James Hardie

Management Discussion and Analysis

14 February 2002

James Hardie Industries N.V.
Results for 3rd Quarter Ended 31 December 2001

USGAAP - US$ Millions	Three Months Ended 31 December		
	FY 2002	FY 2001	% Change
Net Sales			
US Fibre Cement	$ 102.2	$ 91.7	12
Gypsum	63.1	61.9	2
Asia Pacific Fibre Cement	41.1	37.1	11
Other	1.6	0.3	433
Total Net Sales	208.0	191.0	9
Net Sales	$ 208.0	$ 191.0	9
Cost of goods sold	(150.2)	(144.0)	4
Gross profit	57.8	47.0	23
SG&A	(38.7)	(30.8)	26
EBIT before non-recurring items	19.1	16.2	18
Restructuring and other operating expenses	(17.1)	(0.3)	-
EBIT	2.0	15.9	(87)
Net interest expense	(3.4)	(3.1)	10
Other income	0.1	-	-
Operating profit before tax	(1.3)	12.8	-
Income tax (expense)/benefit	3.8	(2.1)	-
Net Operating Profit	$ 2.5	$ 10.7	(77)
Volume (mmsf)			
US Fibre Cement	226.8	207.1	10
Gypsum	528.8	536.4	(1)
Asia Pacific Fibre Cement	80.2	74.7	7
Average sales price per unit (per msf)			
US Fibre Cement	US$ 451	US$ 443	2
Gypsum (net)	US$ 84	US$ 82	2
Asia Pacific Fibre Cement	A$ 860	A$ 853	1

All results are for continuing operations unless otherwise stated

Media/Analysts enquiries, please call Greg Baxter, Senior Vice President Corporate Affairs
Telephone - 61 2 9290 5377 Mobile - 0419 461 368 Facsimile - 61 2 9262 4557
Email - greg.baxter@jameshardie.com.au
www.jameshardie.com

Total Net Sales

Total net sales increased 9% from US$191.0 million to US$208.0 million, compared to the same quarter of the previous year.

Net sales from US Fibre Cement increased 12% from US$91.7 million to US$102.2 million due to continuing growth in sales volumes and higher selling prices.

Net sales from Asia Pacific Fibre Cement increased 11% from US$37.1 million to US$41.1 million due to higher sales volumes and a higher average selling price.

Net sales from Gypsum increased 2% from US$61.9 million to US$63.1 million due to a 2% increase in the average net wallboard selling price, partially offset by lower sales volume.

US Fibre Cement

Sales revenue increased 12% from US$91.7 million to US$102.2 million.

Sales volume increased 10% from 207.1 million square feet to 226.8 million square feet as a result of continued growth in demand for fibre cement despite a temporary weakening of market conditions due to delayed construction projects, de-stocking and a weaker repair and remodel market.

The average selling price increased 2% from US$443 per thousand square feet to US$451 per thousand square feet as a result of an increase in the sales of differentiated products.

On 13 December 2001 the company announced that it had acquired the operating assets of Cemplank Inc, a US-based producer of fibre cement building products. The acquisition included a two-line fibre cement manufacturing plant in Blandon, Pennsylvania and a single line plant in Summerville, South Carolina. The acquisition adds 310 million square feet of capacity in key growth regions and increases the company's installed or committed US fibre cement annual production capacity to approximately 2.150 billion square feet.

During the quarter, the second production line at the sixth fibre cement manufacturing plant in Waxahachie, Texas continued to ramp up.

Sales of differentiated products such as Harditrim™, vented soffits, and heritage panels continued to experience strong growth, as did Hardibacker 500™, the company's new ½ inch backerboard using the company's new proprietary G2 technology.

Asia Pacific Fibre Cement

Sales revenue for this segment increased 11% from US$37.1 million to US$41.1 million. Sales volume increased 7% from 74.7 million square feet to 80.2 million square feet.

Australia
Sales revenue increased 16% from US$23.4 million to US$27.2 million. In local currency, the increase was 13%.

Sales volume increased 19% from 48.6 million square feet to 57.7 million square feet due mainly to stronger domestic demand supported by lower interest rates and the Government's First Home Buyers Scheme. Export sales of flat sheet products increased 52% and domestic sales volumes of FRC Pipes increased 27%, compared to the same quarter last year.

New residential housing starts for the three months ended December 2001 increased to 25,320 from 19,288 for the same period in 2000.

During the quarter Hardiglaze™ Tile, a wall tile panel targeted at the residential renovation market and Hardigroove™ Lining, an impact resistant lining for hallways, laundries and other impact prone areas were launched. The new products have been received well by customers.

New Zealand

Sales revenue increased 7% from US$9.4 million to US$10.1 million due to an 8% increase in the average net selling price. In local currency, sales revenue increased 6%.

Fibre cement sales volume was unchanged at 9.7 million square feet due to increased demand in the commercial building segment off-setting the impact of a weak new residential building market.

Sales to the non-residential cladding segment continued to achieve steady growth with Harditex Premium 9.0mm™ and Hardipanel Titan 9.0mm™ in particular generating increased demand from the commercial building segment and supporting an increase in net selling prices. In the residential segment of the market the new Monotek™ cladding system launched during the first quarter of this year continued to be received favourably. Sales volume of Monotek™ increased 55% compared to the second quarter of this fiscal year.

Near the end of the quarter, a new, innovative weatherboard cladding system called Linea® was introduced to distributors and a number of architects and builders. The product is a thicker, more lightweight weatherboard that incorporates the company's proprietary low-density technology. It offers a number of performance advantages over timber weatherboards and is expected to be well received by customers. The new product will be launched nationwide in the fourth quarter.

Philippines

Sales revenue decreased 12% from US$4.3 million to US$3.8 million. In local currency, sales revenue decreased 9%. This was due to lower sales volumes, partly offset by higher selling prices.

Sales volume decreased 22% from 16.5 million square feet to 12.8 million square feet due to a decline in consumer confidence and lower demand for building materials for the quarter.

HardiFlex lite™, was launched during the quarter which is a thinner, lighter sheet designed for ceiling applications. Initial demand for the product was strong and its higher selling price contributed to improved margins.

The average net selling price increased 17%, mainly as a result of a higher proportion of sales to export markets, particularly, Hong Kong and Korea.

Other Fibre Cement

Chile Fibre Cement

The Chilean operation began commercial production in March 2001. The business is still in start-up mode and added further sales and marketing infrastructure during the quarter to support the planned growth of the business.

Sales volume for the quarter doubled compared to the previous quarter despite the impact of Argentina's poor economic situation on the Chilean economy.

The average net selling price decreased during the quarter in response to competitive market conditions and the introduction of more aggressive pricing strategies to increase market penetration.

Both 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, experienced strong sales growth.

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

US FRC Pipes

Sales revenue increased 18% compared to the second quarter of the current year due to higher sales volumes and higher average net selling prices.

Sales volume continued to grow as the product range was expanded. In the second quarter of this year 24" and 30" storm drainage pipes were added to the range enabling the business to compete for an increasing number of construction projects in the south-east market.

Growth in the public construction sector remained at high levels despite moderate softening in the housing sector. The underlying growth in civil construction continues to be fuelled by the TEA-21 and the Florida State Mobility Act, which involve significant increases in government spending on highway construction.

Average net selling prices increased for the quarter due to changes in the product mix.

Gypsum

Net sales revenue increased 2% from US$61.9 million to US$63.1 million.

Net wallboard sales (gross wallboard sales revenue less freight, discounts and rebates) increased 1% from US$44.1 million to US$44.6 million.

This was due to an increase in the average net selling price of wallboard from US$82 per thousand square feet to US$84 per thousand square feet and continued growth in non wallboard revenues, compared to the same quarter last year. Compared to the second quarter of the current year the average wallboard net selling price increased US$10 per thousand square feet.

The price increase was slightly offset by lower wallboard sales volume which fell 1% from 536.4 million square feet to 528.8 million square feet.

A further wallboard price increase of 15% has been notified to customers and becomes effective in March, 2002. Also notified to customers was a 4% price increase for a number of non wallboard products which is effective from February 2002.

Other major industry players have announced a similar wallboard price increase. If the March price increase is successfully implemented, it will be the fourth increase for James Hardie since the average net wallboard price hit its low of US$64 in the first quarter of the current year.

Gross Profit

Gross profit increased 23% from US$47.0 million to US$57.8 million due to an increase in the gross profit for all businesses compared to the same quarter last year. The gross profit margin increased 3.2 percentage points to 27.8%.

US Fibre Cement gross profit increased 13% due mainly to a higher average net selling price and increased sales volumes. The gross profit margin increased 0.6 of a percentage point.

Asia Pacific Fibre Cement gross profit increased 32% following improvements from all businesses within this segment. Manufacturing efficiency gains and lower costs due to the closure of the Western Australian plant was a major factor in the improved result.

Gypsum gross profit increased 91% and the gross profit margin improved 6.1 percentage points compared to the same quarter last year due to higher wallboard prices and lower manufacturing costs, despite high natural gas costs. Although natural gas prices have decreased considerably since the first quarter of the current year, existing contracts limited access to lower prices in the current quarter. This had a considerable adverse impact on EBIT. A significant portion of these higher than market contracts end in April, 2002. During the current quarter the business was fully converted to lower cost paper at all three James Hardie wallboard plants.

Selling, General and Administrative Expenses (SG&A)

SG&A expenses increased 26% from US$30.8 million to US$38.7 million. As a percentage of sales, SG&A expenses increased 2.5 percentage points to 18.6%. Higher SG&A expenses were incurred in most businesses and in research and development. SG&A costs in the current year include costs associated with the new FRC Pipes operation in Florida and the new fibre cement flat sheet operation on Chile, neither of which were included in the prior year.

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 80% to US$2.7 million due to higher staff and project costs as a result of there being a greater number of ‘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 24% to US$1.6 million reflecting the completion of a number of projects now being commercialised by the business units.

Restructuring and Other Operating Expenses

On 4 October 2001, the Company signed a Preliminary Class Action Settlement Agreement for all product, warranty and property related liability claims associated with certain roofing products, which were previously manufactured and sold by the US Fibre Cement business. Although the Preliminary Settlement Agreement applies nationally, the overwhelming majority of the roofing claims have related to products sold in the Pacific north-west region. These products were removed from the marketplace in that region in 1995.

The Preliminary Settlement Agreement which has been agreed to by the company and plaintiff attorneys, is subject to approval by a Washington State Court and is due to be considered on 14 February 2002. Even though there is agreement by the parties, there can be no assurance that the Court approval will be granted and that the Company will be bound by the terms of this Preliminary Settlement Agreement. However, the Company has recorded a charge of US$12.6 million in the third quarter to cover the estimated cost of the settlement, and the estimated cost of any other pending claims or lawsuits remaining which are not covered by the settlement, as well as all related costs that may be paid under the Agreement, if it is approved by the Court.

Due to the implementation of a new US accounting standard on 1 April 2001, which requires that the company’s pulp hedge contract be marked to market each quarter, a US$1.7 million decrease in the fair value of the contract has been charged to other operating expenses in the current period. 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.

Also charged to other operating expenses was a final charge of US$2.8 million relating to the corporate restructuring. There was a charge of US$0.3 million for restructuring of the Australian fibre cement operation in the same quarter last year.

Operating Income (EBIT)

EBIT before non-recurring items increased 18% from US$16.2 million to US$19.1 million. The EBIT margin increased 0.7 of a percentage point to 9.2%.

EBIT after restructuring and other operating expenses fell 87% from US$15.9 million to US$2.0 million.

US Fibre Cement EBIT before non-recurring items increased 17% from US$18.7 million to US$21.8 million due primarily to higher sales volumes, a higher average selling price, lower freight costs, partially offset by higher SG&A expenses. The EBIT margin increased 0.9 of a percentage point to 21.3%.

US Fibre Cement EBIT was US$9.2 million due to an other operating expense of US$12.6 million to cover the estimated cost of the Preliminary Class Action Settlement for roofing products referred to above.

Australia Fibre Cement EBIT increased 42% from US$3.1 million to US$4.4 million. In local currency, the increase was 30%. The increase was primarily due to an increase in sales revenue and manufacturing efficiency gains. The EBIT margin increased 2.9 percentage points to 16.2%.

New Zealand Fibre Cement EBIT increased 27% from US$1.1 million to US$1.4 million. In local currency, the increase was 31%. The increase was primarily due to higher average selling prices and manufacturing efficiencies. The EBIT margin increased 2.2 percentage points to 13.9%.

The Philippines EBIT loss of the third quarter last year was reduced by 89%. The improvement was due an increase in the average net selling price and reduced costs. The EBIT margin improved by 18.3 percentage points.

Both US FRC Pipes and Chile Fibre Cement recorded operating losses during the quarter as these businesses continued to ramp up following their start up earlier in the calendar year.

Gypsum EBIT increased 213% from US$1.6 million to US$5.0 million. The increase was primarily due to higher wallboard prices, significant growth in sales of non wallboard products and lower manufacturing costs. The EBIT margin increased 5.3 percentage points from 2.6% to 7.9%.

General corporate costs increased by US$7.5 million to US$13.7 million. One-time restructuring expenses increased by US$2.1 million, the fair value of the pulp hedge contract decreased by US$1.7 million and there was an increase of US$4.1 million in the charge for employee share plans, calculated on the James Hardie share price, which increased significantly during the quarter. Excluding one-time costs such as the restructuring expenses and on-going costs such as the share plan and fair value of the pulp hedge contract, corporate costs fell 6%.

Interest Expense

Net interest expense increased 10% to US$3.4 million. This was primarily due to higher net borrowings during the quarter.

Income Tax Expense

Income tax expense decreased by US$5.9 million. The small pre-tax loss combined with the effect of permanent differences, resulted in an overall tax credit of US$3.8 million.

Net Operating Profit

Income from continuing operations fell 77% from US$10.7 million to US$2.5 million.

End.

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.

Management Discussion and Analysis

14 February 2002

James Hardie Industries N.V.
Results for 9 Months Ended 31 December 2001

USGAAP - US$ Millions	**Nine Months Ended 31 December**		
	FY 2002	FY 2001	% Change
Net Sales			
US Fibre Cement	$ 327.5	$ 282.5	16
Gypsum	181.7	221.9	(18)
Asia Pacific Fibre Cement	117.9	131.2	(10)
Other	3.5	0.9	289
Total Net Sales	630.6	636.5	(1)
Net Sales	$ 630.6	$ 636.5	(1)
Cost of goods sold	(471.1)	(443.8)	6
Gross profit	159.5	192.7	(17)
SG&A	(108.0)	(105.9)	2
EBIT before non-recurring items	51.5	86.8	(41)
Restructuring and other operating expenses	(28.2)	(1.2)	-
EBIT	23.3	85.6	(73)
Net interest expense	(12.8)	(8.8)	45
Other income (expense)	(0.6)	1.6	-
Operating profit before tax	9.9	78.4	-
Income tax (expense)/benefit	2.1	(22.2)	-
Net Operating Profit	$ 12.0	$ 56.2	(79)
Volume (mmsf)			
US Fibre Cement	723.3	647.8	12
Gypsum	1,692.2	1,683.9	1
Asia Pacific Fibre Cement	238.4	246.3	(3)
Average sales price per unit (per msf)			
US Fibre Cement	US$ 453	US$ 436	4
Gypsum (net)	US$ 73	US$ 102	(28)
Asia Pacific Fibre Cement	A$ 854	A$ 862	(1)

All results are for continuing operations unless otherwise stated

Media/Analysts enquiries, please call Greg Baxter, Senior Vice President Corporate Affairs
Telephone - 61 2 9290 5377 Mobile - 0419 461 368 Facsimile - 61 2 9262 4557
Email - greg.baxter@jameshardie.com.au
www.jameshardie.com

Total Net Sales

Total net sales fell 1% from US$636.5 million to US$630.6 million.

Net sales from US Fibre Cement increased 16% from US$282.5 million to US$327.5 million due to continuing growth in demand for fibre cement and higher selling prices.

Net sales from Asia Pacific Fibre Cement decreased 10% from US$131.2 million to US$117.9 million due to a 3% decline in sales volume due to the downturn in the new residential housing market during the first quarter of fiscal year 2002, and a 1% reduction in average selling prices.

Net sales from Gypsum decreased 18% from US$221.9 million to US$181.7 million due to a 28% decrease in the average net wallboard selling price as a result of excess industry capacity.

US Fibre Cement

Sales revenue increased 16% from US$282.5 million to US$327.5 million.

Sales volume increased 12% from 647.8 million square feet to 723.3 million square feet as a result of continued growth in demand for fibre cement despite weaker market conditions and poor weather in some regions.

The average selling price increased 4% from US$436 per thousand square feet to US$453 per thousand square feet as a result of an increase in the sales of differentiated products and higher selling prices for standard products in certain markets.

Sales of differentiated products such as Harditrim™, vented soffits, and heritage panels continued to experience strong growth, as did Hardibacker 500™, the company's new ½ inch backerboard using the company's new proprietary G2 technology.

A number of new products were launched during the first nine months of fiscal year 2002 that are expected to generate increased demand. A new series of pre-finished plank products known as ColorPlus™ was launched, as well as four new siding products, Heritage Plank™, EZ Line Plank™, HardiPlank Rusticated™ and Shingle Panel™.

During the first nine months of the current year, construction of the second production line at the sixth fibre cement manufacturing plant in Waxahachie, Texas was completed and continued to ramp up.

On 13 December 2001 the company announced that it had acquired the operating assets of Cemplank Inc, a US based producer of fibre cement building products. The acquisition included a two-line fibre cement manufacturing plant in Blandon, Pennsylvania and a single line plant in Summerville, South Carolina. The acquisition adds 310 million square feet of capacity in key growth regions and increases the company's installed or committed US fibre cement annual production capacity to approximately 2.150 billion square feet.

Asia Pacific Fibre Cement

Sales revenue decreased 10% from US$131.2 million to US$117.9 million. Sales volume fell 3% from 246.3 million square feet to 238.4 million square feet.

Australia

Sales revenue decreased 14% from US$88.9 million to US$76.0 million. In local currency, sales revenue decreased 8%.

Sales volume fell 5% from 172.9 million square feet to 164.8 million square feet as a result of the downturn in the new residential housing market during the first quarter of the fiscal year, and the impact of the first four months of the previous fiscal year being abnormally buoyed by pre GST (Goods and Services Tax) activity. This was partially offset by a 21% increase in FRC pipes sales volumes.

The Government's First Home Buyers Scheme had a positive impact on the building industry during the second and third quarters of fiscal year 2002. However, new residential building activity for the nine months was still below that for the same period last year.

The average net selling price fell 3% due to competitive pricing strategies including lower net selling prices for FRC pipes.

New Zealand

Sales revenue decreased 2% from US$29.4 million to US$28.8 million due to unfavourable foreign exchange rates. In local currency, sales revenue increased 4% due to an increase in the average net selling price.

Fibre cement sales volume decreased 2% from 28.3 million square feet to 27.8 million square feet as a result of continuing low demand in the new residential housing market and a lag between the granting of new residential permits and building commencements.

Sales revenue from building systems continued to grow strongly, increasing 9% due to a buoyant agricultural sector.

Sales volumes of premium priced Hardiglaze™ products continued to grow strongly, as did sales of Hardiglaze Satin™.

Sales to the non residential cladding segment achieved steady growth. Products in this segment include Harditex Premium 9.0mm™, Hardipanel Titan 9.0mm™ and Hardipanel Compressed 9.0mm™.

During December 2001 a new innovative weatherboard cladding system called Linea® was introduced to distributors and a number of architects and builders. The product is a thicker more lightweight weatherboard that incorporates the company's proprietary low density technology. It offers a number of performance advantages over timber weatherboards and is expected to be well received by customers. The new product will be launched nationwide in the fourth quarter.

Average net fibre cement selling prices increased 3% as a result of a price increase that became effective on 1 August 2001.

Philippines

Sales revenue increased 2% from US$12.9 million to US$13.1 million. In local currency, sales revenue increased 15%.

This was due to a 1% increase in sales volume from 45.2 million square feet to 45.8 million square feet and a 13% increase in the average net selling price.

The increase in the average net selling price was a result of a product mix shift to the export market due to the continued penetration of key Asian countries such as Hong Kong and Korea. Exports were also responsible for the increase in sales volume.

Domestic demand continued to be affected by weak consumer confidence associated with the general economic uncertainty.

Other Fibre Cement

Chile Fibre Cement

The Chilean operation began commercial production in March 2001. During the first nine months of fiscal year 2002 the business successfully launched its EconoBoard™ and Duraboard™ products, but is essentially still in start-up mode. During the third quarter of this year further sales and marketing infrastructure was added to support the planned growth of the business.

The business is encountering expected strong competitive reaction to its market entry and is employing strategies to counter the competition and drive early market penetration.

Both 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 mainly in the social housing sector, experienced strong sales growth. Sales volume for the business doubled in the second quarter and almost doubled in the third quarter of the current year, despite the impact of Argentina's poor economic situation on the Chilean economy.

The business signed a distribution agreement with a large distributor and secured business with Falabella (formerly Home Depot in Chile) during the period.

US FRC Pipes

FRC Pipes commenced production at a new plant in Florida in March 2001. The pipes are being sold in the south-east of the United States. They have been well received with sales volumes continuing to increase each quarter.

As the plant ramps up production significant improvements are being incorporated into the manufacturing process.

A further ramp up of manufacturing occurred during the second quarter of fiscal year 2002 in the 24" to 30" diameter drainage pipes range. The addition of these diameter drainage pipes has allowed the business to compete for an increasing number of construction projects.

The range of pipes being manufactured and sold in the south-east market now includes 12", 15", 18", 24" and 30" class I and III storm drainage pipes.

A third national distributor was secured during the first quarter of this fiscal year. This has helped to generate increased demand for FRC Pipes in the south-east and provide a platform for future sales growth across the US.

Growth in the public construction sector remained at high levels despite moderate softening in the housing sector. The underlying growth in civil construction continues to be fuelled by the TEA-21 and the Florida State Mobility Act, which involve significant increases in government spending on highway construction.

There was further progress in obtaining regulatory approvals during the first nine months of this year.

Gypsum

Net sales revenue fell 18% from US$221.9 million to US$181.7 million.

Net wallboard sales (gross wallboard sales revenue less freight, discounts and rebates) declined 28% from US$172.2 million to US$124.3 million. This was due to a 28% decline in average net selling prices from US$102 to US$73, slightly offset by higher sales volumes which increased 1% compared to the same period last year from 1,683.9 million square feet to 1,692.2 million square feet.

Sales of non wallboard products grew strongly during the current period.

A further wallboard price increase of 15% has been notified to customers and becomes effective in March, 2002. Also notified to customers was a 4% price increase for a number of non wallboard products which is effective from February 2002.

Other major industry players have announced a similar wallboard price increase. If the March price increase is successfully implemented, it will bring the fourth increase for James Hardie since the average net wallboard price hit its low of US$64 in the first quarter of the current year.

Gross Profit

Gross profit fell 17% from US$192.7 million to US$159.5 million due mainly to the lower selling prices for Gypsum. An increase in gross profit of the US Fibre Cement business partially offset a decrease in the gross profit of most other businesses. The gross profit margin decreased 5.0 percentage points to 25.3%.

Despite higher cost of sales, US Fibre Cement gross profit increased 19% and the gross profit margin increased 1.0 percentage point as a result of higher average net selling prices and lower freight costs.

Asia Pacific Fibre Cement gross profit fell 8% but the gross profit margin increased 0.9 of a percentage point. The lower gross profit was mainly due to lower sales volumes in Australia, partly offset by factory efficiency gains due to the closure of the Western Australia plant. The gross profit for New Zealand and the Philippines increased compared to the same period last year.

Gypsum gross profit margin fell 18.9 percentage points compared to the first nine months of the previous fiscal year due to lower wallboard prices and higher natural gas costs.

Selling, General and Administrative Expenses (SG&A)

SG&A expenses increased 2% from US$105.9 million to US$108.0 million. SG&A expenses for most businesses were lower than for the first nine months of fiscal year 2001. As a percentage of sales, SG&A expenses increased 0.4 of a percentage point.

The higher SG&A expense was due to an increase in R&D expenditure and SG&A costs in the current year including costs associated with the new FRC Pipes operation in Florida and the new fibre cement flat sheet operation in Chile, neither of which were included in the prior year.

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 units and increased US$3.1 million to US$7.3 million due to an increase in the number of '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 27% to US$4.6 million reflecting the completion of a number of projects now being commercialised by the business units.

Restructuring and Other Expenses

On 4 October 2001, the Company signed a Preliminary Class Action Settlement Agreement for all product, warranty and property related liability claims associated with certain roofing products, which were previously manufactured and sold by the US Fibre Cement business. Although the Preliminary Settlement Agreement applies nationally, the overwhelming majority of the roofing claims have related to products sold in the Pacific north-west region. These products were removed from the marketplace in 1995.

The Preliminary Settlement Agreement which has been agreed to by the company and plaintiff attorneys, is subject to approval by a Washington State Court and is due to be considered on 14 February 2002. Even though there is agreement by the parties, there can be no assurance that the approval will be granted and that the Company will be bound by the terms of this Preliminary Settlement Agreement. However, the Company has recorded a charge of US$12.6 million in the current period to cover the estimated cost of the settlement, and the estimated cost of any other pending claims or lawsuits remaining which are not covered by the settlement, as well as all related costs that may be paid under the Agreement, if it is approved by the Court.

Due to the implementation of a new US accounting standard on 1 April 2001, which requires that the company's pulp hedge contract be marked to market each quarter, an US$8.1 million decrease in the fair value of the contract has been charged to other operating expenses in the current period. 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.

Also charged to other operating expenses was US$7.5 million relating to the corporate restructuring. There was a charge of US$1.2 million for restructuring of the Australian fibre cement operation in the same period last year.

Operating Income (EBIT)

EBIT before non-recurring items fell 41% from US$86.8 million to US$51.5 million. The EBIT margin decreased 5.2 percentage points to 8.2%.

EBIT after restructuring and other expenses fell 73% from US$85.6 million to US$23.3 million. The EBIT margin decreased 9.7 percentage points to 3.7%.

US Fibre Cement EBIT before non-recurring items increased 36% from US$54.6 million to US$74.2 million due primarily to higher sales volumes, a higher average selling price and lower SG&A expenses, partially offset by higher cost of sales. The EBIT margin increased 3.4 percentage points to 22.7%.

US Fibre Cement EBIT increased 13% from US$54.6 million to US$61.6. There was an other operating expense in the current period of US$12.6 million to cover the estimated cost of the Preliminary Class Action Settlement for roofing products referred to above.

Australia Fibre Cement EBIT decreased 21% from US$16.8 million to US$13.2 million. In local currency, EBIT decreased 15%. The fall in EBIT was primarily due to the first four months in the previous fiscal year being buoyed by increased activity prior to the introduction of the GST, and lower selling prices for FRC pipes, partly offset by factory efficiency gains associated with the closure of the Western Australia plant.

New Zealand Fibre Cement EBIT increased 18% from US$3.3 million to US$3.9 million. In local currency, EBIT increased 26%. The increase was primarily due to improved margins in fibre cement and the building systems operation.

The Philippines EBIT loss of the first nine months of the previous year was reduced by US$3.2 million to US$1.3 million. The improvement was due mainly to increased selling prices, lower manufactured cost and reduced SG&A expenditure.

Both US FRC Pipes and Chile Fibre Cement recorded operating losses during the nine months, mainly as a result of start up costs.

Gypsum incurred an EBIT loss for the nine months of US$2.9 million due to lower wallboard selling prices and higher natural gas costs.

General corporate costs increased by US$15.6 million to US$37.9 million. One-time restructuring expenses increased by US$5.2 million, the fair value of the pulp hedge contract increased by US$8.1 million and there was an increase of US$6.1 million in the charge for employee share plans, calculated on the James Hardie share price, which increased significantly during the quarter. Excluding one-time costs such as the restructuring expenses and on-going costs such as the share plan and fair value of the pulp hedge contract, corporate costs fell 24%.

Interest Expense

Net interest expense increased by US$4.0 million to US$12.8 million. This was primarily due to higher net borrowings during the current period.

Income Tax Expense

Income tax expense decreased by US$24.3 million. The small pre-tax profit, combined with the effect of permanent differences, resulted in an overall tax credit of US$2.1 million.

Net Operating Profit

Income from continuing operations fell by US$44.2 million from US$56.2 million to US$12.0 million.

End.

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.