

# Management's Analysis of Results

14 February 2005

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## James Hardie Industries N.V. Results for the 3<sup>rd</sup> Quarter Ended 31 December 2004

### USGAAP - US\$ Millions

#### Net Sales

USA Fibre Cement  
Asia Pacific Fibre Cement  
Other Fibre Cement

#### Total Net Sales

Net Sales  
Cost of goods sold  
Gross profit  
Selling general and administrative expenses  
Research and development expenses  
Special Commission of Inquiry related expenses  
Other operating expenses  
EBIT <sup>1</sup>  
Net interest expense  
Other income (expenses), net  
Operating profit from continuing operations before income taxes <sup>1</sup>  
Income tax expense

#### Operating Profit From Continuing Operations <sup>1</sup>

#### Net Operating Profit Including Discontinued Operations <sup>1</sup>

Tax rate

Volume (mmsf<sup>1</sup>)

USA Fibre Cement  
Asia Pacific Fibre Cement\*

Average net sales price per unit (per msf<sup>1</sup>)

USA Fibre Cement  
Asia Pacific Fibre Cement\*

\*See Endnotes

	Three Months Ended 31 December		
	FY 2005	FY 2004	% Change
	\$ 220.3	\$ 175.3	26
	58.1	55.9	4
	8.6	6.3	37
	287.0	237.5	21
	\$ 287.0	\$ 237.5	21
	(190.3)	(150.0)	27
	96.7	87.5	11
	(41.5)	(40.6)	2
	(6.1)	(5.7)	7
	(15.9)	-	-
	0.1	-	-
	33.3	41.2	(19)
	(0.7)	(2.8)	(75)
	0.4	(0.1)	-
	33.0	38.3	(14)
	(13.2)	(10.0)	32
	\$ 19.8	\$ 28.3	(30)
	\$ 19.5	\$ 30.1	(35)
	40.0%	26.1%	
	432.4	358.3	21
	90.6	92.1	(2)
	US\$ 509	US\$ 489	4
	A\$ 851	A\$ 854	-

Unless otherwise stated, results are for continuing operations only and comparisons are of the 3<sup>rd</sup> quarter of the current fiscal year versus the 3<sup>rd</sup> quarter of the prior fiscal year.

## Total Net Sales

Total net sales increased 21% compared to the same quarter of the previous year, from US\$237.5 million to US\$287.0 million.

Net sales from USA Fibre Cement increased 26% from US\$175.3 million to US\$220.3 million due to continued strong growth in sales volumes and a higher average net sales price.

Net sales from Asia Pacific Fibre Cement increased 4% from US\$55.9 million to US\$58.1 million due to favourable foreign currency movements.

Net sales from Other Fibre Cement increased 37% from US\$6.3 million to US\$8.6 million as the Chilean flat sheet business, the US-based Hardie Pipe business and European Fibre Cement business continued to grow.

## USA Fibre Cement

Net sales increased 26% from US\$175.3 million to US\$220.3 million due to increased sales volumes and a higher average net sales price.

Sales volume increased 21% from 358.3 million square feet to 432.4 million square feet, primarily due to growth in primary demand for fibre cement, continued market penetration, a favourable housing construction market and the impact of delayed sales for some products due to supply issues in the second quarter.

The residential housing market remained healthy during the quarter, buoyed by low interest rates, improving consumer confidence and strong house prices.

Volume growth was evident across all major markets. Market share increased in the exterior and interior product categories and in both our emerging and established markets.

In our exterior products market, we continued to grow sales of higher priced, differentiated products such as vented soffits, Heritage® panels, the ColorPlus® Collection of pre-painted siding and Harditrim® XLD® Planks. In our emerging markets, the business remains focussed on its strategy to move sales of its exterior products to 100% pre-painted over the medium to longer-term.

In our interior product market, further market share gains were achieved, with sales of Hardibacker 500® half-inch backerboard growing strongly compared to the same period last year.

The average net sales price increased 4% from US\$489 per thousand square feet to US\$509 per thousand square feet. The increase was due to a price increase for some products that became effective on 1 July 2004 and proportionally stronger growth of differentiated, higher-priced products.

During the quarter, we continued construction of our new green-field fibre cement plant in Reno, Nevada. Product was successfully being produced from the new plant by quarter-end 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 quarter.

## Asia Pacific Fibre Cement (See Endnotes)

Net sales increased 4% from US\$55.9 million to US\$58.1 million. Net sales decreased 2% in Australian dollars. Sales volume decreased 2% from 92.1 million square feet to 90.6 million square feet.

## **Australia and New Zealand Fibre Cement**

Net sales increased 2% from US\$50.7 million to US\$51.8 million due to favourable foreign currency movements and a higher average net sales price, partly offset by lower sales volumes. In Australian dollars, net sales decreased 4%.

Sales volumes decreased 6% from 72.4 million square feet to 68.2 million square feet due to weaker market conditions and the impact of product bans and boycotts in Australia.

In Australia, the slow-down in both new residential housing and renovations activity continued during the quarter with the impact being particularly prevalent in New South Wales and Victoria. The Queensland market continued to perform reasonably well.

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

The average net sales price increased 2% in Australian dollars due mainly to favourable foreign currency movements between the New Zealand and Australian dollars.

## **Philippines Fibre Cement**

Net sales increased 21% from US\$5.2 million to US\$6.3 million due to increased sales volumes and a higher average net sales price. In local currency, net sales increased 24%.

Despite an unusually wet end to the seasonally-slower season, sales volumes increased 14% from 19.8 million square feet to 22.5 million square feet due to increased domestic and export market penetration.

The average net sales price increased 9% compared to the same period last year due mainly to higher domestic prices.

## **Other Fibre Cement**

### **Chile Fibre Cement**

The business continued to build awareness of its products among builders, distributors and contractors, and to penetrate its target markets.

Net sales increased compared to the same quarter last year due to growth in sales volume and a higher average net sales price. The increase in average net sales price was due to higher domestic prices, partly offset by lower export prices due to the impact of a weaker US dollar on export sales.

### **Hardie Pipe**

Our US Hardie Pipe business continued to penetrate the Florida market of the United States and grow sales strongly. Increased sales volumes and higher prices resulted in net sales for the quarter being significantly higher compared to the same quarter last year.

The heavy building materials industry in Florida continued to be strong.

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

Further gains were achieved in the manufacturing performance of the plant during the quarter, but operating costs are still above our targets.

## **Europe Fibre Cement**

Our European business continued to grow sales as it expanded distribution channels in the UK and French markets and acquired new customers.

During the quarter, there was strong growth in siding sales in the French market as a result of obtaining product approvals, and from sales and marketing initiatives.

Sales are continuing to build since commencement of operations in the first quarter of the previous fiscal year. Net sales this quarter increased significantly compared to the same quarter last year, albeit off a low base.

## **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 11% from US\$87.5 million to US\$96.7 million due mainly to a strong improvement in our USA Fibre Cement, partly offset by a decline in the gross profit performance of our Asia Pacific Fibre Cement business. The gross profit margin decreased 3.1 percentage points to 33.7%.

USA Fibre Cement gross profit increased 13% compared to the same quarter last year due to increased net sales, partly offset by higher unit cost of sales and unit freight costs. The higher unit cost of sales resulted primarily from increased sales of higher-priced, differentiated products, higher raw material prices and ramp-up costs associated with planned growth initiatives. Higher freight costs were primarily related to an increase in length of haul and fuel surcharges. The gross profit margin decreased 4.0 percentage points.

Asia Pacific Fibre Cement gross profit decreased 4% following a 7% decline in Australia and New Zealand Fibre Cement gross profit, partly offset by a 46% increase in Philippines Fibre Cement gross profit. The decline in Australia and New Zealand was due to a decrease in net sales and increased costs associated with higher raw material prices and restructuring costs connected with the move from a seven to five day work-week at our Carol Park, Queensland plant. In the Philippines, increased net sales, cost savings and improved manufacturing efficiencies accounted for the stronger gross profit performance. The Asia Pacific Fibre Cement gross profit margin decreased 2.7 percentage points.

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

SG&A expenses increased 2% compared to the same quarter last year, from US\$40.6 million to US\$41.5 million. The increase in SG&A expenses was due mainly to increased spending on sales and marketing in Asia Pacific Fibre Cement. As a percentage of sales, SG&A expenses were 2.6 percentage points lower at 14.5%.

## 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 14% for the quarter to US\$3.1 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 43% to US\$3.0 million.

## Special Commission of Inquiry Related Expenses

Costs incurred during the quarter associated with the NSW Government Special Commission of Inquiry into the Medical Research and Compensation Foundation (MRCF) and associated developments total US\$15.9 million and include: US\$3.3 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\$3.8 million for resolution advisory services; US\$6.0 million in severance payments to former executives; and US\$1.8 million for other matters.

## EBIT<sup>1</sup>

EBIT<sup>1</sup> decreased 19% from US\$41.2 million to US\$33.3 million. The EBIT margin<sup>1</sup> decreased 5.7 percentage points to 11.6%. Excluding costs associated with the NSW Special Commission of Inquiry into the Medical Research and Compensation Foundation and other related developments, EBIT increased 19%<sup>1</sup> compared to the same quarter last year and the EBIT margin was 17.1%<sup>1</sup>.

USA Fibre Cement EBIT increased 17% from US\$44.6 million to US\$52.3 million. The increase was due to higher sales volumes and prices, partly offset by higher unit cost of sales and unit freight costs. The higher unit cost of sales resulted primarily from increased sales of higher-priced, differentiated products, higher raw material prices and ramp-up costs associated with planned growth initiatives. Higher freight costs were primarily related to an increase in length of haul and fuel surcharges. The EBIT margin decreased 1.7 percentage points to 23.7%.

Asia Pacific Fibre Cement EBIT decreased 10% from US\$11.3 million to US\$10.2 million. The EBIT margin decreased 2.6 percentage points to 17.6%.

Australia and New Zealand Fibre Cement EBIT decreased 15% from US\$10.7 million to US\$9.1 million. In Australian dollars, EBIT decreased 20%. The decrease in EBIT in Australian dollars was due to reduced net sales compared to the same period last year and raw material price increases. The EBIT margin was 3.5 percentage points lower, at 17.6%.

Philippines Fibre Cement business recorded another positive EBIT for the quarter due to increased net sales and lower manufacturing costs.

The Chile Fibre Cement business recorded another small positive EBIT for the quarter due to increased net sales.

Our US Hardie Pipe business incurred a small EBIT loss for the quarter despite higher selling prices and further improvements in operating performance. Overall business performance for the quarter was adversely affected by the impact of severe weather in Florida.

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

General corporate costs increased US\$16.4 million from US\$6.3 million to US\$22.7 million. This increase was primarily due to US\$15.9 million of expenses related to the SCI and associated developments, 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\$1.8 million decrease in employee bonus plan expense and a US\$0.4 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 expenses decreased by US\$2.1 million from US\$2.8 million to US\$0.7 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 Income (Expenses), Net

Other income (expenses), net consists primarily of a US\$0.7 million gain on an investment, partly offset by a US\$0.3 million impairment charge that we recorded on an investment in a company that filed for voluntary petition for reorganisation under Chapter 11 of the US bankruptcy code.

#### Income Tax Expense

Income tax expense increased by US\$3.2 million from US\$10.0 million to US\$13.2 million. Although our profit before tax decreased, our current year effective tax rate estimate is higher than the prior year effective tax rate due to non-deductible SCI 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<sup>1</sup>

Operating profit from continuing operations decreased by 30%, from US\$28.3 million to US\$19.8 million, due mainly to expenses associated with the SCI and other associated developments. Excluding these expenses, operating profit from continuing operations for the quarter increased 11% to US\$31.5 million<sup>1</sup>.

#### Discontinued Operations

Net expense of US\$0.3 million relates primarily to settlement of a dispute associated with a former business.

#### 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 Amaca and Amaba, former James Hardie subsidiaries. The company is currently in negotiations related to the Principal Agreement.

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 is 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 will 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](http://www.irjameshardie.com.au).

The parties have announced their intention to execute the Principal Agreement by the end of March 2005, 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 contains 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. These releases may well take the form of legislation passed by the NSW Parliament. The precise form of the releases 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 may 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 may 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 March 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 to the year 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 of 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](http://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.

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

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

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

<b>Year-to-date</b>				
Volume (mmsf <sup>1</sup> )	87.0	181.0	273.1	362.1
Average net sales price per unit (per msf <sup>1</sup> )	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):

	<b>30 June</b>	<b>30</b>	<b>31</b>	
	<b>2003</b>	<b>September</b>	<b>December</b>	<b>31 March</b>
	<b>2003</b>	<b>2003</b>	<b>2003</b>	<b>2004</b>
<b>Quarters:</b>				
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

<b>Year to date:</b>				
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

## **<sup>1</sup>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.

**EBIT and 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.*