James Hardie

Management's Analysis of Results

14 February 2005

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James Hardie Industries N.V.
Results for the Nine Months Ended 31 December 2004

USGAAP - US$ Millions	**Nine Months Ended 31 December**		
	FY 2005	FY 2004	% Change
Net Sales			
USA Fibre Cement	$ 692.0	$ 553.5	25
Asia Pacific Fibre Cement	177.9	160.8	11
Other Fibre Cement	24.1	16.3	48
Total Net Sales	894.0	730.6	22
Net Sales	$ 894.0	$ 730.6	22
Cost of goods sold	(588.9)	(461.4)	28
Gross profit	305.1	269.2	13
Selling general and administrative expenses	(132.1)	(115.7)	14
Research and development expenses	(16.4)	(16.1)	2
Special Commission of Inquiry related expenses	(24.4)	-	-
Other operating expenses	(0.6)	-	-
EBIT [1]	131.6	137.4	(4)
Net interest expense	(4.5)	(7.5)	(40)
Other expenses, net	(1.5)	(3.4)	(56)
Operating profit from continuing operations before income taxes [1]	125.6	126.5	(1)
Income tax expense	(44.0)	(32.5)	35
Operating Profit From Continuing Operations [1]	$ 81.6	$ 94.0	(13)
Net Operating Profit Including Discontinued Operations [1]	$ 80.6	$ 97.6	(17)
Tax rate	35.0%	25.7%	
Volume (mmsf[1])			
USA Fibre Cement	1382.5	1136.3	22
Asia Pacific Fibre Cement*	287.4	273.1	5
Average net sales price per unit (per msf[1])			
USA Fibre Cement	US$ 501	US$ 487	3
Asia Pacific Fibre Cement*	A$ 850	A$ 864	(2)

***See Endnotes**

Unless otherwise stated, results are for continuing operations only and comparisons are of the first nine months of the current fiscal year versus the first nine months of the prior fiscal year.

Total Net Sales

Total net sales increased 22% compared to the same period of the previous year, from US$730.6 million to US$894.0 million.

Net sales from USA Fibre Cement increased 25% from US$553.5 million to US$692.0 million due to continued strong growth in sales volumes and a higher average net sales price.

Net sales from Asia Pacific Fibre Cement increased 11% from US$160.8 million to US$177.9 million due to increased sales volumes and favourable foreign currency movements.

Net sales from Other Fibre Cement increased 48% from US$16.3 million to US$24.1 million as the Chilean flat sheet business, the USA-based Hardie® Pipe business and European Fibre Cement business continued to grow.

USA Fibre Cement

Net sales increased 25% from US$553.5 million to US$692.0 million due to increased sales volumes and a higher average net sales price.

Sales volume increased 22% from 1136.3 million square feet to 1382.5 million square feet, primarily due to continued strong growth in primary demand for fibre cement and a favourable housing construction market.

New residential housing construction remained buoyant during the period due to strong consumer demand and low inventories of houses for sale, fuelled by low interest rates, solid house prices and a strengthening domestic economy.

We continued to grow sales in both our emerging and established geographic markets and in our exterior and interior product markets.

Further market share was gained in our emerging geographic markets as our exterior products continued to penetrate against alternative materials, primarily wood-based and vinyl siding. There continued to be 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.

There were further market share gains in the interior products market, with sales of Hardibacker 500® half-inch backerboard up strongly compared to the same period last year.

The average net sales price increased 3% from US$487 per thousand square feet to US$501 per thousand square feet. The increase was due to proportionally stronger growth of differentiated, higher priced products, including Harditrim®, vented soffit and the ColorPlus™ Collection, and a price increase for some products that became effective on 1 July 2004.

During the period, we continued construction of our new green-field fibre cement plant in Reno, Nevada. Product was successfully being produced from the new plant by end of the third quarter and full commissioning of the plant is expected in the fourth quarter. Construction of our new 160 million square foot trim line in Peru, Illinois continued during the period.

Asia Pacific Fibre Cement (See Endnotes)

Net sales increased 11% from US$160.8 million to US$177.9 million. Net sales increased 2% in Australian dollars. Sales volume increased 5% from 273.1 million square feet to 287.4 million square feet.

Australia and New Zealand Fibre Cement

Net sales increased 12% from US$142.4 million to US$159.2 million due to increased sales volume, a higher average net sales price and favourable foreign currency movements. In Australian dollars, net sales increased 3%.

Sales volumes increased 2% from 215.5 million square feet to 218.9 million square feet primarily due to growth in sales of building products in both Australia and New Zealand. Despite the overall increase, we believe sales volumes were affected to some extent by product bans and boycotts in Australia connected with the NSW Government Special Commission of Inquiry into the Medical Research and Compensation Foundation and the release of the report of the Inquiry.

In Australia, new residential housing activity improved early in the period led by buoyant activity in Queensland, and the renovation and commercial segments also remained strong early. However, both new residential housing and renovations activity softened over the last six months of the period.

In New Zealand, new residential housing activity was robust and there was increased demand for weatherboards, eaves and soffits. Sales of our Linea® range of weatherboards continued to grow strongly.

The average net sales price increased 1% in Australian dollars due mainly to a change in sales mix.

During the period, we launched Eclipsa™ Eaves Lining, a new pre-painted eave product, across Australia. Eclipsa™ offers cost benefits and construction advantages over non-painted eave products and we expect that it will be received favourably by builders.

Philippines Fibre Cement

Net sales increased 19% from US$15.7 million to US$18.7 million. In local currency, net sales increased 23%. This increase was due to a 19% increase in sales volume and a 3% increase in the average net sales price.

The increase in the net sales price was due to a change in sales mix between domestic and export sales.

Improved construction activity in the Philippines, increased market penetration and regional exports resulted in stronger demand during the first nine months of the year.

Other Fibre Cement

Chile Fibre Cement

Our Chilean business continued to increase its penetration of the domestic flat sheet market and increased sales of higher-priced, differentiated products and build regional exports.

Net sales increased compared to the nine months of the previous year due to growth in sales volume, partly offset by a lower average net sales price. The lower average net sales price was due to an increased proportion of domestic sales and the impact of a weaker US dollar on export sales.

Construction activity in Chile continued to show signs of improvement.

Hardie Pipe

Our US Hardie Pipe business continued to penetrate the Florida market of the United States and to improve its manufacturing efficiency.

Despite net sales in the second quarter being adversely affected by severe weather in Florida, net sales for the nine months increased strongly compared to the same period last year due to an increase in sales volume and a higher average net sales price. The increase in sales volume was due to market share gains and buoyant construction activity in Florida.

The average net sales price has continued to improve during the first nine months and increased compared to the same period last year.

The manufacturing performance of the plant improved further during the nine months, but operating costs are still above our targets.

Europe Fibre Cement

Our European business continued to grow demand by building awareness of our products among distributors, builders and contractors, and by adding further distribution outlets in both the UK and French markets.

Sales have continued to build steadily since commencement of operations in the first quarter of the previous fiscal year. Net sales this period increased significantly compared to the same period last year, albeit off a low base, due to stronger demand across the range of interior and exterior products.

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.

Gross Profit

Gross profit increased 13% from US$269.2 million to US$305.1 million due to improvements in our major businesses. The gross profit margin decreased 2.7 percentage points to 34.1%.

USA Fibre Cement gross profit increased 11% due to higher net sales, partly offset by an increase in unit cost of sales and increased freight costs. The higher unit cost of sales resulted primarily from increased sales of higher-priced, differentiated products, higher pulp and cement costs, maintenance expenses and a reduction in manufacturing efficiency at some plants that occurred during the second quarter. Higher freight costs were primarily related to an increase in length of haul of some products due to supply issues associated with a temporary reduction in plant manufacturing efficiency in the second quarter, and higher fuel costs and general liability insurance. The gross profit margin decreased 4.4 percentage points.

Asia Pacific Fibre Cement gross profit increased 16% following improvements from Australia and New Zealand Fibre Cement and Philippines Fibre Cement, which increased 13% and 51%, respectively. The improved result for Australia and New Zealand was due to increased net sales and manufacturing efficiency improvements. In the Philippines, lower costs and increased margins accounted for the stronger gross profit performance. The Asia Pacific Fibre Cement gross profit margin increased 1.5 percentage points.

Selling, General and Administrative (SG&A) Expenses

SG&A expenses increased 14% compared to the same period last year, from US$115.7 million to US$132.1 million. The increase in SG&A expenses was due mainly to increased sales and marketing, information technology and other expenses associated with growth initiatives in the United States. As a percentage of sales, SG&A expenses for the nine months were 1.0 percentage point lower at 14.8%.

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 9% for the period, at US$9.0 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 increased 19% to US$7.4 million for the nine months.

Special Commission of Inquiry Related Expenses

Costs incurred during the period associated with the NSW Government Special Commission of Inquiry into the Medical Research and Compensation Foundation (SCI) and associated developments total US$24.4 million and include: US$6.3 million related to the SCI; US$4.4 million related to the internal investigation conducted by independent legal advisers, consistent with US Securities regulations, of allegations of illegal conduct raised during the SCI and any potential impacts on the financial statements; US$1.0 million related to the Australian Securities and Investments Commission investigation into the circumstances surrounding the creation of the MRCF; US$4.5 million for resolution advisory services; US$6.0 million in severance payments to former executives; and US$2.2 million for other matters.

Other Operating Expense

Other operating expense of US$0.6 million primarily related to a loss on the sale of land in Sacramento, California.

EBIT[1]

EBIT decreased 4% from US$137.4 million to US$131.6 million. The EBIT margin decreased 4.1 percentage points to 14.7%. Excluding costs associated with the NSW Government Special Commission of Inquiry into the Medical Research and Compensation Foundation and associated developments, EBIT increased 14% and the EBIT margin is 17.4%.

USA Fibre Cement EBIT increased 8% from US$152.4 million to US$164.4 million. The increase was due to growth in net sales, partly offset by an increase in unit cost of sales, unit freight cost, general liability insurance and SG&A expenses. The increase in unit cost of sales was due to increased sales of higher cost differentiated products, higher pulp and cement costs, increased maintenance expenses and a temporary reduction in manufacturing efficiency at some plants that occurred during the second quarter. Higher freight costs were primarily related to an increase in length of haul of some products due to supply issues associated with the temporary reduction in plant manufacturing efficiency and higher fuel costs. The EBIT margin decreased 3.7 percentage points to 23.8%.

Asia Pacific Fibre Cement EBIT increased 18% from US$29.3 million to US$34.5 million. The EBIT margin increased 1.2 percentage points to 19.4%.

Australia and New Zealand Fibre Cement EBIT increased 13% from US$27.7 million to US$31.2 million. In Australian dollars, EBIT increased 4%. The increase in EBIT in Australian dollars was due to increased net sales compared to the first nine months last year and improved manufacturing efficiencies. The EBIT margin increased 0.1 of a percentage point to 19.6%.

Philippines Fibre Cement business more than doubled its positive EBIT performance compared to the same period last year due to increased net sales and cost savings.

The Chile Fibre Cement business recorded a small positive EBIT for the nine months.

Our US Hardie Pipe business significantly reduced its EBIT loss compared to the first nine months last year due to increased sales volumes, higher selling prices and manufacturing cost savings.

Our Europe Fibre Cement business incurred an EBIT loss for the nine months as expected.

General corporate costs increased US$25.3 million from US$20.5 million to US$45.8 million. This increase was primarily due to US$24.4 million of expenses related to the SCI and associated developments, a US$0.7 million loss on sale of land in Sacramento, California, and a net increase in professional service fees, directors fees and retiring allowances, and other general corporate costs. These increases were partly offset by a US$1.1 million decrease in employee bonus plan expense and a US$3.1 million decrease in employee share based compensation expense from stock appreciation rights primarily caused by a decrease in the company's share price.

Net Interest Expense

Net interest expense decreased by US$3.0 million from US$7.5 million to US$4.5 million, primarily due to a higher amount of interest expense capitalised on construction projects in the current year than in the prior year, higher interest income due to higher average cash balances and lower interest expense due to lower average debt balances.

Other Expenses, Net

Other operating expenses consist primarily of a US$2.2 million impairment charge that we recorded on an investment in a company that filed a voluntary petition for reorganisation under Chapter 11 of the US bankruptcy code, partly offset by a US$0.7 million gain on a separate investment. In the prior year, we incurred an expense of US$3.2 million primarily due to a capital duty fee paid in conjunction with our Dutch legal structure, incurred to extend the scope of our international finance subsidiary to lend to global operations.

Income Tax Expense

Income tax expense increased by US$11.5 million from US$32.5 million to US$44.0 million due to non-deductible SCI and related costs and estimated income tax contingencies recorded during the period. Reviews by taxing jurisdiction authorities of various tax matters are ongoing.

Operating Profit from Continuing Operations[1]

Operating profit from continuing operations decreased 13% from US$94.0 million to US$81.6 million. Excluding costs associated with the SCI and associated developments, operating profit from continuing operations for the nine months increased 8% to US$101.9 million[1].

Discontinued Operations

Net expense of US$1.0 million relates primarily to additional costs associated with the sale of New Zealand land in March 2004, and settlement of a dispute associated with a former business.

Liquidity and Capital Resources

We have historically met our working capital needs and capital expenditure requirements through a combination of cash flow from operations, proceeds from the divestiture of businesses, credit facilities and other borrowings, proceeds from the sale of property, plant and equipment and proceeds from the redemption of investments. Seasonal fluctuations in working capital generally have not had a significant impact on our short-term or long-term liquidity. We believe that we can meet our present working capital requirements for at least the next 12 months based on our current capital resources.

We had cash and cash equivalents of US$73.5 million as of 31 December 2004. At that date we also had credit facilities totalling US$452.9 million of which US$159.9 million was outstanding. Our credit facilities are all uncollateralised and consist of the following:

Description	Effective Interest Rate at 31 Dec 2004	Total Facility at 31 Dec 2004 (US$ millions)	Principal Outstanding at 31 Dec 2004
US$ notes, fixed interest, repayable annually in varying tranches from November 2005 through November 2013	7.12%	$ 147.4	$ 147.4
A$ revolving loan, can be drawn down in either US$ or A$, variable interest based on US$ LIBOR or A$ bank bill rate plus margin, can be repaid and redrawn until maturity in November 2006	N/A	158.0	-
US$ stand-by loan, can be drawn down in either US$ or A$, variable interest based on US$ LIBOR or A$ bank bill rate plus margin until maturity in April 2005	N/A	132.5	-
US$ line of credit, can be drawn down in Chilean Pesos, variable interest based on Chilean Tasa Activa Bancaria rate plus margin until maturity in April and December 2005	3.52%	15.0	12.5
Total		$ 452.9	$ 159.9

Historically, we have sought to renew our revolving loan and stand-by loan facilities each year under substantially the same terms and conditions. In this regard, we are currently in negotiations with a number of banks which participate in our current debt facilities in order to renew these facilities in a manner that provides us with the same amount of liquidity. However, in light of the events resulting from the Special Commission of Inquiry: we may not be able to renew these facilities by the time they expire in April 2005 and November 2006, or at all; we may not be able to enter into new agreements on terms that provide the same level of liquidity as our current agreement provide; we may have to pay additional fees and expenses that we might not have to pay under normal circumstances; and we may have to agree to other terms that substantially increase the cost of having these debt facilities in place. If we are not able to renew these debt facilities on substantially the same terms, we may have to scale back our capital expenditure associated with our expansion plans and may have to take other measures to conserve cash to meet our future cash flow requirements.

Cash Flow

Net operating cash inflows increased by US$29.2 million from US$122.7 million to US$151.9 million for the nine months ended 31 December 2004 compared to the same period in the prior year, primarily due to changes in our operating assets and liabilities.

Net investing activities produced a cash outflow of US$122.1 million for the nine months ended 31 December 2004 compared to US$50.7 million for the same period in the prior year. The increase in the cash outflow was primarily due to additional capital expenditures of US$69.4 million for the nine months ended 31 December 2004 and US$5.0 million cash received in the prior year from the sale of our New Zealand Building Systems in May 2003 that did not recur in the current period, partly offset by proceeds of US$3.4 million from the sale of land in Sacramento, California in the current period.

Net financing activities resulted in an outflow of US$29.4 million for the nine months ended 31 December 2004 compared to US$88.3 million in the same period in the prior year. The decrease in cash outflow was primarily due to a US$68.7 million repayment of capital in the prior year that did not recur in the current period and a US$9.2 million decrease in dividends paid, partly offset by a US$17.6 million scheduled debt repayment in the current period.

Special Commission of Inquiry – Associated Developments

On 28 October 2004, the NSW Premier announced that the NSW Government would seek the agreement of the Ministerial Council comprising of Ministers of the Commonwealth and the Australian States and Territories to allow the NSW Government to pass legislation which he announced would "wind back James Hardie's corporate restructure and rescind the cancellation of A$1.9 billion in partly paid shares". The announcement said that "the laws will effectively enforce the liability [for asbestos-related claims] against the Dutch parent company". On 5 November 2004, the Australian Attorney-General and the Parliamentary Secretary to the Treasurer (the two relevant ministers of the Australian Federal Government) issued a news release stating that the Ministerial Council for Corporations (the relevant body of Federal, State and Territory Ministers, "MINCO") had unanimously agreed "to support a negotiated settlement that will ensure that victims of asbestos-related diseases receive full and timely compensation from James Hardie" and if "the current negotiations between James Hardie, the ACTU and asbestos victims do not reach an acceptable conclusion, MINCO also agreed in principle to consider options for legislative reform". The news release of 5 November 2004 indicated that treaties to enforce Australian judgments in Dutch and US courts are not required but that the Australian Government has been involved in communications with Dutch and US authorities regarding arrangements to ensure that Australian judgments are able to be enforced where necessary. Should negotiations not lead to an acceptable conclusion, James Hardie is aware of suggestions of legislative intervention but has no detailed information as to its likely content.

Heads of Agreement

On 21 December 2004, the Company announced that it had entered into a non-binding Heads of Agreement with the NSW Government, The Australian Council of Trade Unions, Unions NSW and various groups representing asbestos claimants (the Representatives) which is expected to form the basis of a proposed binding agreement (the "Principal Agreement") to establish and fund a special purpose fund to provide funding on a long-term basis for Asbestos Claims against Amaba and Amaca, former James Hardie subsidiaries.

The principles set out in the Heads of Agreement on which the company and/or member(s) of the Group would provide funding include:

- the establishment of a special purpose fund ("SPF") to compensate asbestos victims;

- initial funding of the SPF by the company on the basis of the November 2004 KPMG Actuaries' report (which provided a net present value of A$1.5 billion in present and future claims at 30 June 2004). The actuarial assessment is to be updated annually;

- a two year rolling cash buffer in the SPF and an annual contribution in advance based on actuarial assessments of expected claims for the next three years, revised annually;

- a cap on the annual payments made by the company to the SPF, initially set at 35% of annual net operating cash flow (defined as cash from operations in accordance with US GAAP) of the company for the immediately preceding year, with provisions for the percentage to decline over time depending upon the company's financial performance and claims outlook; and

- no cap on individual payments to claimants.

The Heads of Agreement are expected to form the basis of a Principal Agreement to be settled between the company and the NSW Government which, in turn, will require the support of the company's lenders and shareholders. The Principal Agreement is to be a legally binding agreement.

The Principal Agreement will be subject to a number of conditions precedent, including the approval of the company's shareholders and lenders and the adoption by the NSW Government of reforms following a review, announced on 18 November 2004, of legal and administrative costs in dust diseases compensation in New South Wales. A copy of the company's announcement made on that date welcoming the development can be downloaded at www.irjameshardie.com.au.

The parties have announced their intention to execute a Principal Agreement, depending on the timing of the NSW Government Review, and for the binding agreement to commence around the middle of 2005.

As part of the discussions surrounding the Principal Agreement the company is examining all relevant options in relation to the establishment of the special purpose fund referred to above, including the possibility of reacquiring all of the share capital of Amaba, Amaba and/or ABN 60.

The Heads of Agreement contain an agreement from the NSW Government to provide releases to the James Hardie group and to its directors, officers and employees from all civil liabilities other than the liabilities of James Hardie to be set out in the Principal Agreement. This release may well take the form of legislation passed by the NSW Parliament. The precise form of the release remains to be settled.

If an agreement is reached with the NSW Government and approved by the company's lenders and shareholders, the company may be required to make a substantial provision in its accounts at a later date, and it is possible that the company would need to seek additional borrowing facilities. Additionally, it is possible that any future resolution of this issue may result in the company having negative shareholders' equity, which would be likely to restrict its ability to pay dividends to its shareholders. If the terms of a future resolution involve James Hardie making payments, either on an annual or other basis, pursuant to a statutory scheme or other form of arrangement, James Hardie's financial position, results of operations and cash flows could be materially adversely affected.

As noted above, the NSW Government is conducting a review of legal and administrative costs in dust diseases compensation in NSW. The intention of this review is primarily to determine ways to reduce legal and administrative costs, and to consider the current processes for handling and resolving dust diseases compensation claims. The review is expected to report to the NSW Government early in 2005. The company is unable to predict the outcome of this review.

Updated Actuarial Study

In October 2004, the company commissioned an updated actuarial study of potential asbestos-related liabilities. Based on the results of the study, which was updated as at 30 June 2004, it is estimated that the discounted value of the central estimate for asbestos-related claims in Australia for death or personal injury against Amaca, Amaba and ABN 60 was approximately A$1.536 billion. Actual liabilities of those companies for such asbestos-related claims could vary, perhaps materially, from the discounted central estimate described above.

In estimating the potential financial exposure, the actuaries made assumptions related to total number of claims which were reasonably estimated to be asserted through 2071, the typical cost of settlement (which is sensitive to the industry in which the plaintiff claims exposure, the alleged disease type and the jurisdiction in which the action is being brought), the rate of receipt of claims, the settlement strategy in dealing with outstanding claims and the timing of settlements.

Further, the actuaries have relied on the data and information provided by the Medical Research and Compensation Foundation and Litigation Management Group Pty Limited and assumed that it is accurate and complete in all material respects. The actuaries have not verified that information independently nor established the reliability, accuracy or completeness of the data and information provided or used for the preparation of their report, and were not provided with the information required to carry out such a verification exercise.

Due to inherent uncertainties in the legal and medical environment; the number and timing of future claim notifications and settlements; the recoverability of claims against insurance contracts and in estimating the future trends in average claim awards as well as the extent to which the above-named entities will contribute to the overall settlements, the outcome could differ materially from that currently projected.

Sensitivity analysis has been performed, showing how the actuarial estimates would change if the outcome of certain assumptions (being the rate of superimposed inflation, the average costs of claims and legal fees, and the projected numbers of claims) were different to that included within the central estimates. This shows that the discounted central estimates could fall in a range A$1.0 billion to A$2.3 billion (undiscounted estimates of A$2.0 billion to A$5.7 billion) based on the current information available and reflecting current trends. It should be noted that the actual cost of the liabilities could fall outside that range depending on the actual outcome of the assumptions made.

Accordingly, the company has not established a provision for asbestos-related liabilities as of 31 December 2004 because at this time it is neither probable nor estimable.

Australian Securities and Investments Commission Investigation

The Australian Securities and Investments Commission ("ASIC") has announced that it is conducting an investigation into the events examined by the SCI, without limiting itself to the evidence compiled by the SCI. ASIC has served notices to produce relevant documents upon the company, various directors and officers of the company and on certain of its advisers and auditors at the time of the separation and restructure transactions described above. To date, ASIC has announced that it is investigating various matters, but it has not specified the particulars of alleged contraventions under investigation, nor has it announced that it has reached any conclusion that any person or entity has contravened any relevant law.

To assist ASIC's investigation, the Federal Government has enacted legislation to abrogate the legal professional privilege which would otherwise have attached to certain documents relevant to matters under investigation or to any future proceedings to be taken following that investigation. The legislation is set out in the James Hardie (Investigations and Proceedings) Act 2004.

The company may incur costs of current or former officers of the James Hardie Group to the extent that those costs are covered by indemnity arrangements granted by the James Hardie Group to those persons. To date, no claims have been received by any current or former officers in relation to the ASIC investigation and, if claims do arise, the company may be reimbursed under directors' and officers' insurance policies taken out by the company.

Severance Agreements

On 20 October 2004, Mr. Peter Shafron resigned from his position as Chief Financial Officer and on 21 October 2004, Mr. Peter Macdonald resigned from his position on the Managing Board and as Chief Executive Officer. In connection with these resignations, the company incurred costs of $8.9 million in the three and nine months ended 31 December 2004. These costs comprised $6.0 million additional expense and $2.9 million of previously existing accruals.

ABN 60 Indemnity

The company has undertaken a number of initiatives to ensure that asbestos-related claims processing by the Medical Research and Compensation Foundation (MRCF) is not interrupted prior to the entry into the Principal Agreement in accordance with the principles and within the proposed timing described above. These initiatives are described further below, but the company believes that the MRCF is unlikely to need to avail itself of the assistance which has been offered by the company, on the basis that on 3 December 2004 and in part as a result of the initiatives taken by the company, the MRCF received a payment of approximately A$88.5 million from ABN 60 for use in processing and meeting asbestos-related injury claims.

The company facilitated the payment of such funds by granting an indemnity to the directors of ABN 60, which it announced on 16 November 2004. Under the terms of that indemnity, the company agreed to meet any liability incurred by the ABN 60 directors resulting from the release of the A$88.5 million by ABN 60 to the MRCF. The company believes that the release of the funding by ABN 60 is in accordance with law and contracts in place and therefore the company should not incur liability under this indemnity.

Additionally, on 16 November 2004, the company offered to provide funding to the MRCF on an interim basis for a period of up to six months from that date. Such funding would only be provided once existing MRCF funds have been exhausted. The company believes, based on actuarial and legal advice that claims against the MRCF should not exceed the funds which are available to the MRCF (particularly in light of its receipt of the A$88.5 million described above) or which are expected to become available to the MRCF during the period of the interim funding proposal. The company has not recorded a provision for either the proposed indemnity or the potential payments under the interim funding proposal.

MRCF

On the basis of the current cash and financial position of the MRCF subsidiaries (Amaca Pty Limited and Amaba Pty Limited) and following the company's entry into the Heads of Agreement, the applications previously made to the Supreme Court of NSW for the appointment of a provisional liquidator to the MRCF's subsidiaries have been dismissed with their consent.

End.

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The 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 **Quarter**	**30 June 2002**	**30 September 2002**	**31 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 **Quarter**	**30 June 2003**	**30 September 2003**	**31 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

[1]Definitions

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.

EBITand EBIT Margin excluding costs associated with the SCI and associated developments *- not a measure of financial performance under US GAAP and should not be considered to be more meaningful than EBIT and EBIT Margin. The company has included this financial measure to provide investors with an alternative method for assessing the company's operating results in a manner that is focused on the performance of the company's ongoing operations. The company's management uses this non-GAAP measure for the same purposes.*

Operating profit from continuing operations excluding costs associated with the SCI and associated developments – *not a measure of financial performance under US GAAP and should not be considered to be more meaningful than operating profit. The company has included this financial measure to provide investors with an alternative method for assessing the company's operating results in a manner that is focused on the performance of the company's ongoing operations. The company's management uses this non-GAAP measure for the same purposes.*

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.