



media release

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James Hardie Signs Agreement to Sell USA Gypsum Operations

James Hardie announced today that it has signed agreements to sell its US-based gypsum operations to BPB plc for US\$345 million in cash. The price represents a 30% premium on the book value of the assets.

The sale is subject to US regulatory clearances and other conditions. If these are satisfied, the transaction is expected to be completed by May, 2002.

Today's agreement means that James Hardie should receive almost US\$400 million from the divestment of its gypsum operations, following the sale last year of the company's Las Vegas gypsum mine for US\$50 million - subject to the fulfilment of certain conditions.

The sale of its gypsum operations will enable James Hardie to concentrate solely on the development of high growth, fibre cement businesses in the world's major building and construction markets.

"The sale will create significant value for shareholders, strengthen our balance sheet and allow us to focus entirely on optimising the high growth potential of our proprietary, fibre cement technology," said James Hardie's Chief Executive Officer, Mr Peter Macdonald.

"Our gypsum assets have been sold for prices well in excess of their book value and we expect that shareholders will welcome this transaction.

"The cash flows from gypsum have been attractive over the business cycle and have more than repaid our investment in the business. At the same time, these cash flows have also helped us fund the expansion of our fibre cement businesses.

"However, earnings from the gypsum industry are also cyclical and volatile and this has created uncertainty for both management and shareholders. The sale resolves this and will allow the company to concentrate on the significant growth prospects available to our fibre cement business," said Mr Macdonald.

"Over the past few years we have developed significant intellectual property in our proprietary, fibre cement technology. We believe this technology, in both products and processes, has substantial economic value and significant commercial potential," he said.

"Our ability to develop markets for our fibre cement technology is highly dependent on research and development. Over the coming year, we plan to increase our investment in R&D by about 50% to almost US\$21 million.

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"This investment will allow us to significantly increase the market potential for James Hardie's fibre cement, both in our existing markets and in countries where we don't yet compete," Mr Macdonald said.

"In North America, the introduction of new, differentiated products, combined with the acquisition of Cemplank last December, should ensure that strong growth continues.

"Furthermore, if we are successful at commercialising our new fibre cement roofing technology, James Hardie will be able to access a large additional market in North America and potentially expand into other markets in Asia and Europe.

"Europe is a large market in which we don't yet compete and we have significant further potential for growth in Asia.

"In South America, our new business in Chile is growing in line with our expectations and our plan is to use this business as the platform from which to create a larger business in South America over the long term," said Mr Macdonald.

Once the sale of gypsum is completed the company plans to reconfigure its balance sheet and establish a gearing ratio appropriate for the company's growth objectives.

Mr Macdonald said that the acquisition of James Hardie Gypsum by BPB was an excellent outcome for all parties.

"BPB will become the world's largest and North America's third largest gypsum wallboard producer as a result of this transaction. The combined businesses will create excellent opportunities for James Hardie Gypsum employees.

"The combined businesses will have a broader product range and expanded geographic reach in North America compared to the two businesses on their own and this will benefit customers," Mr Macdonald said.

James Hardie was advised on this transaction by JP Morgan & Co.

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Notes:

The sale agreements with BPB plc include all the issued share capital in James Hardie Gypsum Inc and Western Mining and Minerals Inc which together comprise gypsum wallboard manufacturing plants in Seattle, Washington; Las Vegas, Nevada; and Nashville, Arkansas; gypsum mines in Utah, Nevada and Arkansas with proven reserves of 3 billion tons and a joint compound manufacturing plant in Seattle, Washington. The company's business employs almost 600 people.

James Hardie's gypsum wallboard business commands a 7.5% share of the US market. In the company's fiscal year to March 31, 2001, the business generated sales revenue of US\$279 million, sales volume of 2.2 billion square feet, EBITDA of US\$57 million and EBIT of US\$42 million. Gross assets at March 31, 2001 were US\$277 million.

For the nine months to December 31, 2001, the business achieved sales revenue of US\$182 million, sales volume of 1.7 billion square feet, EBITDA of US\$9 million and an EBIT loss of US\$3 million, although 3rd quarter EBIT amounted to US\$5 million. Gross assets at December 31, 2001 were US\$268 million.

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This press release contains forward-looking statements. Words such as "will" "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 filed with 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.