



Management Discussion and Analysis

James Hardie Industries N.V.
Results for 4th Quarter Ended 31 March 2002

USGAAP – US\$ Millions

Net Sales

US Fibre Cement
Asia Pacific Fibre Cement
Other

Total Net Sales

Net Sales
Cost of goods sold
Gross profit
SG&A
EBIT before restructuring and other operating expenses
Restructuring and other operating expenses
EBIT
Net interest expense
Other income
Operating profit (loss) before tax
Income tax (expense) benefit
Net Operating Profit (Loss) from continuing operations

Net Operating Profit including discontinued operations¹

Volume (mmsf)
US Fibre Cement
Asia Pacific Fibre Cement

Average sales price per unit (per msf)
US Fibre Cement
Asia Pacific Fibre Cement

Three Months Ended 31 March		
FY 2002	FY 2001	% Change
\$ 117.3	\$ 90.5	30
39.0	35.4	10
1.7	0.4	325
158.0	126.3	25
\$ 158.0	\$ 126.3	25
(103.5)	(86.4)	20
54.5	39.9	37
(33.8)	(29.5)	15
20.7	10.4	99
-	(14.3)	-
20.7	(3.9)	631
(3.3)	(4.4)	(25)
0.3	0.1	200
17.7	(8.2)	316
(4.8)	5.1	(194)
\$ 12.9	\$ (3.1)	516
\$15.2	\$0.3	497
265.2	204.5	30
82.3	72.6	13
US\$ 442	US\$ 443	-
A\$ 879	A\$ 842	4

All results are for continuing operations unless otherwise stated.

¹ Discontinued operations include Windows and Gypsum.

Total Net Sales

Total net sales increased 25% from US\$126.3 million to US\$158.0 million, compared to the same quarter of the previous year.

Net sales from US Fibre Cement increased 30% from US\$90.5 million to US\$117.3 million due to continuing growth in sales volumes.

Net sales from Asia Pacific Fibre Cement increased 10% from US\$35.4 million to US\$39.0 million due to higher sales volumes.

Net sales from Other Fibre Cement increased 325% from US\$0.4 million to US\$1.7 million as the Chilean flat sheet business and the US-based FRC Pipes business continued to ramp up, following their start-up in the prior year.

US Fibre Cement

Sales revenue increased 30% from US\$90.5 million to US\$117.3 million.

Sales volume increased 30% from 204.5 million square feet to 265.2 million square feet, compared to the same quarter of the previous year.

The increase was due to the continued growth in demand for fibre cement supported by strong trading conditions. Weather conditions were favourable across the country during the quarter and consumer confidence lifted with the continuation of low mortgage rates and stronger economic conditions.

The results for this quarter include a contribution from the Cemplank fibre cement plants for the first time, following the acquisition of these assets in December 2001. The Cemplank operations contributed about half of the increase in volume growth for the quarter.

The average selling price decreased marginally from US\$443 per thousand square feet to US\$442 per thousand square feet. The slight decrease was due to the inclusion of sales from the Cemplank operations, which historically have occurred at lower selling prices than those achieved by James Hardie. Excluding sales of Cemplank products, the average selling price was 2% higher compared to the same quarter of the previous year. Basic unpainted siding has continued to reduce in both cost and selling prices, but is forming a reduced proportion of total sales.

Sales of differentiated products continued to grow strongly. Compared to the same quarter of the previous year sales of Harditrim™, vented soffits, Heritage® panels and Hardibacker 500™, the company's new ½ inch backerboard which is made using the company's proprietary G2 technology, were all up more than 50%.

A smooth integration of Cemplank's operations into the James Hardie business has been achieved ahead of schedule. Customer retention rates were above planned levels and the conversion of the plants at Blandon, Pennsylvania and Summerville, South Carolina to James Hardie specifications has been proceeding well.

Asia Pacific Fibre Cement

Sales revenue for this segment increased 10% from US\$35.4 million to US\$39.0 million. Sales volume increased 13% from 72.6 million square feet to 82.3 million square feet.

Australia

Sales revenue increased 12% from US\$22.1 million to US\$24.7 million. In local currency, the increase was 20%.

Sales volume increased 18% from 46.5 million square feet to 54.7 million square feet due to strong domestic demand supported by lower interest rates and the Government's First Home Owners Scheme.

New residential housing starts for the three months ended March 2002 were 10% higher than the same period of the previous year.

The most significant growth in sales occurred for new products, such as Comtex™ and CMX™, that enable builders to use fibre cement as a lightweight cladding material that emulates the look and finish of rendered masonry.

New Zealand

Sales revenue increased 7% from US\$8.6 million to US\$9.2 million due to an increase in sales volume and higher selling prices. In local currency, sales revenue increased 8%.

Sales volume increased 4% from 8.3 million square feet to 8.6 million square feet and selling prices were 2% higher, due largely to an improvement in residential building activity, which led to stronger demand.

A new, innovative weatherboard cladding system called Linea® was launched nationally during the quarter. The product is a thicker, lightweight weatherboard that incorporates the company's proprietary low-density technology and offers a number of performance advantages over timber weatherboards, notably superior durability. There has been a positive customer response to Linea® which is expected to lead to strong sales growth.

Philippines

Sales revenue increased 9% from US\$4.7 million to US\$5.1 million. In local currency, sales revenue increased 15%. This was due to higher sales volumes and selling prices.

Sales volume increased 7% from 17.7 million square feet to 19.0 million square feet compared to the same quarter of the previous year, and was 48% higher than the previous quarter of the current year due to stronger domestic demand.

The recently launched HardiFlex® lite, which is a thinner, lighter sheet designed for ceiling applications, continued to record strong sales in the repair and replacement segment of the market, helping the business take further market share from plywood.

The average net selling price increased 7%, as a result of a change in the domestic product mix reflecting the strong demand for HardieFlex® lite.

Other Fibre Cement

Chile Fibre Cement

The Chilean operation began commercial production in March 2001. The business is still in start-up mode but continued to successfully penetrate the Chilean market and has now captured around 20% of the market for sales of fibre cement flat sheet.

Competitive market conditions and aggressive pricing tactics of competitors continued to apply downward pressure on selling prices. However, the average net selling price improved slightly from the previous quarter due to product mix changes. Sales volume and revenue both increased compared to the previous quarter.

Sales continued to grow of EconoBoard™, targeted to builders of small scale homes and additions and the DIY market, distributed through retail stores, and Duraboard™, targeted to larger scale builders working mainly in the social housing sector.

The business has secured access to important distribution channels and continued to penetrate its targeted market segments at the desired rate.

US FRC Pipes

Sales revenue increased compared to the previous quarter due to a higher sales volume, partly offset by a lower average net selling price.

Sales volume continued to grow as the product range expanded. The addition of 24" and 30" drainage pipes to the product range in the previous quarter has enabled the business to compete for an increasing number of construction projects in the southeast market. Production of 36" drainage pipes commenced during the quarter.

The underlying growth in civil construction continued to be strong and was assisted by the TEA-21 and the Florida State Mobility Act, which involve significant increases in government spending on highway construction. The commercial development sector was also relatively strong during the quarter.

The average net selling price decreased from the previous quarter due to changes in the product mix.

Gross Profit

Gross profit increased 37% from US\$39.9 million to US\$54.5 million due to an increase in gross profit for all businesses compared to the same quarter last year. The gross profit margin increased 2.9 percentage points to 34.5%.

US Fibre Cement gross profit increased 33% due to a higher sales volume and lower unit cost of sales and freight. The gross profit margin increased 0.9 of a percentage point.

Asia Pacific Fibre Cement gross profit increased 39% following improvements from all businesses within this segment. Manufacturing efficiency gains and lower costs due to the closure of the Western Australian plant were major factors in the improved result. The gross profit margin increased 7.6 percentage points.

Selling, General and Administrative Expenses (SG&A)

SG&A expenses increased 15% compared to the same quarter last year from US\$29.5 million to US\$33.8 million, but were 4% lower compared to the previous quarter of the current year. As a percentage of sales, SG&A expenses decreased 2.0 percentage points to 21.4%. Higher SG&A expenses were incurred in most businesses and in research and development.

Research and Development

SG&A expenses include research and development costs. Research and development includes costs associated with 'core' research projects which are aimed at benefiting all fibre cement business units.

These costs are expensed as 'corporate costs' rather than being attributed to individual business units and increased 17% to US\$2.7 million due to higher staff and project costs as a result of there being an increase in activity on 'core' research projects.

Costs associated with development projects by individual business units are included in the business unit segment results. In total, these costs decreased 38% to US\$1.3 million reflecting the completion of a number of projects now being commercialised by the business units.

Restructuring and Other Operating Expenses

There were no charges for restructuring and other operating expenses this quarter. There was a charge of US\$14.3 million for restructuring of the Asia Pacific fibre cement operation in the same quarter of the previous year.

Operating Income (EBIT)

EBIT before restructuring and other operating expenses increased 99% from US\$10.4 million to US\$20.7 million. The EBIT margin before restructuring and other operating expenses increased 4.9 percentage points to 13.1%.

EBIT after restructuring and other operating expenses increased by US\$24.6 million from an EBIT loss of US\$3.9 million to a profit of US\$20.7 million. Restructuring and other operating expenses are costs associated with the restructuring of the Asia Pacific Fibre Cement operation referred to above and incurred in the same quarter of the previous year.

US Fibre Cement EBIT increased 28% from US\$18.9 million to US\$24.2 million due to higher sales volumes, a lower unit cost of sales and lower freight costs, partly offset by higher SG&A expenses. The EBIT margin decreased 0.3 of a percentage point to 20.6%.

Australia Fibre Cement EBIT before restructuring and other operating expenses increased 53% from US\$3.4 million to US\$5.2 million. In local currency, EBIT before restructuring and other operating expenses increased 61% due to an increase in sales revenue and cost savings due to the closure of the manufacturing plant in Western Australia during the current fiscal year. The EBIT margin before restructuring and other operating expenses increased 5.7 percentage points to 21.1%.

Australia Fibre Cement EBIT after restructuring and other operating expenses increased US\$16.1 million or 148% from an EBIT loss of US\$10.9 million to a profit US\$5.2 million. In local currency, the increase was 155%. Restructuring and other operating expenses are costs incurred in the same quarter of the previous year.

New Zealand Fibre Cement EBIT increased 86% from US\$0.7 million to US\$1.3 million. In local currency, the increase was 77%. The increase was primarily due to higher average selling prices and savings in fixed costs. The EBIT margin increased 6.0 percentage points to 14.1%.

The Philippines business recorded a small EBIT profit for the quarter, which is the first time this has been achieved since the plant became operational in 1998. The increase was primarily due to higher margins from favourable price and product mix changes and lower costs.

Both US FRC Pipes and Chile Fibre Cement incurred operating losses during the quarter as these businesses continued to ramp up.

General corporate costs decreased by US\$1.9 million to US\$5.2 million. This was mainly due to a decrease in spending on business development projects offset by an increase in the charge for employee share plans, calculated on the James Hardie share price. Excluding restructuring and other operating expenses and on-going costs such as the share plan, corporate costs fell 30%.

Interest Expense

Net interest expense decreased 25% to US\$3.3 million. This was primarily due to a lower effective interest rate for the quarter.

Income Tax Expense

Income tax expense increased by US\$9.9 million to US\$4.8 million, in line with the increase in profits.

Net Operating Profit

Income from continuing operations increased from the loss in the 4th quarter last year of US\$3.1 million to a profit this period of US\$12.9 million.

Dividend and Capital Management

Following receipt of the proceeds from the sale of James Hardie Gypsum, the company will restructure its balance sheet by:

- Making a US 20 cents per share return of capital to all shareholders
- Declaring a dividend payment of US 5 cents per share
- Repaying debt to reduce average gearing to around 40%
- Retaining funds for growth projects.

The company is obliged to renegotiate its current debt arrangements now that James Hardie Gypsum has been sold.

The company has established a new dividend policy as part of a move towards more active capital management. Dividends are projected at around US 5 cents per share per annum supplemented, when appropriate, by capital returns or share buy backs.

Shareholders will be asked to approve changes in capitalisation at the AGM in July to enable the payment to be made.

Sale of James Hardie Gypsum

On March 13, 2002, the company signed agreements to sell its US-based Gypsum operation to BPB PLC. The transaction was completed on April 25, 2002 for US\$345.0 million. Results from the Gypsum business have been presented as discontinued operations.

End.

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 periodic 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, and we do not undertake any obligation to update them in light of new information or future developments.