indemnification obligations; and
- statements about product or environmental liabilities.

Words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "aim," "will," "should," "continue" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Readers are cautioned not to place undue reliance on these forward-looking statements and all such forward-looking statements are qualified in their entirety by reference to the following cautionary statements.

Forward-looking statements are based on our estimates and assumptions and because forward-looking statements address future results, events and conditions, they, by their very nature, involve inherent risks and uncertainties. Such known and unknown risks, uncertainties and other factors may cause our actual results, performance or other achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. These factors, some of which are discussed under "Key Information - Risk Factors" beginning on page 6 of the Form 20-F filed with the US Securities and Exchange Commission on 25 June 2009, 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 currency exchange rate movements 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 research and development efforts; reliance on a small number of customers; a customer's inability to pay; compliance with and changes in environmental and health and safety laws; risks of conducting business internationally; our proposal to transform to a Dutch "SE" company and transfer our corporate domicile from The Netherlands to Ireland to become an Irish "SE" company; compliance with and changes in laws and regulations; currency exchange risks; the concentration of our customer base on large format retail customers, distributors and dealers; the effect of natural disasters; changes in our key management personnel; inherent limitations on internal controls; use of accounting estimates; and all other risks identified in our reports filed with Australian, Dutch and US securities agencies and exchanges (as appropriate). 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 and are statements of our current expectations concerning future results, events and conditions.

18 August 2009

**James Hardie Industries N.V.**  
**Results for the 1<sup>st</sup> Quarter Ended 30 June 2009**

	Three Months Ended 30 June		
	FY10	FY09	% Change
<b>US GAAP - US\$ Millions</b>			
<b>Net Sales</b>			
USA and Europe Fibre Cement	\$ 223.2	\$ 281.7	(21)
Asia Pacific Fibre Cement	61.3	83.3	(26)
<b>Total Net Sales</b>	\$ 284.5	\$ 365.0	(22)
Cost of goods sold	(174.1)	(241.0)	28
Gross profit	110.4	124.0	(11)
Selling, general and administrative expenses	(41.4)	(54.2)	24
Research & development expenses	(6.3)	(6.4)	2
Asbestos adjustments	(119.8)	(40.5)	-
EBIT	(57.1)	22.9	-
Net interest expense	(0.7)	(1.1)	36
Other income	4.8	-	-
Operating (loss) profit before income taxes	(53.0)	21.8	-
Income tax expense	(24.9)	(20.4)	(22)
<b>Net operating (loss) profit</b>	\$ (77.9)	\$ 1.4	-
(Loss) earnings per share - diluted (US cents)	(18.0)	0.3	-
<b>Volume (mmsf)</b>			
USA and Europe Fibre Cement	357.1	468.5	(24)
Asia Pacific Fibre Cement	88.9	101.9	(13)
<b>Average net sales price per unit (per msf)</b>			
USA and Europe Fibre Cement	US\$625	US\$601	4
Asia Pacific Fibre Cement	A\$909	A\$ 867	5

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## Total Net Sales

Total net sales for the quarter decreased 22% compared to the same quarter of the previous year, from US\$365.0 million to US\$284.5 million.

## USA and Europe Fibre Cement

Net sales decreased 21% from US\$281.7 million in the first quarter of the prior financial year to US\$223.2 million due to decreased sales volume, partially offset by a higher average net sales price.

Sales volume decreased 24% from 468.5 million square feet to 357.1 million square feet, primarily due to lower demand for the company's products in the US as a result of continuing weakness in housing construction activity and general economic conditions.

The average net sales price increased 4% from US\$601 per thousand square feet to US\$625 per thousand square feet.

### Discussion

The USA and Europe Fibre Cement business continues to be affected by decreasing sales volume which has fallen every quarter compared to the corresponding quarter of the prior year in the past two years. The fall in sales volume reflects the ongoing stagnation in the US housing market.

According to the US National Association of Home Builders (NAHB), seasonally-adjusted housing starts in June 2009 were 582,000, 46% below the June 2008 rate.

Repair and remodel activity has also declined, although it remains relatively resilient.

Sales volume in the USA and Europe Fibre Cement segment decreased 24% in the quarter compared to the same period last year, reflecting a 27% decline in exterior products and a 9% decline in interior products. Product demand was lower across all regions compared to the same period last year.

While net sales declined by 21% compared to the previous corresponding period, EBIT rose 5%. The EBIT performance was favourably affected by a higher average selling price and lower unit costs of sales. Lower freight and SG&A costs were significant contributors to the lower unit costs of sales.

Primary demand growth, product mix shift and zero to landfill remain the three main strategic initiatives. Product mix shift benefitted, as sales volume of the ColorPlus<sup>®</sup> product range, as a percent of total exterior sales, posted increased penetration rates across the Northern region in particular and, to a lesser extent, across the Southern and Western regions. Additionally, there was increased penetration of complementary products such as Trim, Soffit and Wrap.

## Asia Pacific Fibre Cement

Net sales for the quarter decreased 26% from US\$83.3 million to US\$61.3 million. Unfavourable foreign exchange rate movements in the Asia Pacific business' currencies compared to the US dollar accounted for 18% of this decrease, while the underlying Australian dollar business results accounted for the remaining 8% decrease. In Australian dollars, net sales decreased 8% due to a 13% decrease in sales volume, partially offset by a 5% increase in average net sales price.

## Discussion

The Australian Bureau of Statistics (ABS) data shows residential housing approvals down 18.4% in the three months to June 2009 compared to the previous corresponding period, with detached houses down 7% and medium density down 39%. The Queensland market, which is the strongest regional market for James Hardie products, experienced the greatest decline at 37%. Despite the difficult operating environment, the Australia business has remained relatively resilient, with EBIT in Australian dollars declining by only 5% in the quarter, compared to the first quarter of the prior year. Category share increased this quarter, driven by increasing penetration in the small builder and renovations segments, together with market share growth in our core product categories.

Additionally, the Scyon™ branded differentiated product range continues to build momentum with sales volume up 10% in the quarter compared to the same period in the prior year.

In New Zealand, housing consents remain at 25-year lows. Within this context the New Zealand business performance was solid with category share continuing to increase. A positive driver for the business is differentiated products which now account for 47% of total sales volume.

In the Philippines, sales volume was in line with prior year. Net sales in local currency were up 9% on the same period of the prior year. Improved manufacturing performance and increased average selling price helped offset the continued challenge flowing from lower export volume as regional fibre cement players continue their aggressive pricing practices.

### Gross Profit

Gross profit decreased 11% from US\$124.0 million to US\$110.4 million. The gross profit margin increased 4.8 percentage points from 34.0% to 38.8%.

USA and Europe Fibre Cement gross profit decreased 6% compared to the same quarter of last year due to the effects of lower sales volume, partially offset by a higher average net sales price, lower raw materials prices and lower freight costs. The gross profit margin of the USA and Europe Fibre Cement business increased by 6.6 percentage points due to lower average unit manufacturing costs and lower freight costs.

Asia Pacific Fibre Cement gross profit decreased 31% compared to the same period last year. Unfavourable currency exchange rate movements in the Asia Pacific business' currencies compared to the US dollar accounted for 17% of this decrease, while the underlying Australian dollar business results accounted for the remaining 14% decrease. In Australian dollars, gross profit decreased 14% primarily due to reduced gross profit performance in the New Zealand and Australia businesses driven by lower sales volume and higher unit manufacturing costs. The gross profit margin of the Asia Pacific Fibre Cement business decreased by 1.8 percentage points.

### Selling, General and Administrative (SG&A) Expenses

SG&A expenses decreased 24% for the quarter, from US\$54.2 million to US\$41.4 million. The decrease was primarily due to lower SG&A spending in the USA and Europe Fibre Cement and Asia Pacific Fibre Cement segments, partially offset by slightly higher general corporate costs. As a percentage of sales, SG&A expenses decreased 0.2 of a percentage point to 14.6%. Further information on general corporate costs is included below.

SG&A expenses for the quarter include non-claims handling related operating expenses of the Asbestos Injuries Compensation Fund (AICF) of US\$0.5 million.

### *ASIC Proceedings*

On 23 April 2009, Justice Gzell delivered judgment in the civil proceedings commenced by the Australian Securities & Investments Commission (ASIC) in February 2007 in the Supreme Court of New South Wales against the company, ABN 60 (formerly JHIL) and ten former directors and officers. Readers are referred to the audited consolidated financial statements and the notes thereto, included in the Company's Annual Report on Form 20-F for the fiscal year ended 31 March 2009, filed with the United States Securities and Exchange Commission on 25 June 2009. On 27 July 2009, there was a further hearing in relation to exoneration and penalties. Justice Gzell has reserved his decision.

For the three months ended 30 June 2009, the company incurred legal costs related to the ASIC proceedings, noted as ASIC expenses, of US\$0.6 million. For the three months ended 30 June 2008, the company incurred ASIC expenses of US\$1.5 million. ASIC expenses are included in SG&A expenses.

The company's net costs in relation to the ASIC proceedings from February 2007 to 30 June 2009 total US\$20.3 million.

### *Chile Litigation*

On 24 April 2009, a trial court in Santiago, Chile awarded the equivalent of \$13.4 million in damages against Fibrocementos Volcan Limitada (FC Volcan, the former James Hardie Chilean entity), in civil litigation brought by Industria Cementa Limitada (Cementa) in 2007. FC Volcan is appealing the decision to the Santiago Court of Appeal.

On 23 June 2009 the Chilean trial court dismissed a separate civil action against FC Volcan filed by Chile Producción Química y Electrónica Quimel S.A. (Quimel) in 2007. Quimel has appealed the trial court decision, but a date for the appeal has not yet been set.

Readers are referred to Note 8 of the company's 30 June 2009 Condensed Consolidated Financial Statements for further information on the ASIC Proceedings and Chile Litigation.

### 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 15% lower for the quarter at US\$3.3 million, compared to the same period in the prior year.

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 20% higher for the quarter at US\$3.0 million.

### Asbestos Adjustments

The company's asbestos adjustments are derived from an estimate of future Australian asbestos-related liabilities in accordance with the Amended and Restated Final Funding Agreement (Amended FFA) that was signed with the New South Wales 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 condensed consolidated balance sheets in US dollars is subject to adjustment, with a corresponding effect on the company's condensed consolidated statement of operations, depending on the closing exchange rate between the two currencies at the balance sheet date. The Australian dollar to US dollar exchange rate increased 18% from 31 March 2009 to 30 June 2009, compared to a 5% increase during the same period last year.

The company receives an updated actuarial estimate as at 31 March each year. The last actuarial assessment was performed as at 31 March 2009.

The asbestos adjustments for the quarter ended 30 June 2009 are as follows:

<b>US\$ Millions</b>	<b>Q1 FY 2010</b>	<b>Q1 FY 2009</b>
Effect of foreign exchange movements	\$ (119.8)	\$ (40.5)
Asbestos adjustments	<u>\$ (119.8)</u>	<u>\$ (40.5)</u>

#### *Claims Data*

Claims of 160 reported for the three months ended 30 June 2009, are slightly higher than the 151 claims reported for the same period last year, and slightly higher than actuarial expectations for the current period.

However, the number of claims settled and the average claim settlement for the three months ended 30 June 2009, 159 claims and A\$180,602, respectively, are both lower than for the same period last year. For the current period, the number of claims settled is broadly in line with the actuarial expectations for the current period, while the average claim settlement size is slightly lower than actuarial expectations.

Asbestos claims paid of A\$27.3 million for the three months ended 30 June 2009 is below the actuarial expectation of A\$28.5 million per quarter for fiscal year 2010. The lower-than-expected expenditure is due to the lower-than-expected claim settlement sizes.

Readers are referred to Note 6 of the company's 30 June 2009 Condensed Consolidated Financial Statements for further information on asbestos adjustments.

#### EBIT

EBIT for the quarter decreased from US\$22.9 million to a loss of US\$57.1 million. EBIT loss for the quarter includes net unfavourable asbestos adjustments of US\$119.8 million, AICF SG&A expenses of US\$0.5 million and ASIC expenses of US\$0.6 million. For the same period in the prior year, EBIT included net unfavourable asbestos adjustments of US\$40.5 million, AICF SG&A expenses of US\$0.6 million and ASIC expenses of US\$1.5 million, as shown in the table below:

**EBIT - US\$ Millions**

	Three Months Ended 30 June		
	FY10	FY09	% Change
USA and Europe Fibre Cement	\$ 68.8	\$ 65.6	5
Asia Pacific Fibre Cement	10.9	15.8	(31)
Research & Development	(4.0)	(5.0)	20
General Corporate	(12.5)	(12.4)	(1)
Asbestos adjustments	(119.8)	(40.5)	-
AICF SG&A expenses	(0.5)	(0.6)	17
<b>EBIT</b>	<b>(57.1)</b>	<b>22.9</b>	<b>-</b>
<b>Excluding:</b>			
Asbestos:			
Asbestos adjustments	119.8	40.5	-
AICF SG&A expenses	0.5	0.6	(17)
ASIC expenses	0.6	1.5	(60)
<b>EBIT excluding asbestos and ASIC expenses</b>	<b>\$ 63.8</b>	<b>\$ 65.5</b>	<b>(3)</b>
Net sales	\$ 284.5	\$ 365.0	(22)
EBIT margin excluding asbestos and ASIC expenses	22.4%	17.9%	

## USA and Europe Fibre Cement EBIT

Despite a 24% decrease in sales volume, USA and Europe Fibre Cement EBIT increased 5% from US\$65.6 million to US\$68.8 million for the quarter. This earnings increase was driven by lower average unit manufacturing costs, lower freight costs, decreased SG&A spending, improved plant performance and an increase in the average net sales price. The USA and Europe Fibre Cement EBIT margin was 7.5 percentage points higher at 30.8% for the quarter.

## Asia Pacific Fibre Cement EBIT

Asia Pacific Fibre Cement EBIT for the quarter decreased 31% from US\$15.8 million to US\$10.9 million. Unfavourable foreign exchange rate movements in the Asia Pacific business' currencies compared to the US dollar accounted for 18% of this decrease, while the underlying Australian dollar business results accounted for the remaining 13% decrease. In Australian dollars, Asia Pacific Fibre Cement EBIT for the quarter decreased 13% due to a lower gross margin performance partially offset by lower SG&A expenses. The EBIT margin was 1.2 percentage points lower at 17.8%.

## General Corporate Costs

General corporate costs for the quarter increased by US\$0.1 million from US\$12.4 million to US\$12.5 million. The company incurred professional services costs associated with the company's proposed domicile change of US\$4.5 million in the current quarter compared to US\$0.2 million in the corresponding quarter of the prior year.

General corporate costs excluding domicile change related costs decreased from US\$12.2 million to US\$8.0 million due to decreased corporate spending and the favourable impact of foreign exchange rate movements of the euro and Australian dollar against the US dollar.

## Net Interest Expense

Net interest expense for the quarter decreased from US\$1.1 million in the corresponding quarter of the prior year, to US\$0.7 million in the current quarter. Net interest expense for the quarter ended 30 June 2009 includes AICF interest income of US\$0.7 million and a realised loss of US\$0.4 million on the company's interest rate swaps at 30 June 2009. Net interest expense for the quarter ended 30 June 2008 includes AICF interest income of US\$0.9 million and nil related to interest rate swaps.

## Other Income

### *AICF Investments*

During the first quarter, the AICF sold US\$7.6 million (A\$10.0 million) of its short-term investments which at 31 March 2009 had been adjusted to their fair market value of US\$7.2 million (A\$9.5 million). The sale of these short-term investments resulted in a realised gain of US\$0.4 million (A\$0.5 million) recorded in the line item *Other Income*.

At 30 June 2009, the company revalued AICF's remaining short-term investments available-for-sale resulting in a positive mark-to-market fair value adjustment of US\$3.9 million (A\$5.2 million). This appreciation in the value of AICF's investments was recorded as an unrealised gain in *Other Comprehensive Income*.

### *Interest Rate Swaps*

At 30 June 2009 the company had interest rate swap contracts with a total principal of US\$250.0 million. For all of these interest rate swap contracts, the company has agreed to pay fixed interest rates while receiving a floating interest rate. These contracts were entered into to protect against upward movements in US\$ London Interbank Offered Rate (LIBOR) and the associated interest the company pays on its external credit facilities. At 30 June 2009, the weighted average fixed interest rate of these contracts is 2.49% per annum and the weighted average remaining life is 3.6 years. These contracts have a fair value of US\$2.5 million, which is included in *Accounts and Notes Receivable*. Movements in the fair value of these interest rate swaps are recorded in the statement of operations in *Other Income*. For the three months ended 30 June 2009, the company recorded an unrealised gain on interest rate swaps of US\$4.4 million.

On a quarterly basis, the company settles the net quarterly interest position with counterparties to the interest rate swaps. These net settlements are recorded as *Interest Expense*. For the three months ended 30 June 2009, the company recorded US\$0.4 million of interest expense related to these net settlements.

## Income Tax

### *Income Tax Expense*

Income tax expense for the quarter increased from US\$20.4 million to US\$24.9 million. The company's effective tax rate on earnings excluding asbestos and tax adjustments was 38.1% for the quarter, compared to 37.9% for the same quarter of the prior period. The change in effective tax rates compared with last year is attributable to changes in the geographic mix of earnings and expenses.

## Tax Adjustments

The company recorded favourable tax adjustments of US\$0.3 million for the quarter, compared to US\$3.1 million for the corresponding quarter in the prior fiscal year. The tax adjustments made in both first quarters of fiscal years 2009 and 2010 relate to Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48) adjustments.

### *Australian Taxation Office (ATO) - 1999 Disputed Amended Assessment*

In March 2006, RCI Pty Ltd (RCI), a wholly-owned subsidiary of the company, received an amended assessment from the ATO in respect of RCI's income tax return for the year ended 31 March 1999.

On 30 May 2007, the ATO issued a Notice of Decision disallowing the company's objection to the amended assessment (Objection Decision). On 11 July 2007, the company filed an application appealing the Objection Decision with the Federal Court of Australia. The hearing for RCI's trial is scheduled to commence on 7 September 2009.

The company believes that it is more likely than not that the tax position reported in RCI's tax return for the 1999 fiscal year will be upheld on appeal. Therefore, the company believes that the requirements under FIN 48 for recording a liability have not been met and therefore it has not recorded any liability at 30 June 2009 for the amended assessment.

The company expects that amounts paid in respect of the amended assessment will be recovered by RCI (with interest) at the time RCI is successful in its appeal against the amended assessment. As a result, the company has treated all payments in respect of the amended assessment that have been made up to 30 June 2009 as a deposit and it is the company's intention to treat any payments to be made at a later date as a deposit. As at 30 June 2009 and 31 March 2009, this deposit totalled US\$208.8 million (A\$256.9 million) and US\$173.5 million (A\$252.5 million), respectively.

Readers are referred to Note 9 of the company's 30 June 2009 Condensed Consolidated Financial Statements for further information on income taxes and income tax-related issues.

## Net Operating (Loss) Profit

Net operating loss for the quarter was US\$77.9 million, compared to a profit of US\$1.4 million for the same quarter of the prior period. Net operating profit excluding asbestos, ASIC expenses and tax adjustments increased 4% from US\$40.0 million to US\$41.6 million as shown in the table below:

Net Operating Profit - US\$ millions	Three Months Ended 30 June		
	FY10	FY09	% Change
Net operating (loss) profit	\$ (77.9)	\$ 1.4	-
<b>Excluding:</b>			
Asbestos:			
Asbestos adjustments	119.8	40.5	-
AICF SG&A expenses	0.5	0.6	(17)
AICF interest income	(0.7)	(0.9)	22
Gain on AICF investments	(0.4)	-	-
ASIC expenses	0.6	1.5	(60)
Tax adjustments	(0.3)	(3.1)	90
<b>Net operating profit excluding asbestos, ASIC expenses and tax adjustments</b>	<b>\$ 41.6</b>	<b>\$ 40.0</b>	<b>4</b>

## Cash Flow

Net operating cash flow for the quarter ended 30 June 2009 decreased from US\$94.8 million in the same quarter of the prior year to US\$82.4 million. Capital expenditures for the purchase of property, plant and equipment for the quarter ended 30 June 2009 increased to US\$9.7 million, from US\$3.8 million in the same quarter of the prior year.

The strength of free cash flow in the quarter enabled the company to reduce net debt by US\$53.3 million to US\$228.3 million, compared to net debt at 31 March 2008.

## Liquidity and Capital Resources

At 30 June 2009, the company had net debt of US\$228.3 million, a decrease of US\$53.3 million from net debt of US\$281.6 million at 31 March 2009.

The company has historically met its working capital needs and capital expenditure requirements from 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 anticipates it will have sufficient funds to meet its planned working capital and other expected cash requirements for the next 12 months based on its existing cash balances, cash available under proposed new credit facilities and anticipated operating cash flows arising during the year. The company anticipates that any additional cash requirements will be met from existing cash, unutilised committed credit facilities, anticipated future net operating cash flows and proposed new credit facilities.

Excluding restricted cash, the company had cash and cash equivalents of US\$42.7 million as of 30 June 2009. At that date, it also had credit facilities totalling US\$446.7 million, of which US\$271.0 million was drawn. The credit facilities are all uncollateralised and consist of the following:

Description	At 30 June 2009		
	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 November 2009	1.22%	\$ 50.0	\$ 50.0
364-day facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until June 2010	-	16.7	-
Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until June 2010	1.08%	245.0	196.0
Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until February 2011	1.20%	45.0	25.0
Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until February 2013	-	90.0	-
<b>Total</b>		<b>\$ 446.7</b>	<b>\$ 271.0</b>

The weighted average remaining term of the total credit facilities, US\$446.7 million at 30 June 2009, was 1.5 years.

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 may have to reduce its levels of planned capital expenditures, continue to suspend dividend payments or take other measures to conserve cash in order to meet its future cash flow requirements.

#### Corporate Structure

On 24 June 2009 the company announced a proposal to change its domicile. The company's directors have determined to seek approval for a two-stage plan (the Proposal) to transform the company into a Societas Europaea (SE), a relatively new form of European corporation (Stage 1), and then move its corporate domicile from The Netherlands to Ireland (Stage 2). Readers are referred to the company's Registration Statement on Form F-4 (File No. 333-160177) filed with the United States Securities and Exchange Commission for further information on the Proposal.

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 the Media Release, the Management Presentation and the Condensed Consolidated Financial Statements.

These documents, along with a webcast of the presentation on 18 August 2009, are available from the Investor Relations area of the James Hardie website at [www.jameshardie.com](http://www.jameshardie.com)

The company routinely posts information that may be of importance to investors in the Investor Relations section of its website, including press releases, financial results and other information. The company encourages investors to consult this section of its website regularly.

The company lodged its annual filing for the year ended 31 March 2009 with the SEC on 25 June 2009.

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 Volume

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

US\$ Millions	Q1 FY 2010	Q1 FY 2009
EBIT	\$ (57.1)	\$ 22.9
Asbestos:		
Asbestos adjustments	119.8	40.5
AICF SG&A expenses	0.5	0.6
ASIC expenses	0.6	1.5
EBIT excluding asbestos and ASIC expenses	63.8	65.5
Net Sales	\$ 284.5	\$ 365.0
EBIT margin excluding asbestos and ASIC expenses	22.4%	17.9%

**Net operating profit excluding asbestos, ASIC expenses and tax adjustments** – Net operating profit excluding asbestos, ASIC expenses and tax 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\$ Millions	Q1 FY 2010	Q1 FY 2009
Net operating (loss) profit	\$ (77.9)	\$ 1.4
Asbestos:		
Asbestos adjustments	119.8	40.5
AICF SG&A expenses	0.5	0.6
AICF interest income	(0.7)	(0.9)
Gain on AICF investments	(0.4)	-
ASIC expenses	0.6	1.5
Tax adjustments	(0.3)	(3.1)
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	\$ 41.6	\$ 40.0

**Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments** – Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments 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	Q1 FY 2010	Q1 FY 2009
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	\$ 41.6	\$ 40.0
Weighted average common shares outstanding - Diluted (millions)	435.4	432.2
Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments (US cents)	9.6	9.3

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

US\$ Millions	Q1 FY 2010	Q1 FY 2009
Operating (loss) profit before income taxes	\$ (53.0)	\$ 21.8
Asbestos:		
Asbestos adjustments	119.8	40.5
AICF SG&A expenses	0.5	0.6
AICF interest income	(0.7)	(0.9)
Gain on AICF investments	(0.4)	-
Operating profit before income taxes excluding asbestos	\$ 66.2	\$ 62.0
Income tax expense	(24.9)	(20.4)
Tax adjustments	(0.3)	(3.1)
Income tax expense excluding tax adjustments	(25.2)	(23.5)
Effective tax rate excluding asbestos and tax adjustments	38.1%	37.9%

**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.

US\$ Millions	Q1 FY 2010	Q1 FY 2009
EBIT	\$ (57.1)	\$ 22.9
Depreciation and amortisation	15.0	14.0
EBITDA	\$ (42.1)	\$ 36.9

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

US\$ Millions	Q1 FY 2010	Q1 FY 2009
General corporate costs	\$ 12.5	\$ 12.4
Excluding:		
Domicile change related costs	4.5	0.2
General corporate costs excluding domicile change related costs	\$ 8.0	\$ 12.2

## Supplemental Financial Information

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

As set forth in Note 6 of the 30 June 2009 Condensed Consolidated Financial Statements, 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 June 2009 Condensed Consolidated Financial Statements.

**James Hardie Industries N.V.**  
**Consolidated Balance Sheet**  
**30 June 2009**  
**(unaudited)**

US\$ Millions	Total Fibre Cement Operations- excluding Asbestos Compensation	Asbestos Compensation	As Reported
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 302.4	\$ (259.7)	\$ 42.7
Restricted cash and cash equivalents	5.3	-	5.3
Restricted cash and cash equivalents - Asbestos	-	43.0	43.0
Restricted short-term investments - Asbestos	-	59.1	59.1
Accounts and notes receivable, net of allowance for doubtful accounts of \$1.4 million	123.0	0.1	123.1
Inventories	129.3	-	129.3
Prepaid expenses and other current assets	17.7	0.3	18.0
Insurance receivable - Asbestos	-	14.9	14.9
Workers' compensation - Asbestos	-	0.7	0.7
Deferred income taxes	20.6	-	20.6
Deferred income taxes - Asbestos	-	14.6	14.6
<b>Total current assets</b>	<b>598.3</b>	<b>(127.0)</b>	<b>471.3</b>
Property, plant and equipment, net	705.5	1.1	706.6
Insurance receivable - Asbestos	-	172.0	172.0
Workers' compensation - Asbestos	-	87.3	87.3
Deferred income taxes	2.1	-	2.1
Deferred income taxes - Asbestos	-	391.6	391.6
Deposit with Australian Taxation Office	208.8	-	208.8
Other assets	1.9	-	1.9
<b>Total assets</b>	<b>\$ 1,516.6</b>	<b>\$ 525.0</b>	<b>\$ 2,041.6</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 87.8	\$ 0.7	\$ 88.5
Short-term debt	50.0	-	50.0
Current portion of long-term debt	196.0	-	196.0
Accrued payroll and employee benefits	24.0	0.2	24.2
Accrued product warranties	6.8	-	6.8
Income taxes payable	30.5	(29.2)	1.3
Asbestos liability	-	92.5	92.5
Workers' compensation - Asbestos	-	0.7	0.7
Other liabilities	13.6	-	13.6
<b>Total current liabilities</b>	<b>408.7</b>	<b>64.9</b>	<b>473.6</b>
Long-term debt	25.0	-	25.0
Deferred income taxes	106.4	-	106.4
Accrued product warranties	19.5	-	19.5
Asbestos liability	-	1,403.5	1,403.5
Workers' compensation - Asbestos	-	87.3	87.3
Other liabilities	74.9	2.6	77.5
<b>Total liabilities</b>	<b>634.5</b>	<b>1,558.3</b>	<b>2,192.8</b>
Commitments and contingencies			
<b>Shareholders' equity (deficit)</b>			
Common stock	219.2	-	219.2
Additional paid-in capital	24.7	-	24.7
Retained earnings (accumulated deficit)	606.5	(1,037.2)	(430.7)
Accumulated other comprehensive income	31.7	3.9	35.6
<b>Total shareholders' equity (deficit)</b>	<b>882.1</b>	<b>(1,033.3)</b>	<b>(151.2)</b>
<b>Total liabilities and shareholders' equity (deficit)</b>	<b>\$ 1,516.6</b>	<b>\$ 525.0</b>	<b>\$ 2,041.6</b>

**James Hardie Industries N.V.**  
**Consolidated Statement of Operations**  
**For the three months ended 30 June 2009**  
**(unaudited)**

<b>US\$ Millions</b>	Total Fibre Cement Operations- excluding Asbestos Compensation	Asbestos Compensation	As Reported
Net Sales	284.5	-	284.5
Cost of goods sold	(174.1)	-	(174.1)
Gross profit	110.4	-	110.4
Selling, general and administrative expenses	(40.9)	(0.5)	(41.4)
Research and development expenses	(6.3)	-	(6.3)
Asbestos adjustments	-	(119.8)	(119.8)
EBIT	63.2	(120.3)	(57.1)
Net Interest (expense) income	(1.4)	0.7	(0.7)
Other income	4.4	0.4	4.8
Operating profit (loss) before income taxes	66.2	(119.2)	(53.0)
Income tax expense	(24.9)	-	(24.9)
<b>Net Operating Profit (Loss)</b>	<b>\$ 41.3</b>	<b>\$ (119.2)</b>	<b>\$ (77.9)</b>

**James Hardie Industries N.V.**  
**Consolidated Statement of Cash Flows**  
**For the three months ended 30 June 2009**  
**(unaudited)**

US\$ Millions

**Cash Flows from Operating Activities**

	Total Fibre Cement Operations- excluding Asbestos Compensation	Asbestos Compensation	As Reported
Net income	\$ 41.3	\$ (119.2)	\$ (77.9)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortisation	15.0	-	15.0
Deferred income taxes	23.9	-	23.9
Stock-based compensation	2.0	-	2.0
Asbestos adjustments	-	119.8	119.8
Changes in operating assets and liabilities:			
Restricted cash and cash equivalents	-	17.2	17.2
Accounts and notes receivable	(25.1)	(0.1)	(25.2)
Inventories	(10.9)	-	(10.9)
Prepaid expenses and other current assets	-	(0.1)	(0.1)
Insurance receivable - Asbestos	-	3.9	3.9
Accounts payable and accrued liabilities	6.4	(0.1)	6.3
Asbestos liability	-	(21.4)	(21.4)
Deposit with Australian Taxation Office	(2.3)	-	(2.3)
Other accrued liabilities and other liabilities	32.1	-	32.1
<b>Net cash provided by operating activities</b>	<b>\$ 82.4</b>	<b>\$ -</b>	<b>\$ 82.4</b>

**Cash Flows From Investing Activities**

Purchases of property, plant and equipment	(9.7)	-	(9.7)
<b>Net cash used in investing activities</b>	<b>\$ (9.7)</b>	<b>\$ -</b>	<b>\$ (9.7)</b>

**Cash Flows from Financing Activities**

Repayments of short-term borrowings	(43.3)	-	(43.3)
Proceeds from long-term borrowings	15.0	-	15.0
Repayments of long term borrowings	(24.7)	-	(24.7)
<b>Net cash used in financing activities</b>	<b>\$ (53.0)</b>	<b>\$ -</b>	<b>\$ (53.0)</b>

Effect of exchange rate changes on cash	(19.4)	-	(19.4)
Net increase in cash and cash equivalents	0.3	-	0.3
Cash and cash equivalents at beginning of period	42.4	-	42.4
<b>Cash and cash equivalents at end of period</b>	<b>\$ 42.7</b>	<b>\$ -</b>	<b>\$ 42.7</b>

**Components of Cash and Cash Equivalents**

Cash at bank and on hand	13.7	-	13.7
Short-term deposits	29.0	-	29.0
<b>Cash and cash equivalents at end of period</b>	<b>\$ 42.7</b>	<b>\$ -</b>	<b>\$ 42.7</b>

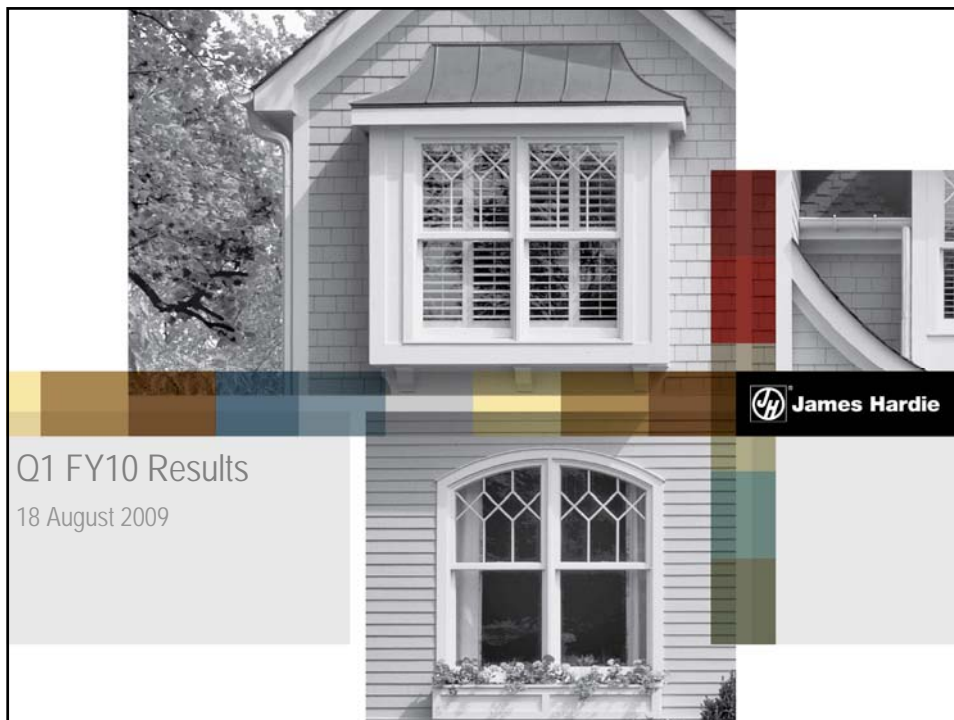
## **Disclaimer**

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, existing and potential lenders, representatives of the media and others. Statements that are not historical facts are forward-looking statements and such forward-looking statements are statements made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include:

- statements about our future performance;
- projections of our results of operations or financial condition;
- statements regarding our plans, objectives or goals, including those relating to our strategies, initiatives, competition, acquisitions, dispositions and/or our products;
- expectations concerning the costs associated with the suspension or closure of operations at any of our plants and future plans with respect to any such plants;
- expectations that our credit facilities will be extended or renewed;
- expectations concerning dividend payments;
- statements concerning our corporate and tax domiciles and potential changes to them;
- statements regarding tax liabilities and related audits and proceedings;
- statements as to the possible consequences of proceedings brought against us and certain of our former directors and officers by the ASIC;
- expectations about the timing and amount of contributions to the AICF, a special purpose fund for the compensation of proven Australian asbestos-related personal injury and death claims;
- expectations concerning indemnification obligations; and
- statements about product or environmental liabilities.

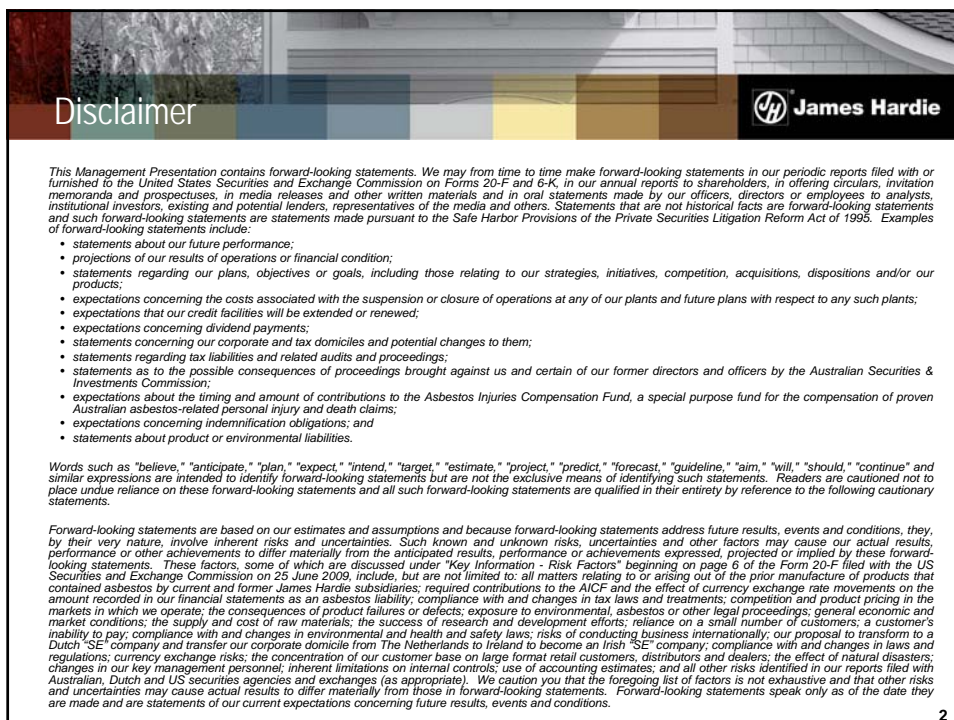
Words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "aim," "will," "should," "continue" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Readers are cautioned not to place undue reliance on these forward-looking statements and all such forward-looking statements are qualified in their entirety by reference to the following cautionary statements.

Forward-looking statements are based on our estimates and assumptions and because forward-looking statements address future results, events and conditions, they, by their very nature, involve inherent risks and uncertainties. Such known and unknown risks, uncertainties and other factors may cause our actual results, performance or other achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. These factors, some of which are discussed under "Key Information - Risk Factors" beginning on page 6 of the Form 20-F filed with the US Securities and Exchange Commission on 25 June 2009, 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 currency exchange rate movements 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 research and development efforts; reliance on a small number of customers; a customer's inability to pay; compliance with and changes in environmental and health and safety laws; risks of conducting business internationally; our proposal to transform to a Dutch "SE" company and transfer our corporate domicile from The Netherlands to Ireland to become an Irish "SE" company; compliance with and changes in laws and regulations; currency exchange risks; the concentration of our customer base on large format retail customers, distributors and dealers; the effect of natural disasters; changes in our key management personnel; inherent limitations on internal controls; use of accounting estimates; and all other risks identified in our reports filed with Australian, Dutch and US securities agencies and exchanges (as appropriate). 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 and are statements of our current expectations concerning future results, events and conditions.



## Q1 FY10 Results

18 August 2009



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- *statements as to the possible consequences of proceedings brought against us and certain of our former directors and officers by the Australian Securities & Investments Commission;*
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## Agenda



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

*In this Management Presentation, James Hardie may present financial measures, sales volume terms, financial ratios, and Non-US GAAP financial measures included in the Definitions section of this document starting on page 38. The company presents financial measures that it believes are customarily used by its Australian investors. Specifically, these financial measures, which are equivalent to or derived from certain US GAAP measures as explained in the 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 or mmsf" and "thousand square feet or 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 excluding asbestos, ASIC expenses and asset impairments", "EBIT margin excluding asbestos, ASIC expenses and asset impairments", "Net operating profit excluding asbestos, ASIC expenses, asset impairments and tax adjustments", "Diluted earnings per share excluding asbestos, ASIC expenses, asset impairments and tax adjustments", "Operating profit before income taxes excluding asbestos and asset impairments", "Effective tax rate excluding asbestos, asset impairments and tax adjustments", "EBITDA" and "General corporate costs excluding domicile change related costs"). Unless otherwise stated, results and comparisons are of the 1<sup>st</sup> quarter and current fiscal year versus the 1<sup>st</sup> quarter of the prior fiscal year.*

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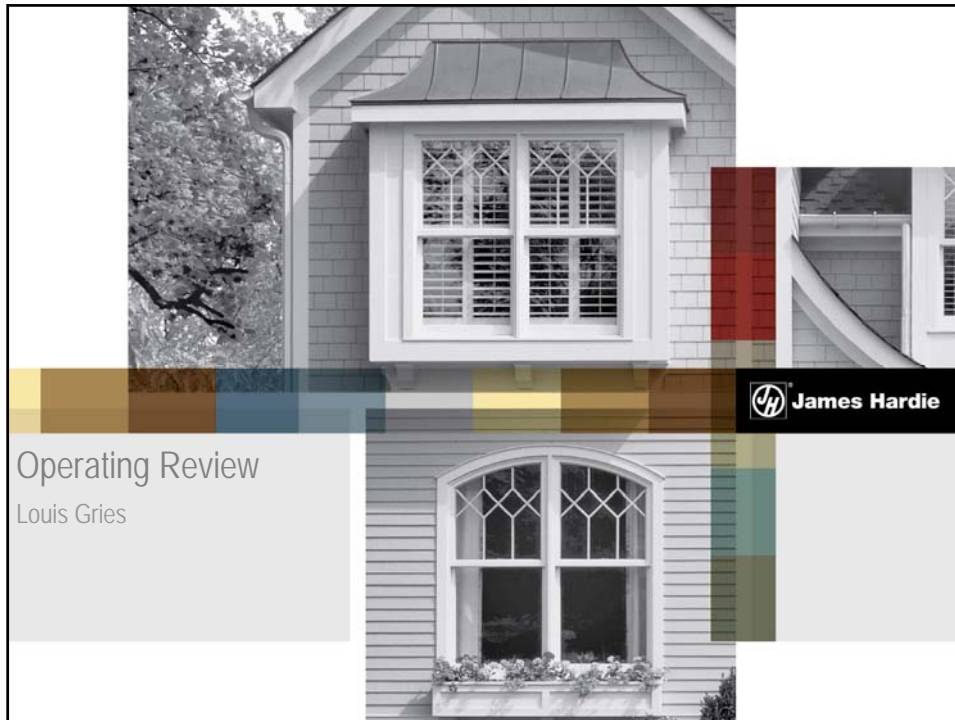
## Overview



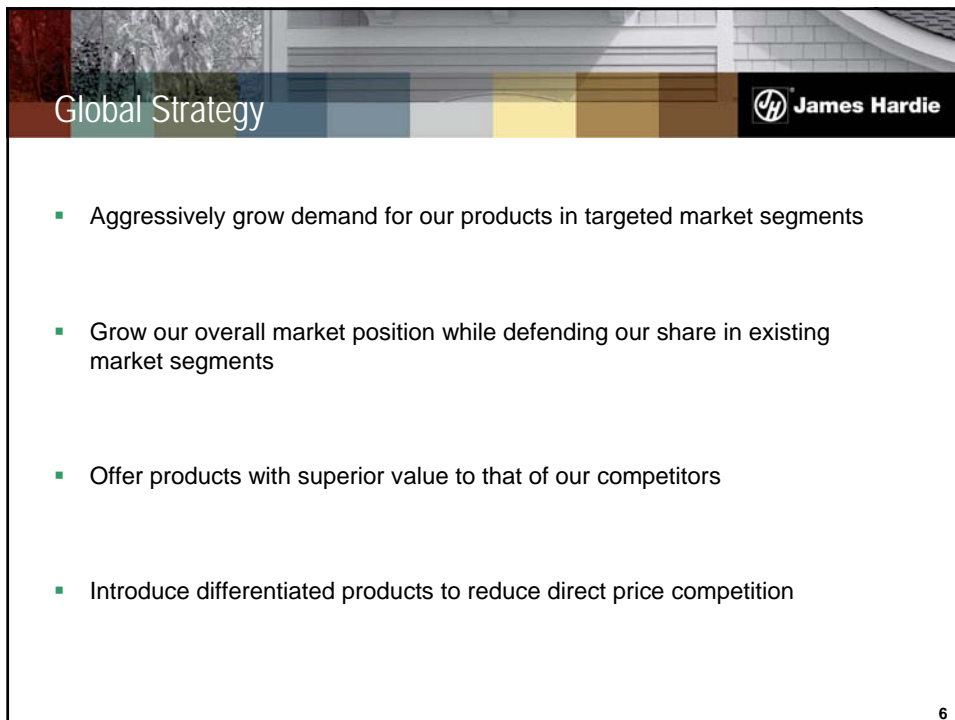

- Operating results continue to reflect weakness in the US housing construction activity and general economic conditions
- Net operating profit for the quarter primarily affected by unfavourable asbestos adjustments

US\$ Millions	Q1 FY10	Q1 FY09	% Change
Net operating (loss) profit	(77.9)	1.4	-
<b>Net operating profit excluding asbestos, ASIC expenses and tax adjustments</b>	<b>41.6</b>	<b>40.0</b>	<b>4</b>
Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments (US cents)	9.6	9.3	3


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Operating Review  
Louis Gries



Global Strategy



- Aggressively grow demand for our products in targeted market segments
- Grow our overall market position while defending our share in existing market segments
- Offer products with superior value to that of our competitors
- Introduce differentiated products to reduce direct price competition

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**1<sup>st</sup> Quarter Result \***

Net Sales	down	21% to US\$219.1 million
Sales Volume	down	24% to 353.7 mmsf
Average Price	up	4% to US\$619 per msf
EBIT	up	5% to US\$68.6 million
EBIT Margin	up	7.4 pts to 31.3%

\*Comparison is of the 1<sup>st</sup> quarter of the current fiscal year versus the 1<sup>st</sup> quarter of the prior fiscal year

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**1<sup>st</sup> Quarter Market Conditions**

- Ongoing weakness in the US housing market - both new construction and repair and remodel
  - June 2009 housing starts were 582,000\* down 46% from the June 2008 rate
  - Housing starts are 26% of their January 2006 peak of 2.265 million
  - Housing starts appear to be "nearing the bottom" of the cycle but significant challenges remain
  - Repair & Remodel down, but less than new construction

\*NAHB seasonally-adjusted annual rate

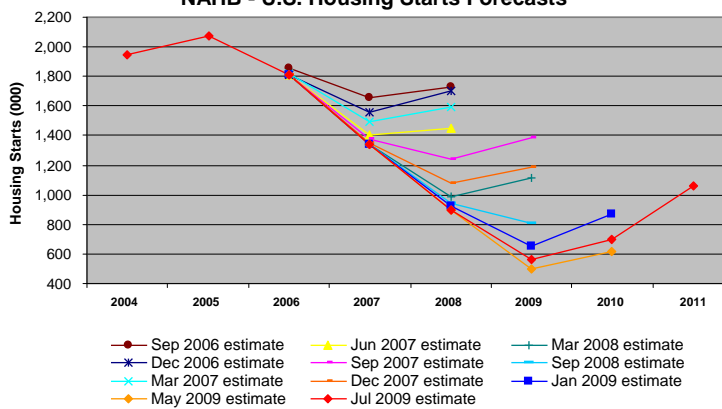
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**1<sup>st</sup> Quarter Key Points**

- Sales down due to weaker market
- Sales volumes were lower across all regions
- ColorPlus® again increased as a percentage of our product mix
- Earnings benefitted from lower costs, particularly for pulp, energy and freight
- Lower SG&A costs, higher average selling price and lower unit costs more than offset lower volumes to produce an increase in EBIT

- NAHB latest forecast of 2009 Housing Starts is 561k (including MF-high)

**NAHB - U.S. Housing Starts Forecasts**

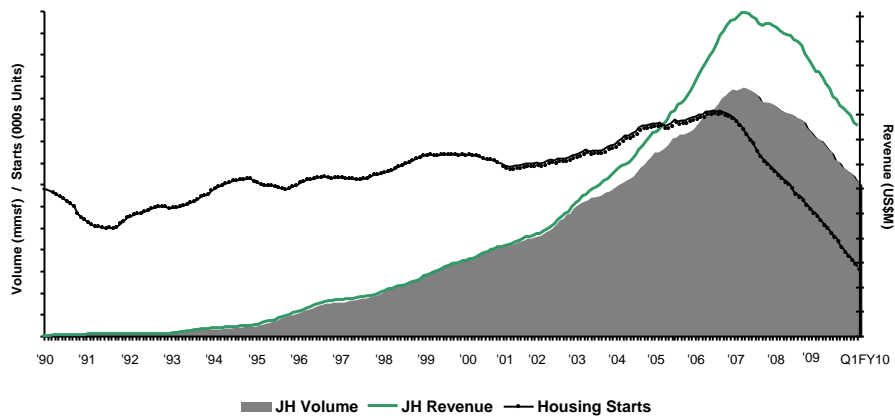


Source: NAHB Executive Level Forecasts - Total US Housing Starts (incl. SF, MF-low and MF-high)

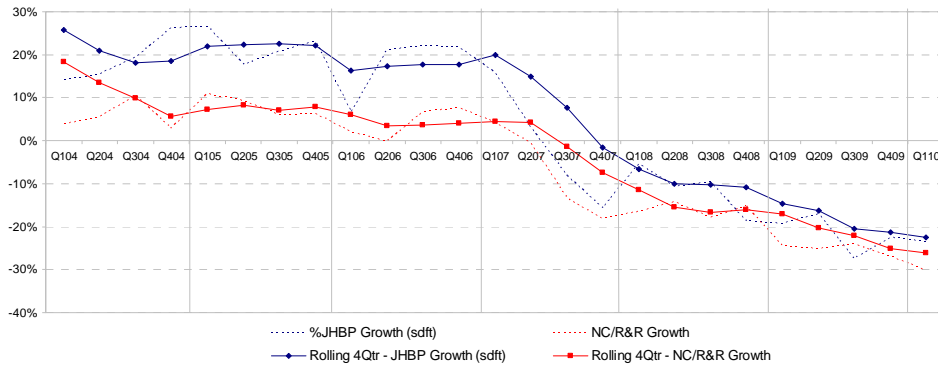
**Outlook**

- While the US residential construction market appears to be “nearing the bottom”, it remains too early to ascertain the timing, rate or extent of any recovery
- The market is facing continuing challenges, including:
  - excess supply of existing housing stock;
  - restricted access to credit for potential home buyers;
  - a recent upturn in interest rates;
  - expiry of the first-time home buyer’s tax credit in November 2009; and
  - a stagnant employment market
- The business remains focused on:
  - driving our long-term strategy;
  - sustaining earnings in a low-demand environment; and
  - retaining the operational flex to increase production should a recovery eventuate
- We expect the US business will continue to perform well despite the continuing challenging operating environment

**Top Line Growth**

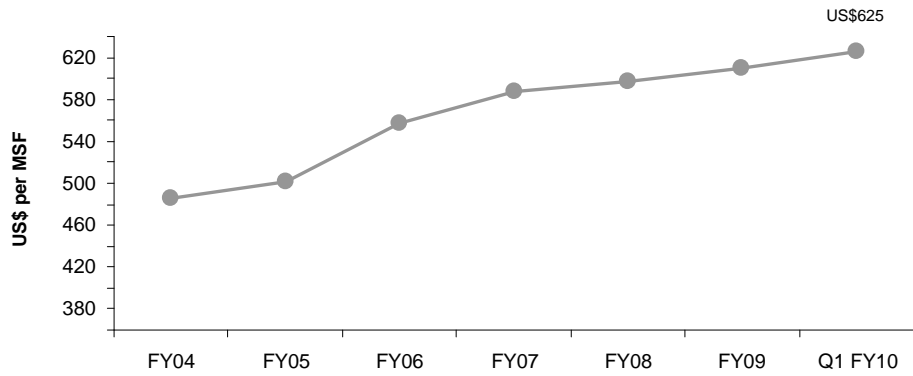


### Primary Growth Performance

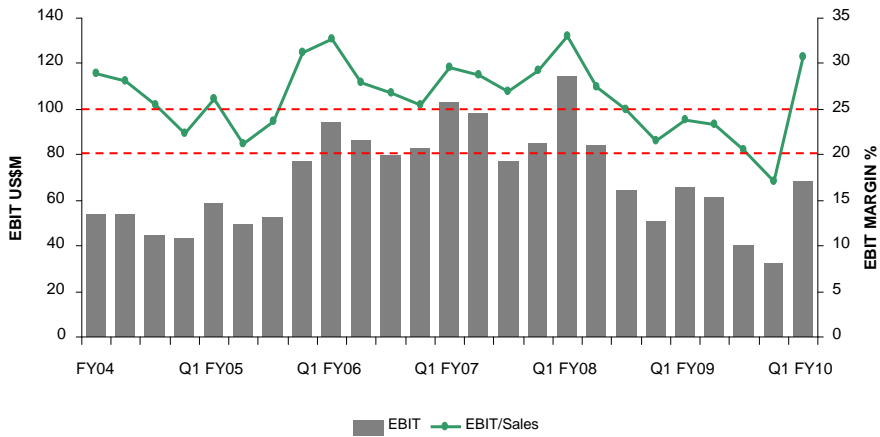


Sources: Dodge US addressable starts (SF & MF-low); US Census R&R \$ expenditures less CPI  
 Note: • US Census discontinued their R&R \$ expenditures report in 2007  
 • 2008 R&R = avg. published Home Depot & Lowe's same store sales less CPI

### Average Net Selling Price



EBIT and EBIT Margin\*



\* Excludes impairment charges of US\$45.6 million in Q4 FY08

1<sup>st</sup> Quarter Result \*

Net Sales	down	26% to US\$61.3 million
Sales Volume	down	13% to 88.9 mmsf
Average Price	up	5% to A\$909 per msf
EBIT	down	31% to US\$10.9 million
EBIT Margin	down	1.2 pts to 17.8%

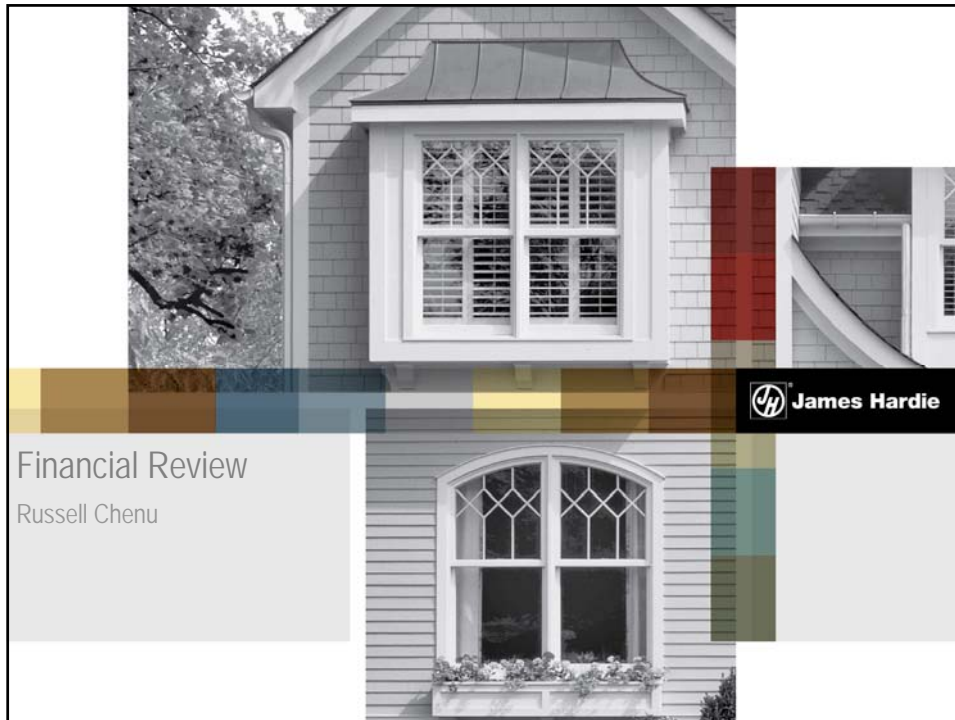
\* Comparison is of the 1<sup>st</sup> quarter of the current fiscal year versus the 1<sup>st</sup> quarter of the prior fiscal year

**1<sup>st</sup> Quarter Key Points**

- Business performed well in a difficult operating environment
- In Australian dollars, Asia Pacific net sales down 8% due to 13% decrease in sales volume, partially offset by a 5% increase in average net sales price
- In Australian dollars, Asia Pacific Fibre Cement EBIT for the quarter decreased 13% due to a lower gross margin performance partially offset by lower SG&A expenses
- Australian residential approvals down 18% in June 2009 quarter, compared to June 2008 quarter
- New Zealand housing consents remain at 25-year lows
- Continued growth in sales of differentiated products in Australia and New Zealand

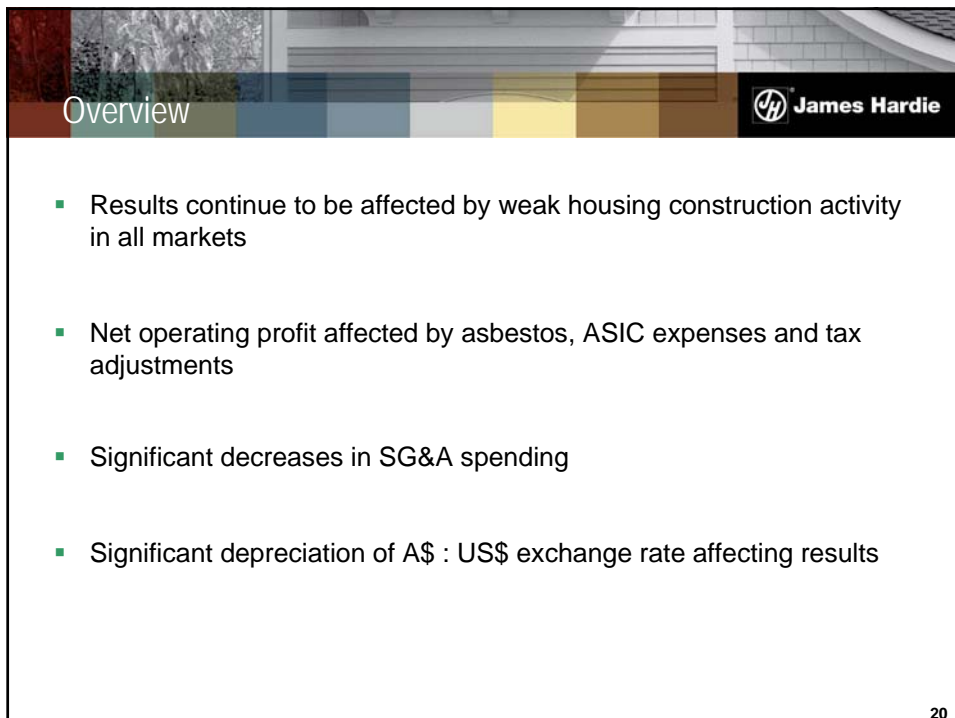
**Outlook**

- Market forecasts are for further declines in Australian addressable housing starts
- New Zealand residential construction to remain at current historic low levels
- Continued growth in sales of differentiated products in New Zealand and Australia



## Financial Review

Russell Chenu

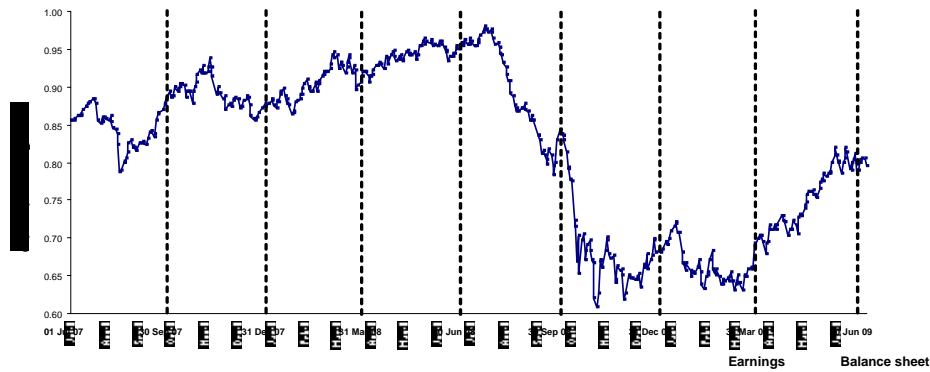


## Overview



- Results continue to be affected by weak housing construction activity in all markets
- Net operating profit affected by asbestos, ASIC expenses and tax adjustments
- Significant decreases in SG&A spending
- Significant depreciation of A\$ : US\$ exchange rate affecting results

## Consequences of changes A\$ versus US\$



- Unfavourable impact from translation of Asia Pacific results – Q1 FY10 vs Q1 FY09
- Favourable impact on corporate costs incurred in Australian dollars (and euro) – Q1 FY10 vs Q1 FY09
- Unfavourable impact from translation of asbestos liability balance – 30 June 2009 vs 31 March 2009
- Favourable impact from translation of Australian dollar deposit with ATO relating to 1999 Amended Assessment – 30 June 2009 vs 31 March 2009

Earnings      Balance sheet

✓	✗
✓	✗
✓	✓
✗	✓

## Results – Q1



US\$ Millions	Q1'10	Q1'09	% Change
Net sales	284.5	365.0	(22)
Gross profit	110.4	124.0	(11)
SG&A expenses	(41.4)	(54.2)	24
Research & development expenses	(6.3)	(6.4)	2
Asbestos adjustments	(119.8)	(40.5)	-
<b>EBIT</b>	<b>(57.1)</b>	<b>22.9</b>	-
Net interest expense	(0.7)	(1.1)	36
Other income	4.8	-	-
Income tax expense	(24.9)	(20.4)	(22)
<b>Net operating (loss) profit</b>	<b>(77.9)</b>	<b>1.4</b>	-

## Results – Q1 (continued)



<u>US\$ Millions</u>	<b>Q1'10</b>	<b>Q1'09</b>	<b>% Change</b>
Net operating (loss) profit	(77.9)	1.4	-
Asbestos:			
Asbestos adjustments	119.8	40.5	-
AICF SG&A expenses	0.5	0.6	(17)
AICF interest income	(0.7)	(0.9)	22
Gain on AICF investments	(0.4)	-	-
ASIC expenses	0.6	1.5	(60)
Tax adjustments	(0.3)	(3.1)	90
<b>Net operating profit excluding asbestos, ASIC expenses and tax adjustments</b>	<b>41.6</b>	<b>40.0</b>	<b>4</b>

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## Segment Net Sales – Q1



<u>US\$ Millions</u>	<b>Q1'10</b>	<b>Q1'09</b>	<b>% Change</b>
USA and Europe Fibre Cement	223.2	281.7	(21)
Asia Pacific Fibre Cement	61.3	83.3	(26)
<b>Total</b>	<b>284.5</b>	<b>365.0</b>	<b>(22)</b>

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## Segment EBIT – Q1



<u>US\$ Millions</u>	<u>Q1'10</u>	<u>Q1'09</u>	<u>% Change</u>
USA and Europe Fibre Cement	68.8	65.6	5
Asia Pacific Fibre Cement	10.9	15.8	(31)
Research & development <sup>1</sup>	(4.0)	(5.0)	20
Total segment EBIT	75.7	76.4	(1)
General Corporate excluding ASIC expenses	(11.9)	(10.9)	(9)
<b>Total EBIT excluding asbestos and ASIC expenses</b>	<b>63.8</b>	<b>65.5</b>	<b>(3)</b>
Asbestos adjustments	(119.8)	(40.5)	-
AICF SG&A expenses	(0.5)	(0.6)	17
ASIC expenses	(0.6)	(1.5)	60
Total EBIT	(57.1)	22.9	-

<sup>1</sup> Research & development includes "core" research & development expenses and administrative expenses, but excludes product development expenses

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## Net Interest Expense



<u>US\$ Millions</u>	<u>Q1' 10</u>	<u>Q1' 09</u>
Gross interest expense	(1.1)	(2.6)
Interest income	0.1	0.6
<b>Net interest expense excluding AICF net interest income and interest rate swaps</b>	<b>(1.0)</b>	<b>(2.0)</b>
AICF net interest income	0.7	0.9
Realised loss on interest rate swaps	(0.4)	-
Net interest expense	(0.7)	(1.1)

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**At 30 June 2009:**

- Total principal of interest rate swap contracts of US\$250.0 million
  - weighted average fixed interest rate of 2.49% per annum
  - weighted average remaining life is 3.6 years
  
- Unrealised gain of US\$4.4 million recorded in Consolidated Statement of Operations in Other Income
  
- Realised loss for the first three months FY2010 of US\$0.4 million

<u>US\$ Millions</u>	<u>Q1'10</u>	<u>Q1'09</u>
Operating (loss) profit before income taxes	(53.0)	21.8
Asbestos:		
Asbestos adjustments	119.8	40.5
AICF SG&A expenses	0.5	0.6
AICF interest income	(0.7)	(0.9)
Gain on AICF investments	(0.4)	-
Operating profit before income taxes excluding asbestos	66.2	62.0
Income tax expense	(24.9)	(20.4)
Tax adjustments	(0.3)	(3.1)
Income tax expense excluding asbestos and tax adjustments	(25.2)	(23.5)
Effective tax rate excluding asbestos and tax adjustments	<b>38.1%</b>	<b>37.9%</b>

## Corporate Costs – Q1



<u>US\$ Millions</u>	<b>Q1'10</b>	<b>Q1'09</b>	<b>% Change</b>
Stock compensation expense	2.0	2.0	-
ASIC expenses	0.6	1.5	60
Other costs	5.4	8.7	38
<b>General corporate costs excluding domicile change related costs</b>	<b>8.0</b>	<b>12.2</b>	<b>34</b>
Domicile change related costs	4.5	0.2	-
<b>Total corporate costs</b>	<b>12.5</b>	<b>12.4</b>	<b>(1)</b>

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## EBITDA – Q1



<u>US\$ Millions</u>	<b>Q1'10</b>	<b>Q1'09</b>	<b>% Change</b>
<b>EBIT</b>			
USA and Europe Fibre Cement	68.8	65.6	5
Asia Pacific Fibre Cement	10.9	15.8	(31)
Research & development	(4.0)	(5.0)	20
General Corporate excluding ASIC expenses	(11.9)	(10.9)	(9)
<b>Depreciation and Amortisation</b>			
USA and Europe Fibre Cement	12.4	11.4	9
Asia Pacific Fibre Cement	2.6	2.6	-
<b>Total EBITDA excluding asbestos and ASIC expenses</b>	<b>78.8</b>	<b>79.5</b>	<b>(1)</b>
Asbestos adjustments	(119.8)	(40.5)	-
AICF SG&A expenses	(0.5)	(0.6)	17
ASIC expenses	(0.6)	(1.5)	60
<b>Total EBITDA</b>	<b>(42.1)</b>	<b>36.9</b>	<b>-</b>

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## Cash Flow



<u>US\$ Millions</u>	<u>Q1'10</u>	<u>Q1'09</u>	<u>% Change</u>
<b>EBIT</b>	<b>(57.1)</b>	<b>22.9</b>	<b>-</b>
Non-cash items			
- Asbestos adjustments	119.8	40.5	-
- Other non-cash items	40.9	9.1	-
- Change in restricted cash – asbestos	17.2	22.3	(23)
Net working capital movements	(33.7)	24.6	-
<b>Cash generated by trading activities</b>	<b>87.1</b>	<b>119.4</b>	<b>(27)</b>
Tax payments	(1.2)	(20.0)	(94)
Deposit with ATO	(2.3)	(3.1)	(26)
Interest paid (net)	(1.2)	(1.5)	(20)
<b>Net Operating Cash Flow</b>	<b>82.4</b>	<b>94.8</b>	<b>(13)</b>
Purchases of property, plant & equipment	(9.7)	(3.8)	-
Equity issued	-	0.1	-
Other	(19.4)	(15.2)	(28)
<b>Movement in Net Cash</b>	<b>53.3</b>	<b>75.9</b>	<b>(30)</b>
Net Debt – 31 March	(281.6)	(229.1)	(23)
<b>Net Debt – 30 June</b>	<b>(228.3)</b>	<b>(153.2)</b>	<b>(49)</b>

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## Capital Expenditure



<u>US\$ Millions</u>	<u>Q1'10</u>	<u>Q1'09</u>	<u>% Change</u>
USA and Europe Fibre Cement	7.0	3.5	-
Asia Pacific Fibre Cement	2.7	0.3	-
<b>Total</b>	<b>9.7</b>	<b>3.8</b>	<b>-</b>

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## Debt



### ▪ Debt facilities at 30 June 2009

#### US\$ Millions

Total facilities		446.7
Gross Debt	271.0	
Cash	<u>42.7</u>	
Net debt		<u>228.3</u>
<b>Unutilised facilities and cash</b>		<b><u>218.4</u></b>

- Net debt decreased US\$53.3 million compared to net debt at 31 March 2009
- Weighted average remaining term of the total facilities was 1.5 years at 30 June 2009
- James Hardie remains well within its debt covenants

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## Key Ratios



	<u>Q1' FY10</u>	<u>FY09</u>	<u>FY08</u>
EPS (Diluted) <sup>1</sup>	9.6c	22.3c	38.1c
Dividend Paid per share	N/A	8.0c	27.0c
Return on Shareholders' Funds <sup>1</sup>	17.8%	11.2%	17.7%
Return on Capital Employed <sup>2</sup>	23.6%	16.7%	24.2%
EBIT/ Sales (EBIT margin) <sup>2</sup>	22.4%	14.2%	19.2%
Gearing Ratio <sup>1</sup>	19.0%	24.0%	21.5%
Net Interest Expense Cover <sup>2</sup>	45.6x	18.2x	33.9x
Net Interest Paid Cover <sup>2</sup>	53.2x	21.9x	22.0x
Net Debt Payback <sup>3</sup>	0.7yrs	4.3yrs	0.7yrs

<sup>1</sup> Excludes asbestos adjustments, AICF SG&A expenses, AICF interest income, ASIC expenses, asset impairments and tax adjustments

<sup>2</sup> Excludes asbestos adjustments, AICF SG&A expenses and ASIC expenses

<sup>3</sup> Excludes payments under the Amended FFA

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## Summary



- Improved US and Europe EBIT, reflecting lower average unit manufacturing costs, lower freight costs, decreased SG&A spending, improved plant performance and an increase in average net sales price
- In Australian dollars, Asia Pacific Fibre Cement EBIT for the quarter decreased 13% due to a lower gross margin performance partially offset by lower SG&A expenses
- Net operating profit excluding asbestos, ASIC expenses and tax adjustments, increased 4% for the quarter, compared to the same period last year
- Net cash flow from operations remains strong
- All businesses well-positioned for prevailing operating environment
- Results remain subject to fluctuation in A\$ : US\$ exchange rate

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## Legacy Issues Update



### Domicile

- Proposal announced on 24 June 2009
- Stage 1 vote by shareholders on 21 August 2009

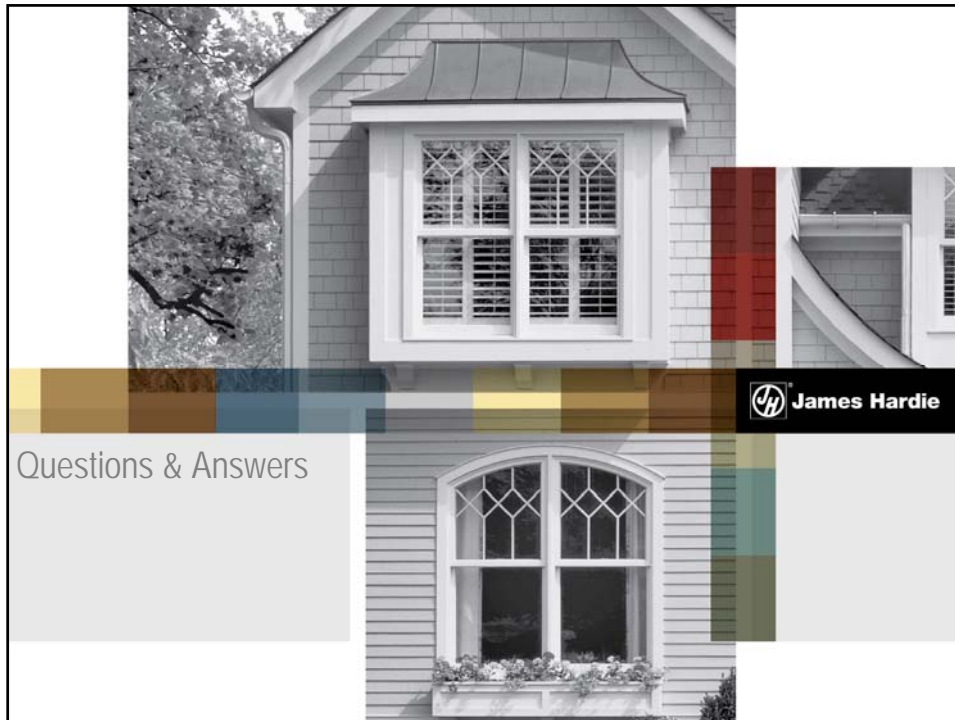
### ASIC Proceedings

- Findings and reasons for judgement announced April 2009
- Decisions in relation to exoneration, costs and penalties pending

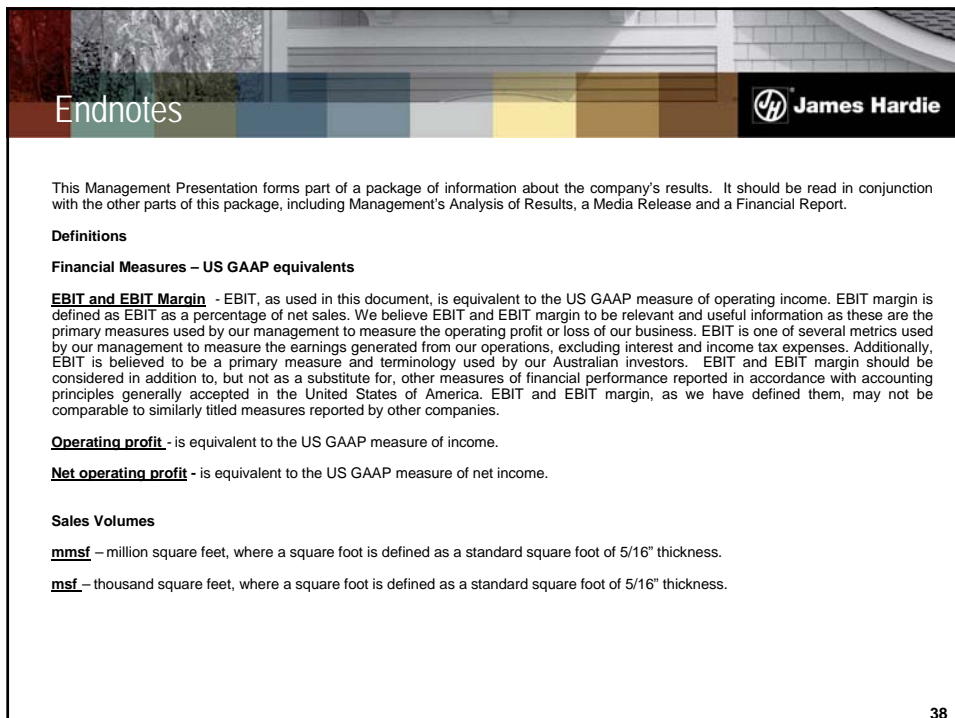
### ATO – 1999 Disputed Amended Assessment

- Court hearing for FY1999 amended assessment scheduled to commence on 7 September 2009

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## Questions & Answers



## Endnotes

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

### Definitions

#### Financial Measures – US GAAP equivalents

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

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

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

#### Sales Volumes

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

US\$ Millions	Q1 FY 2010	Q1 FY 2009
EBIT	\$ (57.1)	\$ 22.9
Asbestos:		
Asbestos adjustments	119.8	40.5
AICF SG&A expenses	0.5	0.6
ASIC expenses	0.6	1.5
EBIT excluding asbestos and ASIC expenses	63.8	65.5
Net Sales	\$ 284.5	\$ 365.0
EBIT margin excluding asbestos and ASIC expenses	22.4%	17.9%

**Non-US GAAP Financial Measures (continued)**

**Net operating profit excluding asbestos, ASIC expenses and tax adjustments** – Net operating profit excluding asbestos, ASIC expenses and tax 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\$ Millions	Q1 FY 2010	Q1 FY 2009
Net operating (loss) profit	\$ (77.9)	\$ 1.4
Asbestos:		
Asbestos adjustments	119.8	40.5
AICF SG&A expenses	0.5	0.6
AICF interest income	(0.7)	(0.9)
Gain on AICF investments	(0.4)	-
ASIC expenses	0.6	1.5
Tax adjustments	(0.3)	(3.1)
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	\$ 41.6	\$ 40.0

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**Non-US GAAP Financial Measures (continued)**

**Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments** – Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments 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	Q1 FY 2010	Q1 FY 2009
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	\$ 41.6	\$ 40.0
Weighted average common shares outstanding - Diluted (millions)	435.4	432.2
Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments (US cents)	9.6	9.3

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**Non-US GAAP Financial Measures (continued)**

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

US\$ Millions	Q1	Q1
	FY 2010	FY 2009
Operating (loss) profit before income taxes	\$ (53.0)	\$ 21.8
Asbestos:		
Asbestos adjustments	119.8	40.5
AICF SG&A expenses	0.5	0.6
AICF interest income	(0.7)	(0.9)
Gain on AICF investments	(0.4)	-
Operating profit before income taxes excluding asbestos	\$ 66.2	\$ 62.0
Income tax expense	(24.9)	(20.4)
Tax adjustments	(0.3)	(3.1)
Income tax expense excluding tax adjustments	(25.2)	(23.5)
Effective tax rate excluding asbestos and tax adjustments	38.1%	37.9%


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**Non-US GAAP Financial Measures (continued)**

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

US\$ Millions	Q1	Q1
	FY 2010	FY 2009
EBIT	\$ (57.1)	\$ 22.9
Depreciation and amortisation	15.0	14.0
EBITDA	\$ (42.1)	\$ 36.9

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**Non-US GAAP Financial Measures (continued)**


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

US\$ Millions	Q1	Q1
	FY 2010	FY 2009
General corporate costs	\$ 12.5	\$ 12.4
Excluding:		
Domicile change related costs	4.5	0.2
General corporate costs excluding domicile change related costs	\$ 8.0	\$ 12.2

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**Q1 FY10 Results**  
18 August 2009



# **James Hardie Industries N.V. and Subsidiaries**

**Condensed Consolidated Financial Statements  
as of and for the Period Ended 30 June 2009**

# James Hardie Industries N.V. and Subsidiaries

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Item 1. Financial Statements

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

	(Millions of US dollars)		(Millions of Australian dollars)	
	30 June 2009	31 March 2009	30 June 2009	31 March 2009
			(Unaudited)	(Unaudited)
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 42.7	\$ 42.4	A\$ 52.5	A\$ 61.7
Restricted cash and cash equivalents	5.3	5.3	6.5	7.7
Restricted cash and cash equivalents - Asbestos	43.0	45.4	52.9	66.1
Restricted short-term investments - Asbestos	59.1	52.9	72.7	77.0
Accounts and notes receivable, net of allowance for doubtful accounts of \$1.4 million (A\$1.8 million) and \$1.4 million (A\$2.0 million) as of 30 June 2009 and 31 March 2009, respectively	123.1	111.4	151.5	162.1
Inventories	129.3	128.9	159.1	187.6
Prepaid expenses and other current assets	18.0	20.4	22.2	29.7
Insurance receivable - Asbestos	14.9	12.6	18.3	18.3
Workers' compensation - Asbestos	0.7	0.6	0.9	0.9
Deferred income taxes	20.6	32.5	25.4	47.3
Deferred income taxes - Asbestos	14.6	12.3	18.0	17.9
Total current assets	<u>471.3</u>	<u>464.7</u>	<u>580.0</u>	<u>676.3</u>
Property, plant and equipment, net	706.6	700.8	869.5	1,019.8
Insurance receivable - Asbestos	172.0	149.0	211.7	216.9
Workers' compensation - Asbestos	87.3	73.8	107.4	107.4
Deferred income taxes	2.1	2.1	2.6	3.1
Deferred income taxes - Asbestos	391.6	333.2	481.9	484.8
Deposit with Australian Taxation Office	208.8	173.5	256.9	252.5
Other assets	1.9	1.6	2.3	2.3
Total assets	<u>\$ 2,041.6</u>	<u>\$ 1,898.7</u>	<u>A\$ 2,512.3</u>	<u>A\$ 2,763.1</u>
<b>Liabilities and Shareholders' Deficit</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 88.5	\$ 89.1	A\$ 108.9	A\$ 129.7
Short-term debt	50.0	93.3	61.5	135.8
Current portion of long-term debt	196.0	-	241.2	-
Accrued payroll and employee benefits	24.2	35.5	29.8	51.7
Accrued product warranties	6.8	7.4	8.4	10.8
Income taxes payable	1.3	1.4	1.6	2.0
Asbestos liability	92.5	78.2	113.8	113.8
Workers' compensation - Asbestos	0.7	0.6	0.9	0.9
Other liabilities	13.6	9.5	16.7	13.8
Total current liabilities	<u>473.6</u>	<u>315.0</u>	<u>582.8</u>	<u>458.5</u>
Long-term debt	25.0	230.7	30.8	335.7
Deferred income taxes	106.4	100.8	130.9	146.7
Accrued product warranties	19.5	17.5	24.0	25.5
Asbestos liability	1,403.5	1,206.3	1,727.2	1,755.4
Workers' compensation - Asbestos	87.3	73.8	107.4	107.4
Other liabilities	77.5	63.3	95.4	92.1
Total liabilities	<u>2,192.8</u>	<u>2,007.4</u>	<u>A\$ 2,698.5</u>	<u>A\$ 2,921.3</u>
Commitments and contingencies (Note 8)				
Shareholders' deficit:				
Common stock, Euro 0.59 par value, 2.0 billion shares authorised; 432,263,720 shares issued at 30 June 2009 and 31 March 2009	219.2	219.2		
Additional paid-in capital	24.7	22.7		
Accumulated deficit	(430.7)	(352.8)		
Accumulated other comprehensive income	35.6	2.2		
Total shareholders' deficit	<u>(151.2)</u>	<u>(108.7)</u>		
Total liabilities and shareholders' deficit	<u>\$ 2,041.6</u>	<u>\$ 1,898.7</u>		

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

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

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(Millions of US dollars, except per share data)	Three Months Ended 30 June	
	2009	2008
Net sales	\$ 284.5	\$ 365.0
Cost of goods sold	<u>(174.1)</u>	<u>(241.0)</u>
Gross profit	110.4	124.0
Selling, general and administrative expenses	(41.4)	(54.2)
Research and development expenses	(6.3)	(6.4)
Asbestos adjustments	<u>(119.8)</u>	<u>(40.5)</u>
Operating (loss) income	(57.1)	22.9
Interest expense	(1.5)	(2.6)
Interest income	0.8	1.5
Other income	4.8	-
(Loss) income before income taxes	<u>(53.0)</u>	<u>21.8</u>
Income tax expense	<u>(24.9)</u>	<u>(20.4)</u>
Net (loss) income	<u>\$ (77.9)</u>	<u>\$ 1.4</u>
Net loss per share - basic	\$ (0.18)	\$ -
Net loss per share - diluted	\$ (0.18)	\$ -
Weighted average common shares outstanding (Millions):		
Basic	432.3	432.2
Diluted	432.3	432.2

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

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

(Millions of Australian dollars, except per share data)	Three Months Ended 30 June	
	2009	2008
Net sales	<b>A\$ 374.9</b>	A\$ 386.9
Cost of goods sold	<b>(229.4)</b>	(255.5)
Gross profit	<b>145.5</b>	131.4
Selling, general and administrative expenses	<b>(54.6)</b>	(57.5)
Research and development expenses	<b>(8.3)</b>	(6.7)
Asbestos adjustments	<b>(157.9)</b>	(42.9)
Operating (loss) income	<b>(75.3)</b>	24.3
Interest expense	<b>(2.0)</b>	(2.8)
Interest income	<b>1.1</b>	1.6
Other income	<b>6.3</b>	-
(Loss) income before income taxes	<b>(69.9)</b>	23.1
Income tax expense	<b>(32.8)</b>	(21.6)
Net (loss) income	<b>A\$ (102.7)</b>	A\$ 1.5
Net loss per share - basic	<b>A\$ (0.24)</b>	\$ -
Net loss per share - diluted	<b>A\$ (0.24)</b>	\$ -
Weighted average common shares outstanding (Millions):		
Basic	<b>432.3</b>	432.2
Diluted	<b>432.3</b>	432.2

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

**James Hardie Industries N.V. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
(Unaudited)

(Millions of US dollars)	Three Months Ended 30 June	
	2009	2008
<b>Cash Flows From Operating Activities</b>		
Net (loss) income	\$ (77.9)	\$ 1.4
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortisation	15.0	14.0
Deferred income taxes	23.9	(6.9)
Stock-based compensation	2.0	2.0
Asbestos adjustments	119.8	40.5
Changes in operating assets and liabilities:		
Restricted cash and cash equivalents	17.2	22.1
Accounts and notes receivable	(25.2)	(9.4)
Inventories	(10.9)	21.2
Prepaid expenses and other current assets	(0.1)	10.6
Insurance receivable - Asbestos	3.9	5.1
Accounts payable and accrued liabilities	6.3	(15.2)
Asbestos liability	(21.4)	(27.7)
Deposit with Australian Taxation Office	(2.3)	(3.1)
Other accrued liabilities and other liabilities	32.1	40.2
<b>Net cash provided by operating activities</b>	<b>82.4</b>	<b>94.8</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of property, plant and equipment	(9.7)	(3.8)
<b>Net cash used in investing activities</b>	<b>(9.7)</b>	<b>(3.8)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from short-term borrowings	-	11.7
Repayments of short-term borrowings	(43.3)	-
Proceeds from long-term borrowings	15.0	48.3
Repayments of long-term borrowings	(24.7)	-
Proceeds from issuance of shares	-	0.1
<b>Net cash (used in) provided by financing activities</b>	<b>(53.0)</b>	<b>60.1</b>
Effects of exchange rate changes on cash	(19.4)	(15.2)
Net increase in cash and cash equivalents	0.3	135.9
Cash and cash equivalents at beginning of period	42.4	35.4
<b>Cash and cash equivalents at end of period</b>	<b>\$ 42.7</b>	<b>\$ 171.3</b>
<b>Components of Cash and Cash Equivalents</b>		
Cash at bank and on hand	\$ 13.7	\$ 136.3
Short-term deposits	29.0	35.0
Cash and cash equivalents at end of period	<b>\$ 42.7</b>	<b>\$ 171.3</b>

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

**James Hardie Industries N.V. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
(Unaudited)

(Millions of Australian dollars)	Three Months Ended 30 June	
	2009	2008
<b>Cash Flows From Operating Activities</b>		
Net (loss) income	A\$ (102.7)	A\$ 1.5
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortisation	19.8	14.8
Deferred income taxes	31.5	(7.3)
Stock-based compensation	2.6	2.1
Asbestos adjustments	157.9	42.9
Changes in operating assets and liabilities:		
Restricted cash and cash equivalents	22.7	23.4
Accounts and notes receivable	(33.2)	(10.0)
Inventories	(14.4)	22.5
Prepaid expenses and other current assets	(0.1)	11.2
Insurance receivable - Asbestos	5.1	5.4
Accounts payable and accrued liabilities	8.3	(16.1)
Asbestos liability	(28.2)	(29.4)
Deposit with Australian Taxation Office	(3.0)	(3.3)
Other accrued liabilities and other liabilities	42.3	42.6
<b>Net cash provided by operating activities</b>	<b>108.6</b>	<b>100.3</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of property, plant and equipment	(12.8)	(4.0)
<b>Net cash used in investing activities</b>	<b>(12.8)</b>	<b>(4.0)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from short-term borrowings	-	12.4
Repayments of short-term borrowings	(57.1)	-
Proceeds from long-term borrowings	19.8	51.2
Repayments of long-term borrowings	(32.6)	-
Proceeds from issuance of shares	-	0.1
<b>Net cash (used in) provided by financing activities</b>	<b>(69.9)</b>	<b>63.7</b>
Effects of exchange rate changes on cash	(35.1)	(20.5)
Net increase in cash and cash equivalents	(9.2)	139.5
Cash and cash equivalents at beginning of period	61.7	38.6
<b>Cash and cash equivalents at end of period</b>	<b>A\$ 52.5</b>	<b>A\$ 178.1</b>
<b>Components of Cash and Cash Equivalents</b>		
Cash at bank and on hand	A\$ 16.9	A\$ 141.7
Short-term deposits	35.6	36.4
Cash and cash equivalents at end of period	<b>A\$ 52.5</b>	<b>A\$ 178.1</b>

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

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

(Millions of US dollars)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
<b>Balances as of 31 March 2009</b>	<b>\$ 219.2</b>	<b>\$ 22.7</b>	<b>\$ (352.8)</b>	<b>\$ 2.2</b>	<b>\$ (108.7)</b>
Comprehensive (loss) income:					
Net loss	-	-	(77.9)	-	(77.9)
Pension and post-retirement benefit adjustments	-	-	-	0.2	0.2
Unrealised gain on investments	-	-	-	3.9	3.9
Foreign currency translation gain	-	-	-	29.3	29.3
Other comprehensive income	-	-	-	33.4	33.4
Total comprehensive loss					(44.5)
Stock-based compensation	-	2.0	-	-	2.0
<b>Balances as of 30 June 2009</b>	<b>\$ 219.2</b>	<b>\$ 24.7</b>	<b>\$ (430.7)</b>	<b>\$ 35.6</b>	<b>\$ (151.2)</b>

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

# James Hardie Industries N.V. and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

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### 1. Background and Basis of Presentation

#### Nature of Operations

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

#### Basis of Presentation

The consolidated financial statements represent the financial position, results of operations and cash flows of JHI NV and its current wholly owned subsidiaries and special purpose entities, collectively referred to as either the "Company" or "James Hardie" and JHI NV, together with its subsidiaries as of the time relevant to the applicable reference, the "James Hardie Group," unless the context indicates otherwise. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto, included in the Company's Annual Report on Form 20-F for the fiscal year ended 31 March 2009, filed with the United States Securities and Exchange Commission on 25 June 2009.

The condensed consolidated financial statements included herein are unaudited; however, they contain all normal recurring adjustments which, in the opinion of the Company's management, are necessary to state fairly the consolidated financial position of the Company at 30 June 2009, and the consolidated results of operations for the three months ended 30 June 2009 and 2008 and consolidated cash flows for the three months ended 30 June 2009 and 2008. The results of operations for the three months ended 30 June 2009 are not necessarily indicative of the results to be expected for the full year. The balance sheet at 31 March 2009 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("US GAAP") for complete financial statements.

The assets, liabilities, statements of operations and statements of cash flows of the Company have been presented with accompanying Australian dollar (A\$) convenience translations as the majority of the Company's shareholder base is Australian. These A\$ convenience translations are not prepared in accordance with US GAAP and have not been audited. The exchange rates used to calculate the convenience translations are as follows:

(US\$1 = A\$)	31 March 2009	30 June <b>2009</b>	2008
Assets and liabilities	1.4552	<b>1.2306</b>	1.0395
Statements of operations	n/a	<b>1.3179</b>	1.0601
Cash flows - beginning cash	n/a	<b>1.4552</b>	1.0903
Cash flows - ending cash	n/a	<b>1.2306</b>	1.0395
Cash flows - current period movements	n/a	<b>1.3179</b>	1.0601

We have evaluated all subsequent events through 18 August 2009, the date the financial statements were issued.

### 2. Summary of Significant Accounting Policies

#### Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation. The reclassifications do not impact shareholders' deficit.

# James Hardie Industries N.V. and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

### Earnings Per Share

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

(Millions of shares)	Three Months Ended 30 June	
	2009	2008
Basic common shares outstanding	432.3	432.2
Dilutive effect of stock awards	-	-
Diluted common shares outstanding	<u>432.3</u>	<u>432.2</u>
(US dollars)	2009	2008
Net loss per share - basic	\$ (0.18)	\$ -
Net loss per share - diluted	\$ (0.18)	\$ -

Potential common shares of 17.5 million and 19.6 million for the three months ended 30 June 2009 and 2008, respectively, have been excluded from the calculation of diluted common shares outstanding because the effect of their inclusion would be anti-dilutive.

### Advertising

The Company expenses the production costs of advertising the first time the advertising takes place. Advertising expense was US\$1.8 million and US\$3.5 million during the three months ended 30 June 2009 and 2008, respectively.

### Asbestos

At 31 March 2006, the Company recorded an asbestos provision based on the estimated economic impact of the Original Final Funding Agreement ("Original FFA") entered into on 1 December 2005. The amount of the net asbestos provision of US\$715.6 million was based on the terms of the Original FFA, which included an actuarial estimate prepared by KPMG Actuaries as of 31 March 2006 of the projected future cash outflows, undiscounted and uninflated, and the anticipated tax deduction arising from Australian legislation which came into force on 6 April 2006. The amount represented the net economic impact that the Company was prepared to assume as a result of its voluntary funding of the asbestos liability which was under negotiation with various parties.

In February 2007, the shareholders approved the Amended FFA entered into on 21 November 2006 to provide long-term funding to the Asbestos Injury Compensation Fund ("AICF"), a special purpose fund that provides compensation for Australian-related personal injuries for which certain former subsidiary companies of James Hardie in Australia (being Amaca Pty Ltd ("Amaca"), Amaba Pty Ltd ("Amaba") and ABN 60 Pty Limited ("ABN 60") (collectively, the "Former James Hardie Companies")) are found liable.

Upon shareholder approval of the Amended FFA and in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 46R, "Consolidation of Variable Interest Entities" ("FIN 46R"), the Company consolidated the AICF resulting in a separate recognition of the asbestos liability and certain other items including the related Australian income tax benefit. Among other items, the Company recorded a deferred tax asset for the anticipated tax benefit related to asbestos liabilities and a corresponding increase in the asbestos liability. As stated in "Deferred Income Taxes" below, James

# James Hardie Industries N.V. and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

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Hardie 117 Pty Ltd (the "Performing Subsidiary") is able to claim a taxable deduction for contributions to the asbestos fund. For the year ended 31 March 2007, the Company classified the expense related to the increase of the asbestos liability as asbestos adjustments and the Company classified the benefit related to the recording of the related deferred tax asset as an income tax benefit (expense) on its consolidated statements of operations.

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

### *AICF*

Under the terms of the Amended FFA, the Performing Subsidiary has a contractual liability to make payments to the AICF. This funding to the AICF results in the Company having a pecuniary interest in the AICF. The interest is considered variable because the potential impact on the Company will vary based upon the annual actuarial assessments obtained by the AICF with respect to asbestos-related personal injury claims against the Former James Hardie Companies. Due to the Company's variable interest in the AICF, it consolidates the AICF in accordance with FIN 46R.

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

### *Asbestos-Related Assets and Liabilities*

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

#### Asbestos Liability

The amount of the asbestos liability reflects the terms of the Amended FFA, which has been calculated by reference to (but is not exclusively based upon) the most recent actuarial estimate of projected future cash flows prepared by KPMG Actuaries. Based on KPMG Actuaries' assumptions, KPMG Actuaries arrived at a range of possible total cash flows and proposed a central estimate which is intended to reflect an expected outcome. The Company views the central estimate as the basis for recording the asbestos liability in the Company's financial statements, which under US GAAP, it considers the best estimate under SFAS No. 5, "Accounting for Contingencies" ("SFAS No. 5"). The asbestos liability includes these cash flows as undiscounted and uninflated on the basis that it is inappropriate to discount or inflate future cash flows when the timing and amounts of such cash flows is not fixed or readily determinable.

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

#### Insurance Receivable

There are various insurance policies and insurance companies with exposure to the asbestos claims. The insurance receivable determined by KPMG Actuaries reflects the recoveries expected from all such policies based on the expected pattern of claims against such policies less an allowance for credit risk

# James Hardie Industries N.V. and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

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based on credit agency ratings. The insurance receivable generally includes these cash flows as undiscounted and uninflated on the basis that it is inappropriate to discount or inflate future cash flows when the timing and amounts of such cash flows are not fixed or readily determinable. The Company only records insurance receivables that it deems to be probable.

Included in insurance receivable is US\$11.1 million recorded on a discounted basis because the timing of the recoveries has been agreed with the insurer.

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

### Workers' Compensation

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

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

The portion of the KPMG Actuaries estimate that is expected to be met by the workers' compensation schemes or policies of the Former James Hardie Companies is recorded by the Company as a workers' compensation liability. Since these amounts are expected to be paid by the workers' compensation schemes or policies, the Company records an equivalent workers' compensation receivable.

Adjustments to the workers' compensation liability result in an equal adjustment in the workers' compensation receivable recorded by the Company and have no effect on the consolidated statements of operations.

### Asbestos-Related Research and Education Contributions

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

### Restricted Cash and Cash Equivalents

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

### Restricted Short-Term Investments

Short-term investments consist of highly liquid investments held in the custody of major financial institutions. All short-term investments are classified as available for sale and are recorded at market value using the specific identification method. Unrealised gains and losses on the market value of these investments are included as a separate component of accumulated other comprehensive income.

### AICF – Other Assets and Liabilities

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

# James Hardie Industries N.V. and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

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### Deferred Income Taxes

The Performing Subsidiary is able to claim a taxation deduction for its contributions to the AICF over a five-year period from the date of contribution. Consequently, a deferred tax asset has been recognised equivalent to the anticipated tax benefit over the life of the Amended FFA. The current portion of the deferred tax asset represents Australian tax benefits that will be available to the Company during the subsequent twelve months.

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

### *Foreign Currency Translation*

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

### **Recent Accounting Pronouncements**

#### *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*

In July 2009, the FASB issued SFAS No. 168 "The *FASB Accounting Standards Codification* and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162" ("SFAS No. 168"). SFAS No. 168 establishes the *FASB Accounting Standards Codification* as the single source of authoritative nongovernmental US GAAP. The Codification is effective for interim and annual periods ending after September 15, 2009. The adoption of SFAS No. 168 is not expected to have a material impact on the Company's financial statements.

#### *Subsequent Events*

In May 2009, the FASB issued SFAS No. 165 "Subsequent Events" ("SFAS No. 165"). SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This statement is effective for interim or annual financial periods ending after 15 June 2009. During the three months ended 30 June 2009, the Company adopted SFAS No. 165.

#### *Recognition and Presentation of Other-Than-Temporary Impairments*

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" ("FSP FAS 115-2"). FSP FAS 115-2 amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This statement is effective for interim and annual reporting periods ending after 15 June 2009. During the three months ended 30 June 2009, the Company adopted FSP FAS 115-2.

#### *Interim Disclosures about Fair Value of Financial Instruments*

In April 2009, the FASB issued Staff Position: FSP FAS No. 107-1 and APB No. 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP FAS 107-1"), which requires disclosures about fair value of financial instruments for interim reporting periods as well as in annual financial statements. This statement is effective for interim and annual reporting periods ending after 15 June 2009. During the three months ended 30 June 2009, the Company adopted FSP FAS 107-1. The adoption of this standard has resulted in the disclosure of the fair values attributable to our debt instruments within our interim report. See Note 7 for further information.

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

**3. Inventories**

Inventories consist of the following components:

(Millions of US dollars)	30 June 2009	31 March 2009
Finished goods	\$ 82.3	\$ 82.5
Work-in-process	6.3	4.7
Raw materials and supplies	47.7	48.9
Provision for obsolete finished goods and raw materials	(7.0)	(7.2)
Total inventories	<u>\$ 129.3</u>	<u>\$ 128.9</u>

**4. Property, Plant and Equipment**

Property, plant and equipment consist of the following components:

(Millions of US dollars)	Land	Buildings	Machinery and Equipment	Construction In Progress <sup>1</sup>	Total
<b>Balance at 31 March 2009:</b>					
Cost	18.0	212.3	867.9	51.6	1,149.8
Accumulated depreciation	-	(61.4)	(387.6)	-	(449.0)
Net book value	<u>\$ 18.0</u>	<u>\$ 150.9</u>	<u>\$ 480.3</u>	<u>\$ 51.6</u>	<u>\$ 700.8</u>
<b>Changes in net book value:</b>					
Capital expenditures	-	0.7	3.5	5.5	9.7
Depreciation	-	(2.5)	(12.5)	-	(15.0)
Other movements	-	-	20.7	(20.7)	-
Foreign currency translation adjustments	-	-	11.1	-	11.1
Total changes	<u>-</u>	<u>(1.8)</u>	<u>22.8</u>	<u>(15.2)</u>	<u>5.8</u>
<b>Balance at 30 June 2009:</b>					
Cost	18.0	213.0	903.2	36.4	1,170.6
Accumulated depreciation	-	(63.9)	(400.1)	-	(464.0)
Net book value	<u>\$ 18.0</u>	<u>\$ 149.1</u>	<u>\$ 503.1</u>	<u>\$ 36.4</u>	<u>\$ 706.6</u>

<sup>1</sup>Construction in progress consists of plant expansions and upgrades.

**5. Short and Long-Term Debt**

Debt consists of the following components:

(Millions of US dollars)	30 June 2009	31 March 2009
Short-term debt	\$ 50.0	\$ 93.3
Current portion of long-term debt	196.0	-
Long-term debt	25.0	230.7
Total debt <sup>1</sup>	<u>\$ 271.0</u>	<u>\$ 324.0</u>

<sup>1</sup> Total debt at 1.12% and 1.48% weighted average interest rates at 30 June 2009 and 31 March 2009, respectively.

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

At 30 June 2009, the Company's credit facilities consisted of :

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 November 2009	1.22%	50.0	50.0
364-day facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until June 2010	-	16.7	-
Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until June 2010	1.08%	245.0	196.0
Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until February 2011	1.20%	45.0	25.0
Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until February 2013	-	90.0	-
<b>Total</b>		<b>\$ 446.7</b>	<b>\$ 271.0</b>

For all facilities, the interest rate is calculated two business days prior to the commencement of each draw-down period based on the US\$ London Interbank Offered Rate ("LIBOR") plus the margins of individual lenders and is payable at the end of each draw-down period. At 30 June 2009, there was US\$271.0 million drawn under the combined facilities and US\$175.7 million was unutilised and available.

At 30 June 2009, management believes that the Company was in compliance with all restrictive covenants contained in its credit facility agreements. Under the most restrictive of these covenants, the Company (i) is required to maintain certain ratios of indebtedness to equity which do not exceed certain maximums, excluding assets, liabilities and other balance sheet items of the AICF, Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited, (ii) must maintain a minimum level of net worth, excluding assets, liabilities and other balance sheet items of the AICF; for these purposes "net worth" means the sum of the par value (or value stated in the books of the James Hardie Group) of the capital stock (but excluding treasury stock and capital stock subscribed or unissued) of the James Hardie Group, the paid in capital and retained earnings of the James Hardie Group and the aggregate amount of provisions made by the James Hardie Group for asbestos related liabilities, in each case, as such amounts would be shown in the consolidated balance sheet of the James Hardie Group if Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited were not accounted for as subsidiaries of the Company, (iii) must meet or exceed a minimum ratio of earnings before interest and taxes to net interest charges, excluding all income, expense and other profit and loss statement impacts of the AICF, Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited and (iv) must ensure that no more than 35% of Free Cash Flow (as defined in the Amended FFA) in any given Financial Year is contributed to the AICF on the payment dates under the Amended FFA in the next following Financial Year. The limit does not apply to payments of interest to the AICF. Such limits are consistent with the contractual liabilities of the Performing Subsidiary and the Company under the Amended FFA.

# James Hardie Industries N.V. and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

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### 6. Asbestos

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

#### *Asbestos Adjustments*

The asbestos adjustments included in the consolidated statements of operations comprise the following:

(Millions of US dollars)	Three Months Ended 30 June	
	2009	2008
Loss on foreign currency exchange	\$ (119.8)	\$ (40.5)
<b>Total Asbestos Adjustments</b>	<b>\$ (119.8)</b>	<b>\$ (40.5)</b>

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

*Asbestos-Related Assets and Liabilities*

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

(Millions of US dollars)	<b>30 June</b>	31 March
	<b>2009</b>	2009
Asbestos liability – current	\$ (92.5)	\$ (78.2)
Asbestos liability – non-current	(1,403.5)	(1,206.3)
Asbestos liability - Total	<u>(1,496.0)</u>	<u>(1,284.5)</u>
Insurance receivable – current	14.9	12.6
Insurance receivable – non-current	172.0	149.0
Insurance receivable – Total	<u>186.9</u>	<u>161.6</u>
Workers' compensation asset – current	0.7	0.6
Workers' compensation asset – non-current	87.3	73.8
Workers' compensation liability – current	(0.7)	(0.6)
Workers' compensation liability – non-current	(87.3)	(73.8)
Workers' compensation – Total	<u>-</u>	<u>-</u>
Deferred income taxes – current	14.6	12.3
Deferred income taxes – non-current	391.6	333.2
Deferred income taxes – Total	<u>406.2</u>	<u>345.5</u>
Income tax payable (reduction in income tax payable)	29.3	22.8
Other net liabilities	<u>(2.0)</u>	<u>(2.0)</u>
<b>Net Amended FFA liability</b>	<b>(875.6)</b>	<b>(756.6)</b>
Restricted cash and cash equivalents and restricted short-term investment assets of the AICF	102.1	98.3
<b>Unfunded Net Amended FFA liability</b>	<b>\$ (773.5)</b>	<b>\$ (658.3)</b>

# James Hardie Industries N.V. and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

### Asbestos Liability

The amount of the asbestos liability reflects the terms of the Amended FFA, which has been calculated by reference to (but is not exclusively based upon) the most recent actuarial estimate of the projected future asbestos-related cash flows prepared by KPMG Actuaries. The asbestos liability also includes an allowance for the future claims-handling costs of the AICF. The Company receives an updated actuarial estimate as of 31 March each year. The last actuarial assessment was performed as of 31 March 2009.

The changes in the asbestos liability for the three months ended 30 June 2009 are detailed in the table below:

	A\$ Millions	A\$ to US\$ rate	US\$ Millions
Asbestos liability – 31 March 2009	A\$ (1,869.2)	1.4552	\$ (1,284.5)
Asbestos claims paid <sup>1</sup>	27.3	1.3179	20.7
AICF claims-handling costs incurred <sup>1</sup>	0.9	1.3179	0.7
Loss on foreign currency exchange			(232.9)
<b>Asbestos liability – 30 June 2009</b>	<b>A\$ (1,841.0)</b>	1.2306	<b>\$ (1,496.0)</b>

### Insurance Receivable – Asbestos

The changes in the insurance receivable for the three months ended 30 June 2009 are detailed in the table below:

	A\$ Millions	A\$ to US\$ rate	US\$ Millions
Insurance receivable – 31 March 2009	A\$ 235.2	1.4552	\$ 161.6
Insurance recoveries <sup>1</sup>	(5.2)	1.3179	(3.9)
Gain on foreign currency exchange			29.2
<b>Insurance receivable – 30 June 2009</b>	<b>A\$ 230.0</b>	1.2306	<b>\$ 186.9</b>

### Deferred Income Taxes – Asbestos

The changes in the deferred income taxes - asbestos for the three months ended 30 June 2009 are detailed in the table below:

	A\$ Millions	A\$ to US\$ rate	US\$ Millions
Deferred tax assets – 31 March 2009	A\$ 502.7	1.4552	\$ 345.5
Amounts offset against income tax payable <sup>1</sup>	(2.8)	1.3179	(2.1)
Gain on foreign currency exchange			62.8
<b>Deferred tax assets – 30 June 2009</b>	<b>A\$ 499.9</b>	1.2306	<b>\$ 406.2</b>

### Income Tax Payable

A portion of the deferred income tax asset is applied against the Company's income tax payable. At 30 June 2009 and 31 March 2009, this amount was US\$29.3 million and US\$22.8 million, respectively. During the three months ended 30 June 2009, there was a US\$4.3 million favourable effect of foreign currency exchange.

### Other Net Liabilities

Other net liabilities include a provision for asbestos-related education and medical research contributions of US\$2.6 million at 30 June 2009. Also included in other net liabilities are the other assets and liabilities

# James Hardie Industries N.V. and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

of the AICF including trade receivables, prepayments, fixed assets, trade payables and accruals. These other assets and liabilities of the AICF were a net asset of US\$0.6 million at 30 June 2009. During the three months ended 30 June 2009, there was a US\$0.3 million unfavourable effect of foreign currency exchange on the other net liabilities.

### *Restricted Cash and Short-term Investments of the AICF*

Cash and cash equivalents and short-term investments of the AICF are reflected as restricted assets as these assets are restricted for use in the settlement of asbestos claims and payment of the operating costs of the AICF. During the three months ended 30 June 2009, the AICF sold US\$7.6 million (A\$10.0 million) of its short-term investments which at 31 March 2009 had been adjusted to their fair market value of US\$7.2 million (A\$9.5 million). The sales in the first quarter resulted in the Company recording a realised gain of US\$0.4 million (A\$0.5 million) in the line item *Other Income*.

At 30 June 2009, the Company revalued the AICF's remaining short-term investments available-for-sale resulting in a positive mark-to-market fair value adjustment of US\$3.9 million (A\$5.2 million). This appreciation in the value of the investments was recorded as an unrealised gain in *Other Comprehensive Income*.

The changes in the restricted cash and short-term investments of the AICF for the three months ended 30 June 2009 are detailed in the table below:

	A\$ Millions	A\$ to US\$ rate	US\$ Millions
Restricted cash and cash equivalents and restricted short-term investments – 31 March 2009	A\$ 143.1	1.4552	\$ 98.3
Asbestos claims paid <sup>1</sup>	(27.3)	1.3179	(20.7)
AICF operating costs paid - claims-handling <sup>1</sup>	(0.9)	1.3179	(0.7)
AICF operating costs paid - non claims-handling <sup>1</sup>	(0.7)	1.3179	(0.5)
Insurance recoveries <sup>1</sup>	5.2	1.3179	3.9
Interest and investment income <sup>1</sup>	0.9	1.3179	0.7
Unrealised gain on investments <sup>1</sup>	5.2	1.3179	3.9
Gain on investments <sup>1</sup>	0.5	1.3179	0.4
Other <sup>1</sup>	(0.4)	1.3179	(0.3)
Gain on foreign currency exchange			17.1
<b>Restricted cash and cash equivalents and restricted short-term investments – 30 June 2009</b>	<b>A\$ 125.6</b>	1.2306	<b>\$ 102.1</b>

<sup>1</sup> The average exchange rate for the period is used to convert the Australian dollar amount to US dollars.

### Claims Data

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

# James Hardie Industries N.V. and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

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

	<b>Three Months Ended</b>	For the Years Ended 31 March			
	<b>30 June 2009</b>	2009	2008	2007	2006 <sup>1</sup>
Number of open claims at beginning of period	<b>534</b>	523	490	564	712
Number of new claims	<b>160</b>	607	552	463	346
Number of closed claims	<b>159</b>	596	519	537	502
Number of open claims at end of period	<b>535</b>	534	523	490	556
Average settlement amount per settled claim	<b>A\$ 180,602</b>	A\$ 190,638	A\$ 147,349	A\$ 166,164	A\$ 151,883
Average settlement amount per case closed	<b>A\$ 166,972</b>	A\$ 168,248	A\$ 126,340	A\$ 128,723	A\$ 122,535
Average settlement amount per settled claim	<b>US\$ 137,038</b>	US\$ 151,300	US\$ 128,096	US\$ 127,163	US\$ 114,318
Average settlement amount per case closed	<b>US\$ 126,696</b>	US\$ 133,530	US\$ 109,832	US\$ 98,510	US\$ 92,229

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

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

### 7. Fair Value Measurements

The Company's financial instruments consist primarily of cash and cash equivalents, restricted cash and cash equivalents, restricted short-term investments, trade receivables, trade payables, debt and interest rate swaps.

*Cash and cash equivalents, Restricted cash and cash equivalents, Trade receivables and Trade payables* – These items are recorded in the financial statements at historical cost. The historical cost basis for these amounts is estimated to approximate their respective fair values due to the short maturity of these instruments.

*Restricted short-term investments* – Restricted short-term investments are recorded in the financial statements at fair value. The fair value of restricted short-term investments is based on quoted market prices. Changes in fair value are recorded, net of tax, as other comprehensive income and included as a component in shareholders' deficit. Restricted short-term investments are held and managed by the AICF and are reported at their fair value. At 31 March 2009 the Company determined that these investments were other than temporarily impaired due to the current economic environment, the length of time the fair value of the assets were less than cost and the extent of the discount of the fair value compared to the cost of the assets. At 30 June 2009 the Company recorded an unrealised gain on these restricted short-term investments of US\$3.9 million for the three months ended 30 June 2009. This unrealised gain is included as a separate component of accumulated other comprehensive income.

# James Hardie Industries N.V. and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

*Debt* – Debt is generally recorded in the financial statements at historical cost. The carrying value of debt provided under the Company’s credit facilities approximates fair value since the interest rates charged under these credit facilities are tied directly to market rates and fluctuate as market rates change.

*Interest Rate Swaps* – Interest rate swaps are recorded in the financial statements at fair value. Changes in fair value are recorded in the statement of operations in *Other Income*. At 30 June 2009 the Company had interest rate swap contracts with a total principal of US\$250.0 million. For all of these interest rate swap contracts, the Company has agreed to pay fixed interest rates while receiving a floating interest rate. These contracts were entered into to protect against upward movements in US\$ LIBOR and the associated interest the Company pays on its external credit facilities. At 30 June 2009 the weighted average fixed interest rate of these contracts is 2.49% and the weighted average remaining life is 3.6 years. These contracts have a fair value of US\$2.5 million, which is included in *Accounts and Notes Receivable*. For the three months ended 30 June 2009, the Company recorded an unrealized gain on interest rate swaps of US\$4.4 million. There were no interest rate swap contracts for the three months ended 30 June 2008.

The following table sets forth by level within the fair value hierarchy, the Company’s financial assets and liabilities that were accounted for at fair value on a recurring basis at 30 June 2009 according to the valuation techniques the Company used to determine their fair values.

(Millions of US Dollars)	Fair Value at 30 June 2009	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	\$ 42.7	\$ 42.7	\$ -	\$ -
Restricted cash and cash equivalents	48.3	48.3	-	-
Restricted short-term investments	59.1	59.1	-	-
Accounts and notes receivable	123.1	120.6	2.5	-
<b>Total Assets</b>	<u>\$ 273.2</u>	<u>\$ 270.7</u>	<u>\$ 2.5</u>	<u>\$ -</u>
<b>Liabilities</b>				
Accounts Payable	\$ 88.5	\$ 88.5	\$ -	\$ -
Debt	271.0	271.0	-	-
<b>Total Liabilities</b>	<u>\$ 359.5</u>	<u>\$ 359.5</u>	<u>\$ -</u>	<u>\$ -</u>

## 8. Commitment and Contingencies

### *ASIC Proceedings*

On 23 April 2009, Justice Gzell delivered judgment in the civil proceedings commenced by the Australian Securities & Investments Commission (“ASIC”) in February 2007 in the Supreme Court of New South Wales against the Company, ABN 60 (formerly JHIL) and ten former directors and officers. Readers are referred to the audited consolidated financial statements and the notes thereto, included in the Company’s Annual Report on Form 20-F for the fiscal year ended 31 March 2009, filed with the United States Securities and Exchange Commission on 25 June 2009. On 27 July 2009, there was a further hearing in relation to exoneration, penalties and costs. Justice Gzell has reserved his decision.

# **James Hardie Industries N.V. and Subsidiaries**

## **Notes to Condensed Consolidated Financial Statements**

(Unaudited)

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### *Chile Litigation*

On 24 April 2009, a trial court in Santiago, Chile awarded the equivalent of US\$13.4 million in damages against Fibrocementos Volcan Limitada ("FC Volcan", the former James Hardie Chilean entity), in civil litigation brought by Industria Cementa Limitada ("Cementa") in 2007. FC Volcan is appealing the decision to the Santiago Court of Appeal.

Cementa, a fibre cement manufacturer in Chile, commenced anti-trust proceedings in 2003 against the former James Hardie Chilean entity alleging that it had engaged in predatory pricing, by selling products below cost when it entered the Chilean market, in breach of the relevant anti-trust laws in Chile. Another fiber cement manufacturer in Chile, Producción Química y Electrónica Quimel S.A. ("Quimel"), also joined the proceedings.

As these actions existed prior to James Hardie's sale of its Chilean business in July 2005, the Company had agreed to indemnify the buyer subject to certain conditions and limitations, for damages or penalties awarded against FC Volcan in relation to such proceedings, and the Company retained conduct of the defense of the matters.

After the anti-trust proceedings concluded in 2006, Cementa, in 2007, brought a separate civil action against FC Volcan claiming that Cementa had suffered damages, allegedly as a result of predatory pricing. This action resulted in the US\$13.4 million damages award which is now the subject of the appeal by FC Volcan.

Quimel also filed a separate civil action against FC Volcan in 2007 claiming that it had suffered damages, allegedly as a result of predatory pricing. On 23 June 2009 the Chilean trial court dismissed the claim filed by Quimel against FC Volcan. Quimel has appealed the trial court decision, but a date for the appeal has not yet been set.

The Company denied and continues to deny the allegations of predatory pricing in Chile. The Company retained conduct of the appeal of the two civil damages matters. The Company intends to vigorously pursue all appellate and other alternatives as it does not concur with the decision of the trial court. The Company also intends to exercise its rights under the indemnification provisions, including applicable conditions and limitations.

As of 30 June 2009 management believes it has adequately provided for this contingency as required under SFAS No. 5.

### *Environmental and Legal*

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

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

# James Hardie Industries N.V. and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

### 9. Income Taxes

The Company or one of its subsidiaries files income tax returns in the US federal jurisdiction, and various states and foreign jurisdictions including Australia and The Netherlands. The Company is no longer subject to US federal examinations by US Internal Revenue Service ("IRS") for tax years prior to tax year 2007. The Company is no longer subject to examinations by The Netherlands tax authority, for tax years prior to tax year 2002. The Company is no longer subject to Australian federal examinations by the Australian Taxation Office ("ATO") for tax years prior to tax year 2007.

#### ATO - 1999 Disputed Amended Assessment

In March 2006, RCI Pty Ltd ("RCI"), a wholly-owned subsidiary of the Company, received an amended assessment from the ATO in respect of RCI's income tax return for the year ended 31 March 1999.

On 30 May 2007, the ATO issued a Notice of Decision disallowing the Company's objection to the amended assessment ("Objection Decision"). On 11 July 2007, the Company filed an application appealing the Objection Decision with the Federal Court of Australia. The hearing for RCI's trial is scheduled to commence on 7 September 2009.

The Company believes that it is more likely than not that the tax position reported in RCI's tax return for the 1999 fiscal year will be upheld on appeal. Therefore, the Company believes that the requirements under FIN 48 for recording a liability have not been met and therefore it has not recorded any liability at 30 June 2009 for the amended assessment.

The Company expects that amounts paid in respect of the amended assessment will be recovered by RCI (with interest) at the time RCI is successful in its appeal against the amended assessment. As a result, the Company has treated all payments in respect of the amended assessment that have been made up to 30 June 2009 as a deposit and it is the Company's intention to treat any payments to be made at a later date as a deposit. At 30 June 2009 and 31 March 2009, this deposit totaled US\$208.8 million (A\$256.9 million) and US\$173.5 million (A\$252.5 million), respectively.

#### FASB Interpretation No. 48

A reconciliation of the beginning and ending amount of unrecognised tax benefits and interest and penalties are as follows:

(US\$ millions)	Unrecognised tax benefits	Interest and Penalties
<b>Balance at 31 March 2009</b>	\$ 12.3	\$ (16.0)
Additions for tax positions of the current year	0.3	-
Additions for tax positions of prior year	3.7	(0.2)
Foreign currency translation adjustment	-	(3.3)
<b>Balance at 30 June 2009</b>	<b>\$ 16.3</b>	<b>\$ (19.5)</b>

As of 30 June 2009 the total amount of unrecognised tax benefits and the total amount of interest and penalties accrued related to unrecognised tax benefits that, if recognised, would affect the effective tax rate is US\$16.3 million and an expense of US\$19.5 million, respectively.

The Company recognises penalties and interest accrued related to unrecognised tax benefits in income tax expense. During the three months ended 30 June 2009, the total amount of interest and penalties recognised in tax expense as a benefit was US\$0.2 million.

# James Hardie Industries N.V. and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

The liabilities associated with FIN 48 are included in other non-current liabilities on the Company's consolidated balance sheet.

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

### 10. Stock-Based Compensation

At 30 June 2009, the Company had the following equity award plans: the Executive Share Purchase Plan; the JHI NV 2001 Equity Incentive Plan; the 2005 Managing Board Transition Stock Option Plan; the Long-Term Incentive Plan 2006 as amended in 2008 and the Supervisory Board Share Plan 2006.

Compensation expense arising from equity award grants as estimated using pricing models was US\$2.0 million for each of the three months ended 30 June 2009 and 2008. As of 30 June 2009, the unrecorded deferred stock-based compensation balance related to equity awards was US\$11.6 million after estimated forfeitures and will be recognised over an estimated weighted average amortisation period of 1.6 years.

#### *Stock Options*

The following table summarises all of the Company's stock options available for grant and the movement in all of the Company's outstanding options during the noted period:

	Shares Available for Grant	Outstanding Options	
		Number	Weighted Average Exercise Price
Balance at 31 March 2009	23,747,833	18,272,928	A\$ 7.28
Forfeited	942,043	(942,043)	A\$ 7.68
<b>Balance at 30 June 2009</b>	<b><u>24,689,876</u></b>	<b><u>17,330,885</u></b>	<b>A\$ 7.25</b>

The Company accounts for stock options in accordance with the fair value provisions of SFAS No. 123R, which requires the Company to estimate the value of stock options issued and recognise this estimated value as compensation expense over the periods in which the stock options vest.

The Company estimates the fair value of each option grant on the date of grant using either the Black-Scholes option-pricing model or a binomial lattice model that incorporates a Monte Carlo Simulation (the "Monte Carlo method").

There were no stock options granted during the three months ended 30 June 2009 and 2008.

# James Hardie Industries N.V. and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

### Restricted Stock

The Company accounts for restricted stock in accordance with the fair value provisions of SFAS No. 123R, which requires the Company to estimate the value of restricted stock issued and recognise this estimated value as compensation expense over the periods in which the restricted stock vests.

The following table summarises all of the Company's restricted stock activity during the noted period:

	Shares	Weighted Average Fair Value at Grant Date	
Nonvested at 31 March 2009	2,991,061	A\$	3.95
Granted	1,066,595	A\$	4.32
Forfeited	(11,401)	A\$	4.44
<b>Nonvested at 30 June 2009</b>	<b><u>4,046,255</u></b>	<b>A\$</b>	<b>4.04</b>

### Restricted Stock – service vesting

The Company granted 1,066,595 restricted stock units (service vesting) to employees during the 3 months ended 30 June 2009, under the Long-Term Incentive Plan. In the 3 months ended 30 June 2008, the Company granted 698,440 restricted stock units (service vesting) to employees, under the JHI NV 2001 Equity Incentive Plan.

The fair value of each restricted stock unit (service vesting) is equal to the market value of the Company's common stock on the date of grant, adjusted for the fair value of dividends as the restricted stock holder is not entitled to dividends over the vesting period.

The following table includes the assumptions used for restricted (time vesting) stock grants valued during the three months ended 30 June 2009 :

	30 June 2009 Grant		30 June 2008 Grant	
Dividend yield <sup>1</sup>	\$0.00 per annum		\$0.20 per annum	
Risk free interest rate <sup>1</sup>	n/a		2.9%	
Expected life in years	2.0		2.0	
JHX stock price at grant date	A\$	4.31	A\$	4.93
Number of restricted stock units	1,066,595		698,440	

<sup>1</sup>For the grant on 30 June 2009, the risk free rate is not applicable as the assumed dividend yield is nil.

### Restricted Stock – market condition

There were no restricted stock units (market condition) granted during the three months ended 30 June 2009 and 2008.

# James Hardie Industries N.V. and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

### 11. Operating Segment Information

The Company has reported its operating segment information in the format that the operating segment information is available to and evaluated by the Managing Board of Directors. USA and Europe Fibre Cement manufactures fibre cement interior linings, exterior siding and related accessories products in the United States; these products are sold in the United States, Canada and Europe. Asia Pacific Fibre Cement includes all fibre cement manufactured in Australia, New Zealand and the Philippines and sold in Australia, New Zealand and Asia. Research and Development represents the cost incurred by the research and development centres. The Company's operating segments are strategic operating units that are managed separately due to their different products and/or geographical location.

#### Operating Segments

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

(Millions of US dollars)	Net Sales to Customers <sup>1</sup> Three Months Ended 30 June	
	2009	2008
USA & Europe Fibre Cement	\$ 223.2	\$ 281.7
Asia Pacific Fibre Cement	61.3	83.3
Worldwide total	<u>\$ 284.5</u>	<u>\$ 365.0</u>

(Millions of US dollars)	(Loss) Income Before Income Taxes Three Months Ended 30 June	
	2009	2008
USA & Europe Fibre Cement <sup>2</sup>	\$ 68.8	\$ 65.6
Asia Pacific Fibre Cement <sup>2</sup>	10.9	15.8
Research and Development <sup>2</sup>	(4.0)	(5.0)
Segments total	<u>75.7</u>	<u>76.4</u>
General Corporate <sup>3</sup>	(132.8)	(53.5)
Total operating (loss) income	<u>(57.1)</u>	<u>22.9</u>
Net interest expense <sup>4</sup>	(0.7)	(1.1)
Other income	4.8	-
Worldwide total	<u>\$ (53.0)</u>	<u>\$ 21.8</u>

#### Geographic Areas

(Millions of US dollars)	Net Sales to Customers <sup>1</sup> Three Months Ended 30 June	
	2009	2008
USA	\$ 219.1	\$ 277.1
Australia	43.2	58.5
New Zealand	10.6	17.2
Other Countries	11.6	12.2
Worldwide total	<u>\$ 284.5</u>	<u>\$ 365.0</u>

**James Hardie Industries N.V. and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
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(Millions of US dollars)	Total Identifiable Assets	
	30 June 2009	31 March 2009
USA	\$ 766.2	\$ 774.4
Australia	118.3	99.8
New Zealand	34.4	27.1
Other Countries	52.7	51.4
Segments total	971.6	952.7
General Corporate <sup>5,6</sup>	1,070.0	946.0
Worldwide total	<u>\$ 2,041.6</u>	<u>\$ 1,898.7</u>

<sup>1</sup> Export sales and inter-segmental sales are not significant.

<sup>2</sup> Research and development costs of US\$2.7 million and US\$2.1 million for the three months ended 30 June 2009 and 2008, respectively, were expensed in the USA and Europe Fibre Cement segment. Research and development costs of US\$0.3 million and US\$0.4 million for the three months ended 30 June 2009 and 2008, respectively, were expensed in the Asia Pacific Fibre Cement segment. Research and development costs of US\$3.3 million and US\$3.9 million for the three months ended 30 June 2009 and 2008, respectively, were expensed in the Research and Development segment. The Research and Development segment also included selling, general and administrative expenses of US\$0.7 million and US\$1.1 million for the three months ended 30 June 2009 and 2008, respectively.

<sup>3</sup> The principal components of General Corporate are officer and employee compensation and related benefits; professional and legal fees; administrative costs; and rental expense, net of rental income, on the Company's corporate offices. Included in General Corporate for the three months ended 30 June 2009 are unfavourable asbestos adjustments of US\$119.8 million, AICF SG&A expenses of US\$0.5 million and ASIC expenses of US\$0.6 million. Included in General Corporate for the three months ended 30 June 2008 are unfavourable asbestos adjustments of US\$40.5 million, AICF SG&A expenses of US\$0.6 million and ASIC expenses of US\$1.5 million.

<sup>4</sup> The Company does not report net interest expense for each operating segment as operating segments are not held directly accountable for interest expense. Included in net interest expense for the three months ended 30 June 2009 and 2008 is AICF interest income of US\$0.7 million and US\$0.9 million, respectively. See Note 6.

<sup>5</sup> The Company does not report deferred tax assets and liabilities for each operating segment as operating segments are not held directly accountable for deferred income taxes. All deferred income taxes are included in General Corporate.

<sup>6</sup> Asbestos-related assets at 30 June 2009 and 31 March 2009 are US\$784.7 million and US\$681.0 million, respectively, and are included in the General Corporate segment.

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

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**12. Accumulated Other Comprehensive Income**

Accumulated other comprehensive income consists of the following components:

(Millions of US dollars)	<b>30 June 2009</b>	31 March 2009
Pension and post-retirement benefit adjustments (net of tax of US\$1.1 million, respectively)	<b>\$ (1.2)</b>	\$ (1.4)
Unrealised gain on restricted short-term investments	<b>3.9</b>	-
Foreign currency translation adjustments	<b>32.9</b>	3.6
Total accumulated other comprehensive income	<b><u>\$ 35.6</u></b>	<b><u>\$ 2.2</u></b>

**13. Corporate Structure**

On 24 June 2009 the Company announced a proposal to change its domicile. The Company's directors have determined to seek approval for a two-stage plan (the Proposal) to transform the Company into a Societas Europaea (SE), a relatively new form of European corporation (Stage 1), and then move its corporate domicile from The Netherlands to Ireland (Stage 2). Readers are referred to the Company's Registration Statement on Form F-4 (File No. 333-160177) filed with the United States Securities and Exchange Commission for further information on the Proposal.

## Item 2. Quantitative and Qualitative Disclosures About Market Risk

### James Hardie Industries N.V. and Subsidiaries

(Unaudited)

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

The Company has operations in foreign countries and, as a result, are exposed to foreign currency exchange rate risk inherent in purchases, sales, assets and liabilities denominated in currencies other than the US dollar. The Company also is exposed to interest rate risk associated with its long-term debt and to changes in prices of commodities the Company uses in production.

The Company’s policy is to enter into derivative instruments solely to mitigate risks in its business and not for trading or speculative purposes.

#### Foreign Currency Exchange Rate Risk

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

For the three months ended 30 June 2009, the following currencies comprised the following percentages of the Company’s net sales, cost of goods sold, expenses and liabilities:

	US\$	A\$	NZ\$	Other <sup>1</sup>
Net sales	77.0%	15.2%	3.7%	4.1%
Cost of goods sold	73.8%	17.4%	4.5%	4.3%
Expenses <sup>2</sup>	21.5%	76.3%	0.5%	1.7%
Liabilities (excluding borrowings) <sup>2</sup>	34.6%	63.3%	0.6%	1.5%

<sup>1</sup>Comprises Philippine pesos and Euros.

<sup>2</sup>Liabilities include A\$ denominated asbestos liability. Expenses include adjustments to the asbestos liability. See Note 6 for further information.

The Company purchases raw materials and fixed assets and sells some finished product for amounts denominated in currencies other than the functional currency of the business in which the related transaction is generated. In order to protect against foreign exchange rate movements, the Company may enter into forward exchange contracts timed to mature when settlement of the underlying transaction is due to occur.

#### Interest Rate Risk

The Company has market risk from changes in interest rates, primarily related to its borrowings. At 30 June 2009, all of the Company’s borrowings were variable-rate. From time to time, the Company may enter into interest rate swap contracts in an effort to mitigate interest rate risk. At 30 June 2009 the Company had eight separate interest rate swap contracts with a total principal of US\$250.0 million. See Note 7 for further information.

#### Commodity Price Risk

The Company is exposed to changes in prices of commodities used in its operations, primarily associated with energy, fuel and raw materials such as pulp and cement. Pulp has historically demonstrated more price sensitivity than other raw materials that the Company uses in its manufacturing process. Pulp prices have also been subject to significant price fluctuations in the past. The Company expects that pulp, energy, fuel and cement prices will continue to fluctuate in the near future. To minimise the additional

## Item 2. Quantitative and Qualitative Disclosures About Market Risk

### **James Hardie Industries N.V. and Subsidiaries**

(Unaudited)

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working capital requirements caused by rising prices related to these commodities, the Company may seek to enter into contracts with suppliers for the purchase of these commodities that could fix the Company's prices over the longer-term. However, if the Company enters into such contracts with suppliers and if such commodity prices decrease, the Company's cost of sales may be negatively impacted due to the fixed pricing over the longer-term.

## James Hardie Industries N.V. and Subsidiaries

(Unaudited)

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

### *Disclaimer*

This Financial Report contains forward-looking statements. James Hardie may from time to time make forward-looking statements in its periodic reports filed with or furnished to the United States Securities and Exchange Commission on Forms 20-F and 6-K, in the annual reports to shareholders, in offering circulars, invitation memoranda and prospectuses, in media releases and other written materials and in oral statements made by the Company's officers, directors or employees to analysts, institutional investors, existing and potential lenders, representatives of the media and others. Statements that are not historical facts are forward-looking statements and such forward-looking statements are statements made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include:

- statements about the Company's future performance;
- projections of the Company's results of operations or financial condition;
- statements regarding the Company's plans, objectives or goals, including those relating to its strategies, initiatives, competition, acquisitions, dispositions and/or its products;
- expectations concerning the costs associated with the suspension or closure of operations at any of the Company's plants and future plans with respect to any such plants;
- expectations that the Company's credit facilities will be extended or renewed;
- expectations concerning dividend payments;
- statements concerning the Company's corporate and tax domiciles and potential changes to them;
- statements regarding tax liabilities and related audits and proceedings;
- statements as to the possible consequences of proceedings brought against the Company and certain of its former directors and officers by the ASIC;
- expectations about the timing and amount of contributions to the AICF, a special purpose fund for the compensation of proven Australian asbestos-related personal injury and death claims;
- expectations concerning indemnification obligations; and
- statements about product or environmental liabilities.

Words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "aim," "will," "should," "continue" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Readers are cautioned not to place undue reliance on these forward-looking statements and all such forward-looking statements are qualified in their entirety by reference to the following cautionary statements.

Forward-looking statements are based on the Company's estimates and assumptions and because forward-looking statements address future results, events and conditions, they, by their very nature, involve inherent risks and uncertainties. Such known and unknown risks, uncertainties and other factors may cause the Company's actual results, performance or other achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. These factors, some of which are discussed under "Key Information - Risk Factors" beginning on page 6 of the Form 20-F filed with the US Securities and Exchange Commission on 25 June 2009, 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 currency exchange rate movements on the amount recorded in the Company's financial statements as an asbestos liability; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which the Company operates; the consequences of product failures or defects; exposure to environmental, asbestos or other legal proceedings; general economic and market conditions; the supply and cost of raw materials; the success

## **James Hardie Industries N.V. and Subsidiaries**

(Unaudited)

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of research and development efforts; reliance on a small number of customers; a customer's inability to pay; compliance with and changes in environmental and health and safety laws; risks of conducting business internationally; the Company's proposal to transform to a Dutch "SE" company and transfer its corporate domicile from The Netherlands to Ireland to become an Irish "SE" company; compliance with and changes in laws and regulations; currency exchange risks; the concentration of the Company's customer base on large format retail customers, distributors and dealers; the effect of natural disasters; changes in the Company's key management personnel; inherent limitations on internal controls; use of accounting estimates; and all other risks identified in the Company's reports filed with Australian, Dutch and US securities agencies and exchanges (as appropriate). The Company cautions that the foregoing list of factors is not exhaustive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements. Forward-looking statements speak only as of the date they are made and are statements of the Company's current expectations concerning future results, events and conditions.