James Hardie

James Hardie Industries N.V.

and

Subsidiaries

Financial Report

31 December 2003

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Item 1. Financial Statements

JAMES HARDIE INDUSTRIES N.V. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(Millions of US dollars)		(Millions of Australian dollars)	
	31 December 2003	31 March 2003	**31 December 2003**	31 March 2003
ASSETS	**(Unaudited)**		**(Unaudited)**	(Unaudited)
Current assets:				
Cash and cash equivalents	**$ 38.5**	$ 54.6	**A$ 51.3**	A$ 90.4
Accounts and notes receivable, net of allowance for doubtful accounts of $1.2 million (A$1.6 million) and $1.0 million (A$1.7 million) as of 31 December 2003 and 31 March 2003, respectively	**91.6**	87.8	**122.0**	145.4
Inventories	**90.4**	74.0	**120.4**	122.5
Refundable income taxes	**4.1**	20.4	**5.5**	33.8
Prepaid expenses and other current assets	**9.6**	6.6	**12.8**	10.9
Deferred tax assets	**31.1**	23.0	**41.4**	38.1
Current assets - discontinued operations	**-**	5.4	**-**	8.9
Total current assets	**265.3**	271.8	**353.4**	450.0
Long-term receivables	**6.0**	3.7	**8.0**	6.1
Investments	**5.8**	6.0	**7.7**	9.9
Property, plant and equipment, net	**567.5**	520.0	**755.6**	861.1
Intangible assets, net	**3.3**	3.4	**4.4**	5.6
Deferred tax assets	**15.0**	21.4	**20.0**	35.4
Non-current assets - discontinued operations	**-**	1.3	**-**	2.2
Total assets	**$ 862.9**	$ 827.6	**A$ 1,149.1**	A$ 1,370.3
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	**$ 65.6**	$ 74.0	**A$ 87.3**	A$ 122.5
Current portion of long term debt	**17.6**	-	**23.4**	-
Short-term debt	**11.3**	8.8	**15.0**	14.6
Accrued payroll and employee benefits	**33.2**	31.6	**44.2**	52.3
Accrued product warranties	**11.6**	7.3	**15.4**	12.1
Income taxes payable	**16.9**	7.7	**22.5**	12.8
Other liabilities	**5.4**	4.9	**7.2**	8.1
Current liabilities - discontinued operations	**-**	2.3	**-**	3.8
Total current liabilities	**161.6**	136.6	**215.0**	226.2
Long-term debt	**147.4**	165.0	**196.2**	273.2
Deferred income taxes	**73.9**	65.5	**98.4**	108.5
Accrued product warranties	**0.9**	7.5	**1.2**	12.4
Other liabilities	**15.3**	18.3	**20.4**	30.3
Total liabilities	**399.1**	392.9	**A$ 531.2**	A$ 650.6
Commitments and contingencies (Note 8)				
Shareholders' equity:				
Common stock, 2.0 billion shares authorized; Euro 0.59 par value, 458,418,418 shares issued and outstanding at 31 December 2003 and Euro 0.64 par value, 457,514,598 shares issued and outstanding at 31 March 2003	**245.1**	269.7		
Additional paid-in capital	**132.1**	171.3		
Retained earnings	**119.1**	44.4		
Employee loans	**(4.0)**	(4.4)		
Accumulated other comprehensive loss	**(28.5)**	(46.3)		
Total shareholders' equity	**463.8**	434.7		
Total liabilities and shareholders' equity	**$ 862.9**	$ 827.6		

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

JAMES HARDIE INDUSTRIES N.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Millions of US dollars, except per share data)	Three Months Ended 31 December 2003	Three Months Ended 31 December 2002	Nine Months Ended 31 December 2003	Nine Months Ended 31 December 2002
Net sales	**$ 237.5**	$ 192.6	**$ 730.6**	$ 589.3
Cost of goods sold	**(150.0)**	(121.0)	**(461.4)**	(375.6)
Gross profit	**87.5**	71.6	**269.2**	213.7
Selling, general and administrative expenses	**(40.6)**	(37.6)	**(115.7)**	(101.2)
Research and development expenses	**(5.7)**	(4.8)	**(16.1)**	(12.6)
Other operating income	**-**	1.0	**-**	1.0
Operating income	**41.2**	30.2	**137.4**	100.9
Interest expense	**(3.0)**	(13.5)	**(8.3)**	(21.3)
Interest income	**0.2**	1.1	**0.8**	3.5
Other (expense) income	**(0.1)**	-	**(3.4)**	0.1
Income from continuing operations before income taxes	**38.3**	17.8	**126.5**	83.2
Income tax expense	**(10.0)**	(2.8)	**(32.5)**	(22.8)
Income from continuing operations	**28.3**	15.0	**94.0**	60.4
Discontinued operations:				
Income from discontinued operations, net of income tax expense of $0.2 million for the three months ended 31 December 2002 and net of income tax expense of $0.1 million and $1.4 million for the nine months ended 31 December 2003 and 2002, respectively	**-**	0.5	**0.2**	2.7
Gain on disposal of discontinued operations, net of income tax benefit of $4.3 million and $0.2 million for the three months ended 31 December 2003 and 2002, respectively and net of income tax benefit (expense) of $4.4 million and ($27.1) million for the nine months ended 31 December 2003 and 2002, respectively	**1.8**	-	**3.4**	52.9
Income from discontinued operations	**1.8**	0.5	**3.6**	55.6
Net income	**$ 30.1**	$ 15.5	**$ 97.6**	$ 116.0
Income per share - basic:				
Income from continuing operations	**$ 0.06**	$ 0.03	**$ 0.20**	$ 0.13
Income from discontinued operations	**0.01**	-	**0.01**	0.12
Net income per share - basic	**$ 0.07**	$ 0.03	**$ 0.21**	$ 0.25
Income per share - diluted:				
Income from continuing operations	**$ 0.06**	$ 0.03	**$ 0.20**	$ 0.13
Income from discontinued operations	**0.01**	-	**0.01**	0.12
Net income per share - diluted	**$ 0.07**	$ 0.03	**$ 0.21**	$ 0.25
Weighted average common shares outstanding (in millions):				
Basic	**458.2**	456.9	**457.9**	456.4
Diluted	**461.9**	459.6	**461.3**	459.1

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

JAMES HARDIE INDUSTRIES N.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Millions of Australian dollars, except per share data)	Three Months Ended 31 December		Nine Months Ended 31 December	
	2003	2002	**2003**	2002
Net sales	**A$ 354.4**	A$ 348.7	**A$ 1,090.3**	A$ 1,067.0
Cost of goods sold	**(223.9)**	(219.1)	**(688.6)**	(680.1)
Gross profit	**130.5**	129.6	**401.7**	386.9
Selling, general and administrative expenses	**(60.6)**	(68.1)	**(172.7)**	(183.2)
Research and development expenses	**(8.5)**	(8.7)	**(24.0)**	(22.8)
Other operating income	**-**	1.8	**-**	1.8
Operating income	**61.4**	54.6	**205.0**	182.7
Interest expense	**(4.5)**	(24.4)	**(12.4)**	(38.6)
Interest income	**0.3**	2.0	**1.2**	6.3
Other (expense) income	**(0.1)**	-	**(5.1)**	0.2
Income from continuing operations before income taxes	**57.1**	32.2	**188.7**	150.6
Income tax expense	**(14.9)**	(5.1)	**(48.5)**	(41.3)
Income from continuing operations	**42.2**	27.1	**140.2**	109.3
Discontinued operations:				
Income from discontinued operations, net of income tax expense of A$0.4 million for the three months ended 31 December 2002 and net of income tax expense of A$0.1 million and A$2.5 million for the nine months ended 31 December 2003 and 2002, respectively	**-**	0.9	**0.3**	4.9
Gain on disposal of discontinued operations, net of income tax benefit of A$6.4 million and A$0.4 million for the three months ended 31 December 2003 and 2002, respectively and net of income tax benefit (expense) of A$ 6.6 million and (A$49.1) million for the nine months ended 31 December 2003 and 2002, respectively.	**2.7**	-	**5.1**	95.9
Income from discontinued operations	**2.7**	0.9	**5.4**	100.8
Net income	**A$ 44.9**	A$ 28.0	**A$ 145.6**	A$ 210.1
Income per share - basic:				
Income from continuing operations	**A$ 0.09**	A$ 0.06	**A$ 0.31**	A$ 0.24
Income from discontinued operations	**0.01**	-	**0.01**	0.22
Net income per share - basic	**A$ 0.10**	A$ 0.06	**A$ 0.32**	A$ 0.46
Income per share - diluted:				
Income from continuing operations	**A$ 0.09**	A$ 0.06	**A$ 0.31**	A$ 0.24
Income from discontinued operations	**0.01**	-	**0.01**	0.22
Net income per share - diluted	**A$ 0.10**	A$ 0.06	**A$ 0.32**	A$ 0.46
Weighted average common shares outstanding (in millions):				
Basic	**458.2**	456.9	**457.9**	456.4
Diluted	**461.9**	459.6	**461.3**	459.1

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

JAMES HARDIE INDUSTRIES N.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Millions of US dollars)	Nine Months Ended 31 December 2003	2002
Cash flows from operating activities:		
Net income	**$ 97.6**	$ 116.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on disposal of subsidiaries and businesses	**(3.4)**	(50.8)
Depreciation and amortisation	**26.2**	21.3
Deferred income taxes	**9.8**	(6.6)
Prepaid pension cost	**-**	(0.2)
Tax benefit from stock options exercised	**0.1**	1.2
Stock compensation	**2.0**	1.3
Other	**0.2**	0.1
Changes in operating assets and liabilities:		
Accounts receivable	**1.6**	0.1
Inventories	**(12.3)**	4.6
Prepaids and other current assets	**13.5**	2.3
Accounts payable	**(12.4)**	5.3
Accrued liabilities and other liabilities	**(0.2)**	(23.2)
Net cash provided by operating activities	**122.7**	71.4
Cash flows from investing activities:		
Purchases of property, plant and equipment	**(56.5)**	(60.2)
Proceeds from sale of property, plant and equipment	**0.1**	0.1
Proceeds from disposal of subsidiaries and businesses, net of cash invested	**5.0**	334.4
Proceeds from sale and maturity of investments	**-**	0.1
Collections on loans receivable	**0.7**	0.3
Net cash (used in) provided by investing activities	**(50.7)**	274.7
Cash flows from financing activities:		
Net proceeds from line of credit	**0.5**	2.2
Proceeds from borrowings	**-**	2.4
Repayments of borrowings	**-**	(160.0)
Proceeds from issuance of shares	**2.8**	4.0
Repayments of capital	**(68.7)**	(94.8)
Dividends paid	**(22.9)**	(22.8)
Net cash used in financing activities	**(88.3)**	(269.0)
Effects of exchange rate changes on cash	**0.2**	1.3
Net (decrease) increase in cash and cash equivalents	**(16.1)**	78.4
Cash and cash equivalents at beginning of period	**54.6**	31.1
Cash and cash equivalents at end of period	**38.5**	109.5
Components of cash and cash equivalents:		
Cash at bank and on hand	**11.5**	19.6
Short-term deposits	**27.0**	89.9
Cash and cash equivalents at end of period	**$ 38.5**	$ 109.5

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

JAMES HARDIE INDUSTRIES N.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Millions of Australian dollars)	Nine Months Ended 31 December 2003	Nine Months Ended 31 December 2002
Cash flows from operating activities:		
Net income	**A$ 145.6**	A$ 210.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on disposal of subsidiaries and businesses	**(5.1)**	(92.0)
Depreciation and amortisation	**39.1**	38.6
Deferred income taxes	**14.6**	(11.9)
Prepaid pension cost	**-**	(0.4)
Tax benefit from stock options exercised	**0.1**	2.2
Stock compensation	**3.0**	2.4
Other	**0.3**	0.2
Changes in operating assets and liabilities:		
Accounts receivable	**2.4**	0.2
Inventories	**(18.4)**	8.3
Prepaids and other current assets	**20.1**	4.2
Accounts payable	**(18.5)**	9.6
Accrued liabilities and other liabilities	**(0.4)**	(42.0)
Net cash provided by operating activities	**182.8**	129.5
Cash flows from investing activities:		
Purchases of property, plant and equipment	**(84.3)**	(109.0)
Proceeds from sale of property, plant and equipment	**0.1**	0.2
Proceeds from disposal of subsidiaries and businesses, net of cash invested	**7.5**	605.5
Proceeds from sale and maturity of investments	**-**	0.2
Collections on loans receivable	**1.0**	0.5
Net cash (used in) provided by investing activities	**(75.7)**	497.4
Cash flows from financing activities:		
Net proceeds from line of credit	**0.7**	4.0
Proceeds from borrowings	**-**	4.3
Repayments of borrowings	**-**	(289.7)
Proceeds from issuance of shares	**4.2**	7.2
Repayments of capital	**(102.5)**	(171.6)
Dividends paid	**(34.2)**	(41.3)
Net cash used in financing activities	**(131.8)**	(487.1)
Effects of exchange rate changes on cash	**(14.4)**	(4.9)
Net increase in cash and cash equivalents	**(39.1)**	134.9
Cash and cash equivalents at beginning of period	**90.4**	58.5
Cash and cash equivalents at end of period	**51.3**	193.4
Components of cash and cash equivalents:		
Cash at bank and on hand	**15.3**	34.6
Short-term deposits	**36.0**	158.8
Cash and cash equivalents at end of period	**A$ 51.3**	A$ 193.4

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

JAMES HARDIE INDUSTRIES N.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(Millions of US dollars)	Common Stock	Additional Paid-in Capital	Retained Earnings	Employee Loans	Accumulated Other Comprehensive Income (Loss)	Total
Balances as of 31 March 2003	$ 269.7	$ 171.3	$ 44.4	$ (4.4)	$ (46.3)	$ 434.7
Comprehensive income:						
Net income	-	-	97.6	-	-	97.6
Other comprehensive income:						
Amortisation of unrealised transition loss on derivative instruments	-	-	-	-	0.8	0.8
Foreign currency translation gain	-	-	-	-	17.0	17.0
Other comprehensive income	-	-	-	-	17.8	17.8
Total comprehensive income						115.4
Dividends paid	-	-	(22.9)	-	-	(22.9)
Conversion of common stock from Euro 0.64 par value to Euro 0.73 par value	48.4	(48.4)	-	-	-	-
Conversion of common stock from Euro 0.73 par value to Euro 0.5995 par value and subsequent return of capital	(68.7)	-	-	-	-	(68.7)
Conversion of common stock from Euro 0.5995 par value to Euro 0.59 par value	(5.0)	5.0	-	-	-	-
Stock compensation	-	2.0	-	-	-	2.0
Tax benefit from stock options exercised	-	0.1	-	-	-	0.1
Employee loans repaid	-	-	-	0.4	-	0.4
Stock options exercised	0.7	2.1	-	-	-	2.8
Balances as of 31 December 2003	**$ 245.1**	**$ 132.1**	**$ 119.1**	**$ (4.0)**	**$ (28.5)**	**$ 463.8**

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

1. Basis of Presentation

The consolidated financial statements represent the financial position and results of operations of James Hardie Industries N.V. ("JHI NV") and its wholly owned subsidiaries, collectively referred to as either the "Company" or "James Hardie," unless the context indicates otherwise.

In the opinion of management, the accompanying financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair statement of financial position as of 31 December and 31 March 2003 and the results of operations for the three and nine months ended 31 December 2003 and 2002 and cash flows for the nine months ended 31 December 2003 and 2002. These consolidated financial statements and notes are to be read in conjunction with the audited consolidated financial statements of James Hardie Industries N.V. and Subsidiaries for the three years ended 31 March 2003. The results of operations for the nine months ended 31 December 2003 are not necessarily indicative of the results to be expected for the full fiscal year ending 31 March 2004.

The assets, liabilities, income statement and cash flows of the Company have been presented with accompanying Australian dollar (A$) convenience translations. These A$ convenience translations are not prepared in accordance with accounting principles generally accepted in the United States of America. The exchange rates used to calculate the convenience translations are as follows (US$1 = A$):

	31 March	31 December	
	2003	**2003**	2002
Assets and liabilities	1.6559	**1.3314**	n/a
Income statement	n/a	**1.4924**	1.8106
Cash flows - beginning cash	n/a	**1.6559**	1.8808
Cash flows - ending cash	n/a	**1.3314**	1.7658
Cash flows - current period movements	n/a	**1.4924**	1.8106

2. Summary of Significant Accounting Policies

Reclassifications

Certain prior year balances have been reclassified to conform with the current year presentation.

Earnings per Share

The Company is required to disclose basic and diluted earnings per share ("EPS"). Basic EPS is calculated using 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:

	Three Months Ended 31 December		Nine Months Ended 31 December	
(Millions)	**2003**	2002	**2003**	2002
Basic common shares outstanding	**458.2**	456.9	**457.9**	456.4
Dilutive effect of stock options	**3.7**	2.7	**3.4**	2.7
Diluted common shares outstanding	**461.9**	459.6	**461.3**	459.1

Potential common shares of 4.0 million for the three and nine months ended 31 December 2002 have been excluded from the calculation of diluted 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 $3.7 million and $3.1 million for the three months ended 31 December 2003 and 2002, respectively, and $10.8 million and $7.5 million for the nine months ended 31 December 2003 and 2002, respectively.

Stock-Based Compensation

In fiscal year 2003, the Company adopted the fair value provisions of Statement of Financial Accounting Standard ("SFAS") No. 123, "Accounting for Stock-Based Compensation," which requires the Company to value stock options issued based upon an option-pricing model and recognise this value as compensation expense over the periods in which the options vest. In accordance with the provisions of SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of SFAS No.123," the Company has elected to recognise stock-based compensation using the retroactive restatement method. Under this change in accounting method, the Company has restated its consolidated financial statements for all periods presented herein to reflect stock-based compensation expense under a fair value method for all options granted, modified or settled in fiscal years beginning after 31 March 1995. The table below sets forth the effect of the retroactive restatement of prior periods.

(Millions of US dollars, except per share amounts)	31 December 2002
Net income:	
As previously reported	$ 116.0
As restated	$ 116.0
Net income per share - basic:	
As previously reported	$ 0.25
As restated	$ 0.25
Net income per share - diluted:	
As previously reported	$ 0.25
As restated	$ 0.25

The Company incurred stock-based compensation expense (included in selling, general and administrative expenses) of $0.8 million and $0.4 million for the three months ended 31 December 2003 and 2002, respectively, and $2.0 million and $1.3 million for the nine months ended 31 December 2003 and 2002, respectively.

Recent Accounting Pronouncements

Amendment of SFAS No.133, Accounting for Derivative Instruments and Hedging Activities

In April 2003, the Financial Accounts Standards Board ("FASB") issued SFAS No.149, "Amendment of Statement No. 133, Accounting for Derivative Instruments and Hedging Activities." This statement clarifies the definition of a derivative and incorporates certain decisions made by the FASB as part of the Derivatives Implementation Group process. This statement is effective for contracts entered into or modified, and for hedging relationships designated after 30 June 2003 and should be applied prospectively. The provisions of the Statement that relate to implementation issues addressed by the Derivatives Implementation Group that have been effective should continue to be applied in accordance with their respective effective dates. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

Certain Financial Instruments with Characteristics of both Liabilities and Equity

In May 2003, the FASB issued SFAS No. 150, "Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for how a company clarifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires a company to classify such instruments as liabilities, whereas they previously may have been classified as equity. The standard is effective for all financial instruments entered into or modified after 31 May 2003, and otherwise is effective 1 July 2003. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Employers' Disclosures about Pensions and Other Postretirement Benefits

In December 2003 the FASB issued SFAS No. 132R, "Employers' Disclosures about Pensions and Other Postretirement Benefits, an amendment of FASB Statement 87, "Employers' Accounting for Pensions", No.88, "Employers' Accounting of SFAS No. 132, "Employers' Disclosures about Pensions and other Postretirement Benefits," which it replaces. SFAS No. 132 requires additional disclosures about the assets, obligations, cash flows and net periodic benefit/cost of defined benefit pension plans and other defined benefit postretirement plans. SFAS No. 132 is effective for the fiscal years ending after 15 December 2003. The Company does not expect the adoption of this standard to have a material impact on the Company's consolidated financial statements.

3. Inventories

Inventories consist of the following components:

(Millions of US dollars)	**31 December 2003**	31 March 2003
Finished goods	**$ 66.3**	$ 54.7
Work-in-process	**5.1**	4.5
Raw materials and supplies	**21.4**	16.2
Provision for obsolete finished goods and raw materials	**(2.4)**	(1.4)
Total inventories	**$ 90.4**	$ 74.0

4. Discontinued Operations

Building Systems

On 30 May 2003, the Company sold its New Zealand Building Systems business to a third party. A gain of $1.9 million represented the excess of net proceeds from the sale of $6.7 million over the net book value of assets sold of $4.8 million. The proceeds from the sale were comprised of cash of $5.0 million and a note receivable in the amount of $1.7 million.

Gypsum

On 13 March 2002, the Company announced that it had signed an agreement to sell its US-based Gypsum operations to a third party. The transaction was completed on 25 April 2002. A pre-tax gain of $81.4 million represented the excess of net proceeds from the sale of $334.4 million over the net book value of assets sold of $253.0 million. The sale resulted in an income tax expense of $27.7 million. The proceeds from the sale were comprised of cash of $345.0 million less selling costs of $10.6 million.

The following are the results of operations of discontinued businesses:

	Three Months Ended 31 December		Nine Months Ended 31 December	
(Millions of US dollars)	**2003**	2002	**2003**	2002
Building Systems				
Net sales	**$ -**	$ 4.8	**$ 2.9**	$ 15.9
Income before income taxes	**-**	0.7	**0.3**	2.3
Income tax expense	**-**	(0.2)	**(0.1)**	(0.7)
Net income	**-**	0.5	**0.2**	1.6
Gypsum				
Net sales	**$ -**	$ -	**$ -**	$ 18.7
Income before income taxes	**-**	-	**-**	1.8
Income tax expense	**-**	-	**-**	(0.7)
Net income	**-**	-	**-**	1.1
Total				
Net sales	**$ -**	$ 4.8	**$ 2.9**	$ 34.6
Income before income taxes	**-**	0.7	**0.3**	4.1
Income tax expense	**-**	(0.2)	**(0.1)**	(1.4)
Net income	**-**	0.5	**0.2**	2.7
Gain on disposal, net of income taxes	**1.8**	-	**3.4**	52.9
Income from discontinued operations	**$ 1.8**	$ 0.5	**$ 3.6**	$ 55.6

5. Operating Segment Information and Concentrations of Risk

The Company has reported its operating segment information in the format that the operating segment information is available to and evaluated by the Board of Directors. USA Fibre Cement manufactures and sells fibre cement flat sheet products in the United States. Asia Pacific Fibre Cement manufactures and sells fibre cement products in Australia, New Zealand and the Philippines. Research and Development is the research and development centres in Sydney, Australia and Fontana, United States. Other Fibre Cement includes the manufacture and sale of fibre cement products in Chile, the manufacture and sale of fibre reinforced cement pipes in the United States, roofing operations in the United States and fibre cement operations in Europe. The Company's reportable 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 Three Months Ended 31 December **2003**	2002	Net Sales to Customers Nine Months Ended 31 December **2003**	2002
USA Fibre Cement	**$ 175.3**	$ 146.3	**$ 553.5**	$ 453.5
Asia Pacific Fibre Cement	**55.9**	44.4	**160.8**	130.0
Other Fibre Cement	**6.3**	1.9	**16.3**	5.8
Worldwide total from continuing operations	**$ 237.5**	$ 192.6	**$ 730.6**	$ 589.3

(Millions of US dollars)	Income (Loss) from Continuing Operations Before Income Taxes Three Months Ended 31 December **2003**	2002	Income (Loss) from Continuing Operations Before Income Taxes Nine Months Ended 31 December **2003**	2002
USA Fibre Cement	**$ 44.6**	$ 37.8	**$ 152.4**	$ 117.3
Asia Pacific Fibre Cement	**11.3**	7.3	**29.3**	22.9
Research and Development	**(4.6)**	(3.5)	**(12.0)**	(8.9)
Other Fibre Cement	**(3.8)**	(3.1)	**(11.8)**	(8.2)
Segments total	**47.5**	38.5	**157.9**	123.1
General Corporate	**(6.3)**	(8.3)	**(20.5)**	(22.2)
Total operating income	**41.2**	30.2	**137.4**	100.9
Net interest expense	**(2.8)**	(12.4)	**(7.5)**	(17.8)
Other (expense) income	**(0.1)**	-	**(3.4)**	0.1
Worldwide total from continuing operations	**$ 38.3**	$ 17.8	**$ 126.5**	$ 83.2

(Millions of US dollars)	Total Identifiable Assets **31 December 2003**	31 March 2003
USA Fibre Cement	**$ 507.4**	$ 492.2
Asia Pacific Fibre Cement	**180.8**	147.9
Other Fibre Cement	**74.9**	48.2
Segments total	**763.1**	688.3
General Corporate	**99.8**	132.6
Discontinued operations	**-**	6.7
Worldwide total	**$ 862.9**	$ 827.6

Geographic Areas	Net Sales to Customers Three Months Ended 31 December		Net Sales to Customers Nine Months Ended 31 December	
(Millions of US dollars)	**2003**	2002	**2003**	2002
United States	**$ 177.8**	$ 147.6	**$ 560.8**	$ 457.0
Australia	**39.9**	31.7	**112.8**	93.2
New Zealand	**10.8**	8.4	**29.6**	23.6
Other Countries	**9.0**	4.9	**27.4**	15.5
Worldwide total from continuing operations	**$ 237.5**	$ 192.6	**$ 730.6**	$ 589.3

(Millions of US dollars)	Total Identifiable Assets **31 December 2003**	31 March 2003
United States	**$ 562.5**	$ 528.3
Australia	**116.8**	87.7
New Zealand	**25.4**	20.6
Other Countries	**58.4**	51.7
Segments total	**763.1**	688.3
General Corporate	**99.8**	132.6
Discontinued operations	**-**	6.7
Worldwide total	**$ 862.9**	$ 827.6

6. Accumulated Other Comprehensive Income (Loss)

The following are the components of total accumulated other comprehensive income (loss), net of related tax, which is displayed in the accompanying consolidated balance sheets:

(Millions of US dollars)	**31 December 2003**	31 March 2003
Net unrealised gain on available-for-sale securities	**$ 0.1**	$ 0.1
Unrealised transition loss on derivative instruments classified as cash flow hedges	**(4.9)**	(4.9)
Accumulated amortisation of unrealised transition loss on derivative instruments	**3.0**	2.2
Minimum pension liability adjustment	**(7.7)**	(7.7)
Accumulated foreign currency losses on translation of foreign subsidiaries	**(19.0)**	(36.0)
Total accumulated other comprehensive loss	**$ (28.5)**	$ (46.3)

7. Shareholders' Equity

On 5 November 2003, the Company converted its common stock par value from Euro dollar 0.64 to Euro dollar 0.73. This resulted in an increase in common stock and a decrease in additional paid-in capital of $48.4 million. Simultaneously, the Company returned capital of Euro dollar 0.1305 per share to shareholders in the amount of $68.7 million. Effectively, the return of capital decreased the par value of common stock to Euro dollar 0.5995. The Company then converted its common stock par value from Euro dollar 0.5995 to Euro dollar 0.59. This resulted in a decrease in common stock and an increase in additional paid-in capital of $5.0 million.

8. Commitments and Contingencies

Environmental

The operations of the Company, like those of other companies engaged in similar businesses, are subject to various federal, state and local 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, 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.

Legal

The Company is involved from time to time in various legal proceedings and administrative actions incident 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, individually or in the aggregate, have a material adverse effect on either its consolidated financial position, results of operations or cash flows.

Claims Against Former Subsidiaries

With the establishment and funding of the Medical Research and Compensation Foundation (the "Foundation") in February 2001, the Company no longer owned or controlled two Australian companies which manufactured and marketed asbestos-related products prior to 1987. Those companies were former subsidiaries of ABN 60 Pty Limited ("ABN 60," formerly known as JHIL). On 31 March 2003, James Hardie transferred control of ABN 60 to a newly established company named ABN 60 Foundation Pty Ltd ("ABN 60 Foundation").

In prior years and up to the date of the establishment of the Foundation, these two former subsidiaries incurred costs of asbestos-related litigation and settlements. From time to time, ABN 60 was joined as a party to asbestos suits which were primarily directed at the two former subsidiaries which are now controlled by the Foundation. As all three former subsidiaries of the Company are no longer a part of James Hardie, and all relevant claims against ABN 60 had been successfully defended, no provision for asbestos-related claims was established in the Company's accounts at 31 December 2003 or 31 March 2003.

While it is difficult to predict the incidence or outcome of future litigation, the Company believes it is remote that any significant personal injury suits for damages in connection with the former manufacture or sale of asbestos containing products that are or may be filed against ABN 60 or its former subsidiaries would have a material adverse effect on the business, results of operations or financial condition of the Company. This belief is based in part on the separateness of corporate entities under Australian law, the limited circumstances where "piercing the corporate veil" might occur under Australian law, and there being no equivalent under Australian law of the U.S. legal doctrine of "successor liability." The courts in Australia have confirmed the primacy of separate corporate entities and have generally refused to hold parent entities responsible for the liabilities of their subsidiaries absent any finding of fraud, agency, direct operational responsibility or the like.

On 29 October 2003, the Foundation issued a media release announcing that it has experienced increases in the number of asbestos-related claims during the past few years. The Foundation said that new projections for Australia, involving many defendant companies including Australian government entities, were similar to the experience of the Foundation. Based upon new actuarial estimates, the Foundation stated that existing funding could be exhausted within five years. The release stated that the Foundation was investigating a range of legal options involving James Hardie or related entities. The Company does not believe that there are any valid legal claims that may be presented against the Company for potential asbestos-related liabilities of the former subsidiaries, the Foundation or the ABN 60 Foundation and any such claims would be defended vigorously.

The Company has not incurred any asbestos litigation and settlement payments during the nine months ended 31 December 2003, nor does it expect to incur any material costs in the future related to asbestos litigation.

Item 2. Quantitative and Qualitative Disclosures About Market Risk

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.

We have 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 U.S. dollar. We also are exposed to interest rate risk associated with our long-term debt and to changes in prices of commodities we use in production.

Our policy is to enter into derivative instruments solely to mitigate risks in our business and not for trading or speculative purposes.

Foreign Currency Exchange Rate Risk

We have significant operations outside of the United States and, as a result, are exposed to changes in exchange rates which affect our financial position, results of operations and cash flows. For our nine months ended 31 December 2003, the following currencies comprised the following percentages of our net sales, cost of goods sold, expenses and liabilities:

	US$	A$	NZ$	Other (1)
Net sales...	76.9%	15.4%	4.1%	3.6%
Cost of goods sold.................................	77.4%	14.8%	3.6%	4.2%
Expenses..	68.6%	20.6%	4.4%	6.4%
Liabilities (excluding borrowings)............	81.2%	11.1%	3.8%	3.9%

(1) Comprised of Philippine Pesos, Euros and Chilean Pesos.

We purchase raw materials and fixed assets and sell 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, we may enter into forward exchange contracts timed to mature when settlement of the underlying transaction is due to occur. At 31 December 2003, there were no material contracts outstanding.

Interest Rate Risk

We have market risk from changes in interest rates, primarily related to our borrowings. At 31 December 2003, 94% of our borrowings were fixed-rate and 6% variable-rate (30 September 2003, 95% of our borrowings were fixed-rate and 5% variable-rate). The large percentage of fixed-rate debt reduces the earnings volatility that would result from changes in interest rates. From time to time, we may enter into interest rate swap contracts in an effort to mitigate interest rate risk. During the nine months ended 31 December 2003, no interest rate swap contracts were entered into and no contracts were outstanding.

The following table presents our long-term borrowings at 31 December 2003, the expected maturity date of future principal repayments and related weighted average interest rates. The fair value of our outstanding debt is what we likely would have to pay over the term of the loan if we were to enter into debt on substantially the same terms today. At 31 December 2003, all of our outstanding fixed-rate borrowings were denominated in U.S. dollars.

Future Principal Repayments by Expected Maturity Date
(in millions of US dollars, except percentages)

	For the Years Ended 31 March							
	2004	**2005**	**2006**	**2007**	**2008**	**Thereafter**	**Total**	**Fair Value**
Fixed rate debt …	—	$ 17.6	$ 25.7	$ 27.1	$ 8.1	$ 86.5	$165.0	$ 193.5
Weighted-average interest rate……..	—	6.86%	6.92%	6.99%	7.05%	7.23%	7.09%	
Variable rate debt	—	—	—	—	—	—	—	—
Weighted-average interest rate……..	—	—	—	—	—	—	—	

Commodity Price Risk

Pulp is a raw material we use to produce fibre cement, and it has historically demonstrated more price sensitivity than other raw materials we use in our manufacturing process. Although we have entered into contracts to hedge pulp prices in the past, we do not anticipate entering in such transactions in the near future.

Notes

1. 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 a Media Release, a Management Presentation, a Management's Discussion and Analysis and a Results at a Glance document.

Disclaimer

This report contains forward-looking statements. 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, which are further discussed in our reports submitted to the Securities and Exchange Commission on Forms 20-F and 6-K and in our other filings, include but are not limited to: 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; dependence on cyclical construction markets; 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 or other legal proceedings; and risks of conducting business internationally. 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 contained in forward-looking statements. Forward-looking statements speak only as of the date they are made.