



media release

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Third Quarter EBIT Up 18% Bottom Line Lower Due to One-Off Costs

James Hardie today reported an 18% increase in its 3rd quarter EBIT before non-recurring items to US\$19.1 million for the three months ended December 31, 2001.

The stronger operating performance, reflecting improvements from all businesses, was offset by one-off, non-recurring charges totalling \$17.1 million. As a result, Net Operating Profit for the quarter was down 77% to US\$2.5 million.

The operating performance improvements included a 9% increase in Sales Revenue and a 23% rise in Gross Profit.

Fibre cement operations were universally stronger with EBIT before non-recurring items rising 17% in the United States, while EBIT was up 42% in Australia, 27% in New Zealand and 89% in the Philippines. The US-based gypsum business recorded a 213% recovery in EBIT.

All business units are expecting further improvements in operating performance in the fourth quarter and no significant one-time costs are anticipated.

3rd Quarter and Nine Months at a Glance

US\$Million	Q302	Q301	%+/-	YTD02	YTD01	%+/-
Sales Revenue	208.0	191.0	9	630.6	636.5	(1)
Gross Profit	57.8	47.0	23	159.5	192.7	(17)
EBIT before non-recurring items	19.1	16.2	18	51.5	86.8	(41)
Non-Recurring Items	(17.1)	(0.3)		(28.2)	(1.2)	
EBIT	2.0	15.9	(87)	23.3	85.6	(73)
Net Operating Profit	2.5	10.7	(77)	12.0	56.2	(79)

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USA Fibre Cement – Continued Growth and Stronger Competitive Position

Sales revenue increased 12% to US\$102.2 million in the third quarter due to a 2% increase in the average selling price to US\$451 per thousand square feet and a 10% increase in sales volume to 227 million square feet, despite a temporary weakening of market conditions.

EBIT before non-recurring items was up 17% to US\$21.8 million for the quarter and was 36% higher for the nine months year to date. The third quarter EBIT margin was 21.3%.

The US fibre cement business continues to expand and strengthen its competitive position. In December, the business completed the strategically significant acquisition of two fibre cement plants – in Pennsylvania and South Carolina – from Cemplant Inc, until then the second largest producer of fibre cement in the USA.

Today, in a separate statement, James Hardie announced plans to enter the large US roofing market with construction of a pilot plant in the south-west to trial manufacturing a new generation of fibre cement roofing products.

Australia – Higher Sales, Volumes and EBIT

Sales revenue increased 16% to US\$27.2 million for the third quarter buoyed by a 19% lift in sales volume. Exports were up 52% and sales of FRC Pipes rose 27% for the quarter. EBIT for the third quarter was up 42% to US\$4.4 million and the EBIT margin also improved, rising to 16.2%.

New Zealand – Higher Sales and EBIT Despite Flat Trading Conditions

Sales revenue was up 7% for the third quarter due mainly to an increase in the average selling price. Combined with further improvements in manufacturing efficiency, EBIT rose 27% to US\$1.4 million and the EBIT margin was 13.9%.

Philippines – Close to Breakeven Despite Weak Demand Domestically

The business generated positive cash flow and achieved a close to breakeven result at the EBIT line, due to a significant increase in export sales which more than offset lower demand domestically, and lower manufacturing costs.

Chile – Sales Volume Doubled

Volume doubled for the quarter and revenue increased significantly compared to the second quarter of the current year following the start-up of the business in March 2001. The business is penetrating its targeted market segments at the desired rate.

FRC Pipes USA – New Products Fuel Sales Growth

Sales revenue and volume continued to grow following the expansion of the product range in the second quarter with the launch of 24" and 30" storm drainage pipes which have allowed the business to bid on a larger number of construction projects in its target markets. Demand from the public construction sector remained at high levels.

US Gypsum – Further Signs of Recovery

The gypsum business recorded a 213% increase in EBIT compared to the same quarter last year, following the successful implementation of price increases for wallboard products. The average selling price for the quarter was US\$84 per thousand square feet, which was up US\$2 on the same quarter last year and up US\$10 on the previous quarter of the current year.

The stronger EBIT result reflects not only higher selling prices but further reductions in manufacturing costs and significant growth in sales of non-wallboard products.

The business has just announced its fourth price increase on wallboard products in the past 8 months. The latest price increase, to take effect in March, is similar to other price increases that have been announced by all of the major industry participants in recent weeks.

Non-Recurring Items

One-time non-recurring costs of US\$17.1 million occurred in the quarter and included: a) US\$12.6 million to settle a legal action involving certain roofing products that were sold mainly in the Pacific north-west of the United States and which were removed from the market in that region in 1995, and to fully provide for all other related future claims; b) US\$2.8 million, being the final corporate restructuring costs; and c) US\$1.7 million for pulp hedge costs due to the implementation of a new US accounting standard in April 2001. This charge is not related to the termination of the company's pulp hedge contract with Enron, which terminated as a result of that company going into bankruptcy in December 2001.

Share Purchase Plan

James Hardie also announced today the launch of a Share Purchase Plan that will enable all Australian and New Zealand resident shareholders to purchase shares in James Hardie up to the value of A\$3,000. Details of the Plan will be mailed to shareholders on 26 February, 2002.

The offer of shares under the plan will be made at a 5% discount to the share price calculated over a three day period before the record date of 21 February, 2002 and shareholders will be able to subscribe for the shares without incurring brokerage or other transaction costs. No securities are or will be offered to persons who are established, domiciled or resident in The Netherlands or the United States.

Outlook

The economic outlook in the company's major markets remains mixed and uncertain.

It is not yet clear whether the easing of interest rates in the United States will offset a modest softening in consumer confidence or the recent increase in unemployment. To date, the housing industry has been resilient in the face of weaker economic conditions and there are signs that this could continue. Housing starts for the 2002 calendar year are currently forecast to be similar to 2001. If this eventuates, market conditions for James Hardie's products could be expected to remain favourable.

The company expects to continue to grow demand for its fibre cement products in the USA, due to an increased focus on the Repair & Remodel segment, a continued push into strong vinyl siding markets and further changes to distribution arrangements

In Australia, strong housing activity is expected to continue during the next quarter buoyed by low interest rates and the Government's First Home Buyer's Scheme. Export sales are also expected to grow. Profitability should improve further due to the sales growth, higher prices and manufacturing efficiencies.

In New Zealand, there are signs of an improvement to the new residential housing market with building permits up in the third quarter, supported by low interest rates. Strong demand from the non-residential construction sector and for premium priced products in the residential sector is expected to continue.

In the Philippines, domestic sales growth is expected from a stronger construction and building industry in the fourth quarter. Growth in export sales is also expected as the business continues to penetrate key Asian countries. Profitability improvements are anticipated from sales growth, further efficiency gains and lower manufacturing costs.

In Chile, it is expected that sales volumes will grow steadily as the business continues to build brand awareness and develops additional distribution channels.

The US-based FRC Pipe business is expected to continue to increase production to meet strong demand from the buoyant civil construction sector.

In Gypsum, wallboard prices were marginally lower in January due to seasonal factors. However, industry trading conditions should improve as a result of all major industry wallboard producers announcing further price increases for wallboard products to become effective during March and April. Growth in sales of non-wallboard products, along with further manufacturing efficiencies and lower paper and energy costs should contribute to a further improvement in profitability.

The process to examine the potential for a sale of James Hardie's gypsum assets is continuing with discussions underway with a number of parties. There are good prospects for a sale and significant shareholder value could be created from a sale of the assets at the appropriate time, although James Hardie remains under no pressure to sell its gypsum assets.

The company believes that the stronger operating performances during the second and third quarters will continue into the fourth quarter.

Ends.

This press 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 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.