James Hardie

financial report

James Hardie Industries N.V.

and

Subsidiaries

30 June 2002

INDEX

Item 1. Financial Statements

JAMES HARDIE INDUSTRIES N.V. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	(Millions of US Dollars)		(Millions of Australian Dollars)	
	31 March 2002	30 June 2002	31 March 2002	30 June 2002
ASSETS		(Unaudited)	(Unaudited)	(Unaudited)
Current assets:				
Cash and cash equivalents	$ 31.1	$ 307.3	A$ 58.5	A$ 545.2
Accounts and notes receivable, net of allowance for doubtful accounts of $0.7 million (A$1.3 million) and $0.8 million (A$1.4 million) as of 31 March and 30 June 2002, respectively	80.3	87.8	151.0	155.8
Inventories	65.4	50.8	123.0	90.1
Refundable income taxes	9.9	-	18.6	-
Prepaid expenses and other current assets	7.2	8.2	13.5	14.5
Deferred tax assets	22.6	16.0	42.5	28.4
Net current assets - discontinued operations	21.6	-	40.6	-
Total current assets	238.1	470.1	447.7	834.0
Long-term receivables	5.5	5.5	10.3	9.8
Investments	6.7	6.7	12.6	11.9
Property, plant and equipment, net	451.0	456.7	848.2	810.3
Intangible assets, net	3.6	3.4	6.8	6.0
Prepaid pension cost	8.9	9.5	16.7	16.9
Deferred tax assets	5.5	5.3	10.3	9.4
Net non-current assets - discontinued operations	194.2	-	365.3	-
Total assets	$ 913.5	$ 957.2	A$ 1,717.9	A$ 1,698.3
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	$ 59.7	$ 60.8	A$ 112.3	A$ 107.9
Book overdrafts	-	8.4	-	14.9
Short-term debt	4.9	5.3	9.2	9.4
Accrued payroll and employee benefits	25.7	16.8	48.3	29.8
Accrued product warranties	8.7	8.7	16.4	15.4
Income taxes payable	18.2	47.2	34.2	83.7
Other liabilities	5.9	5.6	11.1	9.9
Total current liabilities	123.1	152.8	231.5	271.0
Long-term debt	325.0	225.0	611.3	399.2
Deferred tax liabilities	23.0	36.0	43.3	63.9
Liability to Medical Research and Compensation Foundation	50.2	53.2	94.4	94.4
Other liabilities	21.8	23.7	41.0	42.1
Total liabilities	543.1	490.7	A$ 1,021.5	A$ 870.6
Commitments and contingencies (Note 8)	-	-	-	-
Shareholders' equity:				
Common stock, Euro dollar 0.50 par value, 2.0 billion shares authorized; 455,438,519 shares and 456,378,834 shares issued and outstanding at 31 March and 30 June 2002, respectively	205.4	205.8		
Additional paid-in capital	326.1	328.6		
Accumulated deficit	(94.8)	(18.9)		
Employee loans	(4.8)	(4.9)		
Accumulated other comprehensive loss	(61.5)	(44.1)		
Total shareholders' equity	370.4	466.5		
Total liabilities and shareholders' equity	$ 913.5	$ 957.2		

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
(Millions of US Dollars, except per share data)
(Unaudited)

	Three Months Ended 30 June	
	2001	2002
Net sales	$ 148.6	$ 200.2
Cost of goods sold	(102.8)	(129.1)
Gross profit	45.8	71.1
Selling, general and administrative expenses	(28.3)	(31.2)
Research and development expenses	(4.2)	(4.0)
Restructuring and other operating expenses	(2.0)	-
Operating profit	11.3	35.9
Interest expense	(5.9)	(4.0)
Interest income	0.6	1.1
Other income (expense), net	(1.2)	0.3
Income from continuing operations before income taxes	4.8	33.3
Income tax expense	(1.2)	(10.3)
Income from continuing operations	3.6	23.0
Discontinued operations:		
Loss from discontinued operations, net of income tax benefit of $3.7 million for the three months ended 30 June 2001	(4.8)	-
Gain on disposal of discontinued operations, net of income tax expense of $0.1 million and $30.1 million for the three months ended 30 June 2001 and 2002, respectively	0.3	52.9
Income (loss) from discontinued operations	(4.5)	52.9
Net income (loss)	$ (0.9)	$ 75.9
Income (loss) per share - basic:		
Income from continuing operations	$ 0.01	$ 0.05
Income (loss) from discontinued operations	(0.01)	0.12
Net income per share - basic	$ -	$ 0.17
Income (loss) per share - diluted:		
Income from continuing operations	$ 0.01	$ 0.05
Income (loss) from discontinued operations	(0.01)	0.12
Net income per share - diluted	$ -	$ 0.17
Weighted average common shares outstanding (in millions):		
Basic	415.8	455.8
Diluted	415.8	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
(Millions of Australian Dollars, except per share data)

(Unaudited)

	Three Months Ended 30 June 2001	Three Months Ended 30 June 2002
Net sales	A$ 289.4	A$ 363.1
Cost of goods sold	(200.2)	(234.2)
Gross profit	89.2	128.9
Selling, general and administrative expenses	(55.1)	(56.6)
Research and development expenses	(8.2)	(7.3)
Restructuring and other operating expenses	(3.9)	-
Operating profit	22.0	65.0
Interest expense	(11.5)	(7.3)
Interest income	1.2	2.0
Other income (expense), net	(2.3)	0.5
Income from continuing operations before income taxes	9.4	60.2
Income tax expense	(2.3)	(18.7)
Income from continuing operations	7.1	41.5
Discontinued operations:		
Loss from discontinued operations, net of income tax benefit of A$7.2 million for the three months ended 30 June 2001	(9.3)	-
Gain on disposal of discontinued operations, net of income tax expense of A$0.2 million and A$54.6 million for the three months ended 30 June 2001 and 2002, respectively	0.6	96.0
Income (loss) from discontinued operations	(8.7)	96.0
Net income (loss)	A$ (1.6)	A$ 137.5
Income (loss) per share - basic:		
Income from continuing operations	A$ 0.02	A$ 0.09
Income (loss) from discontinued operations	(0.02)	0.21
Net income per share - basic	A$ -	A$ 0.30
Income (loss) per share - diluted:		
Income from continuing operations	A$ 0.02	A$ 0.09
Income (loss) from discontinued operations	(0.02)	0.21
Net income per share - diluted	A$ -	A$ 0.30
Weighted average common shares outstanding (in millions):		
Basic	415.8	455.8
Diluted	415.8	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

(Millions of US Dollars)

(Unaudited)

	Three Months Ended 30 June 2001	Three Months Ended 30 June 2002
Cash flows from operating activities:		
Net income (loss)	$ (0.9)	$ 75.9
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Gain on disposal of subsidiaries and businesses	-	(51.3)
Depreciation and amortisation	10.1	8.1
Deferred income taxes	(2.7)	(1.4)
Prepaid pension cost	(0.2)	(0.1)
Other	2.9	1.0
Changes in operating assets and liabilities:		
Accounts receivable, prepaids and other current assets	(49.8)	(13.8)
Inventories	5.6	13.2
Accounts payable, accrued liabilities and other liabilities	(3.2)	3.5
Net cash provided by (used in) operating activities	(38.2)	35.1
Cash flows from investing activities:		
Purchases of property, plant and equipment	(26.5)	(8.3)
Proceeds from sale of property, plant and equipment	0.1	-
Disposal of subsidiaries and businesses	-	334.4
Proceeds from sale and maturity of investments	2.7	-
Loans repaid by other entities	2.1	-
Net cash provided by (used in) investing activities	(21.6)	326.1
Cash flows from financing activities:		
Proceeds from borrowings	26.3	11.5
Repayments of borrowings	(9.9)	(100.0)
Proceeds from issuance of shares	-	1.9
Dividends paid	(20.2)	-
Net cash used in financing activities	(3.8)	(86.6)
Effects of exchange rate changes on cash	3.3	1.6
Net increase (decrease) in cash and cash equivalents	(60.3)	276.2
Cash and cash equivalents at beginning of period	75.1	31.1
Cash and cash equivalents at end of period	14.8	307.3
Components of cash and cash equivalents:		
Cash at bank and on hand	4.8	14.8
Deposits	10.0	292.5
Cash and cash equivalents at end of period	$ 14.8	$ 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

(Millions of Australian Dollars)

(Unaudited)

	Three Months Ended 30 June 2001	Three Months Ended 30 June 2002
Cash flows from operating activities:		
Net income (loss)	A$ (1.6)	A$ 137.5
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Gain on disposal of subsidiaries and businesses	-	(93.1)
Depreciation and amortisation	19.7	14.7
Deferred income taxes	(5.3)	(2.5)
Prepaid pension cost	(0.4)	(0.2)
Other	5.6	1.8
Changes in operating assets and liabilities:		
Accounts receivable, prepaids and other current assets	(97.0)	(25.0)
Inventories	10.9	23.9
Accounts payable, accrued liabilities and other liabilities	(6.2)	6.3
Net cash provided by (used in) operating activities	(74.3)	63.4
Cash flows from investing activities:		
Purchases of property, plant and equipment	(51.6)	(15.1)
Proceeds from sale of property, plant and equipment	0.2	-
Disposal of subsidiaries and businesses	-	606.6
Proceeds from sale and maturity of investments	5.3	-
Loans repaid by other entities	4.1	-
Net cash provided by (used in) investing activities	(42.0)	591.5
Cash flows from financing activities:		
Proceeds from borrowings	51.2	20.9
Repayments of borrowings	(19.3)	(181.4)
Proceeds from issuance of shares	-	3.4
Dividends paid	(39.3)	-
Net cash used in financing activities	(7.4)	(157.1)
Effects of exchange rate changes on cash	(0.4)	(11.1)
Net increase (decrease) in cash and cash equivalents	(124.1)	486.7
Cash and cash equivalents at beginning of period	153.3	58.5
Cash and cash equivalents at end of period	29.2	545.2
Components of cash and cash equivalents:		
Cash at bank and on hand	9.5	26.3
Deposits	19.7	518.9
Cash and cash equivalents at end of period	A$ 29.2	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

(Millions of US Dollars)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Employee Loans	Accumulated Other Comprehensive Income (Loss)	Total
Balances as of 31 March 2002	$ 205.4	$ 326.1	$ (94.8)	$ (4.8)	$ (61.5)	$ 370.4
Comprehensive income (loss):						
Net income	-	-	75.9	-	-	75.9
Other comprehensive income:						
Amortisation of unrealised transition loss on derivative instruments	-	-	-	-	0.3	0.3
Foreign currency translation gain	-	-	-	-	17.1	17.1
Other comprehensive income	-	-	-	-	17.4	17.4
Total comprehensive income						93.3
Stock compensation	-	1.0	-	-	-	1.0
Employee loans	-	-	-	(0.1)	-	(0.1)
Stock options exercised	0.4	1.5	-	-	-	1.9
Balances as of 30 June 2002	$ 205.8	$ 328.6	$ (18.9)	$ (4.9)	$ (44.1)	$ 466.5

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

1. Background and Basis of Presentation

Background

On 2 July 1998, ABN 60 000 009 263 Pty Ltd, formerly James Hardie Industries Limited ("JHIL"), a public company organised under the laws of Australia and listed on the Australia Stock Exchange, announced a plan of reorganisation and capital restructuring (the "1998 Reorganisation"). James Hardie N.V. ("JHNV") was incorporated in August 1998, as an intermediary holding company, with all of its common stock owned by indirect subsidiaries of JHIL. On 16 October 1998, JHIL's shareholders approved the 1998 Reorganisation. Effective as of 1 November 1998, JHIL contributed its fibre cement businesses, its US gypsum wallboard business, its Australian and New Zealand building systems businesses and its Australian windows business (collectively, the "Transferred Businesses") to JHNV and its subsidiaries. In connection with the 1998 Reorganisation, JHIL and its non-transferring subsidiaries retained certain unrelated assets and liabilities.

On 24 July 2001, JHIL announced a further plan of reorganisation and capital restructuring (the "2001 Reorganisation"). Completion of the 2001 Reorganisation occurred on 19 October 2001. In connection with the 2001 Reorganisation, James Hardie Industries N.V. (“JHI NV”), formerly RCI Netherlands Holdings B.V., issued common shares represented by CHESS Units of Foreign Securities ("CUFS") on a one for one basis to existing JHIL shareholders in exchange for their shares in JHIL such that JHI NV became the new ultimate holding company for JHIL and JHNV.

Following the 2001 Reorganisation, JHI NV controls the same assets and liabilities as JHIL controlled immediately prior to the 2001 Reorganisation.

Basis of Presentation

The consolidated financial statements represent the financial position and results of operations of JHI NV and its wholly owned subsidiaries, collectively referred to as either the "Company" or "James Hardie," unless the context indicates otherwise. For the periods prior to 19 October 2001, the effective date of the 2001 Reorganisation, the consolidated financial statements represent the financial position and results of operations of JHIL and its wholly owned subsidiaries.

In accordance with accounting principles generally accepted in the United States of America, the transfers to JHI NV have been accounted for on a historical cost basis using the "as-if" pooling method on the basis that the transfers are between companies under common control.

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 31 March and 30 June 2002 and the results of operations for the three months ended 30 June 2001 and 2002, and cash flows for the three months ended 30 June 2001 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 2002. The results of operations for the three months ended 30 June 2002 are not necessarily indicative of the results to be expected for the full fiscal year ending 31 March 2003.

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	30 June	
	2002	2001	2002
Assets and liabilities	1.8808	n/a	1.7743
Income statement	n/a	1.9477	1.8139
Cash flows - beginning cash	n/a	2.0408	1.8808
Cash flows - ending cash	n/a	1.9736	1.7743
Cash flows - current period movements	n/a	1.9477	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 that would have been outstanding if the dilutive potential common shares, such as options, had been issued. Options to purchase 0.2 million shares for the quarter ended 30 June 2001 were not included in the computation of diluted net income per share because the exercise price of the options was greater than the average market price of the common shares. Therefore, the effect would be antidilutive.

Recent Accounting Pronouncements

Goodwill

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142, which changes the accounting for goodwill and indefinite-lived intangible assets from an amortisation method to an impairment-only approach, is effective for fiscal years beginning after 15 December 2001. The Company is in the process of determining the impact that adoption of this Standard will have on its consolidated financial statements, if any, and will complete this assessment by 30 September 2002. As the goodwill amortisation expense from continuing businesses was immaterial for the quarter ended 30 June 2001, the Company's selling, general and administrative expenses for the current quarter ended 30 June 2002 were not affected due to the discontinuance of goodwill amortisation required by this standard.

Asset Retirement Obligations

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This standard applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset, except for certain obligations of lessees. The statement requires that the fair value of a liability for an asset retirement obligation be recognised in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalised as part of the carrying amount of the long-lived asset. This statement is effective for financial statements issued for fiscal years beginning after 15 June 2002. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

Impairment or Disposal of Long-Lived Assets

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Based upon the framework established in SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," this statement establishes one accounting model for long-lived assets to be disposed of by sale and addresses significant SFAS No. 121 implementation issues. The accounting model defined in SFAS No. 144 applies to all long-lived assets to be disposed of whether reported in continuing operations or in discontinued operations and requires that those long-lived assets be measured at the lower of carrying amount or fair value less costs to sell. Consequently, discontinued operations will no longer be measured at net realisable value or include amounts for operating losses that have not yet occurred. This statement is effective for financial statements issued for fiscal years beginning after 15 December 2001 and interim periods within those fiscal years. The provisions of SFAS No. 144 generally are to be applied prospectively. The adoption of this standard had no material impact on the Company's consolidated financial statements.

3. Inventories

Inventories consist of the following components (in millions of US dollars):

	31 March 2002	30 June 2002
Raw materials and supplies	$ 22.1	$ 17.7
Work-in-process	4.1	4.6
Finished goods	39.2	28.5
Contracts-in-progress less advance billings	-	-
Total inventories	$ 65.4	$ 50.8

Work-in-process includes amounts related to construction contracts. The net amount of contracts-in-progress less advance billings was determined after deducting payments and progress billings of $2.9 million and $2.4 million as of 31 March and 30 June 2002, respectively.

4. Restructuring and Other Operating Expenses and Other (Expense) Income, Net

For the three months ended 30 June 2001, the Company incurred other operating expenses of $2.0 million for the decrease in the fair market value of the derivative pulp contract.

The following table displays the activity and balances of the restructuring accrual account, which is included in other liabilities, from 1 April 2002 to 30 June 2002 (in millions of US dollars):

Type of Cost	1 April 2002 Balance	Additions	Deductions	30 June 2002 Balance
Employee terminations	$ 0.9	$ -	$ (0.1)	$ 0.8
Surplus lease space	2.1	0.1	(0.5)	1.7
Total	$ 3.0	$ 0.1	$ (0.6)	$ 2.5

Additions reflect foreign currency movements and deductions reflect cash payments.

Other income (expense), net consists of investment income (expense) of ($1.2) million and $0.3 million for the three months ended 30 June 2001 and 2002, respectively.

5. Discontinued Operations

Gypsum

On 13 March 2002, the Company announced that it had signed agreements to sell its US-based Gypsum operations to a third party. The transaction was completed on 25 April 2002. A pre-tax gain of $83.0 million represented the excess of net proceeds from the sale of $334.4 million over the net book value of assets sold of $253.0 million and income from operations from 1 April through 25 April 2002 of $1.6 million. The sale resulted in an income tax expense of $30.1 million. The proceeds from the sale were comprised of cash of $345.0 million less selling costs of $10.6 million.

Windows

On 15 August 2000, the Company approved a plan to dispose of its Windows business. For the year ended 31 March 2001, the Company recorded a loss on disposal of $17.4 million, net of an income tax benefit of $0.6 million. This loss on disposal consisted of $17.2 million for a write down of assets to their expected net realisable value on disposal and transaction costs expected to be incurred on disposal. At 31 March 2001, operating losses from 15 August 2000 to the final disposal date were estimated at $0.8 million and were included in fiscal year 2001's loss on disposal for the Windows segment. During the first quarter of fiscal year 2002, the total estimated operating losses from 15 August 2000 to the final disposal date were reduced by $0.3 million.

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

	30 June 2001	30 June 2002
Gypsum		
Net sales	54.7	-
Loss before income tax benefit	(8.5)	-
Income tax benefit	3.7	-
Net loss	(4.8)	-
Gain on disposal, net of income taxes	0.3	52.9
Income (loss) from discontinued operations	$ (4.5)	$ 52.9

6. 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 centre in Sydney, Australia. Other Fibre Cement includes the manufacture and sale of fibre cement products in Chile and the manufacture and sale of fibre reinforced cement pipes in the United States. 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 (in millions of US dollars):

	Net Sales to Customers Three Months Ended 30 June 2001	Net Sales to Customers Three Months Ended 30 June 2002
USA Fibre Cement	$ 111.2	$ 152.5
Asia Pacific Fibre Cement	36.6	46.3
Other Fibre Cement	0.6	1.4
Segments total	148.4	200.2
General Corporate	0.2	-
Worldwide total from continuing operations	$ 148.6	$ 200.2

	Income (Loss) from Continuing Operations Three Months Ended 30 June	
	2001	2002
USA Fibre Cement	$ 24.2	$ 38.8
Asia Pacific Fibre Cement	3.3	8.3
Research and Development	(2.6)	(2.5)
Other Fibre Cement	(2.5)	(2.2)
Segments total	22.4	42.4
General Corporate	(11.1)	(6.5)
Total operating profit	11.3	35.9
Net interest expense	(5.3)	(2.9)
Other income (expense), net	(1.2)	0.3
Worldwide total from continuing operations	$ 4.8	$ 33.3

	Total Identifiable Assets	
	31 March 2002	30 June 2002
USA Fibre Cement	$ 420.3	$ 408.4
Asia Pacific Fibre Cement	147.6	154.6
Other Fibre Cement	45.5	44.7
Segments total	613.4	607.7
General Corporate	84.3	349.5
Discontinued operations	215.8	-
Worldwide total	$ 913.5	$ 957.2

Geographic Areas

	Net Sales to Customers Three Months Ended 30 June	
	2001	2002
United States	$ 111.6	$ 153.2
Australia	23.3	28.7
New Zealand	9.1	12.9
Other Countries	4.4	5.4
Segments total	148.4	200.2
General Corporate	0.2	-
Worldwide total from continuing operations	$ 148.6	$ 200.2

	Total Identifiable Assets	
	31 March 2002	30 June 2002
United States	$ 456.0	$ 443.6
Australia	80.6	85.0
New Zealand	24.7	27.3
Other Countries	52.1	51.8
Segments total	613.4	607.7
General Corporate	84.3	349.5
Discontinued operations	215.8	-
Worldwide total	$ 913.5	$ 957.2

7. Comprehensive Income (Loss)

The following are the components of total accumulated other comprehensive income (loss), net of related tax, which is displayed in the balance sheet (in millions of US dollars):

	31 March 2002	30 June 2002
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	1.1	1.4
Foreign currency losses on translation of foreign subsidiaries	(57.8)	(40.7)
Total accumulated other comprehensive loss	$ (61.5)	$ (44.1)

8. Commitments and Contingencies

On 28 June 2001, the Company entered into an agreement to sell its gypsum mine in Las Vegas, Nevada to a developer for approximately $50.0 million. The carrying value of the mine at 30 June 2002 is $0.7 million. The sale of the mine is subject to certain conditions, including completion of planning and regulatory approvals, which may take approximately two years to obtain. The sale will be recognised when all conditions have been met.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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.

This document contains forward-looking statements. Forward-looking statements are subject to risks and uncertainties and, as a result, readers should not place undue reliance on such statements. The inclusion of these forward-looking statements should not be regarded as a representation that the objectives or plans described will be realised.

Three Months Ended 30 June 2002 Compared to Three Months Ended 30 June 2001

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 35% compared to the same quarter of the previous year from $148.6 million to $200.2 million. Net sales from USA Fibre Cement increased 37% from $111.2 million to $152.5 million due to continuing growth in sales volumes. Net sales from Asia Pacific Fibre Cement increased 27% from $36.6 million to $46.3 million due to higher sales volumes. Net sales from Other Fibre Cement increased 75% from $0.8 million to $1.4 million as the Chilean flat sheet business and the US-based FRC Pipes business continued to ramp up, following their start-up early in the 2001 calendar year.

USA Fibre Cement Sales

Sales revenue increased 37% from $111.2 million to $152.5 million. Sales volume increased 39% from 244.0 million square feet to 339.8 million square feet. The increase was due to the continued strong growth in demand for fibre cement as awareness of the product's attributes continues to increase among builders, distributors and homeowners, and the inclusion of sales from the Cemplank operations acquired in December 2001. Market share increased in the siding, backer and trim segments and in both the southern and northern regions of the country. A new marketing campaign, "Why Settle For Vinyl," has generated a strong, positive response from customers and sales of The Colorplus™ Collection, a new range of pre-painted products that compete directly with vinyl products, continued to help deliver growth in the northern region. Trading conditions were also favourable with consumer confidence remaining at relatively high levels due mainly to further cuts to low mortgage rates. There is generally a 3-6 month lag between the start of house construction and the sale of our products. New starts in the previous quarter were up 7% from the same period the year before and this helped drive the strong sales results in the first quarter of the current fiscal year. Strong demand for Hardibacker 500™, our ½ inch backerboard using proprietary G2 technology, resulted in further market share growth in the interior cement board market. Sales of Hardibacker 500™ increased significantly compared to the same quarter of the previous year. Sales also increased markedly for Harditrim™, soffits and Heritage® panels. The average selling price decreased 2% compared to the same quarter of the previous year from $456 per thousand square feet to $449 per thousand square feet. The decrease was due to the inclusion of sales from our Cemplank operations that historically have been at lower selling prices than those achieved by our company. However, the average selling price increased $7 compared to the fourth quarter of fiscal 2002 due to the implementation of a price increase for nearly all products in most markets and because of the increased proportion of sales of higher-priced differentiated products. The newly acquired Cemplank facilities in Summerville, South Carolina and Blandon, Pennsylvania, as well as the new production line at the Waxahachie, Texas plant, continued to ramp up during the quarter. Today, we announced plans to expand the plant at Waxahachie to help meet growing demand.

Asia Pacific Fibre Cement Sales

Sales revenue for this segment increased 27% from $36.6 million to $46.3 million. Sales volume increased 17% from 74.7 million square feet to 87.4 million square feet.

Australia Fibre Cement Sales

Sales revenue increased 24% from $23.2 million to $28.7 million. In local currency, the increase was 15%. The growth in sales revenue was due to a 17% increase in sales volume from 50.9 million square feet to 59.5 million square feet. This was partially offset by a 2% decrease in the average selling price of FRC Pipes. Demand for new residential housing remained at high levels buoyed by a relatively strong economy, low interest rates and the continuation of the Government's First Home Buyers Scheme. There is generally a 3-6 month lag between the start of house construction and the sale of our products. The strong sales results in the quarter were helped by a significant increase in new housing starts in the previous quarter, compared to the same periods of the previous year. The robust trading conditions led to higher sales for most products in most market segments. During the quarter, CMX™, a lightweight cladding material that emulates the look and finish of rendered masonry, was launched in NSW. CMX™ has been launched successfully in other states and customer response has continued to be very positive.

New Zealand Fibre Cement Sales

Sales revenue increased 42% from $9.1 million to $12.9 million due to an increase in sales volume and higher selling prices. In local currency, sales revenue increased 27%. Sales volume increased 22% from 8.7 million square feet to 10.6 million square feet due to an improvement in residential building activity, which led to stronger demand. Average selling prices increased 2% due to a price increase that became effective in August 2001. Improved consumer confidence fuelled by low interest rates, high inflation in house selling prices and a stronger economy contributed to the higher level of residential building activity. Residential construction for the six months to May 2002 was up 22% compared to the same period last year. There has been a positive response from consumers to Linea®, a new weatherboard cladding system that was launched in March 2002. Linea® is a thicker, lightweight weatherboard that uses our proprietary low-density technology and offers a number of performance advantages over timber weatherboards, notably superior durability. Customer feedback supports our forecasted growth targets for the product.

Philippines Fibre Cement Sales

Sales revenue increased 12% from $4.2 million to $4.7 million. In local currency, sales revenue increased 10%. This was due to higher sales volumes as a result of stronger domestic demand. Sales volume increased 15% compared to the same quarter of the previous year from 15.1 million square feet to 17.3 million square feet due to the introduction of new products and increased demand from a stronger domestic market supported by more stable economic and political conditions. We continued to penetrate the domestic building boards market, taking further share from the main competing material, plywood. HardiFlex® lite, a thinner, lighter sheet designed for ceiling applications, continued to generate strong sales, as did Hardiflex® 4.5mm, used in ceiling and internal wall applications. The average net selling price decreased 4% compared to the same quarter of the previous year due to the impact of competitor pricing strategies in export markets.

Other Fibre Cement Sales

Chile Fibre Cement Sales

Our Chilean operation began commercial production in March 2001 and has successfully captured around 20% of the market for sales of fibre cement flat sheet. Highly competitive market conditions and aggressive pricing strategies continued during the quarter resulting in average selling prices falling compared to the same quarter of the previous year. Sales volumes have steadily increased since the business commenced due to growing demand for EconoBoard™, which is targeted to builders of small scale homes and additions, and the DIY market, distributed through retail stores, and Duraboard™, which is targeted to larger scale builders working mainly in the social housing sector. Demand for fibre cement in the Chilean market was relatively weak during the quarter due to reduced seasonal activity as the country moved into winter, and the negative economic impact of instability in neighbouring Latin American countries. New proprietary technology was installed at our plant in Santiago during the quarter and we began manufacturing textured panels and planks for the Chilean market. Sales of these products will commence in the second quarter of the current year.

USA FRC Pipes Sales

Our FRC Pipes business continued to penetrate the south-east market and operational efficiency in manufacturing improved further during the quarter. Sales volumes have continued to build since the business began operating early in calendar year 2001, as awareness among construction contractors has increased and as the product range has been progressively expanded. During the quarter, 36" drainage pipes were launched enabling us to compete for an increased number of construction projects in the southeastern market. The US civil construction market remains buoyant. In Florida, activity is increasing due to the start of projects funded by TEA-21 and the Florida State Mobility Act, both of which involve significant increases in government spending on highway construction. The average net selling price decreased compared to the same quarter of the previous year due to competitive market conditions and our use of aggressive pricing strategies. Progress on regulatory approvals continued. Approvals to use our product have now been received by counties that incorporate 80% of Florida's population.

Gross Profit

Gross profit increased 55% from $45.8 million to $71.1 million due to an increase in gross profit for all businesses compared to the same quarter last year, other than Chile, which was flat. The gross profit margin increased 4.7 percentage points to 35.5%. USA Fibre Cement gross profit increased 50% due to higher sales volume and lower unit cost of sales. The gross profit margin increased 3.0 percentage points. Asia Pacific Fibre Cement gross profit increased 63% following improvements from all businesses. Manufacturing efficiency gains, lower raw material costs and increased volumes were major factors in the improved result. The gross profit margin increased 8.5 percentage points.

Selling, General and Administrative (SG&A) Expenses

SG&A expenses increased 8% compared to the same quarter last year from $32.5 million to $35.2 million. However, SG&A expenses were 4.3 percentage points lower as a percentage of sales at 17.6%.

Research and Development

SG&A expenses include research and development costs. Research and development includes costs associated with 'core' research projects that are aimed at benefiting all fibre cement business units. These costs are expensed as 'corporate costs' in the Research and Development segment rather than being attributed to individual business units. These costs decreased 4% to $2.5 million due to reductions in project material costs and intellectual property costs. Costs associated with development projects by individual business units are included in the business unit segment results. In total, these costs decreased 6% to $1.5 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 in the quarter. Due to the introduction of a new accounting standard on 1 April 2001, which required our pulp hedge contract to be marked to market each quarter, a $2.0 million decrease in the fair value of the contract was charged during the first quarter of the previous financial year.

Operating Profit

Operating profit before restructuring and other operating expenses increased 170% from $13.3 million to $35.9 million. The operating profit margin before restructuring and other operating expenses increased 9.0 percentage points to 17.9%, compared to the same period last year. There were no charges for restructuring and other operating expenses in the quarter. In the same quarter of the previous year there was a charge of $2.0 million. As a result, operating profit increased 218% from $11.3 million to $35.9 million after including restructuring and other operating expenses. The operating profit margin after restructuring and other operating expenses increased 10.3 percentage points. USA Fibre Cement operating profit increased 60% from $24.2 million to $38.8 million due to strong sales volume growth attributed to growth in primary demand for fibre cement, increased housing construction in most key markets and a lower cost of sales resulting from improved manufacturing efficiencies and lower raw material prices. The operating profit margin increased 3.6 percentage points to 25.4%. Australia Fibre Cement operating profit increased 100% from $3.2 million to $6.4 million. In local currency the increase was 87%. The stronger operating profit performance was due to higher sales volume, cost savings through supply chain improvements and lower pulp costs. The operating profit margin increased 8.5 percentage points to 22.3%. New Zealand Fibre Cement operating profit increased 80% from $1.0 million to $1.8 million. In local currency, the increase was 60%. The increase was primarily due to higher sales revenue and lower fixed overhead and SG&A costs. The operating profit margin increased 3.0 percentage points to 14.0%. Our Philippines business recorded a small operating profit for the quarter compared to a loss in the same quarter of the previous year. The increase was due to higher margins being achieved from changes to the sales mix and lower costs. Both USA FRC Pipes and Chile Fibre Cement incurred operating losses during the quarter as these businesses continued to ramp up. General corporate costs decreased by $4.6 million to $6.5 million. This decrease was primarily due to a decrease of $2.5 million in the charge for employee share plans. In addition, a $1.3 million charge related to the corporate restructuring and a $2.0 million charge for a decrease in the fair value of the pulp hedge contract were incurred in the first quarter of 2002 and not repeated in the first quarter of 2003.

Interest Expense

Net interest expense decreased 45% to $2.9 million. This was primarily due to a decrease in net borrowings following the receipt of proceeds from the sale of our Gypsum business in April 2002.

Income Tax Expense

Income tax expense increased by $9.1 million to $10.3 million, consistent with the increase in profits.

Income from Continuing Operations

Income from continuing operations increased by $19.4 million from $3.6 million in the first quarter of the previous year to $23.0 million in this quarter.

Discontinued Operations

In fiscal year 2002, we successfully completed the transformation of our company into a purely fibre cement business when we sold our Windows business and signed a definitive agreement to sell our US-based Gypsum operations. We completed the sale of our Gypsum operations on 25 April 2002. We recorded a net loss from discontinued operations of $4.5 million in the first quarter of the previous year and, primarily due to the sale of our Gypsum operations, a net profit from discontinued operations of $52.9 million in the first quarter of fiscal year 2003.

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, 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 $307.3 million as of 30 June 2002. This amount will decrease after the following have been paid: the shareholder approved capital return; the dividend; and taxes on the gain on sale of our Gypsum operations. At 30 June 2002, we also had credit facilities totalling $462.2 million of which $230.3 million was outstanding.

Our credit facilities are all non-collateralised and comprised of the following:

Description	Effective Interest Rate at 30 June 2002	Total Facility at 30 June 2002	Principal Outstanding at 30 June 2002
		(In millions of US$)	
US$ notes, fixed interest, repayable annually in varying tranches from 2004 through 2013 …….	7.09%	$ 225.0	$ 225.0
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 2004 ………………………………………………..	N/A	112.7	-
US$ stand-by loan, can be drawn down in either US$ or A$, variable interest based on US$ LIBOR or A$ bank bill rate plus margin, until maturity in April 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, maturity December 2002 ………………………..	6.60%	7.0	5.3
Total ……………………………………..		$ 462.2	$ 230.3

As a result of the completion of the sale of our Gypsum business on 25 April 2002, we were not technically in compliance as of that date with certain pre-approval covenants of our US$ non-collateralised note agreements. We are currently in discussions with the note holders with respect to either the waiver or the renegotiation of such covenants.

Cash Flow

Net operating activities produced a cash outflow of $38.2 million for the three months ended 30 June 2001 compared to a cash inflow of $35.1 million for the same period in the current year. The difference in the cash flows was due to the increase in operating profit in the current period, excluding the gain on disposal of our Gypsum business. Also contributing to the cash outflow in the three months ended June 2001 was a one-time extension of payments terms granted to a large customer whose payment was received in full in July 2001, after the close of the fiscal quarter ended 30 June 2001.

Net investing activities produced a cash outflow of $21.6 million for the three months ended 30 June 2001 compared to a cash inflow of $326.1 million in the current period. The three-month period ended 30 June 2002 reflects proceeds received from the sale of our Gypsum business and lower capital expenditures compared to the same period in the prior year.

Net financing produced cash outflows of $3.8 million and $86.6 million in the three months ended 30 June 2001 and 2002, respectively. The difference in the cash flows was mainly due to repayment of borrowings from proceeds received from the sale of our Gypsum business in April 2002.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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 quarter ended 30 June 2002, the following currencies comprised the following percentages of our net sales, cost of goods sold, expenses and liabilities:

	US$	A$	NZ$	Other (1)
Net sales..	76.5%	14.3%	6.4%	2.8%
Cost of goods sold.................................	79.4%	11.6%	6.1%	2.9%
Expenses..	59.6%	30.7%	6.3%	3.4%
Liabilities (excluding borrowings)............	56.6%	38.4%	3.4%	1.6%

(1) Comprised of Philippine Pesos 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 2002, there were no such material contracts outstanding.

Interest Rate Risk

We have market risk from changes in interest rates, primarily related to our borrowings. At 30 June 2002, 98% of our borrowings were fixed-rate and 2% variable-rate, as compared to 68% of our borrowings at a fixed rate and 32% at a variable rate at 31 March 2002. 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 2002, no interest rate swap contracts were entered into and no contracts were outstanding.

The following table presents our long-term borrowings at 30 June 2002, the expected maturity date of future principal repayments and related weighted average interest rates. For obligations with variable interest rates, we have used current interest rates and have not attempted to project future 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 2002, all of our 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							
	2002	**2003**	**2004**	**2005**	**2006**	**Thereafter**	**Total**	**Fair Value**
Fixed rate debt ...	—	—	—	$ 24.0	$ 35.0	$ 166.0	$ 225.0	$ 227.5
Weighted-average interest rate........	—	—	—	6.86%	6.92%	7.16%	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.