

# FORM 6-K

## SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16  
of the Securities Exchange Act of 1934

August 18, 2003

# JAMES HARDIE INDUSTRIES N.V.

(Exact name of Registrant as specified in its charter)

4th Level, Atrium, unit 04-07  
Strawinskylaan 3077  
1077 ZX Amsterdam, The Netherlands  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports  
under cover Form 20-F or Form 40-F.

Form 20-F..X.... Form 40-F.....

Indicate by check mark if the registrant is submitting the Form 6-K in paper as  
permitted by Regulation S-T Rule 101(b)(1): Not Applicable

Indicate by check mark if the registrant is submitting the Form 6-K in paper as  
permitted by Regulation S-T Rule 101(b)(7): Not Applicable

Indicate by check mark whether by furnishing the information contained in this  
Form, the registrant is also thereby furnishing the information to the  
Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of  
1934.

Yes ..... No ..X...

(If "Yes" is marked, indicate below the file number assigned to the registrant  
in connection with Rule 12g3-2(b): Not Applicable

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**Safe Harbor Statement**

The exhibits attached to this Form 6-K contain 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.

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
99.1	Results for the 1st Quarter Ended June 30, 2003 — Contents
99.2	Media Release: 1st Quarter ended June 30, 2003
99.3	Results at a Glance — 1st Quarter ended June 30, 2003
99.4	Management's Discussion and Analysis: 1st Quarter ended June 30, 2003
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99.6	Financial Report — 1st Quarter ended June 30, 2003
99.7	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act Of 2002



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<b>Exhibit No.</b>	<b>Description</b>
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**James Hardie Industries N.V.**

**ABRN 097 829 895**

**Results for the 1st Quarter Ended 30 June 2003**

**Contents**

1. Media Release
2. Results At A Glance
3. Management's Discussion and Analysis
4. Management Presentation
5. Financial Report

The information contained in the above documents should be read in conjunction with the James Hardie 2003 Annual Report which can be found on the company website at [www.jameshardie.com](http://www.jameshardie.com).

Incorporated in The Netherlands with corporate seat in Amsterdam. The liability of members is limited.





12 August 2003

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 or Steve Ashe on Tel: 61 2 8274 5246  
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**1st Qtr Operating Profit Up 47% to US\$32.9m**  
**USA Fibre Cement EBIT<sup>2</sup> up 39%**

James Hardie today announced a 47% increase in 1st quarter operating profit from continuing operations to US\$32.9 million for the three months ended 30 June 2003.

Net sales increased 24%, gross profit was up 30% and EBIT increased 38% to US\$48.3 million.

The USA Fibre Cement business continued to generate strong growth, lifting net sales 22% and EBIT 39% compared to the same period a year ago, despite the impact of bad weather on results in April and May.

In Asia Pacific, EBIT increased 5% in Australia, 70% in New Zealand and the Philippines recorded a small profit.

The 1st quarter results include an inaugural sales contribution from the company's European fibre cement business that is now selling Hardie brand fibre cement products in the UK and France.

Basic earnings per share from continuing operations increased 47% from US 4.9 cents to US 7.2 cents.

The net operating profit including discontinued operations of US\$34.7 million includes income of US\$1.8 million primarily related to the sale of our New Zealand Building Systems business on 30 May 2003. The net operating profit including discontinued operations for the first quarter of the previous year includes a profit of US\$53.5 million primarily related to the sale of our Gypsum business.

**1st Quarter at a Glance**

US\$ Million	Q1FY04	Q1FY03	%+ (-)
Net Sales	\$241.5	\$194.6	24
Gross Profit	89.3	68.5	30
EBIT <sup>2</sup>	48.3	35.1	38
Net Interest Expense	(2.3)	(2.9)	(21)
Income Tax Expense	(13.1)	(10.1)	30
Operating Profit from continuing operations <sup>3</sup>	32.9	22.4	47
Net Operating Profit including discontinued operations <sup>4</sup>	34.7	75.9	(54)

*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*

## **Commentary**

James Hardie's CEO, Peter Macdonald said: "The first quarter results represent a strong start to the year, and prospects for the balance of the year are encouraging. The growth momentum of the previous year is continuing," said Mr Macdonald.

"In North America, the outlook for housing construction has improved and it is now likely that housing starts for the year will be equal to or higher than last year's record level.

"Demand for our fibre cement products continues to grow substantially faster than the rate of industry growth, and we are penetrating both the southern and northern regions of the United States and in both exterior and interior product segments.

"Our recently announced plans to invest US\$100 million to expand production capacity will help us meet this growing demand," Mr Macdonald said.

### **USA Fibre Cement – Continued Strong Growth and Higher Margins**

Net sales increased 22% to US\$186.8 million in the 1st quarter due to a 14% increase in sales volume to 387.5 million square feet and a 7% increase in the average selling price to US\$482 per thousand square feet.

Despite poor spring weather in some regions in April and May, demand for the company's products remained at high levels.

Sales of higher-priced, differentiated products continued to increase as a proportion of total sales, pushing up average selling prices.

Strong top line growth lifted EBIT 39% to US\$54.1 million for the quarter. The EBIT margin for the quarter increased further, to 29%.

The plant upgrade at Blandon, Pennsylvania was completed during the quarter and the new panel manufacturing line was commissioned at the Waxahachie plant in Texas.

### **Australia – Higher Sales and Volumes**

Net sales increased 21% to US\$34.7 million for the quarter due to a 7% lift in sales volume and a favourable exchange difference, partially offset by a lower average selling price. EBIT was up 5% for the quarter. The EBIT margin was 19.3%.

### **New Zealand – Stronger Performance**

Net sales were up 28% for the quarter due to a 3% increase in sales volumes and a favourable exchange difference. EBIT was up 70% due to the increase in sales and lower manufacturing costs. The EBIT margin improved to 18.5%.

### **Philippines – EBIT Positive**

Increased sales and manufacturing cost savings helped the business produce another small operating profit.

## **Media Release: James Hardie – 1st Quarter Results 2004**

### **Chile – Breakeven**

The business achieved breakeven for the first time since its commencement in March 2001. Further penetration of its targeted market segments helped sales more than double for the quarter.

### **USA Hardie® Pipe – Strong Growth and Manufacturing Efficiencies**

Continuing strong growth in demand for the company's fibre cement pipes saw both sales and volumes more than treble for the quarter. Production costs were reduced as further manufacturing efficiencies were achieved.

### **Europe**

Operations commenced in the UK and French markets during the quarter with the launch of siding, backer and trim products. Distribution outlets have been secured in both markets and sales have commenced.

### **USA Roofing**

The new pilot plant in California was commissioned in June and manufacturing trials are now in progress. Sales of our new generation of fibre cement roofing products are expected to begin in the second quarter.

### **Outlook**

Housing construction activity in the United States remains at high levels and there are no signs of this abating in the near term.

The drivers of housing activity remain positive with the number of starts and permits both increasing in recent months. House price increases, low mortgage rates, moderate inflation and unemployment rates and the US government's new economic stimulus bill are helping to raise consumer confidence. Builders are reporting an optimistic outlook for the balance of the year and have record low inventories of new homes for sale and large backlogs of orders for homes to be built.

The business expects to continue to generate strong top-line growth and profitability as it further penetrates the northern and southern regions of the country and the exterior and interior product markets.

In Australia, new housing activity is expected to soften but the commercial and renovations segments are forecast to remain strong. A better operating result is expected in the second quarter as manufacturing performance is improved.

In New Zealand, strong demand for higher-priced differentiated products such as Linea® weatherboards should help offset an expected softening in housing activity over the remainder of the year.

In the Philippines, stronger domestic sales and further share growth are expected in the second quarter. A number of initiatives have been introduced to further reduce manufacturing costs.

Chile is entering its normal seasonal industry slowdown but the business expects to increase its market share further as awareness of the product range grows.

The US Hardie® Pipe business is continuing to increase production to meet growing demand, improve operating efficiency and reduce costs.

### **Media Release: James Hardie – 1st Quarter Results 2004**

In Europe, demand for our products is expected to grow as awareness among builders, contractors and distributors increases.

Overall, the strong results achieved in the first quarter suggest that prospects for good growth over the full-year are encouraging.

Ends.

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**Media Release: James Hardie – 1st Quarter Results 2004**

## Notes

1. *This media release 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 Management's Discussion and Analysis (MD&A), a Management Presentation, a Financial Report and a Results at a Glance document.*
2. *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.*

*The use of EBIT and EBIT margins in this document are equivalent to the US GAAP measures of operating income and operating income margin.*

3. *Operating profit from continuing operations is equivalent to the US GAAP measure of income from continuing operations.*
4. *Net operating profit including discontinued operations is equivalent to the US GAAP measure of net income.*

## Disclaimer

*This media release 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.*

**Media Release: James Hardie – 1st Quarter Results 2004**



1st Quarter – 30 June 2003

	1st Qtr FY04			
<b>James Hardie</b>				
Net Sales	Up	24%	to	US\$241.5
EBIT <sup>2</sup>	Up	38%	to	US\$ 48.3
Operating Profit <sup>3</sup>	Up	47%	to	US\$ 32.9
Net Operating Profit <sup>1,4</sup>	Down	54%	to	US\$ 34.7
EBIT Margin <sup>2</sup>	Up	2.0pts	to	20.0%
<b>USA Fibre Cement</b>				
Net Sales	Up	22%	to	US\$186.8
EBIT <sup>2</sup>	Up	39%	to	US\$ 54.1
EBIT Margin <sup>2</sup>	Up	3.6pts	to	29%
Volume	Up	14%	to	387.5mmsf
<b>Asia Pacific Fibre Cement</b>				
Net Sales	Up	23%	to	US\$ 50.1
EBIT	Up	15%	to	US\$ 8.6
EBIT Margin <sup>2</sup>	Down	1.2pts	to	17.2%
Volume	Up	12%	to	98.2mmsf
<b>Key Ratios</b>				
Earnings Per Share (Basic)				7.2cents
EBIT Margin <sup>2</sup>				20.0%
Return on Shareholders Funds <sup>1</sup>				29.6%
Return on Capital Employed				29.7%
Gearing <sup>1</sup>				18.2%
Net Interest Cover (EBIT <sup>1</sup> / Net interest expense)				21.0x

All comparisons are against the 1st quarter of the previous fiscal year. All dollar amounts are in US\$ millions. Results are for continuing businesses only unless otherwise stated.

Note: This document should be read in conjunction with other 1st quarter results materials including a Media Release, a Management's Discussion and Analysis, a Management Presentation and a Financial Report.

<sup>1</sup> Includes discontinued operations

<sup>2</sup> 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 measure 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.

<sup>3</sup> Operating profit from continuing operations is equivalent to the US GAAP measure of income from continuing operations

<sup>4</sup> Net operating profit including discontinued operations is equivalent to the US GAAP measure of net income



# Management's Discussion and Analysis<sup>1</sup>

12 August 2003

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## James Hardie Industries N.V. Results for 1st Quarter Ended 30 June 2003

### US GAAP - US\$ Millions

	Three Months Ended 30 June		
	FY 2004	FY 2003	% Change
<b>Net Sales</b>			
USA Fibre Cement	\$ 186.8	\$ 152.5	22
Asia Pacific Fibre Cement	50.1	40.7	23
Other Fibre Cement	4.6	1.4	229
<b>Total Net Sales</b>	<b>241.5</b>	<b>194.6</b>	<b>24</b>
Net Sales	\$ 241.5	\$ 194.6	24
Cost of goods sold	(152.2)	(126.1)	21
Gross profit	89.3	68.5	30
Selling General & Administrative expenses	(36.2)	(30.1)	20
Research and Development expenses	(4.8)	(3.3)	45
EBIT <sup>2</sup>	48.3	35.1	38
Net interest expense	(2.3)	(2.9)	(21)
Other income, net	—	0.3	—
Operating profit from continuing operations before income taxes <sup>3</sup>	46.0	32.5	42
Income tax expense	(13.1)	(10.1)	30
<b>Operating Profit From Continuing Operations<sup>4</sup></b>	<b>\$ 32.9</b>	<b>\$ 22.4</b>	<b>47</b>
<b>Net Operating Profit Including Discontinued Operations<sup>5</sup></b>	<b>\$ 34.7</b>	<b>\$ 75.9</b>	<b>(54)</b>
Tax rate	28.5%	31.1%	
Volume (mmsf)			
USA Fibre Cement	387.5	339.8	14
Asia Pacific Fibre Cement	98.2	87.4	12
Average sales price per unit (per msf)			
USA Fibre Cement	US\$ 482	US\$ 449	7
Asia Pacific Fibre Cement	A\$ 796	A\$ 843	(6)

*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 24% compared to the same quarter of the previous year, from US\$194.6 million to US\$241.5 million.

Net sales from USA Fibre Cement increased 22% from US\$152.5 million to US\$186.8 million due to continued strong growth in sales volumes and higher selling prices.

Net sales from Asia Pacific Fibre Cement increased 23% from US\$40.7 million to US\$50.1 million due mainly to higher sales volumes and favourable exchange differences, partially offset by lower selling prices.

Net sales from Other Fibre Cement increased 229% from US\$1.4 million to US\$4.6 million as the Chilean flat sheet business and the USA-based Hardie® Pipe business continued to grow.

## **USA Fibre Cement**

Net sales increased 22% from US\$152.5 million to US\$186.8 million.

Sales volume increased 14% from 339.8 million square feet to 387.5 million square feet, due to strong growth in primary demand for fibre cement and a favourable housing construction market.

The residential housing market remained healthy during the quarter, buoyed by low mortgage rates and strong house prices, although this was partly offset by poor spring weather in some regions.

We continued to penetrate both the northern and southern regions of the country and the exterior and interior product markets.

The average net selling price increased 7% compared to the same quarter of the previous year from US\$449 per thousand square feet to US\$482 per thousand square feet. This improvement was due to an increased proportion of sales of higher-priced, differentiated products and a price increase in some regions.

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

We continued to increase our share of the interior cement board market with Hardibacker 500™ and Hardibacker 250™ sales volumes growing strongly.

During the quarter, we completed the upgrade of the Blandon, Pennsylvania plant we acquired from Cemplank in December 2001. The upgrade increased design capacity of the plant from 120 mmsf to 200 mmsf. We also completed the 160 mmsf panel production line at our Waxahachie, Texas plant.

## **Asia Pacific Fibre Cement**

Net sales for this segment increased 23% from US\$40.7 million to US\$50.1 million. Sales volume increased 12% from 87.4 million square feet to 98.2 million square feet.

## **James Hardie 1st Quarter FY04 MD&A**



### **Australia Fibre Cement**

Net sales increased 21% from US\$28.7 million to US\$34.7 million. In local currency, the increase was 4%.

The growth in net sales was due to a 7% increase in sales volume, from 59.5 million square feet to 63.4 million square feet, partially offset by a 2% decrease in the average net selling price.

New residential housing activity continued to slow during the quarter, but was better than industry forecasts. Residential renovation activity continued to be healthy and increased compared against the same period last year.

FRC pipes continued to penetrate its targeted market, increasing sales volumes 34% compared to the same period last year.

During the quarter, we launched ExoTec™ Facade Panel, our new premium façade panel incorporating the next generation of fibre cement composites. The new product is designed for commercial applications and initial market feedback is positive.

### **New Zealand Fibre Cement**

Net sales increased 28% from US\$7.2 million to US\$9.2 million due to an increase in sales volume and a small increase in the average net selling price. In local currency, net sales increased 4%.

Sales volume increased 3% from 10.6 million square feet to 10.9 million square feet due to stronger demand arising from increased residential building activity and increased penetration of key residential and non-residential market segments. The average net selling price increased 1% due to a change in the product mix.

New residential housing starts continued at high levels, buoyed by low interest rates, but signs of some slowing were evident. Renovation activity was slightly weaker than in the same period last year.

The new Linea® weatherboard cladding and trim product range continued to generate strong demand from all sectors of the residential market. Sales of Linea® increased 161% compared to the same quarter last year. Sales of commercial products were also up strongly.

### **Philippines Fibre Cement**

Net sales increased 32% from US\$4.7 million to US\$6.2 million. In local currency, net sales increased 38%. This was due to a 38% increase in sales volume compared to the same quarter of the previous year, from 17.3 million square feet to 23.8 million square feet and a slightly higher average net selling price.

The average selling price increased 1% compared to the same quarter of the previous year due to a change in product mix. Export sales were up strongly.

### **James Hardie 1st Quarter FY04 MD&A**

## **Other Fibre Cement**

### **Chile Fibre Cement**

Our Chilean operation continued to increase its penetration of the local market in line with the targets set for this relatively new business. The business has now captured an estimated 25% of the Chilean flat sheet market.

Net sales increased 229% compared to the same quarter last year due to a 130% increase in sales volume, including strong export sales and a higher average selling price.

Construction activity in Chile began to show signs of recovery during the quarter after being stagnant since the end of 2001.

There was no improvement in domestic selling prices for our base products as competitors continued to use aggressive pricing in an effort to maintain their market positions. However, sales of higher-priced differentiated products continued to grow.

### **Hardie® Pipe**

Our Hardie® Pipe business continued to penetrate the south-east market of the United States and improve its manufacturing efficiency.

Net sales were significantly higher than for the same period last year, increasing 204%.

The increased sales have resulted in our share of the large diameter pipe market in Florida more than doubling compared to the same period last year.

The manufacturing performance of the plant was further improved during the quarter, reducing costs and increasing output, particularly of the larger diameter pipes. Despite this, manufacturing costs remain higher than our target.

The average net selling price decreased 5% compared to the same quarter last year due to competitors' use of aggressive pricing tactics in response to our market entry.

The Florida civil construction market has remained healthy due to the start of projects funded by the TEA-21 and the Florida State Mobility Act, both of which provide for significant government spending on highway construction. The actual level of spending depends in part on the amount of highway user revenues raised by the government and the continued renewal of the TEA-21.

## **Europe**

The European fibre cement business commenced operations in the U.K. and French markets during the quarter with the launch of our Hardibacker® range of interior products and our proprietary pre-painted siding products.

The response to our launch among distributors, builders and contractors has been positive. We started making sales of Hardibacker® during the quarter, and taking orders for the pre-painted siding products at the end of the quarter.

In June 2003, we commissioned a new coating line near Southampton in England. The line will apply the finishing coat to siding product imported from our United States business.

## **James Hardie 1<sup>st</sup> Quarter FY04 MD&A**

## **Roofing**

In June 2003, we commissioned our roofing pilot plant at Fontana, California. The pilot plant, which has a design capacity of 25 mmsf, was built to further test our proprietary manufacturing technology and to provide product for market testing in Southern California.

The plant is undergoing testing and manufacturing trials. Sales are expected to begin in the second quarter once inventory levels are sufficient to meet initial demand.

## **Gross Profit**

Gross profit increased 30% from US\$68.5 million to US\$89.3 million due to strong improvements in USA Fibre Cement and Asia Pacific Fibre Cement. The gross profit margin increased 1.8 percentage points to 37.0%.

USA Fibre Cement gross profit increased 35% due to higher sales volumes and a higher average net selling price, partly offset by an increase in unit cost of sales. The higher unit cost of sales resulted primarily from higher pulp costs and increased sales of higher priced differentiated products. Cost of sales was lower as a percentage of sales. The gross profit margin increased 3.6 percentage points.

Asia Pacific Fibre Cement gross profit increased 12% following strong improvements from New Zealand Fibre Cement and Philippines Fibre Cement, which increased 40% and 22%, respectively. Australia Fibre Cement increased 5%. Increased volumes and reduced manufacturing costs were major factors in the improved results for New Zealand and the Philippines. A temporary decrease in the manufacturing performance of our Rosehill plant was responsible for the smaller increase in Australian gross profit. The gross profit margin decreased 3.3 percentage points primarily due to the Australian performance.

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

SG&A expenses increased 20% compared to the same quarter last year, from US\$30.1 million to US\$36.2 million. The increase in SG&A expenses was due mainly to sales and marketing expenses associated with growth initiatives in the USA. As a percentage of sales, SG&A expenses were 0.5 of a percentage point lower, at 15%.

## **Research and Development (R&D) Expenses**

Research and development includes costs associated with "core" research projects that are aimed at benefiting 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 50% for the quarter to US\$2.7 million.

Other research and development costs associated with commercialisation projects in business units are included in the business unit segment results. In total, these costs increased 40% to US\$2.1 million, reflecting a greater number of projects in the development and commercialisation phase.

## **James Hardie 1<sup>st</sup> Quarter FY04 MD&A**

Total research and development costs for the quarter were 0.3 of a percentage point higher as a percentage of sales, at 2.0%.

## **EBIT<sup>2</sup>**

EBIT increased 38% from US\$35.1 million to US\$48.3 million. The EBIT margin increased 2.0 percentage points to 20.0%.

USA Fibre Cement EBIT increased 39% from US\$38.8 million to US\$54.1 million. The increase was due to strong growth in net sales, partly offset by an increase in unit cost of sales and SG&A expenses. The EBIT margin increased 3.6 percentage points to 29.0%.

Asia Pacific Fibre Cement EBIT increased 15% from US\$7.5 million to US\$8.6 million. The EBIT margin decreased 1.2 percentage points to 17.2%.

Australia Fibre Cement EBIT increased 5% from US\$6.4 million to US\$6.7 million. In local currency, EBIT decreased 10%. The decrease in EBIT in local currency was primarily due to increased manufacturing costs at our Rosehill plant, partly offset by an increase in sales volume and lower SG&A and pulp costs. The EBIT margin was 3.0 percentage points lower, at 19.3%.

New Zealand Fibre Cement EBIT increased 70% from US\$1.0 million to US\$1.7 million. In local currency, EBIT increased 32%. The increase was due to reduced manufacturing costs and a small increase in sales volume and the average net selling price. The EBIT margin increased 4.6 percentage points to 18.5%.

Our Philippines business recorded a small operating profit for the quarter due to increased sales.

The Chile Fibre Cement business achieved breakeven for the quarter.

Hardie® Pipe incurred an operating loss for the quarter due to low prices and higher than targeted unit costs.

Our European fibre cement business became operational during the quarter and incurred a small operating loss, as expected.

General corporate costs increased by US\$1.4 million from US\$6.0 million to US\$7.4 million. This increase was due to a US\$1.2 million increase in employee share based compensation expense from stock appreciation rights primarily caused by an increase in the company's share price, and a net increase in other costs of US\$0.2 million.

## **Net Interest Expense**

Net interest expense decreased by US\$0.6 million from US\$2.9 million to US\$2.3 million. Interest expense decreased by US\$1.5 million due to lower average borrowings and an increase in the amount of interest expense capitalised during the quarter compared to the same period in the prior year. This decrease in net interest expense was partially offset by a US\$0.9 decrease in interest income due to lower average cash balances compared to the same period in the prior year.

## **James Hardie 1<sup>st</sup> Quarter FY04 MD&A**

### **Income Tax Expense**

Income tax expense increased by US\$3.0 million from US\$10.1 million to US\$13.1 million due to the increase in profits.

### **Operating Profit from Continuing Operations<sup>3</sup>**

Income from continuing operations increased by 47% or US\$10.5 million, from US\$22.4 million for the first quarter of the previous year to US\$32.9 million this quarter.

### **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\$70.6 million as of 30 June 2003. At that date we also had credit facilities totalling US\$425.5 million of which US\$174.5 million was outstanding. Our credit facilities are all uncollateralised and consist of the following:

### **James Hardie 1<sup>st</sup> Quarter FY04 MD&A**

Description	Effective Interest Rate at 30 June 2003	Total Facility at 30 June 2003	Principal Outstanding at 30 June 2003
		(In millions of US\$)	
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 2005	N/A	133.5	—
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 October 2003	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 December 2003	4.08%	9.5	9.5
<b>Total</b>		<b>\$ 425.5</b>	<b>\$ 174.5</b>

#### Cash Flow

Net operating cash inflows decreased by US\$4.1 million to US\$31.0 million for the three months ended 30 June 2003 compared to the same period in the prior year. Net income after adjusting for the gain on disposal of subsidiaries and businesses increased by US\$8.3 million; however, a US\$12.4 million net change in working capital account balances and non-cash income and expenses more than offset the adjusted net income increase, producing a net decrease in cash flows from operating activities for the current period.

Net investing activities produced a cash outflow of US\$14.6 million for the three months ended 30 June 2003 compared to a cash inflow of US\$326.1 million for the same period in the prior year. Proceeds from the disposal of subsidiaries and businesses decreased by US\$329.4 million, and capital expenditures increased by US\$11.5 million. Proceeds of US\$5.0 million from the sale of subsidiaries and businesses in the current period resulted from the sale of our New Zealand Building Systems business in May 2003. The US\$19.8 million capital expenditures in the current period resulted primarily from continued operating plant expansions and construction.

Net financing activities resulted in an inflow of US\$1.7 million for the three months ended 30 June 2003 compared to a US\$86.6 million outflow in the same period of the prior year. In the prior year period, we repaid US\$100 million of bank debt, which did not recur in the current period. Proceeds from borrowings decreased by US\$10.5 million to US\$1.0 million. We had a

James Hardie 1<sup>st</sup> Quarter FY04 MD&A

US\$1.2 million decrease in proceeds from the issuance of shares to US\$0.7 million. The proceeds of US\$0.7 million represent stock option exercises in the quarter ended 30 June 2003.

#### **Discontinued Operations**

We recorded income from discontinued operations of US\$1.8 million and US\$53.5 million during the first quarter of the current and previous fiscal year, respectively. The first quarter of the current fiscal year primarily includes profit recorded from the sale of our New Zealand Building Systems business on 30 May 2003. The first quarter of the previous fiscal year primarily consisted of net profit recorded related to the sale of our Gypsum business.

End.

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**James Hardie 1<sup>st</sup> Quarter FY04 MD&A**

## **Notes**

1. *This Management's Discussion and Analysis 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.*

2. *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.*

*The use of EBIT and EBIT margins in this document are equivalent to the US GAAP measures of operating income and operating income margin.*

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

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

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

## **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.*





**FY04 1<sup>st</sup> Quarter Results**  
**12 August 2003**

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## Agenda

- Overview – Peter Macdonald, CEO
- Financial Review – Phillip Morley, CFO
- Operating Review – Peter Macdonald, CEO
- Questions and Answers

## Strong Performance

### 1<sup>st</sup> Quarter

Net Sales <sup>1</sup>	up	24%
Gross Profit <sup>1</sup>	up	30%
EBIT <sup>1</sup>	up	38%
Operating Profit <sup>1, 6</sup>	up	47%
Net Operating Profit <sup>2, 7</sup>	down	54%

<sup>1</sup> Continuing operations only

<sup>2</sup> Includes discontinued operations and profit on sale of Gypsum in Q1 FY03

## Highlights

### 1<sup>st</sup> Quarter

- USA Fibre cement EBIT up 39%
- Australia and New Zealand Fibre Cement EBIT up 14%
- Philippines – small profit
- Chile – breakeven
- Commenced operations in UK and France



# Financial Review

Phillip Morley, CFO

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## Results – Q1

US\$ Million	Q1 '04	Q1 '03	% Change
Net Sales	241.5	194.6	24
Gross Profit	89.3	68.5	30
SG&A	(36.2)	(30.1)	20
Research & Development	(4.8)	(3.3)	45
EBIT	48.3	35.1	38
Net Interest Expense	(2.3)	(2.9)	(21)
Other Income, Net	-	0.3	-
Income Tax Expense	(13.1)	(10.1)	30
Operating Profit <sup>5</sup>	32.9	22.4	47

Continuing businesses only

## Segment Net Sales – Q1

US\$ Million	<u>Q1 '04</u>	<u>Q1 '03</u>	<u>% Change</u>
USA Fibre Cement	186.8	152.5	22
Asia Pacific Fibre Cement	50.1	40.7	23
Other Fibre Cement	4.6	1.4	229
<b>Total</b>	<b>241.5</b>	<b>194.6</b>	<b>24</b>

Continuing businesses only

## Segment EBIT – Q1

US\$ Million	<u>Q1 '04</u>	<u>Q1 '03</u>	<u>% Change</u>
USA Fibre Cement	54.1	38.8	39
Asia Pacific Fibre Cement	8.6	7.5	15
Other Fibre Cement	(3.7)	(2.7)	(37)
R & D	(3.3)	(2.5)	(32)
Total Segment EBIT	55.7	41.1	36
Corporate Costs	(7.4)	(6.0)	(23)
Total EBIT	48.3	35.1	38

Continuing businesses only

R&D includes "core" R&D expenses and administrative expenses, but excludes product development expenses

See Note 3



## Corporate Costs – Q1

US\$ Million	<u>Q1 '04</u>	<u>Q1 '03</u>
Stock Options Expense	2.1	1.7
Corporate Costs	5.3	4.3
Total	<u>7.4</u>	<u>6.0</u>

## Interest and Tax Expense

### Net Interest Expense

US\$ Million	<u>Q1'04</u>	<u>Q1'03</u>	<u>% Change</u>
Net Interest Expense	(2.3)	(2.9)	(21)

### Income Tax Expense

US\$ Million	<u>Q1'04</u>	<u>Q1'03</u>	<u>% Change</u>
Income Tax Expense	(13.1)	(10.1)	30
Rate	28.5%	31.1%	-

## EBITDA – Q1

	Q1'04	Q1'03	% Change
<b>EBIT<sup>3</sup></b>			
USA Fibre Cement	54.1	38.8	39
Asia Pacific Fibre Cement	8.6	7.5	15
Other Fibre Cement	(3.7)	(2.7)	(37)
R & D	(3.3)	(2.5)	(32)
Corporate	(7.4)	(6.0)	(23)
<b>Depreciation and Amortization</b>			
USA Fibre Cement	4.9	4.8	2
Asia Pacific Fibre Cement	2.3	2.1	10
Other Fibre Cement	0.1	0.0	-
<b>Total (EBITDA)</b>	<b>55.6</b>	<b>42.0</b>	<b>32</b>

Continuing businesses only  
See Note 4

## Capital Expenditure – Q1

US\$ Million	Capital Expenditure		Depreciation	
	<u>Q1 '04</u>	<u>Q1 '03</u>	<u>Q1 '04</u>	<u>Q1 '03</u>
USA Fibre Cement	18.5	6.6	4.9	4.8
Asia Pacific Fibre Cement	1.2	0.9	2.3	2.1
Other Fibre Cement	1.1	0.2	0.1	-
<b>Total Segments</b>	<b>20.8</b>	<b>7.7</b>	<b>7.3</b>	<b>6.9</b>

Continuing businesses only

## Key Ratios

	<u>Q1 '04</u>	<u>FY '03</u>	<u>FY '02</u>	<u>FY '01</u>	
EPS (Basic) <sup>1</sup>	7.2c	18.7c	6.4c	7.3c	
Return on Shareholders Funds <sup>2</sup>	29.6%	42.3%	8.9%	14.7%	
Return on Capital Employed <sup>1,2</sup>	29.7%	21.2%	8.6%	8.6%	
EBIT/Sales <sup>1</sup>	20.0%	16.4%	8.0%	7.6%	
Gearing	$\frac{\text{Net debt}}{\text{Net debt \& Equity}}$	18.2%	21.4%	44.7%	56.1%
Net Interest Cover <sup>1</sup>	21.0x	6.6x	3.0x	3.1x	

<sup>1</sup>Continuing businesses only

<sup>2</sup>EBIT for Q1'04 annualised



# Operating Review

Peter Macdonald, CEO

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# USA Fibre Cement



## USA Fibre Cement

### Strong 1st Quarter Result

Net Sales	up	22% to US\$186.8 million
Sales Volume	up	14% to 387.5 mmsf
Average Price	up	7% to US\$482 per msf
EBIT	up	39% to US\$54.1 million
EBIT Margin	up	3.6 pts to 29.0%



## USA Fibre Cement

### 1st Quarter Trading Conditions

- Housing construction remained healthy
  - Low interest rates
  - Strong house prices
  - Improved consumer confidence
  - Low housing inventory levels
  
- Poor spring weather in some regions

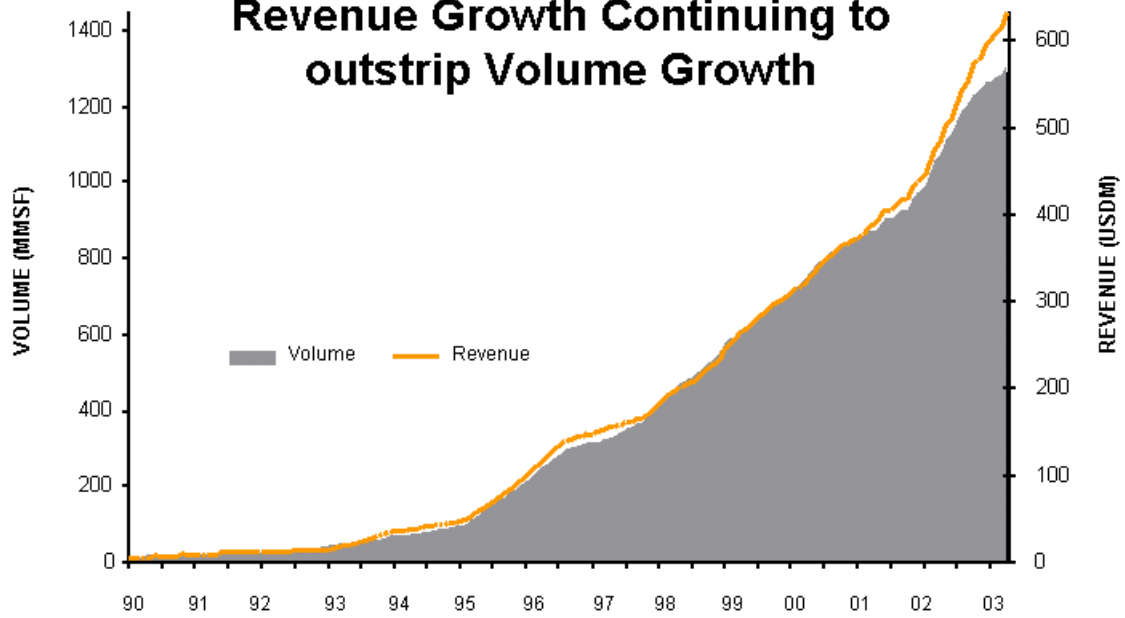
## USA Fibre Cement

### Key Points

- Continued strong demand for fibre cement
- Increased penetration of northern and southern regions
- Increased penetration of exterior and interior markets
- Strong growth in differentiated, higher-priced products
- Margin improvement
- Completed upgrade to Blandon, Pennsylvania plant
- Commissioned panel line at Waxahachie, Texas plant

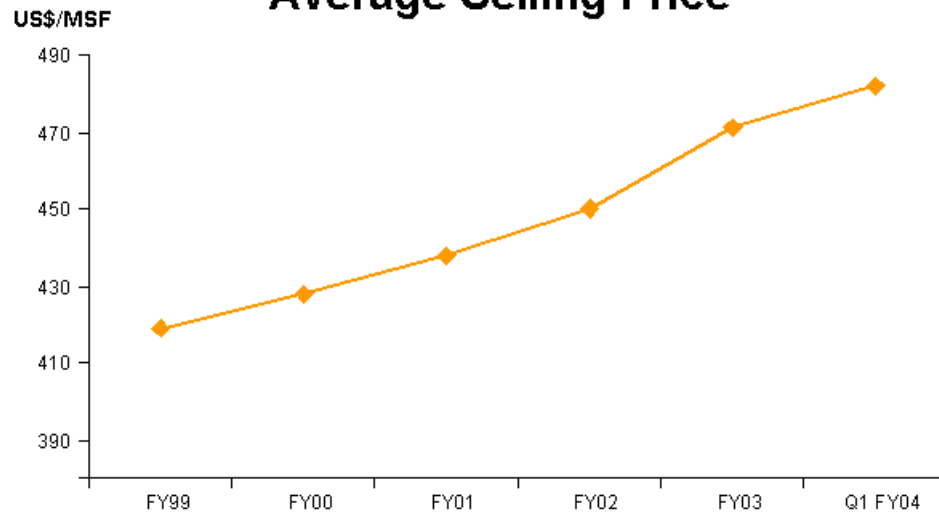
# USA Fibre Cement

**Revenue Growth Continuing to outstrip Volume Growth**

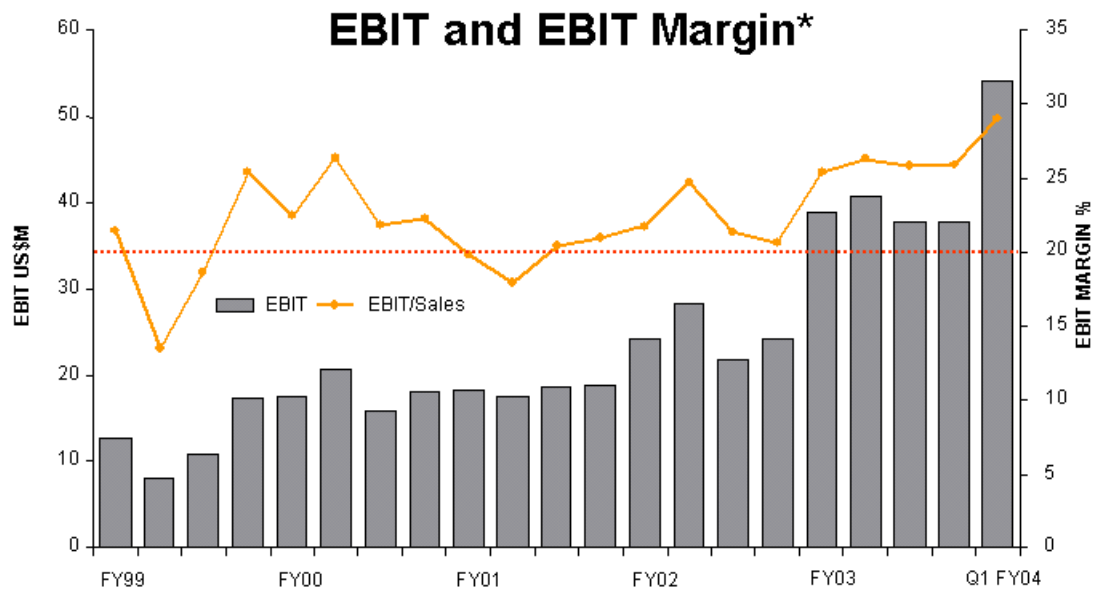


# USA Fibre Cement

## Average Selling Price



# USA Fibre Cement



\*Excludes restructuring and other operating expenses  
See Note 5

## USA Fibre Cement - Capacity Expansion

### **New Flat Sheet Plant - Sacramento, California**

- 300 mmsf design capacity to meet rapidly growing demand
- US\$47.5 million cost
- 50% more capacity
- One third lower capital cost/unit
- Plank, panel and backer products
- Expected completion – mid 2004

## USA Fibre Cement - Capacity Expansion

### **New Trim Line – Peru, Illinois**

- 160 mmsf design capacity
- Required to meet demand in mid-west and northeast
- US\$49.9 million cost
- Next generation of low density technology
- Expected completion – mid 2004

## USA Fibre Cement

### Strategy

- Aggressively grow market for fibre cement
- Grow our overall market position while defending our share in existing market segments
- Offer products with superior value to that of our competitors, introducing differentiated products to reduce direct price competition
- Optimise earnings with desired rate of market penetration



## USA Fibre Cement

### Outlook

- Continued strong demand for fibre cement
- Housing construction to remain buoyant over short to medium term
  - Low interest rates, house prices strong, new economic stimulus bill, improved consumer confidence
  - Approvals up, low inventories, large order backlogs
- Further market share gains in the north, south and across product range
- Continued growth in differentiated, higher price products
- Good growth and EBIT performance expected to continue

# Asia Pacific Fibre Cement



## Asia Pacific Fibre Cement

### 1st Quarter Result

Net Sales	up	23% to US\$50.1 million
Sales Volume	up	12% to 98.2 mmsf
EBIT	up	15% to US\$8.6 million
EBIT Margin	down	1.2 pts to 17.2%

## Asia Pacific Fibre Cement

### Strategy

- Grow primary demand for fibre cement
- Vigorously protect and grow category share in existing market segments
- Leverage our superior technology to offer differentiated products and systems with superior value to those of competitors
- Ongoing manufacturing improvements to further lower cost of production
- Grow the Asian market through participation in strategic markets

## Asia Pacific Fibre Cement

### Australia – Key Points

- New housing construction slowed but healthy renovations activity
- Volumes up 7%
- Temporary decline in manufacturing performance at Rosehill, NSW plant
- Launched ExoTec Facade Panel – our new premium panel for commercial applications
- Gross profit up 5%, EBIT up 5%, EBIT Margin 19.3%

## Asia Pacific Fibre Cement

### Australia – Outlook

- Housing sector to continue to slow
- Renovation and commercial segments to remain buoyant
- Manufacturing cost savings
- New strategies to increase demand
- Stronger EBIT performance

## Asia Pacific Fibre Cement

### New Zealand – Key Points

- New residential housing activity remained healthy – but signs of softening
- Renovations activity weaker
- Increased demand from key residential and commercial markets lifted volumes 3%
- Further strong demand for Linea weatherboard cladding and trim products
- Manufacturing cost savings
- Gross profit up 40%, EBIT up 70%, EBIT Margin 18.5%

## Asia Pacific Fibre Cement

### **New Zealand – Outlook**

- Housing sector to remain relatively healthy
- Strong demand for higher-priced, differentiated products
- Further manufacturing cost savings
- Further EBIT improvement



## Asia Pacific Fibre Cement

### Philippines – Key Points

- Net sales up 38% in local currency
- Volumes up 38% helped by strong export sales
- Manufacturing cost savings
- Small operating profit

## Asia Pacific Fibre Cement

### Philippines – Outlook

- Better economic conditions
- Stronger domestic sales and share growth
- Continued penetration against plywood
- Further cost savings

## Other Fibre Cement

### Chile Fibre Cement – Key Points

- Signs of recovery in construction activity
- Domestic prices for base products remained low due to competitors
- Continued penetration of domestic market
- Sales more than trebled
- Increased demand for differentiated, higher-priced products
- Performance above breakeven

## Other Fibre Cement

### Chile Fibre Cement – Outlook

- Entering normal seasonal industry slowdown
- Further market penetration and share growth
- Increased sales of differentiated, higher-priced products
- Prices for base products to remain low due to competitors

## Other Fibre Cement

### USA Hardie Pipe – Key Points

- Continued to penetrate the south-east market
- Sales and volumes more than trebled
- Improved manufacturing performance and lower costs
- Manufacturing costs still above our targets
- Prices remained low due to competitors

## Other Fibre Cement

### **USA Hardie Pipe – Outlook**

- Continued market penetration and share growth
- Further manufacturing improvements and cost savings
- Prices to remain affected by competition

## Europe

- Commenced operations in UK and France
- Launched Hardibacker and pre-painted siding
- Distribution outlets secured
- Positive response from distributors, builders and contractors
- Demand expected to grow as awareness of products increases

## Roofing

- Commissioned pilot plant at Fontana, California in June 2003
- Commenced manufacturing trials
- Building inventory levels to meet initial demand
- Sales expected in second quarter



## Research and Development

- Key driver of growth
- Core projects
  - engineered raw materials
  - product formulations
  - engineering and process technologies
  - lightweight and durable products for all climates
- Sustainable competitive advantage continuing to be built
- Announced US\$2.8 million expansion of R&D centre at Fontana, California
  - New laboratories and workspace for scientific, engineering, manufacturing and logistics personnel

## Outlook

- Strong results in Q1 continuing into Q2
- Prospects for good growth over the full year are encouraging

## Disclaimer

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## Notes

1. *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.*
2. *This Management Presentation 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 Management's Discussion and Analysis (MD&A), a Media Release, a Financial Report and Results at a Glance document.*
3. *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.*

*The use of EBIT and EBIT margins in this document are equivalent to the US GAAP measures of operating income and operating income margin.*

## Notes cont...

4. *EBITDA is not a measure of financial performance under US GAAP and should not be considered as an alternative to, or more meaningful than, income from operations, net income or cash flows as defined by US GAAP or as a measure of our profitability or liquidity. All companies do not calculate EBITDA in the same manner and, accordingly, EBITDA may not be comparable with other companies. We have included information concerning EBITDA because we believe that EBITDA is commonly used by investors to evaluate the ability of a company's earnings from its core business operations to satisfy its debt, capital expenditure and working capital requirements.*
5. *Presentation of EBIT and EBIT Margin before restructuring and other operating (expense) income are not measures of financial performance under US GAAP and should not be considered to be more meaningful than EBIT and EBIT Margin. The Company has included these financial measures 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 these non-GAAP measures for the same purposes.*
6. *Operating profit from continuing operations is equivalent to the US GAAP measure of income from existing operations.*
7. *Net operating profit including discontinued operations is equivalent to the US GAAP measure of net income.*



**FY04 1<sup>st</sup> Quarter Results**  
**12 August 2003**



**James Hardie Industries N.V.**

**and**

**Subsidiaries**

**Financial Report**

**30 June 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)	
	30 June 2003	31 March 2003	30 June 2003	31 March 2003
	(Unaudited)		(Unaudited)	(Unaudited)
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 70.6	\$ 54.6	A\$ 105.8	A\$ 90.4
Accounts and notes receivable, net of allowance for doubtful accounts of \$1.2 million (A\$1.8 million) and \$1.0 million (A\$1.7 million) as of 30 June 2003 and 31 March 2003, respectively	96.1	87.8	144.0	145.4
Inventories	73.4	74.0	110.0	122.5
Refundable income taxes	15.7	20.4	23.5	33.8
Prepaid expenses and other current assets	10.5	6.6	15.7	10.9
Deferred tax assets	28.5	23.0	42.7	38.1
Current assets — discontinued operations	—	5.4	—	8.9
<b>Total current assets</b>	<b>294.8</b>	<b>271.8</b>	<b>441.7</b>	<b>450.0</b>
Long-term receivables	3.7	3.7	5.5	6.1
Investments	6.0	6.0	9.0	9.9
Property, plant and equipment, net	540.1	520.0	809.1	861.1
Intangible assets, net	3.4	3.4	5.1	5.6
Deferred tax assets	24.7	21.4	37.0	35.4
Non-current assets — discontinued operations	—	1.3	—	2.2
<b>Total assets</b>	<b>\$ 872.7</b>	<b>\$ 827.6</b>	<b>A\$ 1,307.4</b>	<b>A\$ 1,370.3</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 72.1	\$ 74.0	A\$ 108.0	A\$ 122.5
Short-term debt	9.5	8.8	14.2	14.6
Dividends payable	11.4	—	17.1	—
Accrued payroll and employee benefits	25.5	31.6	38.2	52.3
Accrued product warranties	7.4	7.3	11.1	12.1
Income taxes payable	20.3	7.7	30.4	12.8
Other liabilities	5.2	4.9	7.8	8.1
Current liabilities — discontinued operations	—	2.3	—	3.8
<b>Total current liabilities</b>	<b>151.4</b>	<b>136.6</b>	<b>226.8</b>	<b>226.2</b>
Long-term debt	165.0	165.0	247.2	273.2
Deferred income taxes	68.0	65.5	101.9	108.5
Accrued product warranties	6.5	7.5	9.7	12.4
Other liabilities	13.7	18.3	20.5	30.3
<b>Total liabilities</b>	<b>404.6</b>	<b>392.9</b>	<b>A\$ 606.1</b>	<b>A\$ 650.6</b>
Commitments and contingencies (Note 7)	—	—	—	—
Shareholders' equity:				
Common stock, 2.0 billion shares authorized; Euro 0.64 par value, 457,712,777 shares issued and outstanding at 30 June 2003 and Euro 0.64 par value, 457,514,598 shares issued and outstanding at 31 March 2003	269.9	269.7		
Additional paid-in capital	172.4	171.3		
Retained earnings	67.7	44.4		
Employee loans	(4.3)	(4.4)		
Accumulated other comprehensive loss	(37.6)	(46.3)		
<b>Total shareholders' equity</b>	<b>468.1</b>	<b>434.7</b>		
<b>Total liabilities and shareholders' equity</b>	<b>\$ 872.7</b>	<b>\$ 827.6</b>		

The accompanying notes are an integral part of these interim consolidated condensed 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 30 June	
	2003	2002
Net sales	\$ 241.5	\$ 194.6
Cost of goods sold	(152.2)	(126.1)
Gross profit	89.3	68.5
Selling, general and administrative expenses	(36.2)	(30.1)
Research and development expenses	(4.8)	(3.3)
Operating income	48.3	35.1
Interest expense	(2.5)	(4.0)
Interest income	0.2	1.1
Other income	—	0.3
Income from continuing operations before income taxes	46.0	32.5
Income tax expense	(13.1)	(10.1)
Income from continuing operations	32.9	22.4
Discontinued operations:		
Income from discontinued operations, net of income tax expense of \$0.1 million and \$0.9 million for the three months ended 30 June 2003 and 2002, respectively	0.2	1.7
Gain on disposal of discontinued operations, net of income tax benefit (expense) of \$0.1 million and (\$29.4) million for the three months ended 30 June 2003 and 2002, respectively	1.6	51.8
Income from discontinued operations	1.8	53.5
Net income	\$ 34.7	\$ 75.9
Income per share — basic:		
Income from continuing operations	\$ 0.07	\$ 0.05
Income from discontinued operations	0.01	0.12
Net income per share — basic	\$ 0.08	\$ 0.17
Income per share — diluted:		
Income from continuing operations	\$ 0.07	\$ 0.05
Income from discontinued operations	0.01	0.12
Net income per share — diluted	\$ 0.08	\$ 0.17
Weighted average common shares outstanding (in millions):		
Basic	457.6	455.8
Diluted	460.4	458.2

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

**JAMES HARDIE INDUSTRIES N.V. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

(Millions of Australian dollars, except per share data)	2003	Three Months Ended 30 June	2002
Net sales	A\$ 376.9	A\$	353.0
Cost of goods sold	(237.6)		(228.7)
Gross profit	139.3		124.3
Selling, general and administrative expenses	(56.5)		(54.7)
Research and development expenses	(7.5)		(6.0)
Operating income	75.3		63.6
Interest expense	(3.9)		(7.3)
Interest income	0.3		2.0
Other income	—		0.5
Income from continuing operations before income taxes	71.7		58.8
Income tax expense	(20.4)		(18.3)
Income from continuing operations	51.3		40.5
Discontinued operations:			
Income from discontinued operations, net of income tax expense of A\$0.2 million and A\$1.6 million for the three months ended 30 June 2003 and 2002, respectively	0.3		3.0
Gain on disposal of discontinued operations, net of income tax benefit of A\$0.2 million and A\$(53.3) million for three months ended 30 June 2003 and 2002, respectively	2.5		94.0
Income from discontinued operations	2.8		97.0
Net income	A\$ 54.1	A\$	137.5
Income per share — basic:			
Income from continuing operations	A\$ 0.11	A\$	0.09
Income from discontinued operations	0.01		0.21
Net income per share — basic	A\$ 0.12	A\$	0.30
Income per share — diluted:			
Income from continuing operations	A\$ 0.11	A\$	0.09
Income from discontinued operations	0.01		0.21
Net income per share — diluted	A\$ 0.12	A\$	0.30
Weighted average common shares outstanding (in millions):			
Basic	457.6		455.8
Diluted	460.4		458.2

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

**JAMES HARDIE INDUSTRIES N.V. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

(Millions of US dollars)	2003	Three Months ended 30 June 2002
<b>Cash flows from operating activities:</b>		
Net income	\$ 34.7	\$ 75.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on disposal of subsidiaries and businesses	(1.8)	(51.3)
Depreciation and amortisation	7.4	8.1
Deferred income taxes	(6.1)	(1.4)
Prepaid pension cost	—	(0.1)
Stock compensation	0.6	—
Other	—	1.0
Changes in operating assets and liabilities:		
Accounts receivable	(4.0)	(12.7)
Prepays and other current assets	1.0	(1.1)
Inventories	2.4	13.2
Accounts payable	(4.3)	1.7
Accrued liabilities and other liabilities	1.1	1.8
Net cash provided by operating activities	<b>31.0</b>	35.1
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(19.8)	(8.3)
Proceeds from disposal of subsidiaries and businesses, net of cash invested	5.0	334.4
Collections on loans receivable	0.2	—
Net cash (used in) provided by investing activities	<b>(14.6)</b>	326.1
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings	1.0	11.5
Repayments of borrowings	—	(100.0)
Proceeds from issuance of shares	0.7	1.9
Net cash provided by (used in) financing activities	<b>1.7</b>	(86.6)
Effects of exchange rate changes on cash	(2.1)	1.6
Net increase in cash and cash equivalents	<b>16.0</b>	276.2
Cash and cash equivalents at beginning of period	<b>54.6</b>	31.1
Cash and cash equivalents at end of period	<b>70.6</b>	307.3
Components of cash and cash equivalents:		
Cash at bank and on hand	<b>52.8</b>	14.8
Short-term deposits	<b>17.8</b>	292.5
Cash and cash equivalents at end of period	<b>\$ 70.6</b>	\$ 307.3

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

**JAMES HARDIE INDUSTRIES N.V. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

(Millions of Australian dollars)	2003	Three Months ended 30 June	2002
<b>Cash flows from operating activities:</b>			
Net income	A\$	54.1	A\$ 137.5
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on disposal of subsidiaries and businesses		(2.8)	(93.1)
Depreciation and amortisation		11.5	14.7
Deferred income taxes		(9.5)	(2.5)
Prepaid pension cost		—	(0.2)
Stock compensation		0.9	—
Other		—	1.8
Changes in operating assets and liabilities:			
Accounts receivable		(6.2)	(23.0)
Prepays and other current assets		1.6	(2.0)
Inventories		3.7	23.9
Accounts payable		(6.7)	3.1
Accrued liabilities and other liabilities		1.7	3.2
Net cash provided by operating activities		<b>48.3</b>	<b>63.4</b>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment		(30.9)	(15.1)
Proceeds from disposal of subsidiaries and businesses, net of cash invested		7.8	606.6
Collections on loans receivable		0.3	—
Net cash (used in) provided by investing activities		<b>(22.8)</b>	591.5
<b>Cash flows from financing activities:</b>			
Proceeds from borrowings		1.6	20.9
Repayments of borrowings		—	(181.4)
Proceeds from issuance of shares		1.1	3.4
Net cash provided by (used in) financing activities		<b>2.7</b>	(157.1)
Effects of exchange rate changes on cash		(12.8)	(11.1)
Net increase in cash and cash equivalents		15.4	486.7
Cash and cash equivalents at beginning of period		90.4	58.5
Cash and cash equivalents at end of period		<b>105.8</b>	545.2
Components of cash and cash equivalents:			
Cash at bank and on hand		79.1	26.3
Short-term deposits		26.7	518.9
Cash and cash equivalents at end of period	A\$	<b>105.8</b>	A\$ 545.2

The accompanying notes are an integral part of these interim consolidated condensed 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
<b>Balances as of 31 March 2003</b>	\$269.7	\$ 171.3	\$ 44.4	\$ (4.4)	\$ (46.3)	\$434.7
Comprehensive income:						
Net income	—	—	34.7	—	—	34.7
Other comprehensive income:						
Amortisation of unrealised transition loss on derivative instruments	—	—	—	—	0.3	0.3
Foreign currency translation gain	—	—	—	—	8.4	8.4
Other comprehensive income	—	—	—	—	8.7	8.7
Total comprehensive income						43.4
Dividends declared	—	—	(11.4)	—	—	(11.4)
Stock compensation	—	0.6	—	—	—	0.6
Employee loans repaid	—	—	—	0.1	—	0.1
Stock options exercised	0.2	0.5	—	—	—	0.7
<b>Balances as of 30 June 2003</b>	<b>\$269.9</b>	<b>\$ 172.4</b>	<b>\$ 67.7</b>	<b>\$ (4.3)</b>	<b>\$ (37.6)</b>	<b>\$468.1</b>

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

**JAMES HARDIE INDUSTRIES N.V. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**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.

The interim consolidated condensed financial statements and related notes are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. 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 30 June and 31 March 2003 and the results of operations and of cash flows for the three months ended 30 June 2003 and 2002. These 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 three months ended 30 June 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 2003	2003	30 June 2002
Assets and liabilities	1.6559	<b>1,4981</b>	n/a
Income statement	n/a	<b>1,5608</b>	1.8139
Cash flows — beginning cash	n/a	<b>1,6559</b>	1.8808
Cash flows — ending cash	n/a	<b>1,4981</b>	1.7743
Cash flows — current period movements	n/a	<b>1,5608</b>	1.8139

**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:

(Millions)	Three Months Ended 30 June	
	2003	2002
Basic common shares outstanding	<b>457.6</b>	455.8
Dilutive effect of stock options	<b>2.8</b>	2.4
Diluted common shares outstanding	<b>460.4</b>	458.2

Potential common shares of 3.9 million for the three months ended 30 June 2003 have been excluded from the calculation of diluted shares outstanding because the effect of their inclusion would be anti-dilutive.

**JAMES HARDIE INDUSTRIES N.V. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**Advertising**

The Company expenses the production costs of advertising the first time the advertising takes place. Advertising expense was \$0.6 million and \$0.3 million for the three months ended 30 June 2003 and 2002, respectively.

**Stock-Based Compensation**

In fiscal year 2003, the Company adopted the fair value provisions of 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 based accounting 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)	30 June 2002
Net income:	
As previously reported	\$75.9
As restated	\$75.9
Net income per share — basic:	
As previously reported	\$0.17
As restated	\$0.17
Net income per share — diluted:	
As previously reported	\$0.17
As restated	\$0.17

The Company incurred stock-based compensation expense (included in selling, general and administrative expenses) of \$0.6 million and \$0.4 million for the three months ended 30 June 2003 and 2002, respectively.

**Recent Accounting Pronouncements**

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

In April 2003, the 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. Adoption of this standard is not expected to have a material 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 that a company 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 May 31, 2003, and otherwise is effective July 1, 2003. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.



**JAMES HARDIE INDUSTRIES N.V. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**3. Inventories**

Inventories consist of the following components:

(Millions of US dollars)	30 June 2003	31 March 2003
Finished goods	<b>\$50.8</b>	\$ 54.7
Work-in-process	<b>6.2</b>	4.5
Raw materials and supplies	<b>18.1</b>	16.2
Provision for obsolete finished goods and raw materials	<b>(1.7)</b>	(1.4)
<b>Total inventories</b>	<b>\$73.4</b>	\$ 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.

**Pipelines**

During the quarter ended 30 June 2003, the company recorded a loss of \$0.3 million, net of an income tax benefit of \$0.1 million, related to its Pipelines business which was disposed of in September 1997. The loss consisted of additional Pipelines expenses incurred of \$0.4 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 \$81.2 million represented the excess of net proceeds from the sale of \$334.2 million over the net book value of assets sold of \$253.0 million. The sale resulted in an income tax expense of \$29.4 million. The proceeds from the sale were comprised of cash of \$345.0 million less selling costs of \$10.8 million.

The following are the results of operations of discontinued businesses (in millions of US dollars):

(Millions of US dollars)	Three Months Ended 30 June	
	2003	2002
<b>Building Systems</b>		
Net sales	<b>\$ 2.9</b>	\$ 5.6
Income before income taxes	<b>0.3</b>	0.8
Income tax expense	<b>(0.1)</b>	(0.2)
<b>Net income</b>	<b>0.2</b>	0.6
<b>Gypsum</b>		
Net sales	<b>\$ —</b>	\$18.7
Income before income taxes	<b>—</b>	1.8
Income tax expense	<b>—</b>	(0.7)
<b>Net income</b>	<b>—</b>	1.1
<b>Total</b>		
Net sales	<b>\$ 2.9</b>	\$24.3
Income before income taxes	<b>0.3</b>	2.6
Income tax expense	<b>(0.1)</b>	(0.9)
<b>Net income</b>	<b>0.2</b>	1.7
Gain on disposal, net of income taxes	<b>1.6</b>	51.8
<b>Income from discontinued operations</b>	<b>\$ 1.8</b>	\$53.5

**JAMES HARDIE INDUSTRIES N.V. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**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 30 June	
	2003	2002
USA Fibre Cement	<b>\$ 186.8</b>	\$ 152.5
Asia Pacific Fibre Cement	<b>50.1</b>	40.7
Other Fibre Cement	<b>4.6</b>	1.4
<b>Worldwide total from continuing operations</b>	<b>\$ 241.5</b>	\$ 194.6

(Millions of US dollars)	Income (Loss) from Continuing Operations Before Income Taxes Three Months Ended 30 June	
	2003	2002
USA Fibre Cement	<b>\$ 54.1</b>	\$ 38.8
Asia Pacific Fibre Cement	<b>8.6</b>	7.5
Research and Development	<b>(3.3)</b>	(2.5)
Other Fibre Cement	<b>(3.7)</b>	(2.7)
<b>Segments total</b>	<b>55.7</b>	41.1
General Corporate	<b>(7.4)</b>	(6.0)
<b>Total operating income</b>	<b>48.3</b>	35.1
Net interest expense	<b>(2.3)</b>	(2.9)
Other income	<b>—</b>	0.3
<b>Worldwide total from continuing operations</b>	<b>\$ 46.0</b>	\$ 32.5

(Millions of US dollars)	Total Identifiable Assets	
	30 June 2003	31 March 2003
USA Fibre Cement	<b>\$ 497.3</b>	\$ 492.2
Asia Pacific Fibre Cement	<b>166.1</b>	147.9
Other Fibre Cement	<b>62.1</b>	48.2
<b>Segments total</b>	<b>725.5</b>	688.3
General Corporate	<b>147.2</b>	132.6
Discontinued operations	<b>—</b>	6.7
<b>Worldwide total</b>	<b>\$ 872.7</b>	\$ 827.6

**JAMES HARDIE INDUSTRIES N.V. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

Geographic Areas (Millions of US dollars)	Net Sales to Customers Three Months Ended 30 June	
	2003	2002
United States	\$ 189.0	\$ 153.2
Australia	34.7	28.7
New Zealand	9.2	7.3
Other Countries	8.6	5.4
<b>Worldwide total from continuing operations</b>	<b>\$ 241.5</b>	<b>\$ 194.6</b>

(Millions of US dollars)	Total Identifiable Assets	
	30 June 2003	31 March 2003
United States	\$ 544.5	\$ 528.3
Australia	102.5	87.7
New Zealand	25.0	20.6
Other Countries	54.0	51.7
<b>Segments total</b>	<b>726.0</b>	<b>688.3</b>
General Corporate	146.7	132.6
Discontinued operations	—	6.7
<b>Worldwide total</b>	<b>\$ 872.7</b>	<b>\$ 827.6</b>

**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)	30 June 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	2.5	2.2
Minimum pension liability adjustment	(7.7)	(7.7)
Accumulated foreign currency losses on translation of foreign subsidiaries	(27.6)	(36.0)
<b>Total accumulated other comprehensive loss</b>	<b>\$(37.6)</b>	<b>\$(46.3)</b>

**7. 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.

## 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,” the term “NZ\$” refers to New Zealand dollars and the term “PHP” refers to Philippine pesos.

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 three months ended 30 June 2003, the following currencies comprised the following percentages of our net sales, cost of goods sold, expenses and liabilities:

	US\$	AS	NZ\$	Other
				(1)
Net sales	78.2%	14.4%	3.8%	3.6%
Cost of goods sold	78.9%	13.9%	3.2%	4.0%
Expenses	67.0%	21.7%	4.8%	6.5%
Liabilities (excluding borrowings)	78.7%	15.5%	3.2%	2.6%

(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 30 June 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 30 June 2003 and 31 March 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 three months ended 30 June 2003, no interest rate swap contracts were entered into and no contracts were outstanding.

The following table presents our long-term borrowings at 30 June 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 30 June 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	\$ 200.7
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.*

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned hereby certifies, in his capacity as an officer of James Hardie Industries, N.V. (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- the Report of the Company on Form 6-K dated August 18, 2003 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- the information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: August 18, 2003

/s/ Peter Macdonald

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Peter Macdonald  
*Chief Executive Officer*

/s/ Phillip Morley

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Phillip Morley  
*Chief Financial Officer*