

Management's Analysis of Results

16 May 2005

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James Hardie Industries N.V. Results for the 4th Quarter Ended 31 March 2005

US GAAP - US\$ Millions

Net Sales

USA Fibre Cement
Asia Pacific Fibre Cement
Other Fibre Cement

Total Net Sales

Net Sales
Cost of goods sold
Gross profit
Selling, general and administrative expenses
Research and development expenses
Special Commission of Inquiry and other related expenses
Other operating expenses
EBIT ¹
Net interest expense
Other income

Operating profit from continuing operations before income taxes ¹

Income tax expense

Operating Profit From Continuing Operations ¹

Net Operating Profit Including Discontinued Operations ¹

Tax rate

Volume (mmsf¹)

USA Fibre Cement

Asia Pacific Fibre Cement*

Average net sales price per unit (per msf¹)

USA Fibre Cement

Asia Pacific Fibre Cement*

*See Endnotes

	Three Months Ended 31 March		
	FY 2005	FY 2004	% Change
Net Sales			
USA Fibre Cement	\$ 247.2	\$ 185.1	34
Asia Pacific Fibre Cement	58.2	59.0	(1)
Other Fibre Cement	11.0	7.2	53
Total Net Sales	316.4	251.3	26
Net Sales	\$ 316.4	\$ 251.3	26
Cost of goods sold	(195.1)	(161.6)	21
Gross profit	121.3	89.7	35
Selling, general and administrative expenses	(42.4)	(46.3)	(8)
Research and development expenses	(5.2)	(6.5)	(20)
Special Commission of Inquiry and other related expenses	(3.7)	-	-
Other operating expenses	(5.4)	(2.1)	-
EBIT ¹	64.6	34.8	86
Net interest expense	(0.6)	(2.5)	(76)
Other income	0.2	6.9	(97)
Operating profit from continuing operations before income taxes ¹	64.2	39.2	64
Income tax expense	(17.9)	(7.9)	-
Operating Profit From Continuing Operations ¹	\$ 46.3	\$ 31.3	48
Net Operating Profit Including Discontinued Operations ¹	\$ 46.3	\$ 32.0	45
Tax rate	27.9%	20.2%	
Volume (mmsf ¹)			
USA Fibre Cement	472.6	383.6	23
Asia Pacific Fibre Cement*	89.5	89.0	1
Average net sales price per unit (per msf ¹)			
USA Fibre Cement	US\$ 523	US\$ 483	8
Asia Pacific Fibre Cement*	A\$ 834	A\$ 856	(3)

Unless otherwise stated, results are for continuing operations only and comparisons are of the 4th quarter of the current fiscal year versus the 4th quarter of the prior fiscal year.

Total Net Sales

Total net sales increased 26% compared to the same quarter of the previous year, from US\$251.3 million to US\$316.4 million.

Net sales from USA Fibre Cement increased 34% from US\$185.1 million to US\$247.2 million due to continued strong growth in sales volumes and a higher average net sales price.

Net sales from Asia Pacific Fibre Cement decreased 1% from US\$59.0 million to US\$58.2 million due to weaker sales volumes in Australia.

Net sales from Other Fibre Cement increased 53% from US\$7.2 million to US\$11.0 million as the Chilean flat sheet business, the US-based Hardie Pipe business and the Europe Fibre Cement business continued to grow.

USA Fibre Cement

Net sales increased 34% from US\$185.1 million to US\$247.2 million due to increased sales volumes and a higher average net sales price.

Sales volume increased 23% from 383.6 million square feet to 472.6 million square feet, primarily due to growth in primary demand for fibre cement, continued market penetration and a favourable housing construction market.

Residential housing activity remained healthy during the quarter buoyed by low mortgage rates, strong house prices, low inventory levels of new homes for sale and stronger consumer confidence.

Strong growth continued in both our emerging and established geographic markets and in our exterior and interior product segments. Further market share was gained from alternative materials, mainly wood-based and vinyl siding.

In our emerging markets, we continued to take market share from the dominant siding material, vinyl, due to market penetration strategies designed to build awareness of our product's attributes among the region's builders, distributors and homeowners. We also continued to progress in our strategy of moving sales of our exterior products to 100% pre-painted over the medium to longer-term.

In our established markets, growth strategies, including an increased focus on the repair and remodel segment, helped the business take additional market share from other siding materials in the region, particularly engineered wood siding.

In our exterior products market, there was strong growth in sales of higher priced, differentiated products such as vented soffits, Heritage® panels, the ColorPlus® Collection of pre-painted siding and Harditrim® XLD® Planks.

In our interior product market, sales of our Hardibacker 500® half-inch backerboard continued to grow strongly.

The average net sales price increased 8% from US\$483 per thousand square feet to US\$523 per thousand square feet. The increase was due to proportionally stronger growth of differentiated, higher-priced products and price increases for some products that were implemented during the year.

Our west coast manufacturing capacity increased during the quarter following the commissioning of our new green-field fibre cement plant in Reno, Nevada. The plant is now producing product and its ramp-up is progressing well. During the quarter, we also commissioned our new 160 million square foot trim line in Peru, Illinois and we expect to commence commercial sales in the first quarter of fiscal year 2006.

Also during the quarter, we commissioned additional pre-finishing capacity at Peru, Illinois and began construction of our 10th plant in Pulaski, Virginia.

Asia Pacific Fibre Cement (See Endnotes)

Net sales decreased 1% from US\$59.0 million to US\$58.2 million. Net sales decreased 3% in Australian dollars. Sales volume increased 1% from 89.0 million square feet to 89.5 million square feet.

Australia and New Zealand Fibre Cement

Net sales decreased 4% from US\$53.1 million to US\$50.9 million due to lower sales volumes, partly offset by favourable foreign currency movements. In Australian dollars, net sales decreased 6%.

Sales volumes decreased 6% from 68.7 million square feet to 64.4 million square feet due primarily to weaker market conditions in Australia.

In Australia, the slow-down in new residential housing continued during the quarter, following an 11% decline in housing starts for the fourth calendar quarter of 2004. The impact was again most prevalent in New South Wales (NSW) and Victoria, while in Queensland the new housing market continued to perform reasonably well. The renovations market also continued to weaken during the quarter.

Product bans and boycotts imposed on the business as a result of matters connected with the Special Commission of Inquiry (the "SCI") in the current year are being progressively lifted following the signing of the Heads of Agreement with the NSW Government in December 2004. In addition, some customers that temporarily departed the business for matters connected with the SCI have returned following the signing of the Heads of Agreement.

In New Zealand, new residential housing construction was flat compared to the same period last year. Our Linea® range of weatherboards continues to grow in popularity with builders and consumers in New Zealand, resulting in further strong demand for Linea® during the quarter.

The average net sales price was flat compared to the same quarter last year.

Philippines Fibre Cement

Net sales increased 43% from US\$5.1 million to US\$7.3 million due to increased sales volumes and a higher average net sales price. In local currency, net sales increased 40%.

Sales volumes increased 24% from 20.3 million square feet to 25.1 million square feet primarily due to increased market penetration.

The average net sales price increased 12% compared to the same period last year due to higher domestic prices.

Other Fibre Cement

Chile Fibre Cement

Net sales increased significantly compared to the same quarter last year due to strong growth in domestic and export sales and a higher average selling price.

Domestically, there was strong growth in demand as a result of improved economic conditions and increased awareness of our products among builders, distributors and contractors. Export sales were higher due to increased volumes of Shingleside® being shipped to the United States.

The average net sales price increased due to higher domestic and export prices and an increased proportion of higher-priced, differentiated products in the Chilean sales mix.

Hardie Pipe

Our USA Hardie Pipe business continued to penetrate the Florida market of the United States, grow sales strongly, improve its manufacturing efficiency and progress regulatory approvals in our key target markets.

Net sales increased significantly during the quarter due to strong growth in sales volume and a higher average net sales price. The increase in sales volume was due to stronger non-residential construction activity in Florida and further penetration in our target markets.

The average net sales price continued to increase in the fourth quarter reflecting favourable market conditions and improved customer focus by the business.

Further initiatives were introduced during the quarter to continue improving the operating performance of the plant and reduce manufacturing costs.

Europe Fibre Cement

Net sales increased significantly during the quarter, despite poor weather in February and March, due to increased demand and higher average net sales prices. Demand in Europe is continuing to grow as the business increases awareness of its products among builders, distributors and contractors and adds further distribution outlets.

Progress on creating primary demand in Europe for fibre cement siding products and converting tile applications from drywall and wood to fibre cement products remains in-line with management expectations.

Artisan™ Roofing

In June 2003, we began to commission and trial our pilot roofing plant in Fontana, California. The pilot plant, which has a design capacity of 25 million square feet, was built to test our proprietary manufacturing technology and to provide product for market testing in Southern California.

The business is continuing to prove its business model and remains focussed on market testing, refining the manufacturing operation and improving productivity.

Our Artisan™ Roofing product has now been launched in all our targeted markets in California.

Gross Profit

Gross profit increased 35% from US\$89.7 million to US\$121.3 million due mainly to a strong gross profit improvement in our USA Fibre Cement. The gross profit margin increased 2.6 percentage points to 38.3%.

USA Fibre Cement gross profit increased 42% compared to the same quarter last year due to increased net sales, partly offset by higher unit cost of sales and unit freight costs. The higher unit cost of sales resulted primarily from increased sales of higher-priced, differentiated products, higher raw material input costs and ramp-up costs associated with planned growth initiatives. Higher freight costs were primarily related to an increase in length of haul and fuel surcharges. The gross profit margin increased 2.5 percentage points.

Asia Pacific Fibre Cement gross profit decreased 0.5% primarily due to a decline in our Australia and New Zealand Fibre Cement gross profit that was partly offset by an increase in our Philippines Fibre Cement gross profit. The decline in Australia and New Zealand was primarily due to the reversal of rebates in the same quarter of the previous year which had a positive impact on the gross profit for that quarter. In the Philippines, increased net sales accounted for the stronger gross profit performance. The Asia Pacific Fibre Cement gross profit margin increased 0.3 of a percentage point.

Selling, General and Administrative (SG&A) Expenses

SG&A expenses decreased 8% compared to the same quarter last year, from US\$46.3 million to US\$42.4 million. The decrease in SG&A expenses was due mainly to reduced spending on sales and marketing in our USA Fibre Cement business. As a percentage of sales, SG&A expenses were 5.0 percentage points lower at 13.4%.

Research and Development Expenses

Research and development expenses include costs associated with “core” research projects that are designed to benefit all fibre cement business units. These costs are recorded in the Research and Development segment rather than being attributed to individual business units. These costs decreased 29% for the quarter to US\$3.0 million.

Other research and development costs associated with commercialisation projects in business units are included in the business related unit segment results. In total, these costs decreased 4% to US\$2.2 million.

SCI and Other Related Expenses

In February 2004, the NSW Government, Australia, established a SCI to investigate, among other matters, the circumstances in which the Medical Research and Compensation Foundation was established. Shortly after release of the SCI report on 21 September 2004, the company commenced negotiations with the NSW Government, the Australian Council of Trade Unions, UnionsNSW and representatives of asbestos claimants in relation to the company's offer made to the SCI on 14 July 2004 to provide funds voluntarily for proven Australia-based asbestos-related injury and death claims against certain former group subsidiary companies. On 21 December 2004, the company entered into a Heads of Agreement with the above parties to establish and fund a special purpose fund to provide funding for these claims on a long-term basis. The company subsequently entered negotiations with the NSW Government on a binding agreement that, when completed, is expected to be put to shareholders for approval.

Further information on the SCI and other related matters can be found in Management's Analysis of Results for the full year ended 31 March 2005 and Note 13 of the company's consolidated financial statements.

Costs incurred during the quarter associated with the SCI and other related matters totalled US\$3.7 million.

Other Operating Expenses

Other operating expense of US\$5.4 million primarily relates to a settlement loss of US\$5.3 million related to an employee retirement plan. The retirement of a significant number of participants in the plan over the past two years resulted in a requirement under SFAS 88 to recognise and accelerate the amortising

of an actuarial loss for the plan. During the fourth quarter of the prior fiscal year we recorded an expense of US\$2.1 million that mainly reflected an increase in cost provisions for our Australia and New Zealand business.

EBIT¹

EBIT increased 86% from US\$34.8 million to US\$64.6 million. The EBIT margin increased 6.6 percentage points to 20.4%. EBIT includes SCI and other related expenses of US\$3.7 million.

USA Fibre Cement EBIT increased 79% from US\$43.2 million to US\$77.1 million. The increase was due to higher sales volumes and prices and lower SG&A, partly offset by higher unit cost of sales and unit freight costs. The higher unit cost of sales resulted primarily from increased sales of higher-priced, differentiated products, higher raw material prices and ramp-up costs associated with planned growth initiatives. Higher freight costs were primarily related to an increase in length of haul and fuel surcharges. The EBIT margin increased 7.9 percentage points to 31.2%.

Asia Pacific Fibre Cement EBIT increased 48% from US\$8.3 million to US\$12.3 million. The EBIT margin increased 7.0 percentage points to 21.1%.

Australia and New Zealand Fibre Cement EBIT increased 46% from US\$7.7 million to US\$11.2 million. In Australian dollars, EBIT increased 49%. The increase in EBIT in Australian dollars was primarily due to the impact of a cost provision recorded in the prior year that did not recur in the current year. The EBIT margin increased 7.5 percentage points to 22.0%.

The Philippines Fibre Cement business recorded an increase in EBIT for the quarter due primarily to an increase in net sales.

The Chile Fibre Cement business recorded another small positive EBIT for the quarter due to increased net sales, lower unit cost of sales and lower SG&A expenses.

Our USA Hardie Pipe business recorded a reduced EBIT loss for the quarter due to increased net sales and further improvements in operating performance.

Our Europe Fibre Cement business incurred an EBIT loss for the quarter as expected, following its commencement in the prior fiscal year.

General corporate costs increased US\$10.0 million from US\$7.0 million to US\$17.0 million. This increase was primarily due to US\$3.7 million of SCI and other related expenses, a settlement loss of US\$5.3 million related to an employee retirement plan, and a net increase in other general corporate costs. Additionally during the same quarter of the prior fiscal year, we booked a reversal of an excess provision of US\$1.6 million related to a vendor dispute that we settled favourably and that did not recur this year. These increases were partially offset by a decrease in employee bonus plan expense of US\$1.4 million.

Net Interest Expense

Net interest expense decreased by US\$1.9 million from US\$2.5 million to US\$0.6 million, primarily due to a higher amount of interest expense capitalised on construction projects in the quarter compared to the same quarter of the previous year, higher interest income due to higher average cash balances and lower interest expense due to lower average debt balances.

Other Income

Other income in the current period consists primarily of income generated from our investments. In the fourth quarter of the prior year, the net gain in other income of US\$6.9 million was largely accounted for by a US\$4.5 million profit earned on the sale of New Zealand property.

Income Tax Expense

Income tax expense increased by US\$10.0 million from US\$7.9 million to US\$17.9 million primarily due to an increase in profits and the geographic mix of earnings.

Operating Profit from Continuing Operations¹

Operating profit from continuing operations increased 48%, from US\$31.3 million to US\$46.3 million, due to improved performance from our major businesses. Operating profit from continuing operations for the quarter includes SCI and other related expenses of US\$3.7 million, and a related tax benefit of US\$1.7 million.

Discontinued Operations

Income from discontinued operations of US\$0.7 million in the prior comparable period includes favourable outcomes on matters related to our former Gypsum business, net of expenses of other discontinued businesses.

Proposed Voluntary Asbestos Compensation Funding Agreement

During the quarter, the company continued to work towards completion of a Principal Agreement with the NSW Government to establish and fund a special purpose fund to provide funding on a long-term basis for proven asbestos claims against Amaba, Amaca, ABN 60 and Asbestos Mines (former James Hardie Group Subsidiaries).

Under applicable accounting standards, the company has not established a provision for asbestos-related liabilities as of 31 March 2005 because at this time such liabilities do not fall within the required definitions of probable and estimable.

Readers are referred to Management's Analysis of Results for the 12 months ended 31 March 2005 and to Note 13 of the company's consolidated financial statements for further information on the voluntary funding proposal, and for information on the SCI and related matters.

End.

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Management's Analysis of Results and accompanying release and management presentation, along with an audio webcast of the presentation, will be available from the Investor Relations website at www.jameshardie.com

This Management's Analysis of Results document 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 a Media Release, a Management Presentation, a Financial Report and a Results at a Glance document.

Endnotes:

Volume and Average Net Sales Price - Asia Pacific Fibre Cement - Adjusted:

In fiscal 2003 and 2004, our Asia Pacific Fibre Cement segment reported incorrect volume figures due to errors when converting to our standard square feet metric and due to our Philippines Fibre Cement business including intercompany volume during fiscal 2004. The following table presents adjusted volume and average net sales price for our Asia Pacific Fibre Cement business segment. This Management's Analysis of Results uses these revised volume and average net sales price. These adjustments did not have a material impact on total net sales or EBIT.

Fiscal 2003		30	31	
Quarter	30 June 2002	September 2002	December 2002	31 March 2003
Volume (mmsf ¹)	83.1	90.6	88.7	87.5
Average net sales price per unit (per msf ¹)	A\$888	A\$905	A\$898	A\$857

Year-to-date				
Volume (mmsf ¹)	83.1	173.7	262.4	349.9
Average net sales price per unit (per msf ¹)	A\$888	A\$897	A\$897	A\$887

Fiscal 2004		30	31	
Quarter	30 June 2003	September 2003	December 2003	31 March 2004
Volume (mmsf ¹)	87.0	94.0	92.1	89.0
Average net sales price per unit (per msf ¹)	A\$874	A\$865	A\$854	A\$854

Year-to-date				
Volume (mmsf ¹)	87.0	181.0	273.1	362.1
Average net sales price per unit (per msf ¹)	A\$874	A\$869	A\$864	A\$862

Net Sales - Philippines Fibre Cement - Adjusted:

In fiscal 2004, our Philippines business incorrectly reported intercompany transfers as external net sales and cost of sales. Adjustment to the Philippines Fibre Cement discussion is necessary to provide an accurate quarter-to-quarter discussion of Philippines Fibre Cement net sales. Therefore, for discussion purposes only, for the Philippines Fibre Cement business, we adjusted the prior year Philippines Fibre Cement net sales. We have not restated the Asia Pacific Fibre Cement business segment results or the consolidated financial statements since these adjustments are not material to our Asia Pacific Fibre Cement segment or to the consolidated financial statements taken as a whole. The following table presents the adjustment to Philippines Fibre Cement net sales for each quarter and year-to-date periods in fiscal 2004 (amounts in millions):

	30 June 2003	30 September 2003	31 December 2003	31 March 2004
Quarters:				
Previously Reported	US\$6.2	US\$6.9	US\$5.2	US\$5.9
Adjustment	(1.4)	(1.2)	-	(0.8)
Adjusted Net Sales	US\$4.8	US\$5.7	US\$5.2	US\$5.1

Year to date:				
Previously Reported	US\$6.2	US\$13.1	US\$18.3	US\$24.2
Adjustment	(1.4)	(2.6)	(2.6)	(3.4)
Adjusted Net Sales	US\$4.8	US\$10.5	US\$15.7	US\$20.8

¹Definitions

EBIT and EBIT Margin - EBIT is defined as operating income. EBIT margin is defined as EBIT as a percentage of our 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 by 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.

EBIT and EBIT margin, as used in this document, are equivalent to the US GAAP measures of operating income and operating income margin.

Operating profit from continuing operations before income taxes - is equivalent to the US GAAP measure of income from continuing operations before income taxes.

Operating profit from continuing operations - is equivalent to the US GAAP measure of income from continuing operations.

Net operating profit including discontinued operations - is equivalent to the US GAAP measure of net income.

mmsf – million square feet

msf – thousand square feet

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 the Securities and Exchange Commission on Forms 20-F and 6-K, in our annual reports to shareholders, in offering circulars and prospectuses, in media releases and other written materials and in oral statements made by our officers, directors or employees to analysts, institutional investors, representatives of the media and others. Examples of such forward-looking statements include:

- projections of our operating results or financial condition;
- statements of our plans, objectives or goals, including those relating to competition, acquisitions, dispositions and our products;
- statements about our future economic performance or that of the United States, Australia or other countries in which we operate; and
- statements about product or environmental liabilities.

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

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include but are not limited to: all matters relating to or arising out of the prior manufacture of asbestos by ABN 60 and certain former subsidiaries; competition and product pricing in the markets in which we operate; general economic and market conditions; compliance with and possible changes in environmental and health and safety laws; the successful transition of new senior management; the success of our research and development efforts; the supply and cost of raw materials; our reliance on a small number of product distributors; the consequences of product failures or defects; exposure to environmental, asbestos or other legal proceedings; risks of conducting business internationally; compliance with and changes in tax laws and treatments; and foreign exchange risks. We caution you that the foregoing list of factors is not exclusive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements. Forward-looking statements speak only as of the date they are made.