Management's Analysis of Results

10 August 2004

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James Hardie Industries N.V.

Results for the 1st Quarter Ended 30 June 2004

USGAAP - US$ Millions	**Three Months Ended 30 June**		
	FY 2005	FY 2004	% Change
Net Sales			
USA Fibre Cement	$ 240.7	$ 186.8	29
Asia Pacific Fibre Cement	57.3	50.1	14
Other Fibre Cement	8.1	4.6	76
Total Net Sales	306.1	241.5	27
Net sales	$ 306.1	$ 241.5	27
Cost of goods sold	(194.8)	(152.2)	28
Gross profit	111.3	89.3	25
Selling, general and administrative expenses	(45.1)	(36.2)	25
Research and development expenses	(5.0)	(4.8)	4
Other operating expense	(2.9)	-	-
EBIT [1]	58.3	48.3	21
Net interest expense	(2.5)	(2.3)	9
Operating profit from continuing operations before income taxes [1]	55.8	46.0	21
Income tax expense	(18.7)	(13.1)	43
Operating Profit From Continuing Operations [1]	$ 37.1	$ 32.9	13
Net Operating Profit Including Discontinued Operations [1]	$ 36.3	$ 34.7	5
Effective tax rate from continuing operations	33.5%	28.5%	
Volume (mmsf[1])			
USA Fibre Cement	490.4	387.5	27
Asia Pacific Fibre Cement *	94.2	87.0	8
Average net sales price per unit (per msf[1])			
USA Fibre Cement	US$ 491	US$ 482	2
Asia Pacific Fibre Cement *	A$ 851	A$ 874	(3)

*** See Endnotes**

Unless otherwise stated, results are for continuing operations only and comparisons are of the 1st quarter of the current fiscal year versus the 1st quarter of the prior fiscal year.

Total Net Sales

Total net sales increased 27% compared to the same quarter of the previous year, from US$241.5 million to US$306.1 million.

Net sales from USA Fibre Cement increased 29% from US$186.8 million to US$240.7 million due to continued strong growth in sales volumes and a higher average net selling price.

Net sales from Asia Pacific Fibre Cement increased 14% from US$50.1 million to US$57.3 million due to increased sales volumes and favourable currency exchange rate differences.

Net sales from Other Fibre Cement increased 76% from US$4.6 million to US$8.1 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 29% from US$186.8 million to US$240.7 million due to increased sales volumes and a higher average net selling price.

Sales volume increased 27% from 387.5 million square feet to 490.4 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 quarter 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 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™.

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 selling price increased 2% from US$482 per thousand square feet to US$491 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. A price increase was announced for some products at the end of the first fiscal quarter.

During the quarter, we continued construction of our new green-field fibre cement plant in Reno, Nevada and our new 160 million square foot trim line in Peru, Illinois.

Asia Pacific Fibre Cement (See Endnotes)

Net sales for this segment increased 14% from US$50.1 million to US$57.3 million. Net sales increased 3% in Australian dollars. Sales volume increased 8% from 87.0 million square feet to 94.2 million square feet.

Australia and New Zealand Fibre Cement

Net sales increased 18.0% from US$43.9 million to US$51.8 million due to increased sales volume and a favourable currency exchange rate difference. In Australian dollars, net sales increased 6%.

Sales volumes increased 5% from 69.8 million square feet to 73.1 million square feet due to growth in sales of building products in both Australia and New Zealand.

In Australia, new residential housing activity improved during the quarter led by buoyant activity in Queensland, and the renovation and commercial segments remained strong.

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 selling price increased 1% in Australian dollars due to a change in sales mix.

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

Philippines Fibre Cement

Net sales increased 15% from US$4.8 million to US$5.5 million. In local currency, net sales increased 21%. This increase was due to a 23% increase in volume partially offset by a 1% decrease in the average net selling price.

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

Improved construction activity in the Philippines and increased market penetration resulted in stronger demand during the quarter.

Other Fibre Cement

Chile Fibre Cement

Our Chilean business continued to penetrate the domestic flat sheet market during the quarter. Sales volume increased compared to the same quarter last year due to stronger domestic demand, partly offset by reduced exports to North America.

Despite increased sales volume, net sales were lower than the same period last year due mainly to a lower average net selling price compared to the same period last year. The lower average net selling price was due to a higher mix of domestic sales and the impact of a weaker US dollar on export sales.

Construction activity in Chile was weaker during the quarter due to the slower winter season, but continued to show ongoing signs of improvement.

Hardie® Pipe

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

Net sales increased strongly compared to the same period last year due to a near doubling in sales volume and a higher average net selling price. The increase in sales volume was due to market share gains and buoyant construction activity in Florida.

The average net selling price increased compared to the same period last year, but prices in Florida remain well below the national averages for concrete pipe. The lower prices continue to reflect the competitive response to our entry into the southeast market.

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

Europe

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 quarter increased 56% compared to the previous quarter ended 31 March 2004, 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 mmsf, was built to test our proprietary manufacturing technology and to provide product for market testing in Southern California.

Further production trials and commissioning work were completed during the quarter. Sales are expected to ramp-up throughout the remainder of the fiscal year.

Initial pricing of our Artisan® Roofing product is positioned to be competitive with wood shake roofing products in Southern California.

Preliminary interest in Artisan® Roofing within our targeted customer group remains strong.

Gross Profit

Gross profit increased 25% from US$89.3 million to US$111.3 million due to improvements in our major businesses. The gross profit margin decreased 0.6 of a percentage point to 36.4%.

USA Fibre Cement gross profit increased 21% 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 general liability insurance. The gross profit margin decreased 2.3 percentage points.

Asia Pacific Fibre Cement gross profit increased 28% following significant improvements from Australia and New Zealand Fibre Cement and Philippines Fibre Cement, which increased 26% and 58% respectively. The improved result for Australia and New Zealand was due to increased sales revenue and manufacturing efficiency improvements across all plants. In the Philippines, lower costs and increased margins accounted for the stronger gross profit performance. The Asia Pacific Fibre Cement gross profit margin increased 3.9 percentage points.

Selling, General and Administrative (SG&A) Expenses

SG&A expenses increased 25% compared to the same quarter last year, from US$36.2 million to US$45.1 million. The increase in SG&A expenses was due mainly to increased sales and marketing, information technology and human resource expenses associated with growth initiatives in the United States. As a percentage of sales, SG&A expenses were 0.3 of a percentage point lower at 14.7%.

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 increased 7% for the quarter to US$2.9 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 were flat at US$2.1 million.

Other Operating Expense

Other operating expense of US$2.9 million is attributable to expenses related to the NSW Government Special Commission of Inquiry into the Medical Research and Compensation Foundation.

EBIT[1]

EBIT increased 21% from US$48.3 million to US$58.3 million. The EBIT margin decreased 1.0 percentage point to 19.0%.

USA Fibre Cement EBIT increased 17% from US$54.1 million to US$63.1 million. The increase was due to strong growth in net sales, partly offset by an increase in both unit cost of sales and unit freight cost, and SG&A expenses. The increase in unit cost of sales was primarily from increased sales of higher cost differentiated products, higher pulp and cement costs, increased maintenance expenses and increased general liability insurance. The EBIT margin decreased 2.8 percentage points to 26.2%, but increased 2.9 percentage points compared to the fourth quarter of the previous fiscal year.

Asia Pacific Fibre Cement EBIT increased 40% from US$8.6 million to US$12.0 million. The EBIT margin increased 3.7 percentage points to 20.9%.

Australia and New Zealand Fibre Cement EBIT increased 31% from US$8.4 million to US$11.0 million. In Australian dollars, EBIT increased 18%. The increase in EBIT in Australian dollars was due to increased net sales compared to the same period last year and manufacturing efficiencies. The EBIT margin increased 2.1 percentage points to 21.2%.

Philippines Fibre Cement business increased US$0.7 million to US$1.0 million for the quarter due to cost savings and higher margins.

The Chile Fibre Cement business recorded another small positive EBIT for the quarter due to lower costs, partly offset by a decrease in net sales.

Our USA Hardie® Pipe business incurred a small EBIT loss for the quarter despite a significant improvement in operating performance.

Our European fibre cement business incurred an EBIT loss for the quarter, following its commencement in the prior fiscal year.

General corporate costs increased US$2.0 million from US$7.4 million to US$9.4 million. This increase was primarily due to legal expenses related to the Special Commission of Inquiry into the Medical Research and Compensation Committee, a net increase in professional service fees and other general corporate expenses of US$1.0 million, partially offset by a US$1.9 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 increased by US$0.2 million from US$2.3 million to US$2.5 million primarily due to a higher amount of interest expense capitalised in the prior year than the current year.

Income Tax Expense

Income tax expense increased by US$5.6 million from US$13.1 million to US$18.7 million due to the increase in profit and estimated income tax contingencies recorded during the period. Although the tax rate in this quarter was 33.5%, we anticipate that our effective income tax rate for the full fiscal year will be towards the upper end of our 25% to 30% expectation.

Operating Profit from Continuing Operations[1]

Operating profit from continuing operations increased by 13%, from US$32.9 million to US$37.1 million, due to stronger performance from our major businesses.

Discontinued Operations

Net expense of US$0.8 million relates to additional costs associated with the sale of New Zealand land in March 2004.

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$112.9 million as of 30 June 2004. At that date we also had credit facilities totalling US$431.8 million of which US$175.5 million was outstanding. Our credit facilities are all uncollateralised and consist of the following:

Description	Effective Interest Rate at 30 June 2004	Total Facility at 30 June 2004 (US$ millions)	Principal Outstanding at 30 June 2004
US$ notes; fixed interest; repayable annually in varying tranches from November 2004 through November 2013	7.09%	$ 165.0	$ 165.0
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	137.8	-
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	117.5	-
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 October and December 2004	3.52%	11.5	10.5
Total		$ 431.8	$ 175.5

Cash Flow

Net operating cash inflows increased by US$40.0 million during the quarter from US$31.0 to US$71.0 million. Net income, after adjusting for the gain on disposal of subsidiaries and businesses, increased by US$3.4 million. Adjusting further for non-cash items included in net income, cash flows from operations increased additionally by US$7.2 million. Other working capital changes caused a net increase in cash of US$29.4 million.

Net investing activities produced a cash outflow of US$30.3 million during the quarter compared to US$14.6 million in the prior year quarter. The increase in the cash outflow was primarily due to additional capital expenditures of US$10.5 million in the current quarter and US$5.0 million cash received in the prior year quarter from the sales of our New Zealand Building Systems in May 2003 that did not recur in the current quarter.

Net financing activities resulted in an inflow of US$0.4 million for the quarter compared to US$1.7 million in the prior year quarter. The decrease was primarily due to proceeds from borrowings of US$1.0 million in the prior year quarter that did not recur this quarter.

Special Commission of Inquiry

The Special Commission of Inquiry (the "SCI") into the Medical Research and Compensation Foundation has been hearing evidence since 5 April 2004 and oral submissions commenced on 4 August 2004. The SCI is expected to report by 21 September 2004.

On 14 July 2004, the company lodged a submission with the SCI stating that the company would recommend that shareholders approve the provision of additional funding to enable an effective statutory scheme to compensate all future claimants for asbestos-related injuries caused by former James Hardie subsidiary companies. The company proposed that the statutory scheme include the following elements:

- Speedy, fair and equitable compensation for all existing and future claimants, including objective criteria to reduce superimposed (judicial) inflation;
- contributions to be made in a manner which provides certainty to claimants as to their entitlements, the scheme administrator as to the amount available for distribution, and the contributors as to the ultimate amount of the contribution to the scheme;
- significant reduction in legal costs via the removal of requirements for litigation; and
- limitation of legal avenues outside of the scheme.

The submission stated that the proposal was made without any admission of liability or prejudice to the company's rights or defences.

While it is not possible to predict outcomes of the SCI, it is possible that the SCI will make adverse findings against the company and ABN 60 which in turn could form the basis of legal claims against the company. It is not possible to determine whether the SCI will adopt the company's scheme recommendations, whether such a scheme would be accepted by the NSW government nor whether shareholders would resolve to contribute to the scheme. The company has incurred substantial costs associated with the SCI and may incur material costs in the future related to the SCI or subsequent legal proceedings.

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 Selling 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 selling price for our Asia Pacific Fibre Cement business segment. This Management's Analysis of Results uses these revised volume and average net selling price.

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 the 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:

	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 cash generated from our operations, excluding the operating cash requirement of our interest and income taxes. 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.

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 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; 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.