As filed on October 1, 2001 with the Securities and Exchange Commission

Registration No. 1-15240

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 2
TO

FORM 20-F

(Mark One)

☒ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended ______________

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________ .

Commission file number

JAMES HARDIE INDUSTRIES N.V.

(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's name into English)

The Netherlands
(Jurisdiction of incorporation or organization)

World Trade Center, Strawinskylaan 1725
1077 JE Amsterdam, The Netherlands
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
Common stock, represented by CHESS Units of Foreign Securities	New York Stock Exchange*
CHESS Units of Foreign Securities	New York Stock Exchange*
American Depositary Shares, each representing five units of CHESS Units of Foreign Securities	New York Stock Exchange

* Listed, not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission

Securities registered or to be registered pursuant to Section 12(g) of the Act.
None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None.

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: Not applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☐ Yes ☒ No

Indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☒ Item 18

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PART I

Item 1 *Identity of Directors, Senior Management and Advisers*

We have a multi-tiered board structure comprised of a Supervisory Board, a Managing Board and a Joint Board.

Our Supervisory Board consists exclusively of persons who are not our officers or employees and will be responsible for advising and supervising our Managing Board based on the best interests of our company, including the interests of our shareholders. The existing non-executive directors on the Board of James Hardie Industries Limited ("JHIL"), with the exception of Peter Willcox, who will be retiring, will comprise the members of our Supervisory Board upon implementation of the scheme of arrangement. See Item 4 "Information on the Company — History and Development — Corporate Restructuring." Our Managing Board currently consists of two executive officers and will be responsible for managing our general affairs and our financing and operations, including our treasury. Our Joint Board, upon implementation of the scheme of arrangement, will consist of all of the members of our Supervisory Board and the Chairman of our Managing Board, Mr. Peter Macdonald. Our Joint Board will be responsible for planning and overseeing our general course of affairs. We have included more detailed information concerning our Supervisory, Managing and Joint Boards under Item 6.

Upon implementation of the scheme of arrangement, the members of our Supervisory Board will be:

Supervisory Board

Name	Title	Business Address
Alan McGregor	Chairman of the Joint Board and Chairman of the Supervisory Board	Brown & Root Building 186 Greenhill Road Parkside, SA 5063 — Australia
Meredith Hellicar	Member of the Joint Board and the Supervisory Board	22 Morella Road Clifton Gardens, NSW 2088 — Australia
Michael Brown	Member of the Joint Board and the Supervisory Board	4 Lower Boyle Street Mosman, NSW 2000 — Australia
Michael Gillfillan	Member of the Joint Board and the Supervisory Board	153 Lagunitas Road Ross, CA 94957 — USA
Martin Koffel	Member of the Joint Board and the Supervisory Board	URS Corporation 100 California Street, Suite 500 San Francisco, CA 94111-4529 — USA

The members of our Managing Board, all of whom are also executive officers, are:

Managing Board Members

Name	Title	Business Address
Peter Macdonald	Chief Executive Officer, Member of the Joint Board, and Chairman of the Managing Board	26300 La Alameda, Suite 100 Mission Viejo, California 92691 — USA
Donald Cameron	Treasurer and Member of the Managing Board	World Trade Center Strawinskylaan 1725 1077 JE Amsterdam, The Netherlands

Upon implementation of the scheme of arrangement, the names, responsibilities and addresses of our other executive officers will be:

Executive Officers Who Are Not Members of the Managing Board or the Supervisory Board

Name	Responsibilities	Business Address
Phillip Morley.......	Chief Financial Officer	26300 La Alameda, Suite 100 Mission Viejo, California 92691 — USA
Louis Gries	Executive Vice President — Building Products, USA	26300 La Alameda, Suite 250 Mission Viejo, California 92691 — USA
Robert Rugg	Executive Vice President — Gypsum	26300 La Alameda, Suite 250 Mission Viejo, California 92691 — USA
Don Merkley	Executive Vice President — Research and Development	10901 Elm Ave. Fontana, California 92337 — USA
John Moller	Executive Vice President — Asia Pacific	65 York Street Sydney, NSW 2000 — Australia
Greg Baxter	Senior Vice President — Corporate Affairs	65 York Street Sydney, NSW 2000 — Australia
Jay Arnold	Vice President — Human Resources and Organizational Development	26300 La Alameda, Suite 100 Mission Viejo, California 92691 — USA
Peter Shafron	General Counsel and Secretary	26300 La Alameda, Suite 100 Mission Viejo, California 92691 — USA

Advisers

Not applicable.

Independent Accountants

Our independent accountants are PricewaterhouseCoopers LLP, with offices at 350 South Grand Avenue, Los Angeles, California 90071 — USA.

Item 3 *Key Information*

In this registration statement, unless the context otherwise indicates, James Hardie Industries N.V., a "naamloze vennootschap", or a Dutch public limited liability company incorporated under the laws of The Netherlands, is referred to as "JHI NV." James Hardie Industries N.V. and its subsidiaries are collectively referred to as "we," "us," "our," "JHI NV and its subsidiaries," or the "James Hardie group." On completion of the corporate restructuring, of which this registration statement forms a part, JHI NV will control the same assets and liabilities as are currently controlled by James Hardie Industries Limited ("JHIL"). References in this registration statement to JHI NV's business and historical operations refer to the business and historical operations of JHIL prior to the restructuring. The term "fiscal year" refers to our fiscal year ended March 31 of such year, the term "dollars" or "$" refers to U.S. dollars, the term "A$" refers to Australian dollars, the term "NZ$" refers to New Zealand dollars, the term "PHP" refers to Philippine pesos and the term "CLP" refers to Chilean pesos. The term "msf" refers to thousands of square feet and the term "mmsf" refers to millions of square feet. Unless the context indicates otherwise, when we refer to our "common stock" we are referring to shares of our common stock that will be represented by CHESS Units of Foreign Securities ("CUFS").

CUFS are a form of depositary security that represents a beneficial ownership interest in the securities of a non-Australian corporation. CUFS allow the securities of a non-Australian corporation to be electronically transferred using the Clearing House Electronic Subregister System ("CHESS"). As a company incorporated under the laws of The Netherlands, we are using CUFS in order to allow interests in our shares of common stock to be transferred electronically, as is required by the Australian Stock Exchange. Each of our CUFS will represent one share of our common stock. Each of our American Depositary Shares ("ADSs") will represent five CUFS. CUFS are governed by the Securities Clearing House Business Rules (the "SCH Business Rules").

Unless the context otherwise indicates, the information in this registration statement about us contemplates the consummation of the scheme of arrangement, which is expected to occur shortly after the scheme of *arrangement is approved by an Australian court. See Item 4 "Information on the Company — History and Development — Corporate Restructuring."*

Selected Financial Data

We have included in Item 18 of this registration statement the audited consolidated financial statements of JHIL, consisting of JHIL's consolidated balance sheets as of March 31, 2000 and March 31, 2001 and JHIL's consolidated statements of income for the years ended March 31, 1999, 2000 and 2001, together with the related notes which have been audited by PricewaterhouseCoopers LLP, independent accountants. Also included in Item 18 are JHIL's interim unaudited financial statements, consisting of JHIL's consolidated balance sheets as of March 31 and June 30, 2001 and JHIL's consolidated statements of income for the three months ended June 30, 2000 and 2001, together with related notes. The financial statements have been prepared on a consolidated basis from JHIL's historical accounting records and represent the combined historical operations of JHIL. On completion of the corporate restructuring, of which this registration statement forms a part, JHI NV will control the same assets and liabilities as are currently controlled by JHIL, and will have substantially the same number of shares outstanding as JHIL has currently outstanding. Basic and diluted earnings per share of JHI NV and its wholly owned subsidiaries will not be materially different from those of JHIL and its wholly owned subsidiaries as disclosed in the consolidated financial statements included in Item 18. See the section entitled "Information on the Company — History and Development of the Company — Corporate Restructuring" under Item 4.

The financial statements included in this registration statement have been prepared in accordance with generally accepted accounting principles in the United States, or "U.S. GAAP."

The selected consolidated financial information set forth below has been derived in part from JHIL's financial statements. You should read the selected financial information in conjunction with JHIL's financial statements and related notes contained in Item 18 and under the section entitled "Operating and Financial Review and Prospects" contained in Item 5. Such historical financial data is not necessarily indicative of our future results and you should not unduly rely upon it.

The financial statements of JHI NV have not been provided since JHI NV will not be the new ultimate holding company for JHIL and JHNV until completion of the "2001 Reorganization," which is conditional on obtaining the approval from the New South Wales Supreme Court in Australia and JHIL shareholders, and also, since at this time, JHI NV has no operating assets or liabilities.

	Fiscal Years Ended March 31,					Three Months Ended June 30,	
	1997	1998	1999	2000	2001	2000	2001
	(in millions, except volume, unit and per share data)						
Consolidated Statement of Income Data:							
Net sales							
U.S. Fiber Cement(1)	$ 148.7	$ 181.1	$ 245.6	$ 310.5	$ 373.0	$ 92.9	$ 111.2
Asia Pacific Fiber Cement(2)	264.8	226.0	181.4	203.3	166.6	51.2	36.6
Other(3)	3.6	2.5	2.2	2.0	1.3	0.3	0.7
Gypsum(4)	103.8	200.5	259.0	358.5	279.0	85.5	54.7
Total net sales	520.9	610.1	688.2	874.3	819.9	229.9	203.2
Cost of goods	(350.7)	(415.0)	(471.9)	(552.8)	(582.7)	(148.8)	(163.2)
Gross profit	170.2	195.1	216.3	321.5	237.2	81.1	40.0
Selling, general and administrative expenses(5)	(115.7)	(108.9)	(110.4)	(139.0)	(138.6)	(38.6)	(36.0)
Restructuring and other operating expense(6)	(17.8)	(5.1)	(26.6)	(4.1)	(15.5)	(0.2)	(1.2)
Operating profit	36.7	81.1	79.3	178.4	83.1	42.3	2.8
Interest expense	(39.6)	(37.6)	(30.0)	(25.9)	(21.4)	(5.5)	(5.9)
Interest expense — related party	(16.9)	(11.3)	—	—	—	—	—
Interest income	27.6	27.2	14.5	5.4	8.2	2.4	0.6
Equity income — RCI(7)	9.2	6.2	—	—	—	—	—
Other income (expense), net(8)	(14.6)	(12.1)	5.4	(1.6)	1.6	0.7	(1.2)
Income (loss) from continuing operations before income tax	2.4	53.5	69.2	156.3	71.5	39.9	(3.7)
Income tax expense(9)	(27.2)	(32.9)	(26.6)	(57.1)	(17.5)	(13.6)	2.5
Income (loss) from continuing operations(10)	$ (24.8)	$ 20.6	$ 42.6	$ 99.2	$ 54.0	$ 26.3	$ (1.2)
Income (loss) from continuing operations per common share basic and diluted	$ (0.06)	$ 0.05	$ 0.11	$ 0.24	$ 0.13	$ 0.07	$ —
Weighted average number of common shares outstanding — basic	392.2	403.0	407.0	407.0	409.6	407.0	415.8
diluted	392.2	403.0	407.0	407.0	409.6	407.0	416.0
Consolidated Cash Flow Information:							
Cash flows provided by (used in) operating activities	$ 81.2	$ 103.7	$ 39.4	$ 146.3	$ 94.6	$ 30.8	$ (38.2)
Cash flows provided by (used in) investing activities	123.4	(50.6)	(141.9)	5.8	(162.9)	(32.7)	(21.6)
Cash flows provided by (used in) financing activities	11.2	(54.6)	(177.2)	(49.0)	1.3	(19.0)	(3.8)

	Fiscal Years Ended March 31,					Three Months Ended June 30,	
	1997	1998	1999	2000	2001	2000	2001
	(in millions, except volume, unit and per share data)						
Other Data:							
Depreciation and amortization(11)	$ 24.8	$ 28.2	$ 30.8	$ 37.6	$ 35.9	$ 8.8	$ 9.8
Adjusted EBITDA(12)	75.3	109.3	110.1	216.0	126.5	51.1	12.6
Capital expenditures(11)	156.3	129.4	106.2	80.5	120.0	32.4	26.2
Research and development(5)	14.9	17.9	15.7	18.4	14.6	3.2	3.8
Volume (million square feet) (13)							
U.S. Fiber Cement	317.0	416.1	586.2	724.9	852.3	216.5	244.0
Asia Pacific Fiber Cement(2)	318.4	330.1	314.0	333.8	318.9	91.3	74.7
Gypsum	842.1	1,529.1	1,864.5	2,181.3	2,225.3	572.8	545.6
Average sales price per unit (in local currency, per thousand square feet)							
U.S. Fiber Cement	$ 469	$ 435	$ 419	$ 428	$ 438	$ 429	$ 456
Asia Pacific Fiber Cement(2)	A$ 954	A$ 862	A$ 836	A$ 879	A$ 852	A$ 879	A$ 852
Gypsum(14)	$ 93	$ 102	$ 112	$ 138	$ 97	$ 123	$ 64
Consolidated Balance Sheet Data:							
Net current assets	$ 395.3	$ 354.8	$ 95.1	$ 180.3	$ 84.9	$ 167.4	$ 59.2
Total assets	1,414.1	1,157.9	838.6	957.3	960.7	934.4	961.0
Long-term debt	470.2	496.3	366.4	346.5	357.3	341.7	361.8
Long-term related party borrowings	202.8	—	—	—	—	—	—
Shareholders' equity	251.7	191.2	161.8	244.7	281.1	241.8	254.0

(1) During fiscal year 1997, a third production line was commissioned at Plant City, Florida, a new fiber cement plant was constructed and the first line commissioned in Cleburne, Texas, and the capacity of our Fontana, California fiber cement plant was expanded. During fiscal year 1999, a new fiber cement plant was commissioned in Tacoma, Washington, and a new low density trim line was commissioned in Cleburne, Texas. During fiscal year 2001, capacity was expanded at our fiber cement plants in Cleburne, Texas and Tacoma, Washington, a new fiber cement plan was commissioned in Peru, Illinois, and the first line at our fiber cement plant in Waxahachie, Texas became operational.

(2) Asia Pacific Fiber Cement includes all fiber cement manufactured in Australia, New Zealand and the Philippines and sold in Australia, New Zealand and Asia.

(3) Includes fiber cement manufactured in Chile, sales of fiber reinforced cement pipes in the United States and general corporate income, which is comprised primarily of rental income from sub-leasing office space in Sydney, Australia. In March 2001, we commenced production at our newly-constructed fiber reinforced cement pipe plant in Plant City, Florida and the plant is currently in ramp up.

(4) Our Nashville, Arkansas gypsum plant was acquired in fiscal year 1997. Our Las Vegas, Nevada gypsum plant and Seattle, Washington gypsum plant were expanded in fiscal year 1998. Our Nashville, Arkansas gypsum plant was expanded in fiscal year 2000.

(5) Includes research and development expenses for continuing businesses only.

(6) Includes (i) for fiscal year 1997, asset write-downs, environmental costs and employee termination costs of $17.8 million associated with the restructuring and upgrade of the fiber cement business in Australia, (ii) for fiscal year 1998, $5.1 million of employee termination costs associated with the restructuring and upgrading of the fiber cement business in Australia, (iii) for fiscal year 1999, $3.5 million of employee termination costs associated with the restructuring and upgrading of the fiber cement business in Australia, $8.3 million of employee termination costs and surplus lease space reserves associated with the restructuring of the corporate office in Australia, and $14.8 million associated with the corporate reorganization, (iv) for fiscal year 2000, $4.1 million of employee termination costs associated with the restructuring and upgrading of the fiber cement business in Australia, (v) for fiscal year 2001, asset write-downs, lease termination charges and employee termination costs of $15.5 million primarily associated with the restructuring of our fiber cement business in Australia and the creation of the new

Asia Pacific regional structure, and (vi) for the three months ended June 30, 2001, $1.2 million for the decrease in the fair value of the derivative pulp contract.

(7) Represents equity interest earned on the investment in RCI Corporation which was sold in fiscal year 1998.

(8) Consists primarily of losses of $14.7 million and $12.2 million in fiscal years 1997 and 1998, respectively, incurred by JHIL under a transaction entered into with Firmandale Investments Limited ("Firmandale"), dividend and investment income of $7.9 million offset by write-down of investments of $2.5 million in fiscal year 1999, investment expenses of $1.6 million in fiscal year 2000, investment income of $1.6 million in fiscal year 2001, and investment expenses of $1.2 million in the three months ended June 30, 2001.

(9) Income tax expense is the historical amount applicable to James Hardie Industries Limited and its subsidiaries prior to the restructuring.

(10) Constitutes net income (loss) before income (loss) from discontinued operations and gains (losses) on the disposal of discontinued operations.

(11) Information for depreciation and amortization and capital expenditures is for continuing businesses only.

(12) Represents earnings from continuing operations before interest income, interest expense, income taxes, other nonoperating expenses, net, depreciation and amortization charges, and certain other property, goodwill and equipment impairment charges as follows:

	Fiscal Years Ended March 31,					Three Months Ended June 30,	
("Adjusted EBITDA")	**1997**	**1998**	**1999**	**2000**	**2001**	**2000**	**2001**
	(in millions)						
Income (loss) from continuing operations	$(24.8)	$ 20.6	$ 42.6	$ 99.2	$ 54.0	$26.3	$(1.2)
Income tax expense	27.2	32.9	26.6	57.1	17.5	13.6	(2.5)
Interest expense	39.6	37.6	30.0	25.9	21.4	5.5	5.9
Interest expense — related party	16.9	11.3	—	—	—	—	—
Interest income	(27.6)	(27.2)	(14.5)	(5.4)	(8.2)	(2.4)	(0.6)
Equity income — RCI	(9.2)	(6.2)	—	—	—	—	—
Other income (expense), net	14.6	12.1	(5.4)	1.6	(1.6)	(0.7)	1.2
Depreciation and amortization	24.8	28.2	30.8	37.6	35.9	8.8	9.8
Impairment of property, plant and equipment	2.4	—	—	—	7.5	—	—
Obsolete equipment write-down	11.4	—	—	—	—	—	—
Adjusted EBITDA	$ 75.3	$109.3	$110.1	$216.0	$126.5	$51.1	$12.6

Adjusted EBITDA is not a measure of financial performance under U.S. GAAP and should not be considered an alternative to, or more meaningful than, income from operations, net income or cash flows as defined by U.S. GAAP or as a measure of our profitability or liquidity. All registrants do not calculate Adjusted EBITDA in the same manner and, accordingly, Adjusted EBITDA may not be comparable with other registrants. We have included information concerning Adjusted EBITDA because we believe that this data is commonly used by investors to evaluate the ability of a company's earnings from its core business operations to satisfy its debt, capital expenditure and working capital requirements. To permit evaluation of this data on a consistent basis from period to period, EBITDA has been adjusted for noncash charges such as goodwill and asset impairment charges, as well as nonoperating income and expense items. See our consolidated financial statements and "Operating and Financial Review and Prospects" for further information to assist in identifying and evaluating trends in Adjusted EBITDA.

(13) Fiber cement volume is measured in 5/16" standard feet and gypsum volume is measured in surface feet.

(14) Gypsum average sales price per unit is net of freight, discounts and rebates.

Capitalization and Indebtedness

The following table sets forth JHIL's consolidated capitalization at August 31, 2001 on an actual basis. You should read this table in conjunction with JHIL's financial statements and related notes included in Item 18 of this registration statement.

	August 31, 2001
	(in millions)
Cash and cash equivalents	$ 79.6
Debt — Unsecured(1)	
U.S. dollar 364 day standby facility	64.1
Australian dollar revolving loan facility	106.8
U.S. dollar notes	225.0
Total debt	395.9
Stockholders' equity	
Equity	414.2
Accumulated other comprehensive loss	(57.2)
Total stockholders' equity	357.0
Total capitalization	$752.9

On August 1, 2001, JHIL raised approximately A$197 million ($99 million) through the issuance of 35 million fully paid ordinary shares by means of an underwritten share placement.

(1) See "Operating and Financial Review and Prospects — Liquidity and Capital Resources" in Item 5 for more information about JHIL's indebtedness.

Risk Factors

Substantial and increasing competition in the building products industry could adversely affect our business.

Competition in the building products industry is based largely on price and, to a lesser extent, quality and service. Our fiber cement products compete with products manufactured from natural and engineered wood, vinyl, stucco, masonry, gypsum and other materials as well as other manufacturers' fiber cement products. Some of our competitors may have greater financial and other resources than we do and, among other factors, may be less affected by reductions in margins resulting from price competition.

Some of our competitors have lowered prices of their products to compete for sales. In addition, we expect our competitors to continue to expand their manufacturing capacities, to improve the design and performance of their products and to introduce new products with competitive price and performance characteristics. Increased competition by existing or future competitors could adversely impact fiber cement prices, as well as require us to increase our investment in product development, productivity improvements and customer service and support in order to compete in our markets. Any of these increases could have a negative impact on our business, results of operations and financial condition.

Fiber cement prices in the United States, Australia and New Zealand have fluctuated for a number of years due to the entry into the market of new producers and competition from alternative products, among other reasons, and these prices could continue to fluctuate in the future. Because of the maturity of the Australian and New Zealand markets, we believe that prices in those markets may decline and that sales volumes may not increase significantly or may decline in the future. Historically, increased sales volumes of our U.S. fiber cement products, the addition of proprietary products to our product mix and improved operating efficiencies have more than offset the decrease in pricing for such products in the United States. However, there may be future price decreases and we may not be able to offset such decreases with increased volume, new products or improved operating efficiencies. For instance, unanticipated technical problems could impair our efforts to commission new equipment aimed at improving operating efficiencies.

Changes in the gypsum industry, such as increases in capacity and price cuts, are generally beyond our control and may adversely affect our gypsum business, sales and our overall results of operations.

Our prices are often subject to material changes in response to economic and other external market conditions, such as the recent downturn in the price for gypsum wallboard due to industry over-capacity, any of which could adversely affect our results of operations.

In addition to being subject to pressure from competitors, prices for building products are often subject to material changes in response to relatively minor fluctuations in supply and demand, general economic conditions, less favorable exchange rates and other market conditions beyond our control. For example, the U.S. gypsum wallboard market is dominated by three large producers which together account for approximately 70% of industry sales and is subject to price volatility due to construction cycles and expanding capacity in the industry. Although gypsum wallboard prices increased significantly in recent years, prices have decreased approximately 45% in the past year, due primarily to the over-capacity that occurred when several of our competitors added additional gypsum wallboard capacity. The additional capacity has not been significantly offset by plant closures or reduced operating hours at manufacturing facilities within the industry. In addition, the recent low prices for gypsum products and increased production costs associated with increases in the price of energy experienced over the last year may continue or worsen through our 2002 fiscal year and possibly beyond. As a result, continued low prices or further deterioration in the market price for gypsum products, either alone or in combination with increases in production costs, could adversely affect our gypsum business, sales and our overall results of operations and financial condition.

Gypsum prices have historically been volatile, responding to the overall economic cycle as well as industry supply and demand dynamics. As we have a relatively small share of the North American gypsum wallboard market, we are unable to impact industry price levels significantly and must price our gypsum products at prevailing market prices. Although our strategy is to mitigate declines in gypsum wallboard prices through lowered costs and increased volumes, we may not be able to achieve these objectives, and future declines in the prices or demand for our products as a result of competition, over-capacity or other factors may have a material adverse effect on our business, results of operations and financial condition.

Our business is dependent on the residential and commercial construction markets.

Demand for our products depends in large part on residential construction markets and, to a lesser extent, on commercial construction markets. The level of activity in residential construction markets depends on new housing starts and residential remodeling projects, which are a function of many factors not within our control, including general economic conditions, mortgage and other interest rates, inflation, unemployment, demographic trends, gross domestic product growth and consumer confidence in each of the countries and regions in which we operate. Historically, in periods of economic decline, both new housing starts and residential remodeling also decline. The level of activity in the commercial construction market depends largely on vacancy rates and general economic conditions. Because residential and commercial construction markets are sensitive to cyclical changes in the economy, downturns in the economy or a lack of substantial improvement in the economy of any of our geographic markets could negatively affect operating results. Because of these and other factors, our operating results may be subject to substantial fluctuations and the results for any prior period may not be indicative of results for any future period.

The most recently available statistical data show that:

- Australia's housing starts declined 39% in the March 2001 quarter from the same quarter in 2000;
- New Zealand's housing permits dropped 13% in the year ended August 2001, compared to the prior year ended August 2000;
- U.S. housing starts in August 2001 were at a seasonally adjusted annual rate of 1,527,000, 2.6% below the 1,568,000 housing starts in calendar year 2000.

This recent downturn has negatively impacted our financial results and may continue to do so in the future. In addition, our financial results have been adversely affected by the recent decrease in prices for gypsum wallboard products experienced over the last year, which we believe may continue through our 2002 fiscal year and possibly beyond. Our operating profit decreased by $39.5 million from $42.3 million for the first quarter of fiscal year 2001 to $2.8 million for the first quarter of fiscal year 2002. We had a net operating cash outflow of $38.2 million in the first quarter of fiscal year 2002, compared to an inflow of $30.8 million in the first quarter of fiscal year 2001.

We may incur significant costs in the future to comply with applicable environmental and health and safety laws and regulations, and if we fail to comply with these laws and regulations, or these laws or regulations change, we may be subject to significant damages or penalties.

We are subject to U.S. federal, state and local and foreign environmental and health and safety laws and regulations governing, among other matters, our operations and the use, handling, disposal and remediation of hazardous substances currently or formerly used by us or any of our affiliates. Under certain environmental laws including but not limited to:

- the Resource Conservation and Recovery Act;
- the Comprehensive Environmental Response, Compensation and Liability Act;
- the Clean Air Act and the Clean Air Amendments of 1990;
- the Occupational Safety and Health Act;
- the Emergency Planning and Community Right to Know Act;
- the Clean Water Act;
- the Safe Drinking Water Act;
- the Surface Mining Control and Reclamation Act; and
- the Toxic Substances Control Act,

as well as relevant state and foreign analogs for the above-referenced U.S. federal statutes, we may be held jointly and severally responsible for the remediation of any hazardous substance contamination at our or our predecessors' past or present facilities and at third-party waste disposal sites and may also be held liable for any consequences arising out of human exposure to such substances or other environmental damage. The costs of complying with environmental and health and safety laws relating to our operations, or the liabilities arising from past or future releases of, or exposure to, hazardous substances or from product liability matters may result in us making future expenditures that could have a material adverse effect on our business, results of operations or financial condition. In addition, we cannot make any assurances that the laws currently in place will not change. Also, if applicable laws or judicial interpretations related to successor liability or piercing the corporate veil were to change, it could have a material adverse effect on our business, results of operations and financial condition. See "Information on the Company — Legal Proceedings" in Item 4.

We may acquire or divest businesses from time to time, and this may adversely affect our operating results and financial condition as well as significantly change the nature of the company in which you have invested.

In the past we have divested business segments and, from time to time in the future, we may acquire other businesses or sell some or all of our assets or business segments. Any such significant acquisition or sale may adversely affect our operating results and financial condition and could change the overall profile of our business. As a result, the value of your investment may decrease in response to any such acquisition or sale and, upon any such acquisition or sale, our shares may represent an investment in a company with significantly different assets and prospects from the company when you made your initial investment in us. We are currently in the process of divesting our windows business and are engaged in discussions with third parties regarding the possible sale of our gypsum assets. In addition, we recently entered into an agreement to dispose of our Las Vegas gypsum facility. See "Information on the Company — Recent Developments" in Item 4.

If our research and development efforts fail to generate new, innovative products, our overall profit margins may decrease and demand for our products may fall, which would have an adverse affect on our results of operations and financial condition.

We have invested significantly in research and development because we believe that such efforts are key to sustaining and growing our existing market leadership position in fiber cement. Because profit margins for fiber cement products and building products generally erode the longer a product has been on the market, innovation is particularly important. We rely on our research and development efforts to generate new products to increase demand and to protect profit margins. If our research and development efforts fail to generate new, innovative products, our overall profit margins may decrease and demand for our products may fall, which would have an adverse affect on our results of operations and financial condition.

Because demand for our products in our major markets is seasonal, our quarterly results of operations may vary throughout the year.

A large proportion of our U.S. fiber cement products is sold in three regions: the Southeast, the Southcentral and the Pacific Northwest. We also sell gypsum wallboard principally in regional markets, although we have the ability to ship wallboard by rail throughout most of the United States. Demand for building products in these regions is seasonal because construction activity diminishes during the winter season. In Australia, New Zealand and the Philippines, demand for building products is also seasonal because, in Australia and New Zealand, construction activity diminishes during the summer period of December to February, and in the Philippines, construction activity diminishes during the wet season from June to September. We are expanding our fiber cement business into other national markets, including Chile where we recently commenced production of fiber cement products; however, these markets may also experience seasonal construction activity.

Because demand for our products in our major geographic markets is cyclical, our results of operations may be adversely affected during a cyclical downturn.

Regional and local building products markets in the United States are highly cyclical and correspond to regional and local construction cycles. While the impact of regional or local downturns may be mitigated to some degree by our geographic diversification, our profitability may be significantly affected by such construction cycles. The building product markets in Australia, New Zealand, the Philippines and Chile are also cyclical and subject to regional and local economic cycles. Our other Asian markets depend significantly on major housing projects, which in turn depend heavily on general economic conditions.

We may experience adverse fluctuations in the supply and cost of raw materials necessary to our business and a significant reduction or cessation of shipments from an important supplier such as Caopas could adversely affect our business if we are unable to secure alternative supplies within a short time on reasonable terms.

Our fiber cement and gypsum wallboard businesses periodically experience fluctuations in the supply and costs of raw materials. The loss or deterioration of our relationship with a major supplier, an increase in demand by third parties for a particular supplier's products or materials or delays in obtaining materials could have a material adverse effect on our business, results of operations and financial condition.

Fiber Cement. Cellulose fiber, silica, cement and water are the principal raw materials utilized in the production of fiber cement. Cellulose fiber has been subject to fluctuating prices. Although we presently have hedged 5,000 metric tons of cellulose fiber per month until August 31, 2005 which represents approximately 50% of our requirements based on current production levels, we cannot guarantee that this hedging will adequately insulate us from fluctuations in cellulose fiber prices or that this hedging will not result in unfavorable prices when compared to the spot market. Although we have not experienced any shortages of raw materials that have materially affected our operations in the past, price fluctuations or material delays may occur in the future due to lack of raw materials or suppliers. Other than our Seattle and Fontana fiber cement manufacturing facilities, where silica is provided from sources which we own or with which we have long-term lease agreements, our silica and cement supplier relationships for our remaining facilities are typically non-exclusive and are generally terminable by either party on short notice.

Gypsum. Gypsum rock and gypsum paperboard are the principal raw materials used in the production of gypsum wallboard. Although our other gypsum wallboard manufacturing facilities have access to long term reserves of gypsum rock, the current sole source of gypsum rock for our Seattle, Washington gypsum wallboard manufacturing facility is a gypsum mine located in Santa Rosalia, Mexico. The mine and related real and personal property are owned by Compania Minera Caopas S.A. de C.V. and several of its affiliates (collectively, "Caopas"). Caopas is currently operating under a form of Mexican bankruptcy protection. In addition, we have not been able to verify the status of certain licenses or permits issued by agencies of the Mexican government that are necessary for the operation of the mine. Therefore, we cannot assure you that shipments from the Caopas mine will continue at our required levels, or at all. Because our Seattle facility is capable of only storing approximately a 35-day supply of gypsum rock, any significant interruption of the supply of gypsum rock would require us to shut down operations at the Seattle facility until an alternative supply of gypsum rock could be located. There are limited alternative supplies of gypsum rock available to the northwestern part of the United States and there can be no assurance that we would be able to obtain the necessary supply of gypsum rock in sufficient time and on reasonable terms. As a result, a significant reduction or cessation of shipments from the Caopas mine and an inability to secure an alternative source of supply on reasonable terms would have a material adverse effect on our business, results of operations and financial condition.

We currently obtain our paper requirements under a long term contract from the Republic Group, Inc. and its wholly owned subsidiary, Republic Paperboard Company. If we fail to obtain necessary paper supply on reasonable terms in the future, or incur prolonged delivery or quality problems, either from Republic or an alternate supplier, we would incur higher costs that would have a material adverse effect on our business, results of operations and financial condition.

Demand for our products is subject to changes in consumer preference.

The continued development of builder and consumer preference for our fiber cement products over competitive products is critical to sustaining and expanding demand for our products. Therefore, the failure to maintain and increase builder and consumer acceptance of our fiber cement products would have a material adverse effect on our growth strategy as well as our business, results of operations and financial condition.

We rely on only a few distributors to distribute our fiber cement and gypsum products and the loss of any distributor could adversely affect our business.

Our top two U.S. distributors and our top nine U.S. distributors for our fiber cement products accounted for approximately 67% and 86%, respectively, of our total U.S. fiber cement sales in fiscal year 2001. Our top four distributors in Australia and New Zealand accounted for approximately 43% and 81% of our total sales of fiber cement in Australia and New Zealand, respectively, in fiscal year 2001. Our top 10 customers and exporters accounted for 56% of our total Philippines sales in fiscal year 2001. The distribution channels for our gypsum wallboard products are also concentrated, with the top 10 distributors accounting for approximately 52% of our total gypsum sales during fiscal year 2001. We generally do not have long-term contracts with our large distributors. Accordingly, if we were to lose one or more of these distributors because our competitors were able to offer distributors more favorable pricing terms or otherwise, we may not be able to replace such distributors on reasonable terms and in a timely manner. The loss of one or more distributors could have a material adverse effect on our business, results of operations and financial condition.

If one or more of our fiber cement products fail to perform as expected or contain a design defect, this failure or defect and any resulting negative publicity could result in lower sales and may subject us to claims from purchasers or users of our fiber cement products, either of which could have a material adverse effect on our business, results of operations and financial condition.

Because our fiber cement products have been used only since the early 1980s, we cannot assure you that these products will perform in accordance with our expectations over an extended period of time or that there are no serious design defects in such products. If our fiber cement technology fails to perform as expected or a product is discovered to have design defects, such failure or defects and any resulting negative publicity could result in lower sales of these products and may subject us to claims from purchasers or users of these products, either of which could have a material adverse effect on our business, results of operations and financial condition.

For example, in 1995 we withdrew one of our roofing products from certain regional markets in the United States due to our and our customers' dissatisfaction with that roofing product's performance in those regions and we have continued to incur expenses associated with claims by purchasers of those products. Future expenses related to product claims generally are difficult to predict and may increase or decrease in the future depending on a number of factors.

Furthermore, from time to time certain of our current subsidiaries have been named as a party to litigation regarding asbestos-containing products and may be subject to similar claims in the future. Certain of our former subsidiaries have and will continue to be a party to such litigation. While there can be no assurance regarding the outcome of any future litigation, we currently do not believe that asbestos-related litigation will have a material adverse effect on our business, results of operations and financial condition based upon current law applicable to these claims. See the risk factor entitled "Disputes over intellectual property or product defects in our industry may cause us to become involved in costly and lengthy litigation which could subject us to liability, require us to stop selling products or force us to redesign our products" and Item 4 "Information on the Company — Legal Proceedings."

Warranty claims resulting from unforeseen defects in our products and exceeding our warranty reserves could have a material adverse effect on our business, results of operations and financial condition.

We have offered and continue to offer various warranties on our products, including a 50-year limited warranty on certain of our fiber cement siding products in the United States. Although we maintain reserves for warranty-related claims and legal proceedings that we believe to be adequate, we cannot assure you that warranty expense levels or the results of any warranty-related legal proceedings will not exceed our reserves. Warranty claims resulting from unforeseen defects and exceeding our warranty reserves could have a material adverse effect on our business, results of operations and financial condition.

If damages for product defects exceed our insurance coverage, paying these damages could result in a material adverse effect on our business, results of operations and financial condition.

The actual or alleged existence of defects in any of our products could subject us to significant product liability claims. Although we do not have replacement coverage for damages to or defects in our products, we do have product liability insurance coverage for consequential damages that may arise from our products. Although we believe this coverage to be adequate and intend to maintain insurance coverage in the future, we cannot assure you that this coverage will be sufficient to cover all future product liability claims or that insurance coverage will be available at reasonable rates in the future. The successful assertion of one or more claims against us that exceed our insurance coverage could require us to incur significant expenses to pay these damages. These additional expenses could have a material adverse effect on our business, results of operations and financial condition.

Changes in, or failure to comply with, the laws, regulations, policies or conditions of any jurisdiction in which we conduct our business could result in, among other consequences, the loss of our assets in such jurisdiction, the elimination of certain rights that are critical to the operation of our business in such jurisdiction, the imposition of additional taxes or other costs or a decrease in revenues, any of which could have a material adverse effect on our business, results of operations and financial condition.

Although we primarily operate in the United States with approximately 77% of our net sales for fiscal year 2001 attributable to product sales within the United States, a significant portion of our business is still conducted outside of the United States. Because we manufacture and sell our products internationally, our activities are subject to political, economic, legal and other uncertainties including:

- changing political and economic conditions;
- changing laws and policies affecting trade, investment and taxation;
- the general hazards associated with the assertion of sovereign rights over certain areas in which we conduct our business; and
- laws limiting or conditioning the right and ability of subsidiaries and joint ventures to pay dividends or remit earnings to affiliated companies.

Although we seek to take applicable laws, regulations and conditions into account in structuring our business on a global basis, changes in, or our failure to comply with, the laws, regulations, policies or conditions of any jurisdiction in which we conduct our business could result in, among other consequences, the loss of our assets in such jurisdiction, the elimination of certain rights that are critical to the operation of our business in such jurisdiction, the imposition of additional taxes or other costs or a decrease in revenues. Therefore, any change in laws, regulations, policies or conditions of a jurisdiction could have a material adverse effect on our business, results of operations and financial condition.

Disputes over intellectual property or product defects in our industry may cause us to become involved in costly and lengthy litigation which could subject us to liability, require us to stop selling products or force us to redesign our products.

We are subject to litigation, from time to time, including claims relating to our products and their performance. We may become a party to litigation in the future either to protect our intellectual property or to defend against claims involving alleged product defects. These lawsuits could subject us to significant claims and, if not resolved in our favor, liability for damages. These lawsuits, regardless of their outcomes, would likely be time-consuming and expensive to resolve and would divert management's time and attention. Any potential litigation also could force us to take actions that would affect our results of operations or financial condition, including forcing us to do any of the following:

- stop selling the defective products;
- pay damages to third parties claiming damages; or
- attempt to redesign those products containing the defect.

See the risk factor entitled "If one or more of our fiber cement products fail to perform as expected or contain a design defect, this failure or defect and any resulting negative publicity could result in lower sales and may subject us to claims from purchasers or users of our fiber cement products, either of which could have a material adverse effect on our business, results of operations and financial condition."

Because we have significant operations outside of the United States and report our earnings in U.S. dollars, unfavorable fluctuations in currency values and exchange rates could have a significant negative impact on our earnings.

Because our functional currency is the U.S. dollar, our non-U.S. operations face the additional risk of fluctuating currency values and exchange rates. Such operations may also face hard currency shortages and controls on currency exchange. Approximately 33% and 23% of our net sales in fiscal years 2000 and 2001, respectively, were derived from sales outside the United States. Consequently, changes in the value of foreign currencies (principally Australian dollars, New Zealand dollars and Philippine pesos) could significantly affect our business, results of operations and financial condition. We generally attempt to mitigate foreign exchange risk by (1) entering where possible into contracts providing for payment in U.S. dollars instead of the local currency and (2) having non-U.S. operations borrow in local currencies, with the exception of the Philippines. Although we did not have any existing interest rate swaps or forward exchange contracts as of March 31, 2001, we may enter into such financial instruments from time to time to manage our market risks. There can be no assurance that we will be successful in these mitigation strategies, or that fluctuations in foreign currencies and other foreign exchange risks will not have a material adverse effect on our business, financial condition and results of operations.

Because there has never been an active public market in the United States for our securities, there is an increased possibility of volatility in our stock price.

JHIL, which will become JHI NV's subsidiary and predecessor parent company upon completion of the restructuring, is expected to continue to be listed on the Australian Stock Exchange and have its ADSs continue to trade in the over-the-counter market in the United States until the implementation of the scheme of arrangement. See "Information on the Company — History and Development of the Company — Restructuring" under Item 4. Our ADSs that are being registered pursuant to this registration statement are expected to be listed on the New York Stock Exchange. See "Listing Details — Trading Markets" under Item 9. Prior to this registration statement, there has been no active public market for our ADSs and, prior to the restructuring, there was no public market for the equity securities underlying our ADSs in the United States. There can be no assurance that an active public market for our ADSs will develop or, if such market develops, that it will continue. The stock market in general and the stock prices of newly listed companies in particular have experienced extreme price fluctuations, sometimes without regard to the operating performance of the particular companies. Factors such as quarterly variations in actual or anticipated operating results, changes in or failure to meet earnings estimates by analysts, market conditions in the industry, regulatory actions and general political and economic conditions may have a significant effect on the market price of our ADSs.

Holders of ADRs may be restricted in their ability to exercise voting rights.

As a holder of American Depositary Receipts ("ADRs"), you generally will have the right under the deposit agreement to instruct the depositary to exercise voting rights for the CUFS represented by your ADSs. At our request, the depositary will mail to you any notice of any shareholders' meeting it receives from us together with information explaining how to instruct the depositary to exercise the voting rights of the securities represented by ADSs. If the depositary receives voting instructions for a holder of ADRs on a timely basis, it will endeavor to vote the securities representing the holder's ADRs in accordance with those voting instructions. The ability of the depositary to carry out voting instructions, however, may be limited by practical and legal limitations, such as time zone differences and logistical problems, and the terms of the securities on deposit. We cannot assure that you will receive voting materials in sufficient time to enable you to return voting instructions to the depositary in a timely manner. For additional information regarding the voting rights of holders of equity shares, see "Description of Securities Other Than Equity Securities — Voting Rights" at Item 12.

Our articles of association and Dutch law contain provisions that could delay or prevent a change of control that may be beneficial to you.

Our articles of association contain several provisions that could have the effect of delaying or preventing a change of control of our ownership. Broadly, our articles of association prohibit the holding of shares of our common stock if, because of an acquisition of a relevant interest (including interests held in the form of shares of our common stock, CUFS or ADSs) in such shares, a party's relevant interest in our common stock or voting rights in us increases from 20% or below to over 20% or from a starting point that is above 20% and below 90%. However, this prohibition is subject to exceptions, including acquisitions that result from acceptance under a takeover bid as described in our articles of association. Although these provisions in our articles of association may help to ensure that no person acquires voting control of us without making an offer to all shareholders, these provisions may also have the effect of delaying or preventing a change of control that might otherwise be in your best interest. See "Additional Information — Share Capital — Description of Share Capital and Other Key Provisions of our Articles of Association — Limitations on Right to Hold or Vote Shares of Common Stock" under Item 10.

Our articles of association and Dutch laws may limit your right to recourse against our directors.

Our corporate affairs are governed by our articles of association and Dutch law. Under our articles of association, the adoption of our annual accounts by our shareholders as a group discharges the members of our Joint Board, Supervisory Board and Managing Board from liability in respect of the exercise of their duties during the fiscal year concerned, unless an explicit reservation, or *"voorbehoud,"* is made by the shareholders and subject to certain exceptions provided under Dutch law including exceptions relating to the liability of directors upon bankruptcy or insolvency of a company and general principles of reasonableness and fairness. To date, no *voorbehoud* has been granted by our shareholders and any future *voorbehoud* may be made only with respect to specific acts of the Supervisory, Joint or Managing Board and may be made only at general meetings of shareholders at which a discharge is granted. Under Dutch law, this discharge does not extend to matters not disclosed in or apparent from our annual accounts or not otherwise disclosed to our shareholders as a group. See "Additional Information — Other Key Provisions of our Articles of Association" under Item 10.

Because we are incorporated under Dutch laws, you may not be able effectively to seek legal recourse against us or our management in the United States and may have further difficulty enforcing any U.S. judgments or rulings in a foreign jurisdiction.

We are incorporated under the laws of The Netherlands. In addition, certain of our directors and executive officers and certain experts named herein are residents of jurisdictions outside the United States and a substantial portion of our assets are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon such persons, or to enforce outside the United States judgments obtained against such persons in U.S. courts, or to enforce in U.S. courts any judgments obtained against such persons in courts located in jurisdictions outside the United States, including actions predicated upon the civil liability provisions of the U.S. securities laws. In addition, it may be difficult for you to enforce, in original actions brought in courts located in jurisdictions outside the United States, rights predicated upon the U.S. securities laws.

The rights of shareholders and the responsibilities of directors under the laws of The Netherlands may not be as clearly established as under statutes or judicial precedent in existence in certain U.S. jurisdictions. Therefore, our shareholders may have more difficulty in protecting their interests in the face of actions by our directors or controlling shareholders than they would otherwise as shareholders of a corporation incorporated in the United States.

Our shareholders, as a group, have delegated their authority to issue our shares, to grant options and to exclude or limit preemptive rights to our Joint Board, and the issuance of additional shares or the grant of additional options, either as approved by our shareholders or by our Joint Board, could dilute the value of your shares and adversely affect the price of our common stock.

As a Dutch public limited liability company, or a *"naamloze vennootschap,"* we are subject to certain requirements not generally applicable to corporations organized in U.S. jurisdictions. Among other matters, the authority to issue shares and to grant rights to subscribe for shares, such as options, is vested in the shareholders as a group, unless the shareholders have delegated this authority to another corporate body. Any such delegation is valid for a maximum period of 5 years, but may be renewed at any time prior to its expiration.

In addition, the issuance of shares of common stock is generally subject to *pro rata* shareholder preemptive rights, except to the extent that such preemptive rights have been excluded or limited. The authority to limit or exclude preemptive rights is vested in the shareholders as a group unless the shareholders have delegated this authority to another corporate body. Any such delegation is valid for a maximum period of 5 years, but may be renewed at any time prior to its expiration. In accordance with our articles of association, our shareholders do not have preemptive rights with respect to shares of common stock issued for consideration other than cash or shares of common stock or rights to subscribe for shares, such as options, issued to our employees or employees of our related companies.

The authority to issue shares (and to grant rights to subscribe for shares, such as options) up to the amount of our authorized share capital from time to time, and to limit or exclude preemptive rights, was delegated to our Joint Board for the period ending on August 15, 2006. We plan to ask our shareholders to delegate this authority to our Joint Board again before the expiration of this period. See "Other Key Provisions of our Articles of Association — Issuance of Shares; Preemptive Rights" under Item 10. Because these rights have been delegated to our Joint Board, our Joint Board could issue additional shares or grant additional options or other rights to subscribe for shares, which could dilute the value of your shares and adversely affect the price of our common stock. We expect that stock options will be issued in connection with our employee equity incentive plan and any such issuances may dilute your ownership interests represented by your shares. In addition, stock options covering 1,824,000 shares of our common stock will be granted under the Peter Donald Macdonald Share Option Plans. Stock options covering approximately 5,511,944 shares of our common stock will be granted under our 2001 Equity Incentive Plan on the implementation date of the scheme of arrangement in exchange for the termination of awards of JHIL shadow stock previously issued under the James Hardie Industries Limited Key Management Equity Incentive Plan. The grant and exercise of these and other awards under our equity incentive plans could further dilute share value.

In addition, if our Joint Board or our shareholders authorize the issuance of a large number of our equity securities, and such securities are sold in the open market, the trading price of our equity securities could decrease. We may pursue acquisitions of businesses and may issue equity securities in connection with these acquisitions, although we do not currently have specific acquisitions planned. We cannot predict the effect, if any, that future sales or issuances of our equity securities or the availability of such securities for future sale will have on our securities market price from time to time. Sales or issuances of substantial amounts of our equity securities, or the perception that such sales or issuances could occur, could adversely affect prevailing market prices for our equity securities.

If we experience labor disputes or interruptions, as we have from time to time in the past, our operations may be disrupted and our business, results of operations and financial condition may be adversely affected.

Approximately 60% of our employees in Australia and New Zealand and 10% of our employees in the United States are currently represented by labor unions. Our unionized employees are covered by two collective bargaining agreements in the United States and a range of federal and state-based agreements in Australia. Our two U.S. collective bargaining agreements were renewed in April 1999 and September 2000 and expire in January 2002 and August 2003, respectively. Our Australian agreements were renewed at various times in 1999 and 2000 and expire at various times beginning in late 2001. We cannot assure you that the agreements will be renewed on reasonable terms, or at all. Although we have not recently experienced any strikes or other work interruptions in the United States, we have, in the past three years, experienced occasional strikes and work interruptions lasting from one to five days in Australia. In the event we experience a prolonged labor dispute at any of our facilities, any strikes or work interruptions associated with such dispute could have a material adverse effect on our business, results of operations and financial condition.

We may be subject to potential liability because our current and former subsidiaries formerly manufactured products containing asbestos.

Prior to 1937, JHIL manufactured asbestos-containing products in Australia. A New Zealand subsidiary of JHIL also manufactured products containing asbestos in New Zealand prior to 1987. In addition, prior to 1987, two former JHIL subsidiaries, Amaca Pty Limited and Amaba Pty Limited, that are now owned and controlled by the Foundation manufactured products containing asbestos in Australia. As a result, it is possible that we may be subject to future lawsuits relating to these activities in these and other jurisdictions. We cannot predict with any certainty the claims or allegations that may be made, how the laws of various jurisdictions may be applied to the facts or how the laws may change in the future. If, however, a court of competent jurisdiction relying on applicable law were to find JHIL or our New Zealand subsidiary, or JHIL as the former parent of the former subsidiaries, liable for damages arising from the manufacture of asbestos-containing products, we may incur liabilities in connection with any damages that may be awarded in the legal proceedings, in addition to the costs associated with defending against such claims. See Item 4 "Information on the Company — Legal Proceedings."

We are unable to control some of the circumstances that will determine whether we will be able to benefit from the favorable tax treatment expected following the restructuring, and our failure to qualify for this tax treatment could result in lower profits.

Interest and dividend payments from our U.S. subsidiaries to JHI NV or our Dutch finance company will be subject to a 30% U.S. withholding tax unless the U.S.-Netherlands Income Tax Treaty (the "US-NL Treaty") applies. If the benefits of the US-NL Treaty are applicable, then dividend payments from our U.S. subsidiaries to those companies will be subject to 5% U.S. withholding tax, and interest payments from our U.S. subsidiaries to those companies will be exempt from such tax. The benefits of the US-NL Treaty are applicable in any taxable year only if, among other conditions of eligibility, the aggregate number of shares of our common stock traded on a recognized stock exchange (including both the Australian Stock Exchange and the New York Stock Exchange) during the previous taxable year was at least 6% of the average number of shares of common stock outstanding during that taxable year. Although we expect to achieve this trading volume for the fiscal year ending on March 31, 2002 and beyond and meet the other requirements for eligibility under the US-NL Treaty, the number of shares of common stock that is traded is beyond our direct control and therefore there can be no assurance in this regard.

In addition, our group of companies will concentrate its finance and treasury activities in The Netherlands. We have obtained a ruling from the Dutch Revenue authority allowing us to set aside a portion of our taxable profits arising from our finance activities in a Financial Risk Reserve ("FRR"). If the risks for which the reserve has been allowed (including currency risks, bad intercompany debts and foreign branch losses) do not materialize, a tax benefit may arise. Under the existing Dutch legislation the terms of the tax ruling apply for 10 years provided that the group continues to meet the requirements of the FRR regime.

The Netherlands is a member of the European Union (the "EU") and is consequently bound by its treaties that form the "constitution" of the EU. The European Commission (the "EC"), the executive arm of the EU, has recently informed a number of EU member states, including The Netherlands, that it will examine certain specified sections of the tax regimes currently in force in each of these member states to determine whether those arrangements qualify as "prohibited state aid" under the terms of the above European treaties. The EC has more recently informed eight member states that it will start the formal procedure to determine whether their tax regimes constitute prohibited state aid. The EC has informed the Dutch government in writing that it has come to the preliminary position that the FRR regime constitutes prohibited state aid, and it has invited the government of The Netherlands and other interested parties to comment on this preliminary position. In the event that the FRR regime were held to constitute prohibited state aid, the tax benefits, if any, could be cancelled retroactively, resulting in an obligation to refund those tax benefits with interest. The position of the Dutch government is that the FRR regime does not constitute prohibited state aid. If the Dutch government does not manage to persuade the EC, the dispute may ultimately have to be decided by the European Court of Justice.

As a separate development, the European member states are seeking to eliminate harmful tax competition within the EU. To that effect they have set up a working group that will likewise review the legislation of the member countries based on a Code of Conduct. The Code of Conduct represents a political commitment of the member countries to eliminate harmful tax competition. The conclusions of the working group may result in the amendment or abolishment of the FRR regime in the future, such that the effective lifetime of the above ruling may ultimately be applicable for a period of substantially less than 10 years. There have been various attempts of the EU Ministers of Finance and the EC to reach agreement on the practical implications of the Code of Conduct; however, no agreement has yet been reached. The position of the Dutch government in these discussions to date has been that the FRR regime does not constitute harmful tax competition under the terms of the EU Code of Conduct.

The prohibited state aid referred to above is technically a juridical process. The Code of Conduct issue, by contrast, is a political process. Although these are, strictly speaking, separate issues, there is likely to be interaction between the two.

If we are classified as a "passive foreign investment company" or a "foreign personal holding company," shareholders could be subject to increased tax liability as a consequence of their investment in our securities.

Shareholders could be subject to adverse U.S. federal income tax consequences if, contrary to our current expectations, we were to be classified as a "passive foreign investment company" or as a "foreign personal holding company" for U.S. federal income tax purposes. For information regarding these consequences, see Item 10 — "Additional Information — Taxation — United States Taxation." In addition, shareholders could be adversely affected by changes in the current tax laws, regulations and interpretations thereof in the United States and The Netherlands, including changes that could have retroactive effect.

JHIL may require us to make additional payments on the partly-paid JHIL shares issued to us, which could result in the diversion of funds that could otherwise have been used for operational or growth purposes or could require us to borrow or raise the necessary funds.

As part of the restructuring, JHI NV will subscribe for partly-paid JHIL shares and JHIL can require JHI NV to make additional payments on those shares at any time, for such amounts as the directors of JHIL believe are necessary to ensure that JHIL remains solvent, until the full issue price has been paid. To make such additional payments on these JHIL shares, we may be required to use funds that could otherwise have been used for our and our subsidiaries' operations or growth. In addition, we cannot be sure that we will have sufficient cash on hand to fund the additional payments on these shares and may need to borrow additional funds in order to satisfy our obligations to JHIL or we may have to raise additional funds through the issuance of capital stock, which would dilute the value of your share holdings. See Item 4 "Information on the Company — History and Development of the Company — Corporate Restructuring."

We rely on a continuous power supply to conduct our operations, and California's current energy shortages and interruptions could disrupt our operations and increase our expenses.

California is currently experiencing energy shortages that could significantly disrupt our operations and increase our expenses. In the event of an acute power shortage, California has on some occasions implemented, and may in the future continue to implement, rolling blackouts. Operations in California represent 10% of our current U.S. fiber cement flat sheet capacity. We currently do not have backup generators to maintain power and do not have alternate sources of power in the event of a blackout. In addition, our current insurance does not provide coverage for any damages that we or our customers may suffer as a result of any interruption in our power supply. If blackouts interrupt our power supply, we would be temporarily unable to continue operations at the affected facilities. Between August 2000 and August 2001, our fiber cement facility in Fontana, California, experienced approximately 36 power interruptions which resulted in its operations being off-line for approximately 135 hours. In addition, we have an agreement with the electricity provider to our Fontana facility that requires us to reduce our power consumption to zero at certain times to allow the provider to manage its power grid. Because we only partially reduced our power consumption at the requested times, we incurred an additional expense of approximately $200,000 during the same twelve-month period. Although we do not believe the Fontana power interruptions or excess usage charges had a material adverse effect on us, any future interruption in our ability to continue operations at our facilities could damage our reputation, harm our ability to retain existing customers and to obtain new customers, and result in lost revenue, any of which could have a material adverse effect on our business, results of operations and financial condition.

Forward-Looking Statements

This registration statement contains forward-looking statements. We may from time to time make forward-looking statements in our periodic reports filed with the Securities and Exchange Commission on Forms 20-F and 6-K, in our annual reports to shareholders, in offering circulars and prospectuses, in press releases and other written materials, and in oral statements made by our officers, directors or employees to analysts, institutional investors, representatives of the media and others. Examples of such forward-looking statements include:

- projections of our operating results or financial condition;
- statements of our plans, objectives or goals, including those relating to competition, acquisitions, dispositions, and our products;
- statements about our future economic performance or that of the United States, Australia or other countries in which we operate; and
- statements about product or environmental liabilities.

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, some of which are discussed under "Risk Factors" beginning on page 7, 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 success of our research and development efforts; 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; risks of conducting business internationally; foreign exchange risks and risks associated with the restructuring. 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 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.

Item 4 *Information on the Company*

History and Development of the Company

Our legal name was changed to James Hardie Industries N.V. from RCI Netherlands Holdings B.V. in July 2001 when our legal form was converted from a *"besloten vennootschap met beperkte aansprakelijkheid"* ("B.V."), or private limited liability company, to a *"naamloze vennootschap"* ("N.V."), or public limited liability company whose stock, unlike a private limited liability company, may be transferred without executing a notorial deed if such company is listed on a recognized stock exchange. We operate under Dutch law. Our corporate seat is located in Amsterdam, The Netherlands. The address of our registered office in The Netherlands is World Trade Center, Strawinskylaan 1725, 1077 JE Amsterdam. The telephone number there is 31 20 572 2300. Our agent in the United States is Peter Shafron, Esq., who is our General Counsel and Secretary. His office is located at 26300 La Alameda, Suite 100, Mission Viejo, California 92691.

Corporate Restructuring

We anticipate that in October 2001 we will have completed our corporate restructuring process that began in 1998. When our restructuring is completed, the predecessor parent company, JHIL, will continue to control our non-core assets and liabilities and will become a wholly-owned subsidiary of JHI NV. James

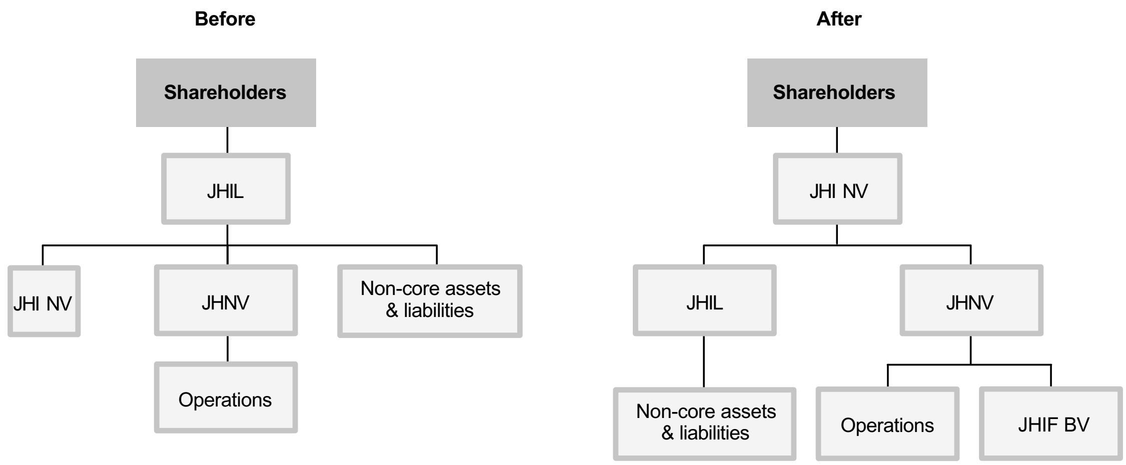
Hardie N.V. ("JHNV"), currently a wholly owned subsidiary of JHIL, will continue to hold our operations and will also become a wholly-owned subsidiary of JHI NV. Currently, JHIL is an Australian public corporation whose shares are traded on the Australian Stock Exchange. We began our restructuring in November 1998, primarily to address the structural imbalance and resulting operational, financial and commercial issues associated with the increasing significance and growth opportunities of our U.S. operations and the location of corporate management and our shareholder base in Australia. At that time, we successfully completed:

- the formation of JHNV;
- the transfer to subsidiaries of JHNV of all of our fiber cement businesses, our U.S. gypsum wallboard business, our Australian and New Zealand building systems business (which we have since sold, see "— Recent Developments") and our Australian windows business;
- a debt financing consisting of an issuance of notes to U.S. purchasers and the arrangement of an Australian credit facility, see Item 5 — "Operating and Financial Review and Prospects — Liquidity and Capital Resources"; and
- the relocation of most senior executives and managers to our U.S. operational headquarters.

The second stage of the restructuring, of which this registration forms a part and which we expect will be completed shortly after the effectiveness of this registration statement, is comprised of the following parts:

- the issuance to substantially all JHIL shareholders of shares of JHI NV common stock represented by CUFS (CHESS units of foreign securities) in exchange for their shares of JHIL common stock pursuant to an Australian scheme of arrangement. Under Australian law, this scheme of arrangement requires the approval of:
  - a majority in number of JHIL's shareholders who are present and voting at the scheme meeting (in person or by proxy) and 75% of the votes cast; and
  - the New South Wales Supreme Court;
- the transfer by JHIL of all of the outstanding shares of JHNV to JHI NV;
- a capital reduction and payment of a dividend by JHIL to its then sole shareholder JHI NV;
- the subscription by JHI NV for partly paid shares in JHIL, with respect to which JHIL may call upon JHI NV to pay any or all of the remainder of the issue price at any time, and from time to time, in the future for such amount as is necessary to ensure that JHIL remains solvent;
- the listing of the shares of JHI NV represented by CUFS on the Australian Stock Exchange and the listing of ADSs, representing CUFS which represent shares of JHI NV, on the New York Stock Exchange; and
- the establishment of a Dutch financing subsidiary, James Hardie International Finance B.V. ("JHIF BV").

As a result of the share exchange, JHIL shareholders will cease to hold any direct interest in JHIL and instead will become the holders of interests in JHI NV common shares, receiving substantially their same proportional ownership interests in us as they had in JHIL before exchanging their shares. Those JHIL shareholders and JHIL ADR holders of record resident outside the United States, Australia, New Zealand and the United Kingdom who held, in aggregate, approximately 0.06% of JHIL's outstanding shares as of August 13, 2001, will receive cash in lieu of our shares or, with respect to JHIL ADSs, in lieu of JHI NV ADSs, unless we become satisfied (without being obliged to conduct any investigations into the matters) that we can lawfully issue shares and ADSs to such holders under the laws and regulations of such jurisdictions. As a result of the exchange, JHIL will become our direct, wholly owned subsidiary. JHIL, which immediately prior to the restructuring was the parent of JHNV, has entered into a deed with JHI NV under which JHIL has agreed to enter into a sale contract to transfer the shares of JHNV, which directly or indirectly holds all of our business operations, to us, resulting in JHNV also becoming our direct, wholly owned subsidiary. This corporate restructuring is generally depicted in the following simplified diagrams:



The consolidated financial statements in Item 18 represent the financial position and results of operations of JHIL and its wholly owned subsidiaries prior to the reorganization.

Following the reorganization, JHI NV will control the same assets and liabilities as are currently controlled by JHIL, and will have substantially the same number of shares outstanding as JHIL has currently outstanding. Basic and diluted earnings per share of JHI NV and its wholly owned subsidiaries will not be materially different from those of JHIL and its wholly owned subsidiaries as disclosed in the consolidated financial statements included in Item 18.

The financial statements of JHI NV have not been provided since JHI NV will not be the new ultimate holding company for JHIL and JHNV until completion of the "2001 Reorganization," which is conditional on obtaining the approval from the New South Wales Supreme Court in Australia and JHIL shareholders, and also, since at this time, JHI NV has no operating assets or liabilities.

Purposes of the Restructuring

The purposes of the second stage of the restructuring are:

- to provide tax efficiencies which, if and when realized, should increase after-tax profits and, therefore, shareholder value;
- potentially to increase the shareholder base in the United States by providing a security that will be listed on the New York Stock Exchange;
- to provide access to U.S. equity markets to fund future growth opportunities and to provide flexibility to issue a U.S.-listed security in connection with any future acquisitions; and
- potentially to increase our international exposure by being listed on both the Australian Stock Exchange and the New York Stock Exchange.

The restructuring is intended to provide more favorable tax treatment for the James Hardie entities as a group and to increase overall returns to our shareholders. We generate a substantial portion of our revenues and profits from our U.S. operations. These operations are currently indirectly held by JHNV, a Dutch corporation. Before the restructuring, any after-tax profits distributed to the Australian parent entity, JHIL, from our U.S. operations would have first been subject to a withholding tax as profits were distributed from the U.S. operations to its Dutch parent entity, JHNV, then subject to an additional withholding tax before such profits were then distributed from JHNV up to its Australian parent entity, JHIL. The restructuring is expected to reduce the overall level of withholding taxes for profits distributed from our U.S. operations to JHI NV.

When our registration statement for our ADRs, representing the securities being registered hereby, is declared effective, we expect that our securities will be listed on the New York Stock Exchange as ADSs. By having our securities listed both on the Australian Stock Exchange and the New York Stock Exchange, we anticipate that we will enhance our international profile and diversify our shareholder base.

Recent Developments

Private Placement of JHIL Shares

On August 1, 2001, JHIL announced that it had raised approximately A$197 million ($99 million) in an underwritten private placement of 35 million shares of common stock at A$5.75 per share. JHIL used A$70 million of the proceeds to repay a loan from Amaca Pty Ltd (formerly JH & Coy Pty Ltd) and the remainder of the proceeds are expected to be used to expand and improve our fiber cement business.

Sale of Las Vegas Gypsum Mine

On June 28, 2001, we entered into an agreement to sell a gypsum mine in Las Vegas, Nevada, to a developer for approximately $50 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. If the sale is consummated, our Las Vegas gypsum plant expects to source its gypsum rock from our reserves purchased from Western Gypsum as well as from other alternative sources.

Possible Sale of Gypsum

On May 11, 2001, JHIL announced the engagement of JP Morgan to evaluate the possible sale of our gypsum assets. While we have had discussions with a number of potential purchasers, there can be no assurance that we will sell our gypsum assets on terms and conditions favorably acceptable to us or at all.

Creation of the Foundation

In February 2001, JHIL announced the creation of an independent Medical Research and Compensation Foundation (the "Foundation") with access over time to funding and income producing assets in excess of A$300 million. The purposes of this Foundation are to compensate sufferers of asbestos-related disease who have or may have claims against the two former JHIL subsidiaries responsible for the manufacture and sale of products containing asbestos products prior to 1987, when all such activities ceased, and to fund medical and scientific research into asbestos-related diseases. These two former subsidiaries, Amaca Pty Ltd and Amaba Pty Ltd (formerly Jsekarb Pty Ltd), are now owned and controlled by the Foundation.

Divestment of Windows

We are currently seeking to divest our windows business. While no sale agreement has been signed and there can be no assurance that we will be able to consummate the divestiture, we expect that our windows business will be fully divested during fiscal year 2002. During fiscal year 2001, the carrying value of our windows business was written down to its expected net realizable value. This resulted in a charge of $17.2 million during the first half of fiscal year 2001.

Purchase of Western Gypsum

We completed the purchase of assets of Western Gypsum, a gypsum mining operation based in Utah in December 2000. Approximately 8.7 million shares of JHIL common stock were issued as consideration for the purchase, which was valued at $16.9 million. The acquired assets include one of North American's largest reserves of low cost, high quality gypsum rock with potential gypsum rock reserves of more than 3.5 billion tons.

Purchase of Fiber Cement Plant in Chile

In December 2000, we acquired a new fiber cement manufacturing plant in Santiago, Chile from a private Chilean company for approximately $6.9 million. An additional $2.3 million was spent to upgrade the plant prior to its commencing production in March 2001.

General Overview of Our Business

We are the largest manufacturer of fiber cement products and systems for internal and external building construction applications in the United States, Australia and New Zealand. Fiber cement is currently one of the fastest growing segments of the U.S. siding industry. Based upon our knowledge and experience in, and using third-party data on, our industry we estimate that total U.S. industry shipments of fiber cement were approximately 995 million square feet during fiscal year 2001, an increase of 14.4% from approximately 870 million square feet in fiscal year 2000. We market our fiber cement products and systems under various Hardi™ brand names. We believe that, in certain applications, our fiber cement products and systems provide a combination of distinctive performance, design and cost advantages when compared to other fiber cement products and alternative products and systems using solid wood, engineered wood, vinyl, brick, stucco and gypsum wallboard. Based on our historical growth and our growth forecasts, we estimate that fiber cement could grow from approximately 12% of the U.S. external siding market in 2001 to 21% by 2004.

In addition, based on third-party data, we are the fourth largest manufacturer of gypsum wallboard in the United States. The sale of fiber cement products and gypsum wallboard in the United States accounted for 29% and 30%, respectively of our total net sales in fiscal year 1999, 31% and 36%, respectively, of our total net sales in fiscal year 2000 and 44% and 33%, respectively, of our total net sales in fiscal year 2001. We also manufacture windows and window systems for residential and commercial applications in Australia.

Our fiber cement products are used in various markets including new residential construction (single and multi-family housing), manufactured housing (mobile and pre-fabricated homes), repair and remodeling and a variety of commercial and industrial applications (stores, warehouses, offices, hotels, motels, schools, libraries, museums, dormitories, hospitals, detention facilities, religious buildings and gymnasiums). We manufacture numerous types of fiber cement products with a variety of patterned profiles and surface finishes for a range of applications including external siding, roofing, internal linings, facades, fencing, pipes, and floor and tile underlayments. In contrast to some other building materials, fiber cement provides durability attributes such as strong resistance to moisture, fire, impact and termites, requires relatively little maintenance and can be used as a substrate to create a wide variety of architectural effects with textured and colored finishes. During fiscal year 2001, management believes, based on its analysis of competitors' sales, that we sold approximately 85% of the fiber cement products sold in the United States, 70% of the fiber cement products sold in Australia and 85% of the fiber cement products sold in New Zealand. We estimate that we had approximately 11% of the U.S. external siding market in fiscal year 2001.

The breakdown of our revenue by product category and geographic area for each of our last three fiscal years is as follows:

	Fiscal Year Ended March 31,		
	1999	2000	2001
		(In millions)	
Continuing Operations			
Fiber Cement			
United States	$245.6	$ 310.5	$373.0
Asia Pacific	181.4	203.3	166.6
Total Fiber Cement	427.0	513.8	539.6
Gypsum (United States)	259.0	358.5	279.0
General Corporate	2.2	2.0	1.3
Total Continuing Operations	$688.2	$ 874.3	$819.9
Discontinued Operations			
Windows (Australia)	$ 55.7	$ 60.1	$ 24.2
Building Systems (Australia)	106.8	68.8	—
Total Discontinued Operations	$162.5	$ 128.9	$ 24.2
Total (Continuing and Discontinued Operations)	$850.7	$1,003.2	$844.1

Industry Overview

U.S. Housing Industry and Fiber Cement

In the United States, fiber cement is principally used in the residential building industry, which fluctuates based on the level of new home construction and the repair and remodeling of existing homes. The level of activity is generally a function of interest rates, inflation, unemployment levels, demographic trends, gross domestic product growth and consumer confidence. Demand for building products is also affected by residential housing starts and existing home sales, the age and size of the housing stock and overall home improvement expenditures. According to the U.S. Census Bureau, domestic housing starts increased from approximately 1.5 million in 1997 to approximately 1.6 million in 2000 after peaking at 1.7 million in 1999 and residential remodeling expenditures increased from approximately $92 billion in 1997 to an estimated $149 billion in 2000.

Fiber cement is one of the fastest growing segments of the siding industry. Based on our knowledge and experience in, and using third-party data on, our industry, we estimate that total industry shipments of fiber cement were approximately 995 million square feet during fiscal year 2001, up 14.4% from approximately 870 million square feet in fiscal year 2000. The future growth of fiber cement products will not only depend on overall demand for building products but also the rate of penetration of fiber cement products against competing materials such as wood, engineered wood (hardboard and oriented strand board), vinyl and masonry.

In the United States, the largest application for fiber cement products is in the external siding industry. Continued strength in residential construction combined with gains in the repair and remodel market have resulted in strong demand for external siding products. Based on our knowledge and experience in, and using third-party data on, our industry, we estimate that the external siding market was 7,100 million square feet in fiscal year 2001. Based on our historical growth and our growth forecasts, we estimate that fiber cement could grow from approximately 12% of the U.S. external siding market in 2001 to 21% by 2004. Siding is a component of every building and it usually occupies more square footage than other building components, such as windows and doors. Selection of siding material is based on installed cost, durability, aesthetic appeal, strength, weather resistance, maintenance requirements and cost, insulating properties and other features. Different regions of the United States show a decided preference among siding materials according to economic conditions, weather, materials availability and local taste. The principal siding materials are solid wood, engineered wood, fiber cement, vinyl, masonry and stucco. Vinyl has the largest share of the siding market. In recent years, fiber cement has been gaining market share at the expense of wood and engineered wood products due to durability concerns and higher maintenance requirements. Competing fiber cement facilities are located in North Carolina, South Carolina, Oregon and Pennsylvania, and competing solid wood, engineered wood, vinyl, masonry and stucco production facilities are located throughout the United States.

In the U.S. civil construction market, large diameter pipes are used for major public infrastructure projects such as storm water, sewerage, water distribution and other non-pressurized drainage applications. According to the 1999 Freedonia Report on Large Diameter Pipes, the U.S. market for large diameter pipe is estimated at 165 million linear feet annually. Of this, approximately 47% is used for storm water and sewer applications and approximately 19% is used in drainage and irrigation applications. The market is expected to grow approximately 2% annually. In March 2001, we commenced production at our newly-constructed fiber reinforced pipe plant in Plant City, Florida, which is currently in ramp up.

International Fiber Cement Industry

In Australia and New Zealand, fiber cement building products are used in both the residential and commercial building industries with applications in external siding, internal walls, ceilings, floors, soffits and fences. The residential building industry represents the principal market for fiber cement products, with the level of activity in this industry a function of interest rates, inflation, unemployment levels, demographic trends, gross domestic product growth and consumer confidence. Demand for fiber cement building products in Australia is also affected by the level of new housing starts and renovation activity. According to the Australian Bureau of Statistics, new housing starts in Australia grew from approximately 125,000 in fiscal year 1997 to approximately 128,800 in fiscal year 2001 after peaking at approximately 167,100 starts in fiscal year 2000. Renovation activity, as measured in local currency expenditures by the Australian Bureau of Statistics, has increased steadily each year from fiscal year 1997 to fiscal year 2001 for a total increase over this period of approximately 57%.

Fiber cement products have gained broader acceptance across a range of product applications in Australia and New Zealand than in the United States primarily due to their earlier introduction. Our subsidiaries developed fiber cement in Australia as a replacement for asbestos cement in the early 1980s, with all of their asbestos product manufacturing ceasing in early 1987. Asbestos sheet production ceased in the early 1980s and production of pipe-based products that utilized asbestos ceased in early 1987. Competition has intensified over the past five years in Australia. In addition to competition from solid wood, engineered wood, wallboard and masonry, two Australian competitors have established fiber cement manufacturing facilities in Australia and fiber cement imports are also available. Competition has also intensified in New Zealand as fiber cement imports have increased, resulting in price reductions.

Management believes that fiber cement has strong growth potential in Asian and South American markets in the long-term as the benefits of framed construction over traditional masonry construction are understood and accepted. In addition, we believe the opportunity to replace wood-based products such as plywood with the more durable fiber cement will be attractive to consumers in these markets.

U.S. Gypsum Industry

In the United States, gypsum wallboard is principally used in the new residential construction industry, the repair and remodeling industry and, to a lesser extent, in the non-residential construction industry. Historically, new housing starts, particularly single-family starts, were the leading factor in the consumption of gypsum wallboard. More recently, however, the repair and remodeling market has become an increasingly large consumer of gypsum wallboard. The risks posed by the cyclical new residential construction industry are somewhat mitigated by the increasing demand from the less cyclical repair and remodel market.

The Gypsum Association estimates that U.S. industry shipments of gypsum wallboard have increased from 25.5 billion square feet in 1997 to 28.2 billion square feet in 2000 after peaking at 29.1 billion square feet in 1999. In addition to the continued strength of the U.S. housing market, demand for gypsum wallboard has been favorably impacted by a trend towards the construction of larger single-family homes. According to the U.S. Census Bureau, the median size of newly constructed single-family homes in the United States has grown steadily from approximately 1,755 square feet in 1987 to approximately 2,030 square feet in 1999, representing an increase of approximately 16%.

Due to the commodity nature of the products, competition in the gypsum wallboard industry is based principally on price and, to a lesser extent, on product quality and customer service. Companies that manufacture locally can generally offer more competitive pricing, benefiting from lower transportation costs. All of the major gypsum wallboard producers, however, also sell to national retailers and suppliers. Our comparison of movements in wallboard prices with industry utilization over the past 25 years indicates that the wallboard industry has been able to sustain price increases when capacity utilization is above 90% or wallboard demand increases. Recent capacity oversupply, however, resulted in significant declines in pricing from the third quarter of fiscal year 2000, although signs of a recovery emerged at the end of the first quarter of fiscal year 2002.

Products

Fiber Cement

We manufacture and market fiber cement products in the United States, Australia, New Zealand, the Philippines and Chile. Our total product offering is aimed at building and construction markets, including new residential construction, manufactured housing, repair and remodeling and a variety of commercial and industrial building applications.

We offer a wide range of fiber cement products for both exterior and interior applications, some of which have not yet been introduced into the United States. In the United States and elsewhere, our products are typically sold as planks or flat sheets with a variety of patterned profiles and finishes. Planks are used for external siding while flat sheets are used for internal and external wall linings and floor underlay. We recently completed construction of a fiber reinforced cement pipe plant in Plant City, Florida. This plant is in ramp up and pipes are being sold for use as large diameter storm water and non-pressurized drainage applications. Outside the United States, we also manufacture fiber cement products for use in other applications such as building facades, lattice, fencing and decorative columns.

We have developed a proprietary technology platform enabling the production of thicker yet lighter-weight fiber cement products that are generally lighter and easier to handle than traditional building products. The first application of this technology has been in our Harditrim™product. Harditrim is a fiber cement trim product that is used on the exterior of residential and commercial construction to replace traditional wood and engineered wood trim. Harditrim was launched in fiscal year 1999 from our Cleburne plant and demand has outpaced capacity consistently since that time. A completely new production process for manufacturing Harditrim is currently in commissioning at the Cleburne plant and is expected to commence volume production of Harditrim in 2002.

Management believes that our products provide certain performance, design and cost advantages. The principal fiber cement attribute in exterior applications is durability, particularly when compared to competing wood and wood-based products, while offering comparable aesthetics. Our fiber cement products exhibit superior resistance to the damaging effects of moisture, fire, impact and termites compared to wood and wood-based products. This has enabled us to capitalize on the performance problems associated with certain competing products. Vinyl siding products generally have better durability characteristics than wood-based products, but typically cannot duplicate the superior aesthetics of fiber cement and lack the characteristics necessary for effectively accepting paint applications.

Our fiber cement products provide strength and the ability to imprint simulated patterns that closely resemble patterns and profiles of traditional materials such as wood and stucco. The surface properties provide a superior paint-holding finish to wood and engineered wood products such that the periods between necessary maintenance and repainting are longer. Compared to masonry construction, the product is lightweight, physically flexible and can be cut using readily available tools. This makes the product suitable for lightweight construction across a range of architectural styles. The product is especially well suited to timber or steel framed construction.

In ceramic tile underlayment applications, our products provide superior handling and installation characteristics compared to fiberglass mesh cement boards. Compared to wood and wood-based products, our products provide the same general advantages as apply to external applications. In addition, our fiber cement products exhibit less movement in response to exposure to moisture than many alternative competing products, providing a more consistent and durable substrate on which to install tiles. In internal lining applications where exposure to moisture and impact damage are significant concerns, our products provide superior moisture resistance and impact resistance to traditional gypsum wet area wallboard and other competing products.

Our fiber reinforced concrete pipes are superior to the competing reinforced concrete pipes in several respects. Our pipes are lighter, with one-third to one-half the weight of reinforced concrete pipes of the same length; longer, with our standard length being 16 feet, which is twice as long as standard reinforced concrete pipes; and stronger than reinforced concrete pipes of the same size.

We seek to emphasize the performance attributes of our products and continue to develop new products that, due to the materials used and the process technology employed in their manufacture, may be difficult for competitors to emulate. While no assurances can be given, we believe that the proprietary nature of these products, our ability to competitively source raw materials for these products and the economies of scale that are derived from their manufacture should assist our efforts to maintain our leadership and low cost competitive position. See "Research and Development."

We expect to continue to expand and diversify our product range in the markets where we operate, both as a domestic manufacturer and as an exporter. As in the past, we believe this strategy will enable us to access new markets for our products and to modify existing product lines to meet changing customer needs. For example, in the United States the launch of Hardibacker™ 500, a new tile backer board, in fiscal year 1998 enabled us to increase sales of products to home center retailers which access the building trade and home repair markets, and the introduction of Harditrim, a new generation of low density fiber cement trim products for residential construction, in fiscal year 1999 further extended our product range and enhanced our reputation as a leader in fiber cement innovation. The addition of Harditrim enabled us to offer a fiber cement system for residential construction that allowed builders to completely replace wood and engineered wood products with fiber cement in most exterior applications. We have continued to meet market needs by introducing an upgraded version of Hardibacker 500 and Harditrim during fiscal year 2001. Additionally, in the past four years we launched eight new textures, styles and coatings in fiber cement siding products in the United States to capitalize on demand for a variety of styles among home builders and homeowners. In Australia and New Zealand, new products released over the past two years include Hardifloor™ and new column profiles and accessories.

Gypsum

We produce a wide range of gypsum wallboard products that are used as interior wall linings in residential, commercial and specialized (moisture and fire resistant) applications at competitive prices. These products provide aesthetic as well as sound and fire retardant features. The majority of these products are sold under the Hardirock™, Hardikote™ and Hardiwall™ brand names. In fiscal year 2001 we began manufacturing and marketing joint treatment products, which are products used for tape, finish and texture wallboard applications. In addition, we make a wide range of gypsum plaster products for construction and industrial applications together with specialty ground gypsum for agricultural markets. Our gypsum products are also being used in dental and pharmaceutical applications.

Windows

We are currently seeking to divest our windows business, which operates in Australia. While no sale agreement has been signed and we cannot assure you that we will be able to consummate the divestiture, we expect this divestiture to be completed during fiscal year 2002. We manufacture wooden, aluminum and louver windows as well as conservatory style window systems for residential and commercial applications in Australia. We recently developed a new aluminum window, marketed under the trademark Quantum™, with the aim of increasing our market share of the low volume, higher price segments of this highly fragmented industry. We believe that the market reaction to this innovative window design has been positive.

Seasonality

Our business is seasonal and follows activity levels in the building and construction industry. In the United States, the quarters ending December and March generally reflect reduced levels of building activity depending on weather conditions. In Australia, the quarter ending in March is usually affected by a slowdown due to summer vacations. In the Philippines, sales are generally lower during the period from June through September as this is typhoon season. In addition, general industry patterns can be affected by weather, economic conditions, industrial disputes and other factors.

Raw Materials

Fiber Cement

All of the raw materials required in the manufacture of our fiber cement products are available from a number of sources and we have not experienced any shortages that have materially affected our operations. The principal raw materials used in the manufacture of fiber cement are cellulose fiber (wood-based pulp), silica (sand), portland cement and water.

Cellulose Fiber. Reliable access to specialized, consistent quality, low cost pulp is critical to the production of fiber cement building materials. Cellulose fiber is sourced from New Zealand and the United States and is processed to our specifications. It is subsequently further processed using our proprietary technology to provide the reinforcing material in the cement matrix of fiber cement. We have developed a high level of internal expertise in the production and use of wood-based pulps. This expertise is shared with pulp producers, which have access to appropriate raw wood stocks, in order to formulate superior reinforcing pulps. The resulting pulp formulas are typically proprietary and are the subject of confidentiality agreements between the pulp producers and us. There are a variety of supply alternatives for the sourcing of pulp. We have also entered into a hedge contract to reduce the volatility associated with pulp prices. See "Quantitative and Qualitative Disclosures About Market Risk" in Item 11.

Silica. High purity silica is sourced locally by the various production plants. In the majority of locations, we use silica sand as a silica source. In certain other locations, however, we process quartz rock and beneficiates silica sand to ensure the quality and consistency of this key raw material. In our Fontana, California and Tacoma, Washington plants, where cost-effective sources of sand are not available, we operate quartz mines and process the rock to obtain silica.

Cement. Cement is acquired in bulk from local suppliers and is supplied on a just-in-time basis to our manufacturing facilities. The silos at each fiber cement plant hold between one and three days of our cement requirements.

Water. We use local water supplies and process all waste water to comply with environmental requirements.

Gypsum

The principal raw materials used in the production of gypsum wallboard are gypsum rock and gypsum paperboard. The Nashville, Arkansas and Las Vegas, Nevada facilities have access to our owned and leased, long-term reserves of gypsum rock which are mined at or adjacent to the plants. Based on current estimates, our Nashville and Las Vegas mines have approximately 29 and 19 years of reserves, respectively. In December 2000, we acquired Western Gypsum, a gypsum mine with estimated reserves in excess of 50 years to supplement our existing Southwest gypsum rock sources. Gypsum rock for the Seattle plant is sourced from the Caopas mine in Mexico and is shipped directly to the plant which has a deep water unloading facility. See "Risk Factors — We may experience adverse fluctuations in the supply and cost of raw materials necessary to our business." Based on current estimates, the Caopas mine has over 30 years of reserves remaining. Our supply contract with Oxbow Carbon & Minerals, Inc., the distributor for the Caopas mine, will expire on

December 31, 2006. The contract provides that the parties may mutually agree to extend the term for another 10 years beyond 2006.

We have a long term contract with Republic Group, Inc. and its wholly owned subsidiary, Republic Paperboard Company, to supply us with our requirements for paper at all three of our gypsum wallboard manufacturing facilities. This contract is effective until 2010 at which time we have an option to extend it for an additional five years. Republic began producing paper at its new facility in Lawton, Oklahoma in March 2000 and we are now taking delivery at all of our gypsum wallboard manufacturing facilities.

Windows

The principal raw materials used in the manufacture of windows are wood (cedar, meranti and pine), glass and aluminum. Cedar is sourced from Canada with the price of this material determined by world supply and demand for cedar. Meranti is sourced from Asia and pine is sourced from Australia. Glass is sourced from Australia but competitive imports are available. Aluminum is sourced as extrusions from Australia and China with the price determined by world aluminum prices. Hardware, such as locks and hinges, is sourced from Australian and New Zealand suppliers. Each of these raw materials is generally available from a variety of suppliers.

Sales, Marketing and Distribution

Fiber Cement

The principal markets for our fiber cement products are the United States, Australia, New Zealand, the Philippines and Chile. In addition, we sell fiber cement products in Canada, Taiwan, Thailand, Singapore, Japan, the Middle East, Korea, Indonesia and Argentina. Our Hardi™ brand name, customer education in comparative product advantages, differentiated product range and customer service, including technical advice and assistance, provide the basis for our marketing strategy. We offer our customers support through a specialized fiber cement sales force and customer service infrastructure in the United States, Australia, New Zealand, the Philippines, Canada and Chile. The customer service infrastructure includes inbound customer service support coordinated nationally in each country, and is complemented by outbound telemarketing capability. Within each regional market, we provide sales and marketing support to building products dealers and lumber yards and also provide support directly to the customers of these distribution channels, principally home builders and building contractors.

In the United States, we sell fiber cement products for new residential construction predominantly to distributors which then sell these products to dealers or lumber yards. This two-step distribution process is increasingly being supplemented with direct sales to customers as a means of accelerating product penetration and sales. In fiscal year 2001, our two and nine largest U.S. fiber cement customers accounted for 67% and 86% of our U.S. fiber cement sales, respectively. Repair and remodel sales in the United States are typically sold through the large home center retailers. In Australia and New Zealand, both new construction and repair and remodel products are generally sold directly to hardware stores and lumber yards rather than through the two-step distribution process used in the United States. In the Philippines, a network of thousands of small to medium size dealers sell our fiber cement products to consumers and builders while we sell these products directly to real estate developers. In Chile, we sell directly to builders, contractors and some distributors. Physical distribution is primarily by road transport in each country with significant use of rail only in the United States.

We maintain dedicated regional sales management teams in the major sales territories. The sales teams (including telemarketing staff) consist of approximately 133 people in the United States and Canada, 100 people in Australia, 44 people in New Zealand, 31 people in the Philippines and 2 people in Chile. Our national sales managers and national account managers together with the regional sales managers and sales representatives maintain relationships with national and other major accounts. Our sales force includes skilled trades people who provide on-site technical advice and assistance. In certain cases, sales forces manage specific product categories. For example, in the United States there are separate sales forces for siding products, interior products, pipes and roofing products. The interior products sales force provides in-store merchandising support for home center retailers.

We also use trade and consumer advertising and public relations campaigns to generate demand for our products. These campaigns usually explain the differentiating attributes of our fiber cement products and the suitability of our fiber cement products and systems for specific applications.

Despite the fact that distributors are our direct customers, we also aim to increase primary demand for our products by marketing our products directly to homeowners, architects and builders. We encourage them to specify and install our products because of the quality and craftsmanship of our products. This "pull through" strategy, in turn, assists us in expanding sales for our distribution network as distributors benefit from the increasing demand for our products.

Geographic expansion of our fiber cement business has occurred in markets where framed construction is prevalent for residential applications or where there are opportunities to change building practices from masonry to framed construction as in parts of Asia and South America. Expansion is also possible where there are direct substitution opportunities irrespective of the methods of construction. Our entry into the Philippines is an example of the ability to substitute fiber cement for an alternative product (in this case plywood). With the exception of our current major markets, Japan and certain rural areas in Asia and Eastern Europe, most markets in the world principally utilize masonry construction for external walls in residential construction. Accordingly, further geographic expansion depends on our ability to provide alternative solutions.

The launch of fiber cement products in the Philippines has been accompanied by strategies to address the particular needs of local customers and the building trade as fiber cement products are relatively new to this market and until recently were not widely used. For example, we have established a carpenter training and accreditation program whereby Filipino carpenters unfamiliar with our products are taught installation techniques. To date, approximately 35,000 carpenters have attended training sessions and approximately 15,000 of them have been accredited under this program. Additionally, we have a team of "Hardie Buddies" who work as in-store merchandisers to help establish the products in retail outlets and explain their attributes to customers, and "Hardie On-Site-Trainers" who visit building sites to provide advice and technical assistance to building site workers.

Fiber cement products manufactured in Australia, New Zealand and the Philippines are exported to a number of markets in Asia and the Middle East by ship. A regional sales management team based in Sydney is responsible for coordinating export sales into Asia and the Middle East.

Gypsum

Management believes that our manufacturing facilities are located such that they can cost-effectively access a majority of the current U.S. market for gypsum wallboard. Physical distribution occurs by rail and road transport. Direct customers are principally independent specialty drywall dealers. These dealers focus on supplying all the products and accessories required by wallboard contractors primarily in higher volume work such as new residential and commercial construction. We meet the needs of the repair and remodel segment by selling our gypsum products through independent home center retailers. We have our own gypsum field sales force of approximately 32 people who operate on a regional basis, supporting the needs of customers surrounding the plants.

Windows

Sales of our window products are managed through a regional sales management structure with sales staff seeking specifications from builders and then quoting on specific projects. This dedicated sales staff currently consists of 103 people. Because the Australian residential building industry does not incorporate standardized sizing for windows, we essentially manufacture all windows for specific orders. We transport windows by road directly to building sites.

Research and Development

We pioneered the successful development of cellulose reinforced fiber cement and during the 1980s progressively introduced products resulting from our proprietary product formulation and process technology. We have capitalized on our strong market positions to maintain leadership in product research and development and process technology enhancements. Our product differentiation strategy, and our quest to maintain our position as one of the low cost manufacturers of fiber cement, are supported by our significant investment in research and development. In fiscal year 2001, we invested $14.6 million or approximately 2.7% of fiber cement sales revenue in research and development related to fiber cement. For fiscal years 2000 and 1999, we invested $18.4 million and $15.7 million, respectively, in research and development related to fiber cement, representing 3.6% and 3.7% of fiber cement sales revenue. We believe that we now have one of the largest and most advanced fiber cement research and development capabilities in the world. In previous years, our fiber cement research and development focus was aimed primarily at enhancing the process technology to improve operating efficiency while maintaining quality; this objective is now the responsibility of the local manufacturing organizations. Now our global research and development team organization has two components: core research (located in Australia and responsible for developing technology platforms that support and enable product development) and product development (located in the United States, Australia and New Zealand and responsible for converting these technology platforms into products and systems appropriate for their respective markets).

Globally, we employ approximately 100 scientists and engineers for platform and product development. Our research and development strategy includes:

- developing differentiated products by applying our key competencies of manufacturing, process development, material science and performance characterization to our core technologies;
- increasing penetration in our existing markets of the United States, Australia, New Zealand, the Philippines and Chile by developing segment-specific products;
- developing innovative technologies and systems that will facilitate entry into new markets globally;
- further investing in our manufacturing competency in order increase capital utilization and operational efficiencies; and
- building an intellectual property portfolio that will support future growth and help sustain our competitive advantage.

Dependence on Trade Secrets and Research and Development

Our current patent portfolio is relatively small and based mainly on material formulations and system designs. Our intellectual property consists primarily of our operating and manufacturing know-how, which is treated as a trade secret. We are in the process of elevating our abilities to effectively create, manage and utilize our intellectual property and have developed a strategy that increasingly uses patenting, licensing, trade secret protection and joint development. If our research and development efforts fail to generate new, innovative products, our overall profit margins may decrease and demand for our products may fall.

Governmental Regulation

Environmental Regulation

Our operations and properties are subject to extensive federal, state and local and foreign environmental protection and health and safety laws, regulations and ordinances. These environmental laws, among other matters, govern activities and operations that may have adverse environmental effects, such as discharges to air, soil and water, and establish standards for the handling of hazardous and toxic substances and the handling and disposal of solid and hazardous wastes. In the United States, these environmental laws include:

- the Resource Conservation and Recovery Act;
- the Comprehensive Environmental Response, Compensation and Liability Act;

- the Clean Air Act and the Clean Air Amendments of 1990;
- the Occupational Safety and Health Act;
- the Emergency Planning and Community Right to Know Act;
- the Clean Water Act;
- the Safe Drinking Water Act;
- the Surface Mining Control and Reclamation Act; and
- the Toxic Substances Control Act,

as well as analogous state statutes and regulations. Other countries also have statutory schemes relating to the protection of the environment. Pursuant to certain environmental laws, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of environmental contamination on, under or in that property. In addition, persons who arrange, or are deemed to have arranged, for the disposal or treatment of hazardous substances may also be liable for the costs of removal or remediation of environmental contamination at the disposal or treatment site, regardless of whether the affected site is owned or operated by such person. Environmental laws often impose liability whether or not the owner, operator or arranger knew of, or was responsible for, the presence of such environmental contamination. Also, third parties may make claims against owners or operators of properties for personal injuries and property damage associated with releases of hazardous or toxic substances pursuant to applicable environmental laws as well as common law tort theories, including strict liability. Environmental compliance costs in the future will depend, in part, on regulatory developments and future requirements that cannot be predicted. While we do not currently anticipate any material expenditures or modifications will be required, there can be no assurance that such expenditures or modifications will not have a material adverse effect on our business, financial condition or results of operations.

Our Seattle gypsum facility is listed in the Washington State "Confirmed and Suspected Contaminated Sites Report." This facility was included in the report because investigations conducted in 1987 indicated that groundwater underlying the facility exhibited elevated levels of metals. The Washington State Department of Ecology may conduct a site hazard assessment of sites included in the report and, based on that assessment, include a site on its "Hazard Sites List" together with a relative ranking that would indicate its estimate of the potential threat a site poses to the environment and human health. The Washington State Department of Ecology has taken no further action to date and the facility has not been included in the "Hazardous Sites List." As we believe the metals emanated from an offsite source, we do not believe we are liable for, and have not been requested to conduct, any investigation or remediation relating to the metals in the groundwater. Although we believe that potential liability, if any, will not have a material adverse effect on our business, results of operations or financial condition, we cannot assure you that the Washington State Department of Ecology will not conduct a further investigation or that we will not incur significant costs due to this groundwater contamination.

Organizational Structure

Upon implementation of the scheme of arrangement, JHI NV will become the holding company for the James Hardie group of companies. JHI NV is incorporated in The Netherlands, with its corporate seat in Amsterdam, The Netherlands. A key subsidiary is JHNV which holds the principal operating subsidiaries, including those for fiber cement operations in the United States, Australia, New Zealand, the Philippines and Chile, gypsum operations in the United States and windows operations in Australia. Other subsidiaries will include JHIL and JHIF BV, the financing company for the James Hardie group. See "— History and Development of the Company — Corporate Restructuring." All of the above subsidiaries will be 100% owned by JHI NV, either directly or indirectly, following the reorganization.

The table below sets forth our significant subsidiaries, all of which are or will, upon implementation of the scheme of arrangement, be 100% owned by JHI NV, either directly or indirectly.

Name of Company	Jurisdiction of Establishment
James Hardie N.V.	Netherlands
James Hardie Aust Holdings Pty Ltd	Australia
James Hardie Australia Finance Pty Ltd	Australia
James Hardie Australia Management Pty Ltd	Australia
James Hardie Australia Pty Ltd	Australia
James Hardie Building Products Inc	United States
James Hardie Building Products Canada Inc	Canada
James Hardie Fibrocementos Ltda	Chile
James Hardie International Finance B.V.	Netherlands
James Hardie Gypsum Inc	United States
James Hardie (Holdings) Inc	United States
James Hardie Inc	United States
James Hardie New Zealand Ltd	New Zealand
James Hardie Philippines Inc	Philippines
James Hardie Research Pty Ltd	Australia
James Hardie US Funding Inc	United States
James Hardie Windows Pty Ltd	Australia
Western Mining & Minerals Inc	United States
James Hardie Industries Limited	Australia
Ecanif Pty Ltd	Australia
RCI Pty Ltd	Australia
Studorp Ltd	New Zealand
Wallace O'Connor Inc	United States
Yelrom International Pty Ltd	Australia

Capital Expenditures and Divestitures

Capital Expenditures

The following table sets forth our capital expenditures for each year in the three-year period ended March 31, 2001.

	Fiscal Year Ended March 31,		
	1999	2000	2001
		(in millions)	
Continuing Operations			
Fiber Cement			
United States	$ 25.9	$ 35.6	$ 75.4
Asia Pacific	36.1	9.6	7.9
Chile and U.S. Pipes	—	—	32.3
Total Fiber Cement	62.0	45.2	115.6
Gypsum (United States)	42.9	35.1	4.4
General Corporate	1.3	0.2	—
Total Continuing Operations	$106.2	$ 80.5	$120.0
Discontinued Operations			
Windows (Australia)	$ 3.5	$ 4.0	$ 2.3
Building Systems (Australia)	14.0	25.8	—
Total Discontinued Operations	17.5	29.8	2.3
Total Capital Expenditures (Continuing and Discontinued Operations)	$123.7	$110.3	$122.3

The significant capital expenditure projects over the past three fiscal years in our U.S. fiber cement business were for:

- the development of a low density trim line at our Cleburne, Texas plant at a cost of $15.4 million which was completed in fiscal year 1999;
- the construction of our plant in Peru, Illinois and completion of its first line at a cost of $45.2 million which occurred during fiscal years 2000 and 2001;
- the addition of a second trim line at our Cleburne, Texas plant at a cost of $18.4 million which occurred during fiscal years 2000 and 2001;
- upgrades to our first line at our Waxahachie, Texas plant at a cost of $9.1 million which was completed in fiscal year 2001; and
- the addition of a second line at our Peru, Illinois plant at a cost of $5.5 million which is scheduled for completion in fiscal year 2002.

The significant capital expenditure project in our Asia Pacific fiber cement business over the past three fiscal years was for the construction of our Philippines plant at a cost of $16.6 million, which occurred during fiscal years 1999 and 2000.

The significant capital expenditure project in our Chile fiber cement business and in our fiber cement reinforced pipes business in the United States over the past three fiscal years was for the construction of our pipe plant in Plant City, Florida at a cost of $30.9 million, which occurred during fiscal years 2000 and 2001.

The significant capital expenditures in our gypsum business over the past three fiscal years were principally for an expansion of our Nashville, Arkansas plant at a cost of $54.4 million which occurred during fiscal years 1999 and 2000. This expansion commenced in 1997 when there was a shortage of capacity in the gypsum industry and prior to the announcement by other manufacturers of further expansions. The expansion was mostly completed by September 1999 when prices were still increasing. The price decline did not begin until the end of 1999, when other participants in the industry added capacity around the same time that our plant expansion was complete, resulting in the excess capacity in the industry that exists today. All of these capital expenditures were financed from cash generated by operations and from the proceeds of our business divestments.

We have budgeted capital expenditures of approximately $87.0 million for fiscal year 2002, principally for expansion of our fiber cement capacity at existing manufacturing facilities. This amount includes capital expenditures expected to be incurred during fiscal year 2002 on projects that were in progress on March 31, 2001, for the completion of our:

- new trim line at our Cleburne, Texas plant at an estimated cost of $1.4 million;
- second line at our Waxahachie, Texas plant at an estimated cost of $11.9 million;
- second line at our Peru, Illinois plant at an estimated cost of $18.5 million; and
- fiber reinforced cement pipe plant at Plant City, Florida at an estimated cost of $1.6 million.

All of these budgeted capital expenditures are in our U.S. fiber cement business. We currently expect the level of our capital expenditures to continue to be substantial. Competitive pressures or market developments could require increased capital expenditures. Our financing for these capital expenditures is expected to come from our internal cash flows from our future operations.

Divestitures

In fiscal year 2000, we divested our building systems segment for total gross proceeds of $84.7 million, recognizing a gain on disposal of $16.1 million with an associated tax expense of $3.3 million. In fiscal year 2001, we gifted A$3.0 million in cash and transferred ownership of Amaca Pty Ltd (formerly James Hardie &

Coy Pty Ltd) and Amaba Pty Ltd (formerly Jsekarb Pty Ltd) to the Medical Research and Compensation Foundation. The change in ownership resulted in a gain on disposal of $2.3 million.

The divestiture of our windows business is currently in progress. On August 15, 2000, we approved a plan to dispose of the business and recorded a loss on disposal of $17.4 million, net of a tax benefit of $0.6 million. The loss on disposal consists of $17.2 million for a write-down of assets to their expected net realizable value on disposal and transaction costs expected to be incurred on disposal. Expected operating losses from August 15, 2000 to the estimated final disposal date are $0.8 million and are included in the loss on disposal. During the first quarter of fiscal year 2002, the total estimated operating losses from August 15, 2000 to the final disposal date were reduced by $0.3 million.

On May 11, 2001, JHIL announced the initiation of a formal process to evaluate a sale of our gypsum assets. As part of this process, we have entered into discussions with a number of parties. It is not yet clear whether these discussions will result in any formal offers for the assets on terms and conditions acceptable to us and we cannot assure you that a sale of some or all of our gypsum assets will be consummated.

On June 28, 2001, we entered into an agreement to sell our gypsum mine in Las Vegas, Nevada, to a developer for approximately $50 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. If the sale is consummated, our Las Vegas gypsum plant expects to source its gypsum rock from our reserves purchased from Western Gypsum as well as from other alternative sources.

Property, Plants and Equipment

Fiber Cement

Over the past several years, we have built significant production capacity in the United States in an effort to ensure that we will be able to meet expected increases in demand for our products and improve our operating efficiencies. As part of our facilities investment strategy, we have constructed new plants for flat sheet and trim products in Texas, Washington and Illinois and upgraded and expanded our plants in Florida, California, Texas, Washington and Illinois, at an aggregate total cost of approximately $214 million over five years. In addition, we recently entered into a long-term lease arrangement with Temple Inland for its Waxahachie, Texas plant and completed an upgrade to our first line at this fiber cement plant in fiscal year 2001. Our management estimates that we now have six of the largest and lowest cost fiber cement manufacturing plants in the United States. Our management also believes that the location of our plants in California, Texas, Florida, Illinois and Washington positions us near high growth markets in the United States while minimizing our transportation costs for product distribution and raw material sourcing.

Additionally, in March 2001, our new fiber reinforced cement pipe plant at Plant City, Florida commenced operations. Built at a total cost of $32.5 million, the plant is expected to manufacture pipes from 12 inches to 48 inches in diameter and have an annual production capacity of 100,000 tons.

In Australia, all three of our manufacturing plants have been upgraded and modernized in the past five years as part of a A$40 million ($29 million) capital improvement program. This program, which included the automation of product finishing processes at all three upgraded plants, was aimed at reducing direct costs, increasing production yields and improving product quality. The closure of our fiber cement plant in Western Australia was announced in March 2001 with future demand expected to be met from our remaining facilities. In New Zealand, our fiber cement production line has been upgraded at a cost of NZ$1 million ($1 million) in the past twelve months to enable it to produce new siding and internal lining fiber cement products. In the Philippines, we have one fiber cement manufacturing plant which began producing marketable product in 1999.

We recently purchased and significantly upgraded a plant in Santiago, Chile and the production of proprietary products commenced in March 2001.

Plants and Process. We manufacture fiber cement products in the United States, Australia, New Zealand, the Philippines and Chile. The location of each of our fiber cement plants and the annual production capacity for such plants are set forth below:

Location	Existing Annual Production Capacity(1)	Committed Additional Production Capacity(1)	Total Planned Production Capacity(1)
Fiber Cement Flat Sheet (in million square feet)			
United States			
Fontana, California	180	—	180
Plant City, Florida	300	—	300
Cleburne, Texas	385	100	485
Tacoma, Washington	200	—	200
Peru, Illinois	200	200	400
Waxahachie, Texas	60	200	260
Total United States			1,825
Australia			
Sydney, New South Wales(2)	190	—	190
Brisbane, Queensland (Carole Park) (2) (3)	180	—	180
Welshpool, Western Australia(2) (4)	70	—	70
Total Australia			440
New Zealand			
Auckland	90	—	90
The Philippines			
Cabuyao	120	—	120
Chile			
Santiago	35	—	35
Fiber Reinforced Cement Pipes (in tons) (5)			
Plant City, Florida (pipes)	100,000	—	100,000
Brisbane, Queensland (Meeandah) (2) (3)	38,500	—	38,500

(1) Annual production capacity is based on management's historical experience with the our production process and is calculated assuming continuous operation, 24 hours per day, seven days per week, producing 5/16″thickness siding at a target operating speed. Plants outside the United States produce a range of thicker products which negatively affect their outputs. Actual production is affected by factors such as product mix, batch size, plant availability and production speeds and is usually less than annual production capacity.

(2) The land on which each of these facilities is located is leased on a long-term basis from Amaca Pty Limited.

(3) There are two manufacturing plants in Brisbane. Carole Park produces only flat sheets and Meeandah produces only pipes and columns.

(4) We expect to close this plant in the second or third quarter of fiscal 2002.

(5) Pipe and column capacity is measured in tons rather than square feet.

While the same basic process is used to manufacture fiber cement products at each facility, plants are designed to produce the appropriate mix of products to meet each market's specific needs. All of our manufacturing facilities have been either newly constructed or substantially modernized and upgraded in the past five years, except our Welshpool fiber cement plant which is scheduled for closure in 2002. The facilities were constructed so that they can be efficiently expanded in response to consumer demand by either increasing production capacity utilization and enhancing the economies of scale or by adding additional lines to existing facilities. Except for our Waxahachie, Texas plant, we own all of our fiber cement plants located in the United

States. The lease for our Waxahachie, Texas plant expires on March 31, 2020 at which time we have an option to purchase the plant. Pursuant to the lease, we make quarterly base rental payments of $850,000. We lease all of our fiber cement sites located in Australia from subsidiaries held by the Foundation. All four of these leases expire on October 31, 2008, and contain renewal options. Pursuant to these leases, we make rental payments of approximately $2.7 million in the aggregate each year. We own our fiber cement plants located in New Zealand, the Philippines and Chile.

For the fiscal year 2001, capacity utilization for our fiber cement plants by country was approximately as follows:

Country	Utilization of Capacity(1)
United States	79%
Australia	60%
New Zealand	68%
Philippines	59%
Chile	N/A

(1) Capacity utilization is based on management estimates as no industry standard exists for the calculation of fiber cement manufacturing facility capacities.

The capital cost per unit of production for new plants has significantly declined since we opened our first U.S. plant in Fontana, California in 1989. This improvement is largely attributable to our utilization of proprietary technology. Management believes that this capital cost per unit of capacity is substantially lower than that of many competing plants and is one factor in improving our cost position. In addition, we can now build and commission new manufacturing plants significantly faster than when we built our first production line in the United States. Management believes that the speed and cost at which we can erect new plants relative to our competitors enable us to respond rapidly to emerging regional demand for fiber cement and to gain the advantage accorded to the first local producer in a market.

Mines. We own a quartz mine in Fontana, California and lease a quartz mine in Tacoma, Washington. Our five-year lease for the mine in Tacoma, Washington expires on February 28, 2002. We pay production royalties to the owner based on silica tonnage removed from the mine. Because cost effective sources of sand are not available at these locations, we operate these quartz mines and process the rock to obtain silica for our fiber cement products.

Gypsum

Manufacturing Facilities. We own and operate three gypsum wallboard manufacturing facilities in the United States. The location of each of these facilities and their approximate annual production capacity is:

Location	Annual Production Capacity(1)
Seattle, Washington	700 million square feet
Las Vegas, Nevada	670 million square feet
Nashville, Arkansas	1,400 million square feet

(1) Annual production capacity is calculated using Gypsum Association methodologies assuming the manufacture of ½″ wallboard.

For the fiscal year 2001, the average capacity utilization for our gypsum wallboard manufacturing facilities was approximately 89%.

Capacity at our Seattle plant was increased 125% in fiscal year 1998 at a cost of $28.4 million. In fiscal year 2000, we further increased the capacity of the Seattle plant to a total plant capacity of approximately 700 million square feet at a cost of $3.0 million. At our Las Vegas plant, we improved capacity in fiscal year 1998 by approximately 30% at a cost of $8.0 million. Our Nashville plant was significantly refurbished and upgraded at a cost of $57.4 million during fiscal years 1998 to 2000 and its annual production capacity was almost doubled to approximately 1.4 billion square feet, making it one of the largest gypsum wallboard plants in the world.

Mines. We own three gypsum rock mines in the United States. Two of these mines are located at or adjacent to our wallboard plants. We recently acquired the Western Gypsum mine to supplement our existing Southwest gypsum rock sources. The location of each of these mines and the size of their rock reserves is set forth below:

Location	Years of Gypsum Reserves(1)
Northwest Arizona, Utah and Nevada	in excess of 50 years
Las Vegas, Nevada	19 years
Nashville, Arkansas	29 years

(1) Based on current gypsum rock usage rates.

Windows

We manufacture windows at nine facilities in Australia. We lease six of our facilities and own the remaining three facilities. The divestment of our windows business was approved in August 2000 and announced in November 2000, and is expected to be completed by the end of fiscal year 2002.

Legal Proceedings

Our subsidiaries are involved from time to time in various legal proceedings and administrative actions incidental to the normal conduct of business. Although it is impossible to predict the outcome of any pending legal proceeding, our management believes that these proceedings and actions should not, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. See the risk factor entitled "We may be subject to potential liability because our current and former subsidiaries formerly manufactured products containing asbestos."

Following the establishment of the Foundation, JHIL no longer owns any shares of Amaca Pty Ltd (formerly James Hardie & Coy Pty Ltd) or Amaba Pty Ltd (formerly Jsekarb Pty Ltd), JHIL's former Australian subsidiaries that previously manufactured products containing asbestos in Australia. JHIL itself has not manufactured products containing asbestos since 1937. These former Australian subsidiaries of JHIL, which ceased manufacturing products containing asbestos in 1987 and are now owned and controlled by the Foundation, agreed to indemnify JHIL and its related corporate entities for all past and future asbestos-related liabilities as part of the establishment of the Foundation and as part of our agreement to provide 42 annual payments to the subsidiaries, totaling A$234.2 million ($114.7 million) or A$112.0 million ($54.9 million) if we elect to make 8 annual payments; however, the former subsidiaries' obligation to indemnify JHIL and its related entities is not limited to the amount JHIL is obligated to pay to the Foundation.

While it is difficult to predict the incidence or outcome of future litigation, we believe it is unlikely that significant personal injury suits for damages, in connection with the former manufacture or sale of asbestos-containing products, will be filed against James Hardie Industries N.V., as the ultimate holding company, or its current subsidiaries, or if filed, would have a material adverse effect on our business, results of operations or financial condition. Our belief is based in part on the separateness of corporate entities under Australian law, the limited circumstances where "piercing the corporate veil" might occur under Australian and Dutch law, there being no equivalent under Australian law of the U.S. legal doctrine of "successor liability" and because the Dutch principle where transferees of assets may be held liable for the transferor's liabilities when they acquire assets at a price that leaves the transferor with insufficient assets to meet claims is not triggered by the restructuring or previous group transactions. The courts in Australia have confirmed the primacy of separate corporate entities and have generally refused to hold parent entities responsible for the liabilities of their subsidiaries absent any finding of fraud, agency, direct operational responsibility or the like. In New Zealand, where JHIL holds a subsidiary that formerly manufactured asbestos-containing products, there is legislation entitled the "Accident and Rehabilitation & Compensation Act" which bars claims for compensatory damages arising from work-related asbestos exposure. While claims for non work-related injury might still be alleged, and while it is possible that a claimant for work-related asbestos exposure could still seek non-compensatory damages, we believe that any such claims would not have a material adverse effect on our business, results of operation or financial condition.

Under U.S. laws, the doctrine of "successor liability" provides that an acquirer of the assets of a business carried on by a corporation (as distinct from the acquirer of shares in that corporation) can, in certain limited circumstances, be held responsible for liabilities arising from the conduct of that business prior to the acquisition, notwithstanding the absence of any contractual arrangement between the acquirer and the selling corporation pursuant to which the acquirer agreed to assume such liabilities.

The general principle under Australian law is that, in the absence of a contractual agreement to transfer specified liabilities of a business and where there is no fraudulent conduct, the liabilities remain with the corporation that previously carried on the business and are not passed on to the acquirer of assets. We currently lease certain manufacturing sites from the former subsidiaries now owned and controlled by the Foundation and we purchased certain of our business assets comprising plant and equipment and inventory pursuant to the first phase of our restructuring at fair market value from those former subsidiaries now owned and controlled by the Foundation. Each of these transactions concerned only Australian companies, and accordingly the transactions fall under Australian laws and not the laws of any other jurisdiction. We do not believe these transactions should give rise to the assumption by us or our subsidiaries of any asbestos-related liabilities (tortious or otherwise) under Australian law that may have been incurred during the period prior to the transfer of the assets.

Recently, JHIL and certain of its current and former subsidiaries have been named in two separate individual lawsuits. In the first action, *Vincent Ainsley Honey v. James Hardie Industries Limited and Amaca Pty Limited et al.*(Dust Diseases Tribunal of New South Wales, No. 253 (July 6, 2001)), the plaintiff, a former employee of a JHIL subsidiary in New Zealand, has sought an unspecified amount of compensatory and exemplary damages for alleged injuries in connection with the manufacture of asbestos-containing products. In the second action brought by an end user of asbestos-containing products in New Zealand, *G.L. Bennett v. James Hardie New Zealand Limited, Amaca Pty Limited and James Hardie Industries Limited* (High Court of New Zealand (May 2001)), the plaintiff has sought an unspecified amount of exemplary damages and no compensatory damages. We believe that these two actions are similar to prior actions brought against JHIL which have been successfully defended against in the past, and while it is possible that similar actions may be brought in the future, we do not believe that the ultimate resolution of these actions will have a material adverse effect on our business, results of operation or financial condition.

As an issue related to the current restructuring, under Dutch law, a Dutch transferee of assets of another business may be held responsible for the liabilities of a prior business following a transfer of such business, if the transfer results in the transferor of the business having insufficient assets to meet the claims of its creditors. Following consultation with our legal advisors we believe the proposed transfer by JHIL of all of the shares of JHNV to us under the restructuring will not result in us being held responsible as transferee under this principle of Dutch law since, following the transfer and the implementation of the other aspects of the restructuring, JHIL will have the same financial resources to meet the claims of its creditors as it had prior to the transfer.

Item 5 *Operating and Financial Review and Prospects*

In this "Operating and Financial Review and Prospects" section, the terms "we," "our," "our business," "our company" and similar expressions refer to the business, assets and liabilities of JHIL and its subsidiaries prior to the restructuring and JHI NV and its subsidiaries after the restructuring. The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and the related notes thereto included under Item 18.

Overview

We are the largest manufacturer of fiber cement products and systems for internal and external building applications in the United States, Australia and New Zealand and, based on third party data, we are the fourth largest manufacturer of gypsum wallboard in the United States. Our operations are organized into the following five segments:

- U.S. fiber cement, which manufactures and sells fiber cement products in the United States;
- Asia Pacific fiber cement, which manufactures fiber cement products in Australia, New Zealand and the Philippines and sells fiber cement products in Australia, New Zealand and Asia;
- Other, which manufactures and sells fiber cement products in South America and fiber reinforced concrete pipes in the United States;
- Gypsum, which manufactures and sells gypsum wallboard products in the United States; and
- Windows, which manufactures and sells windows and window systems in Australia (which is a discontinued business, see "— Discontinued Operations").

Sales are generally invoiced in the currency of the business unit making the sale and are generally on 30 to 60 day credit terms. Sales are recognized when goods have been dispatched to a customer following a sales order and the associated risks of ownership have passed to the customer. Cost of goods sold consists of manufacturing costs including raw materials and supplies, direct and indirect labor costs, depreciation of production facilities, production maintenance, property taxes, real property lease expenses, insurance, freight and warranty costs. Selling, general and administrative expenses primarily consist of officer and employee compensation and related benefits, advertising and promotion costs, depreciation of non-production fixed assets, warehouse expenses, administrative and information systems costs, amortization of goodwill and research and development expenses.

Results of Operations

In fiscal years 1999 through 2001 and the three month period ended June 30, 2001 there was a significant increase in our net sales revenues generated from our U.S. Fiber Cement operations as a result of $136.9 million in capital investments during fiscal years 1999 to 2001. This investment led to increased profits in fiscal year 2000 in U.S. Fiber Cement, but our increased spending on sales, marketing and product development to capitalize on new growth opportunities held these profits constant in fiscal year 2001. Profits increased again for the three months ended June 30, 2001. The high wallboard sales prices in fiscal year 2000 and significant decline in prices in fiscal year 2001 and the three month period ended June 30, 2001 resulted in a significant fluctuation in our Gypsum profits. Lower demand in Australia and New Zealand resulted in lower sales and profits for our Asia Pacific Fiber Cement segment in fiscal year 2001 and the three month period ended June 30, 2001. The following table shows JHIL's selected financial and operating data expressed in millions of dollars and as a percentage of sales:

	Fiscal Years Ended March 31,						Three Months Ended June 30,			
	1999		2000		2001		2000 (unaudited)		2001 (unaudited)	
Net sales:										
U.S. Fiber Cement	$ 245.6	35.7%	$ 310.5	35.5%	$ 373.0	45.5%	$ 92.9	40.4%	$ 111.2	54.7%
Asia Pacific Fiber Cement	181.4	26.4	203.3	23.3	166.6	20.3	51.2	22.3	36.6	18.0
Other(1)	2.2	0.3	2.0	0.2	1.3	0.2	0.3	0.1	0.7	0.4
Gypsum	259.0	37.6	358.5	41.0	279.0	34.0	85.5	37.2	54.7	26.9
Total Net Sales	688.2	100.0	874.3	100.0	819.9	100.0	229.9	100.0	203.2	100.0
Cost of goods sold	(471.9)	(68.6)	(552.8)	(63.2)	(582.7)	(71.1)	(148.8)	(64.7)	(163.2)	(80.3)
Gross Profit	216.3	31.4	321.5	36.8	237.2	28.9	81.1	35.3	40.0	19.7
Selling, general and administrative	(110.4)	(16.0)	(139.0)	(15.9)	(138.6)	(16.9)	(38.6)	(16.8)	(36.0)	(17.7)
Restructuring and other expenses	(26.6)	(3.9)	(4.1)	(0.5)	(15.5)	(1.9)	(0.2)	(0.1)	(1.2)	(0.6)
Operating profit	79.3	11.5	178.4	20.4	83.1	10.1	42.3	18.4	2.8	1.4
Interest expense	(30.0)	(4.4)	(25.9)	(3.0)	(21.4)	(2.6)	(5.5)	(2.4)	(5.9)	(2.9)
Interest income	14.5	2.1	5.4	0.6	8.2	1.0	2.4	1.0	0.6	0.3
Other nonoperating income (expenses) net	5.4	0.9	(1.6)	(0.2)	1.6	0.2	0.7	0.3	(1.2)	(0.6)
Income (loss) from continuing operations before income tax	69.2	10.1	156.3	17.8	71.5	8.7	39.9	17.3	(3.7)	(1.8)
Income tax (expense) benefit	(26.6)	(3.9)	(57.1)	(6.5)	(17.5)	(2.1)	(13.6)	(5.9)	2.5	1.2
Income (loss) from continuing operations	$ 42.6	6.2%	$ 99.2	11.3%	$ 54.0	6.6%	$ 26.3	11.4%	$ (1.2)	(0.6)%

(1) Includes fiber cement in Chile, fiber reinforced cement pipes in the United States and general corporate.

Three Months Ended June 30, 2001 Compared to Three Months Ended June 30, 2000

Total Net Sales. Our net sales decreased 12% from $229.9 million for the first quarter of fiscal year 2001 to $203.2 million for the first quarter of fiscal year 2002. This decrease was due primarily to a 48% decline in prices for gypsum wallboard products in the United States, as a result of a significant increase in industry production capacity. The decrease was partially offset by continuing growth in sales volume and higher sales prices of fiber cement products in the United States. The sales decrease also reflects unfavorable foreign exchange rates for the Asia Pacific fiber cement businesses and the comparable quarter last year for the Australia fiber cement business being buoyed by demand prior to the introduction of Australia's Goods and Service Tax ("GST") in July 2000.

U.S. Fiber Cement Sales. Our sales revenue increased 20% from $92.9 million to $111.2 million. Sales volume increased 13% from 216.5 million square feet to 244.0 million square feet as a result of continued growth in demand, despite weaker market conditions. Our average product selling price increased 6% to $456 per thousand square feet due to the increase in sales of differentiated, premium priced products and higher prices for standard products in certain markets. Hardibacker™ 500, a one-half inch backerboard using our proprietary technology, continued to produce strong sales growth. Sales in this segment were 61% higher than in the first quarter of fiscal year 2001. We also had strong growth in sales of differentiated, premium priced products such as Harditrim™, vented soffits and heritage panels. We launched a number of new products in the first quarter 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 three new siding products, HeritagePlank™, EZ Line Plank™ and HardiPlank™ Rusticated. During the first quarter of fiscal year 2002 construction of line 2 at our sixth fiber cement manufacturing plant in Waxahachie, Texas commenced and is progressing as planned.

Asia Pacific Fiber Cement Sales. Sales revenue decreased 29% from $51.2 million to $36.6 million and sales volume was down 18%. In Australia, sales revenue decreased 37% from $36.8 million to $23.2 million. In local currency, sales revenue decreased 27% to A$45.3 million. Sales volume decreased 25% to 50.9 million square feet as a result of the downturn in the building industry with the first quarter of fiscal year 2001 including significantly increased activity from pre-GST demand. New housing starts during the first quarter of fiscal year 2002 were 40% lower than for the first quarter of fiscal year 2001. Our average net selling price decreased 3% to A$890 per thousand square feet due to competitive discounting and changes in the product mix. Export sales continued to grow. The recent creation of the Asia Pacific fiber cement division has enabled the combined capacity of the Australian, New Zealand and Philippines plants to be better utilized and hence synergies realized.

In New Zealand, sales revenue decreased 10% from $10.1 million to $9.1 million due to unfavorable foreign exchange rates. In local currency, sales revenue increased 3% to NZ$21.9 million. This was despite a fall in sales volume of 4% to 8.7 million square feet. Our average net selling price increased 1% to NZ$1,437 per thousand square feet. The fall in sales volume reflects the continuation of a slow-down in new residential construction activity due to low economic and consumer confidence and the over-supply of new houses following strong building activity in 1999. Despite the slow-down, we increased sales revenue through stronger sales in the non-residential market and of premium priced products. In the non residential cladding market there was strong demand for products such as Harditex™, Hardipanel Titan™ and Hardiglaze™ Tile Board. A new monolithic cladding system for residential and commercial buildings, Monotek™, was launched during the first quarter of fiscal year 2002. Fiber Cement Architectural Columns was also launched. We anticipate both products will generate strong demand.

In the Philippines, sales revenue decreased marginally from $4.3 million to $4.2 million. In local currency, sales revenue increased 19% to PHP215.1 million due to an increase in both sales volume and the average net selling price. Sales volume increased 7% to 15.1 million square feet largely as a result of increased export sales. Export sales were up 118% compared to the first quarter of fiscal year 2001, largely due to increased sales to Hong Kong and Taiwan. Our average selling price increased 11% due to the change in sales mix associated with increased export sales.

Other Sales. Other sales include sale of our fiber cement products manufactured in Chile, sales of our fiber reinforced cement ("FRC") pipes in the United States and general corporate income, which is comprised primarily of rental income from sub-leasing office space in Sydney, Australia.

Chile Fiber Cement. Our new fiber cement plant in Chile commenced production in March 2001 and is in the process of ramping up production to an annual capacity of 35 million square feet. We commenced manufacturing and sales of our flat sheet EconoBoard™ product. We recently signed a distribution agreement and it is expected that this agreement will further strengthen demand for EconoBoard™ and provide a ready distribution channel for the launch of new fiber cement products.

U.S. FRC™ Pipes. Following commencement of operations in March 2001, we ramped up production during the first quarter of fiscal year 2002 and have been manufacturing and selling drainage pipes in the south-east market of the United States. During the first quarter of fiscal year 2002, we launched 12- and 24-inch class I & III storm drainage pipes. This brings the range of pipes being manufactured and sold in the south-east market to include 12-, 15-, 18- and 24-inch storm drainage pipes in class I and III. Since June 30, 2001, 30-inch pipes have been added to the range. As the plant ramps up production significant improvements are being incorporated in the manufacturing process. Further significant progress was also achieved during the quarter in securing regulatory approvals. A third national distributor was secured during the first quarter of fiscal year 2002. This is expected to help generate increased demand for FRC Pipes in the south-east and provide a platform for future sales growth across the United States.

Gypsum Sales. Our gross sales revenue fell 36% from $85.5 million to $54.7 million. Net wallboard sales revenue (gross wallboard sales revenue less freight, discounts and rebates) declined 50% from $70.1 million to $34.9 million. This was primarily due to a 48% fall in the average net selling price of wallboard from $123 to $64 per thousand square feet as prices were affected by significant over-capacity in the industry. Wallboard sales volume decreased 5% to 542.7 million square feet, primarily due to lower demand. The price decline was slightly offset by increased demand for non-wallboard products such as joint treatment and plaster products, together with sales from the Western Gypsum operation, purchased in December 2000. Signs of a recovery in industry trading conditions emerged at the end of the first quarter of fiscal year 2002. Eight of the largest producers independently announced price increases for wallboard and the third largest producer announced that it will close or curtail a significant amount of production capacity. We implemented a price increase of $10 per thousand square feet near June 30, 2001. We have issued a further price increase notification to customers of $15 per thousand square feet that becomes effective September 1, and the major industry participants have also announced price increases commencing in mid-August. On June 28, 2001, we signed an agreement to sell our non-essential Las Vegas gypsum mine for approximately $50 million. The sale is subject to the completion of planning and regulatory approvals which may take approximately two years to obtain.

Gross Profit. Our gross profit decreased 51% from $81.1 million to $40.0 million due mainly to the lower selling prices for gypsum wallboard products. An increase in the gross profit of the U.S. fiber cement business partially offset a decrease in the gross profit of all other businesses. Our gross profit margin decreased 15.6 percentage points to 19.7%.

U.S. Fiber Cement gross profit increased 11% but the gross profit margin fell 2.5 percentage points. This was primarily due to higher energy and start up costs at the new plant at Waxahachie, Texas.

Asia Pacific Fiber Cement gross profit decreased 37% and the gross margin fell 4.1 percentage points as a result of increased pulp prices, lower volumes in Australia and New Zealand and accelerated depreciation on assets to be phased out during this year at the Perth, Western Australia plant. Also contributing to the decline was the Philippines factory being shut down for four weeks during the end of the first quarter of fiscal year 2002 due to a decline in domestic demand resulting from political and economic uncertainty in that country.

U.S. Gypsum gross profit margin decreased 45.6 percentage points due to lower net selling prices and higher energy costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased 7% to $36.0 million. As a percentage of sales, selling, general and administrative expenses increased 0.9 percentage points to 17.7%. Significant reductions were achieved in the U.S., Australian and Philippines fiber cement businesses and Gypsum. Increases occurred in research and development expenditures and in selling, general and administrative expenses for the new U.S. FRC Pipes operation and the new fiber cement business in Chile.

Selling, general and administrative expenses include two categories of research and development costs, namely core research and product development. Core research benefits multiple business units and is expensed within our general corporate costs rather than being attributed to individual business units. These core costs increased 69% to $2.2 million. This reflects an increase in the number of staff in core research and an increase in the number of projects being worked on. Costs associated with product development by individual business units are included in the applicable business unit's segment results. These costs decreased 16% to $1.6 million. In the aggregate, our research and development costs increased 19% to $3.8 million.

Restructuring and Other Expenses. Due to the implementation of a new accounting standard (FAS 133) which requires that our pulp hedge contract to be marked to market each quarter, a $1.2 million decrease in the fair value of that contract has been charged to other operating expenses in the first quarter of fiscal year 2002. There was a charge of $0.2 million for restructuring the Australian fiber cement operations in the first quarter of fiscal year 2001.

Operating Profit. Operating profit decreased 93% to $2.8 million. Our operating profit margin fell 17.0 percentage points to 1.4%. The decrease in operating profit was due mainly to the significant decline in gypsum wallboard prices, higher energy costs in the gypsum business and lower sales volumes in the Australian and New Zealand fiber cement businesses. Also contributing to the reduction in operating profit were increased research and development expenditures and start up costs for the new U.S. FRC Pipes operation and the new fiber cement business in Chile. This reduction was partially offset by an increase in sales volume and selling prices in our U.S. fiber cement business. General corporate costs increased 26% to $10.3 million. The increase was primarily due to an increase of $1.5 million in an accrual for employee share plans, calculated by reference to JHIL's share price, which increased significantly during the first quarter of fiscal year 2002, and the $1.2 million charge for the decrease in the fair value of the pulp hedge contract. Excluding these costs, normal running costs decreased 8% as a result of rationalization measures taken during fiscal year 2001. Core research and development expenses increased 136% to $2.6 million. This reflects an increase in the number of staff in core research and development and an increase in the number of research projects.

U.S. Fiber Cement operating profit increased 27% to $23.4 million mainly due to continuing growth in sales volumes and higher selling prices.

Asia Pacific Fiber Cement operating profit decreased 54% to $3.3 million. Australia Fiber Cement operating profit decreased 57% to $3.2 million mainly due to lower sales volumes and average selling prices. The operating profit margin fell 6.3 percentage points to 13.8%. New Zealand Fiber Cement operating profit fell 23% to $1.0 million mainly due to lower sales volumes. The operating profit margin fell 1.9 percentage points to 11.0%. The Philippines operating loss was reduced 38% due to further reductions in selling, general and administrative expenses and increased sales volumes and selling prices.

Our Chile Fiber Cement business recorded a small operating loss during the quarter, largely related to start-up costs. U.S. FRC Pipes recorded an operating loss during the quarter, largely related to start-up costs.

Gypsum recorded an operating loss of $8.5 million primarily due to the lower wallboard selling prices and higher energy costs. While the first quarter of fiscal year 2002 results were clearly unsatisfactory, we believe our performance for the quarter is amongst the best in the industry.

Interest Expense. Net interest expense increased 71% from $3.1 million in the first quarter of fiscal year 2001 to $5.3 million in the first quarter of fiscal year 2002. This was primarily due to higher net borrowings during the first quarter of fiscal year 2002.

Other Non-operating Income (Expense), Net. Other non-operating expense, net was $1.2 million compared to income of $0.7 million in the first quarter of fiscal year 2001, relating primarily to the sale of marketable securities.

Income Tax Benefit (Expense). Income tax expense for the first quarter of fiscal year 2002 decreased by $16.1 million compared to the first quarter of fiscal year 2001. The small pre-tax loss, combined with the effect of permanent differences, resulted in an overall tax credit of $2.5 million.

Income (loss) from continuing operations. Loss from continuing operations was $1.2 million compared to income of $26.3 million in the first quarter of fiscal year 2002.

Year Ended March 31, 2001 Compared to Year Ended March 31, 2000

Total Net Sales. Our net sales decreased 6% from $874.3 million to $819.9 million. This decrease was due primarily to a 30% decline in prices for gypsum wallboard products in the United States, as a result of a significant increase in industry production capacity. The decrease was partially offset by continuing growth in sales volume and higher sales prices of fiber cement products in the United States and an increase in sales revenue from our Philippines fiber cement business. The sales decrease also reflects unfavorable foreign exchange rates and generally lower demand in Australia and New Zealand, which can be attributed to the downturn in the housing cycles in each of these countries. See "Risk Factors — Substantial and increasing competition in the building products industry could adversely affect our business" under Item 3.

U.S. Fiber Cement Sales. Our sales revenue increased 20% from $310.5 million to $373.0 million. Sales volume rose 18% from 724.9 million square feet to 852.3 million square feet as we continued to take market share from competing products, particularly in the siding and interior products segments. This growth was achieved despite a 4% decline in U.S. housing starts and a 5% fall in housing starts in major markets including Texas and Florida. Hardibacker 500, our new one-half inch backerboard using our proprietary technology, had strong sales growth during the period. In addition, sales of differentiated, premium priced products such as Harditrim and vented soffits continued to grow significantly. Our average product sales price increased 2% to $438 per thousand square feet, despite aggressive pricing from competitors. The price increase reflects our continued introduction of new, differentiated products which are commanding higher prices.

Asia Pacific Fiber Cement Sales. Sales revenue decreased 18% from $203.3 million to $166.6 million. In Australia, sales revenue decreased 21% from $140.7 million to $111.0 million. In local currency, sales revenue decreased 9% to A$199.7 million due to an 11% decrease in sales volume to 219.4 million square feet. This decrease in sales volume was partly offset by a 2% increase in the average product sales price, reflecting favorable changes to our product mix. The decline in sales volume reflects lower demand due to the continued downturn in the Australian housing cycle, a portion of which can be attributed to decreased buying after the introduction of Australia's Goods and Services Tax, or GST, in July 2000. This was exacerbated by some disruption to business in New South Wales as a result of the Olympic Games in September 2000 and abnormally lower demand prior to the December holiday period. Six new products were launched during the period. These included Comtex™, a new external cladding system for commercial buildings, which had a positive impact on sales and helped to increase market penetration in the commercial segment. Other new products included Hardifloor™, specifically designed for houses built on sloping sites, HPC™, a new high-quality facade baseboard, and Smartfix™, a premium pre-finished facade system. Other initiatives introduced to the market include TechSpec™, a new interactive CD-ROM that provides comprehensive product and technical information. TechSpec™ is designed to improve the availability and frequency of information to builders, specifiers and designers and allow them to obtain such information more cost effectively. The first phase of the capacity expansion at the fiber cement pipes and columns plant in Brisbane became operational in December 2000. This increased capacity by 30%. We believe this will enable us to capitalize on growth opportunities for our drainage pipes and architectural columns.

In New Zealand, sales revenue fell 22% from $48.7 million to $38.0 million. In local currency, sales revenue decreased 8% to NZ$86.5 million due mainly to an 11% decrease in fiber cement sales volume and the loss of revenue following the divestment of our Building Systems business in February 2000. This decline was primarily the result of the 25% decline in residential construction activity in New Zealand during the year. This sharp decline in housing starts reflects lower economic and consumer confidence, higher household debt levels and an excess supply of dwellings created by overbuilding in the prior year. Despite the sharp fall in residential construction activity, our average product prices rose 3%. This was due to favorable changes in the product mix as new and differentiated products, generated a greater proportion of sales. A number of new and well established products performed well despite the fall in housing starts. These included Hardigroove™, a new product for soffits and internal walls, and Villaboard™, which is used for internal walls and wet areas. Demand for products such as Hardiglaze™, a pre-finished internal lining product, continued to increase.

Sales by our Philippines operation increased 27% from $13.9 million to $17.6 million. This was due to a 34% increase in sales volume from 47.0 million square feet to 62.9 million square feet as we continued to capture market share from more traditional building products, principally plywood. We also significantly grew export sales, commencing exports to Korea during the period. Average product sales prices rose 11% due to favorable changes in the product mix and increased sales of exports. In local currency, sales revenue increased 49% to PHP817.0 million.

Other Sales. Other sales include sales of our fiber cement products manufactured in Chile, sales of fiber reinforced cement pipes in the United States and general corporate income, which is comprised primarily of rental income from sub-leasing office space in Sydney, Australia.

Chile Fiber Cement. In December 2000, we acquired a new $6.9 million fiber cement manufacturing plant in Santiago, Chile from a private Chilean company. We spent an additional $2.3 million upgrading the plant to increase its efficiency and enable it to manufacture our proprietary product range. The acquisition represents a low-cost, low-risk entry into South America, a region in which we expect to have significant long-term growth potential. In March 2001, the new fiber cement plant commenced production and achieved its first sales. The plant is being ramped-up to an annual capacity of 35 million square feet.

U.S. FRC Pipes. In March 2001, our first pipes plant in the United States commenced operations in Plant City, Florida. The $32.5 million plant marks our entry into the $2.0 billion civil construction market for large diameter drainage pipes. The plant will manufacture fiber reinforced concrete pipes from 12 inches to 48 inches in diameter and its flagship product is HardiStorm fRCP™. The plant is being ramped-up to an annual production capacity of 100,000 tons and is now selling product. In addition, we have established a customer call center in Tampa, Florida. Sales and marketing personnel have also been recruited to cover key markets. In December 2000, the Florida Department of Transportation gave formal approval for the use of HardiStorm fRCP. Work to secure regulatory approval for the use of HardiStorm fRCP in other major states across the United States is in progress.

Gypsum Sales. Our gross sales revenue decreased 22% from $358.5 million to $279.0 million. Net wallboard sales revenue (gross wallboard sales revenue less freight, discounts and rebates) decreased 28% from $300.8 million to $215.5 million. This was due primarily to a 30% decline in the average net sales price of wallboard from $138 to $97 per thousand square feet. This sharp decline in price was due to the significant increase in industry production capacity which continues to affect the wallboard industry. Our wallboard sales volume increased 2% to 2,225.3 million square feet despite decreased demand and severe winter and spring weather which slowed building activity and forced a one week shutdown of our plant in Arkansas during December 2000. Our business continues to expand on other fronts. Sales of non-wallboard products such as joint compounds continue to increase and the first joint compound plant in Washington is ramping-up. This operation, together with joint compounds being sourced from a contract manufacturer in California, has added a new, complementary gypsum product which is expected to generate attractive returns. In December 2000, we completed the purchase of Western Gypsum, a large gypsum mine in Utah. We believe this will provide us with a reliable source and a long-term supply of gypsum rock.

Gross Profit. Our gross profit decreased 26% from $321.5 million to $237.2 million due to significantly lower prices for gypsum wallboard products and an increase in the cost of pulp which affected all of our fiber cement operations. The decrease in our gross profit was partially offset by higher sales volume and prices in our U.S. fiber cement business. Our gross profit margin decreased 7.9 percentage points to 28.9%.

U.S. Fiber Cement gross profit increased 9%, reflecting higher prices and volume. Our gross profit margin for U.S. Fiber Cement fell 3.5 percentage points due to increased manufacturing costs, which included:

- higher pulp and energy costs;
- one-time commissioning costs associated with the expansion of capacity at our Tacoma, Washington and Cleburne, Texas plants; and
- one-time commissioning costs associated with the start-up of our fifth plant at Peru, Illinois, our sixth plant at Waxahachie, Texas, and the new line utilizing new fiber cement technology at Cleburne, Texas.

Our U.S. manufacturing plants operated at 79% of capacity in fiscal year 2001 to meet higher than expected demand for our products. This meant each plant produced higher volumes of a narrower product range resulting in longer freight hauls to get products to customers and, as a result, our freight costs rose. The effect of longer freight hauls was exacerbated by higher cost of fuel.

Asia Pacific Fiber Cement gross profit decreased 15% but the gross profit margin rose 1.0 percentage points. This was due to significantly improved manufacturing performance, lower costs and higher selling prices offset by lower volumes and higher raw material costs, particularly for pulp.

Gypsum gross profit decreased 59% and the gross profit margin fell 18.7 percentage points. This was attributable to lower wallboard prices together with higher energy costs. The per unit manufacturing cost of wallboard declined due to improvements in operating efficiency combined with lower paper costs. The decline in overall cost was achieved despite significantly higher energy costs, primarily for natural gas.

Selling, General and Administrative Expenses. Overall, selling, general and administrative expenses decreased marginally from $139.0 million to $138.6 million. Most of our business segments achieved reductions in selling, general and administrative expenses, including a 31% reduction in these expenses in our Gypsum business. These reductions were offset by:

- a 25% increase in expenditure on sales, marketing and product development activities by the U.S. fiber cement business as it geared up to capitalize on new growth opportunities; and
- a 48% increase in expenditure on business development projects to develop new markets for fiber cement in various parts of the world.

As a percentage of sales, selling, general and administrative expenses increased 1.0 percentage point to 16.9% compared to last year.

Selling, general and administrative expenses include two categories of research and development costs, namely core research and product development. Core research benefits multiple business units and is expensed within our general corporate costs rather than being attributed to individual business units. These costs decreased 45% to $6.1 million for the period. This was mainly due to the completion of a number of research projects which are now being commercialized by various business units. Costs associated with product development by individual business units are included in the applicable business unit's segment results. These costs increased 13% to $8.5 million, reflecting increased activity on a number of projects involving the commercialization of new products. In the aggregate, our research and development costs decreased 21% to $14.6 million from fiscal year 2000.

Restructuring and Other Expenses. In March 2001, we announced the creation of a new division for our fiber cement businesses in the Asia Pacific region. The new regional division comprises the fiber cement operations in Australia, New Zealand and the Philippines. The new division is expected to improve coordination and management of key functions such as manufacturing and sales and enable us to eliminate a number of duplicate business processes. As a result, we expect to improve the operating performance of our three fiber cement operations located in the Asia Pacific region and improve our competitive position in both domestic and export markets. As a result, we have decided to phase out manufacturing at our plant in Perth, Western Australia during the course of calendar year 2001. Accordingly, a restructuring charge of $15.5 million was booked at March 31, 2001. We anticipate that this implementation cost will be offset within two years by an improvement in operating earnings from our Asia Pacific operations under the new structure. There was a corresponding charge of $4.1 million in fiscal year 2000 for restructuring the Australia and New Zealand Fiber Cement operations.

Operating Profit. Operating profit decreased 53% from $178.4 to $83.1 million. Our operating profit margin fell 10.3 percentage points to 10.1%. The decrease in operating profit was due mainly to the significant decline in gypsum wallboard prices, significantly higher natural gas costs in the gypsum business, an increase in expenditures on growth initiatives and plant facilities by our U.S. fiber cement business and the restructuring charge for the Asia Pacific region as discussed above. Also contributing to the reduction in operating profit was lower sales volume in the Australian and New Zealand fiber cement businesses and an increase in raw material costs in all businesses. This reduction was partially offset by manufacturing efficiencies and lower selling, general and administrative costs in our Australian and New Zealand fiber cement businesses, higher selling prices achieved by all operations and higher volume from our Philippines fiber cement business. General corporate costs increased by $5.5 million to $28.4 million. This increase was mainly due to an increased investment in business development projects to develop new markets for fiber cement in various parts of the world. Core research and development costs decreased 43% to $6.5 million, mainly due to the completion of a number of research projects which have been transferred to business units for commercialization.

Our U.S. Fiber Cement operating profit increased 1% to $73.3 million as higher volume and sales prices were offset by higher selling, general and administrative costs and manufacturing costs, notably higher raw material and energy costs. The operating profit margin at 19.7% was 3.6 percentage points lower than fiscal year 2000.

Asia Pacific Fiber Cement operating profit decreased 80% from $19.8 million to $4.0 million. Australia fiber cement operating profit decreased 71% from $19.4 million to $5.6 million due mainly to the restructuring charge booked at March 31, 2001. Excluding the restructuring charges, this operating profit decreased 10%. The operating profit margin of 5.1% was 8.7 percentage points lower than fiscal year 2000. New Zealand fiber cement operating profit fell 46% from $7.2 million to $3.9 million due to the fall in sales volume, increased raw material costs and the loss of revenue from the divestment of our building systems business in February 2000. The operating profit margin decreased 4.5 percentage points to 10.3%. The Philippines Fiber Cement operating loss was reduced 20%. This was due to higher volume and selling prices, and lower manufacturing costs. This was offset by redundancy costs arising from a reorganization of the sales and marketing functions.

Our Chile Fiber Cement business recorded a small operating loss, reflecting costs incurred during the start-up of the business. Our U.S. FRC Pipes business recorded a small operating profit loss, reflecting selling, general and administrative and other expenses incurred as part of the start-up of the business.

Gypsum operating profit decreased 65% from $118.2 million to $41.9 million due to lower wallboard prices and higher energy costs, marginally offset by lower selling, general and administrative costs. The operating profit margin at 15.0% was 18.0 percentage points lower than last year. Our business goal is to achieve the best return on assets in the gypsum wallboard industry. Significant progress has been achieved towards this objective and results show that we have among the best returns in the industry.

Interest Expense. Net interest expense decreased 36% from $20.5 million to $13.2 million. This was primarily due to lower average net borrowings during the year as a result of receiving proceeds from the sale of our building systems business in February 2000 and an increase in interest capitalized into plant, property and equipment in connection with the construction of new facilities.

Other Non-operating Income (Expense), Net. Other non-operating income, net was $1.6 million compared to an expense of $1.6 million in fiscal year 2000, relating primarily to the sale of marketable securities.

Income Tax Expense. Income tax expense decreased by $39.6 million to $17.5 million as a result of our decrease in profits, combined with the effect of the different treatment of certain expenses for tax and accounting purposes. Our effective tax rate was 25%.

Income from Continuing Operations. Income from continuing operations decreased by $45.2 million to $54.0 million.

Year Ended March 31, 2000 Compared to Year Ended March 31, 1999

Total Net Sales. Our net sales increased 27% from $688.2 million to $874.3 million. This increase was due to continuing strong growth in sales volume and higher average sales prices of our fiber cement and gypsum products in the United States and improving performance trends in all of our businesses outside of the United States.

U.S. Fiber Cement Sales. Our sales revenue increased 26% from $245.6 million to $310.5 million. Sales volume rose 24% from 586.2 million square feet to 724.9 million square feet, aided by a strong housing market and increases in our market share. The average sales price of our fiber cement products increased 2% to $428 per thousand square feet, despite aggressive pricing from direct competitors. The increase was due to favorable changes to our product mix, including the introduction of new, differentiated products.

Asia Pacific Fiber Cement Sales. Our sales revenue increased 12% from $181.4 million to $203.3 million. In Australia, sales revenue increased 9% from $128.6 million to $140.7 million due to a 7% increase in the average sales price of our fiber cement products in Australia and exchange rate fluctuations. This was partly offset by a 0.9% drop in sales volume from 248.0 million square feet to 245.7 million square feet. Australian domestic sales volume increased 5% but was offset by a 57% drop in export sales to Asia. In local currency, sales revenue increased 6% from A$207.0 million to A$218.3 million. The higher domestic sales volume reflected a generally robust demand in Australia, a portion of which can be attributed to increased buying ahead of the introduction of Australia's Goods and Services Tax in July 2000. We also introduced our new lightweight fiber cement based systems intended to replace masonry and introduced a new commercial facade system in fiscal year 2000. We continued to maintain market share and retained all major customers during the fiscal year.

In New Zealand, sales revenue increased 9% from $44.9 million to $48.7 million due to a 7% increase in fiber cement sales volume from 38.3 million square feet to 41.1 million square feet, driven mainly by an increase in residential housing starts, which more than offset a decline in non-residential construction activity and exchange rate fluctuations. In local currency, sales revenue increased 10% from NZ$85.2 million to NZ$93.9 million. Average product sales price declined 5%. This price decrease was necessary to successfully defend our market share.

Our sales by the Philippines operation increased 76% from $7.9 million to $13.9 million due to a 70% increase in sales volume from 27.7 million square feet to 47.0 million square feet as we continued to win market share from competing products, principally plywood. In Philippine pesos, sales revenue increased 76% from PHP312.7 million to PHP549.4 million. Average product sales prices increased 3% due to changes in the product mix associated with new products and some exports. We also began exporting products to Taiwan, Hong Kong, the Middle East and Spain during fiscal year 2000.

Gypsum Sales. Our gross sales revenue increased 38% from $259.0 million to $358.5 million due to higher volume and prices. Net wallboard sales revenue (gross wallboard sales revenue less freight, discounts and rebates) increased 44% from $208.4 million to $300.8 million. Wallboard sales volume increased 17% to 2,181.3 million square feet. The higher volume was due in part to the early start-up of additional capacity at the Nashville plant and strong demand across all regions serviced by our three wallboard plants. The average net sales price of our wallboard in fiscal year 2000 was $138 per thousand square feet, 23% higher than the prior year.

Gross profit. Our gross profit increased 49% from $216.3 million to $321.5 million due to higher volume and prices from our U.S. fiber cement and gypsum operations as well as further performance improvements from our businesses outside of the United States. Our gross profit margin increased 5.4 percentage points to 36.8%. Our U.S. fiber cement gross profit increased 38% and increased its gross profit margin by 3.2 percentage points due to the higher volume and prices supported by further improvements in manufacturing efficiency. Gypsum gross profit increased 89% and the gross profit margin was 10.4 percentage points higher, aided by the increase in average sales price. Asia Pacific fiber cement gross profit increased 5% and the gross profit margin was 2.1 percentage points lower. The increase in Australian sales and improved Philippines manufacturing efficiency were offset by lower factory overhead recoveries due to the sharp fall in export sales volume and lower average product sales prices in New Zealand.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses increased 26% from $110.4 million to $139.0 million, due mainly to the continued expansion of business infrastructure in the United States to support growth objectives. As a percentage of sales, selling, general and administrative expenses decreased 0.1 percentage points to 15.9% compared to fiscal year 1999.

Selling, general and administrative expenses include two categories of research and development costs, namely core research and product development. Our core research costs, which are expensed as a general corporate cost, increased 10% to $11.1 million mainly due to the re-inclusion of research and development staff who had been assigned to the Philippines for the construction of our new plant in fiscal year 1999. Costs associated with product development by individual business units are included in the applicable business unit's segment results. In total, these costs increased 30% to $7.3 million, reflecting increased costs as a number of projects approached completion. In the aggregate, our research and development costs increased 17% to $18.4 million from fiscal year 1999.

Restructuring and Other Expenses. A $4.1 million charge for costs associated with our reduction in work force arose from the automation of the three Australian manufacturing plants and the merging and rationalization of the fiber cement sales team from the building systems business into the Australian fiber cement business. There was a charge of $26.6 million in fiscal year 1999 relating to the rationalization of our Australian fiber cement business and our corporate offices in Australia and to our corporate reorganization.

Operating Profit. Operating profit increased 125% from $79.3 million to $178.4 million. Operating profit increased primarily due to higher volume and sales prices for our fiber cement and gypsum businesses, supported by further improvements in manufacturing efficiency in the fiber cement business in the United States, as well as from improved performance from our Philippines fiber cement business. Corporate costs decreased by 36% to $22.9 million as restructuring costs incurred in fiscal year 1999 were not repeated in fiscal year 2000. This reduction in costs was offset by increased general costs, reflecting the full-year effect of the new California corporate office in fiscal year 2000. Core research and development costs increased 7% to $11.3 million mainly due to the re-inclusion of research and development staff who had been assigned to the Philippines for the construction of its new plant in the prior year. In total, the operating profit sales margin increased 8.9 percentage points to 20.4% in fiscal year 2000 compared to the prior year.

U.S. fiber cement operating profit increased 48% from $48.9 million to $72.3 million, reflecting higher volume and sales prices, and lower costs from manufacturing and selling. Our fiscal year 2000 operating profit margin at 23.3% was 3.4 percentage points higher than fiscal year 1999.

Asia Pacific fiber cement operating profit increased 19% from $16.7 million to $19.8 million. Australia fiber cement operating profit decreased by 11% due to a 17% increase in the charge for workforce reductions in fiscal year 2000. Our workforce reductions arose from the automation of the three Australian manufacturing plants and the consolidation of our building systems business' fiber cement sales force into our Australian fiber cement business after the sale of our building systems business. Excluding these restructuring costs, operating profit decreased 7%. Our fiscal year 2000 operating profit margin at 13.8% was 3.2 percentage points lower than fiscal year 1999. New Zealand fiber cement operating profit was unchanged. The operating profit margin decreased 1.2 percentage points to 14.8%. Our Philippines fiber cement operating loss was reduced by 44% from the previous year. The business achieved its target of cash flow break-even in the fourth quarter of fiscal year 2000.

Gypsum operating profit increased 97% from $60.0 million to $118.2 million primarily due to higher volume and prices. The increase was also achieved despite commissioning costs associated with the expansion of the Nashville plant and costs associated with production trials of new lightweight paper, sourced from the Republic Group. Our fiscal year 2000 operating profit margin at 33% was 9.8 percentage points higher than fiscal year 1999.

Interest Expense. Our net interest expense increased 32% from $15.5 million to $20.5 million. This was principally due to an increase in the effective interest rate as a result of the long-term debt refinancing in November 1998.

Other Non-Operating Expenses, Net. Dividend and investment income (loss) from marketable securities amounted to a $1.6 million net loss in fiscal year 2000 and a $5.4 million net gain in fiscal year 1999.

Income Tax Expense. Our income tax expense increased by $30.5 million to $57.1 million, primarily resulting from our increase in profits in fiscal year 2000. The effective tax rate was 37% compared to 38% in fiscal year 1999.

Income from Continuing Operations. Our income from continuing operations increased by $56.6 million to $99.2 million.

Discontinued Operations

In February 2001, we announced the establishment of a special purpose Foundation to compensate individuals with claims against two former JHIL subsidiaries and fund medical and scientific research to find cures for asbestos-related diseases. We gifted A$3.0 million in cash and transferred ownership and control of the two former subsidiaries to the Medical Research and Compensation Foundation. The two former subsidiaries manufactured and marketed asbestos-related products prior to 1987, when all such activities ceased.

The Foundation is managed by independent trustees and operates entirely independently of us. We do not control the activities of the Foundation in any way and, since February 16, 2001, we do not control the activities of the two former subsidiaries. In particular, the trustees are responsible for the effective management of claims against the former subsidiaries and for the investment of its assets. We have no economic interest in either the Foundation or the two former subsidiaries.

In September 2000, we announced our plans to accelerate the expansion of our fiber cement operations, based on growing confidence that the company's proprietary fiber cement technology has significant commercial potential around the world. As a result of this decision, we decided to exit our Australian windows operation. This led to the carrying value of the windows business' assets being written down to their near-term realizable value, as opposed to maintaining a value for these assets that reflects the longer term development potential of the business. A provision was also established for costs that are likely to be incurred as part of the divestiture process.

During fiscal year 2000, we completed the major part of our overall divestment program, with the sale of our building systems business. We recorded income from discontinued operations of $5.5 million in fiscal year 1999, income of $18.6 million in fiscal year 2000 and a loss of $14.6 million in fiscal year 2001. We recorded a loss from discontinued operations of $1.4 million in the first quarter of fiscal year 2001 and income of $0.3 million in the first quarter of fiscal year 2002.

Extraordinary Items

The refinancing of our debt as part of the first phase of our restructuring in 1998 resulted in an extraordinary, after tax loss on extinguishment of debt of $8.8 million in fiscal year 1999.

Effective April 1, 2000, we changed our method of accounting for revenue recognition to comply with Securities and Exchange Commission Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements." This change in policy resulted in a charge for the cumulative effect of change in accounting principle of $1.2 million after tax in the first quarter of fiscal year 2001.

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 $14.8 million as of June 30, 2001. At that date we also had credit facilities totaling $482.8 million of which $455.6 million was outstanding. Our credit facilities are all unsecured and comprised of the following:

Description	Effective Interest Rate at June 30, 2001	Total Facility at June 30, 2001	Principal Outstanding at June 30, 2001
		(in millions of U.S. $)	
US$ notes, fixed interest, repayable annually in varying tranches from 2004 through 2013	7.09%	$225.0	$225.0
A$ revolving loan, variable interest based on A$ bank bill rate plus margin, can be repaid and redrawn until maturity in November 2003	5.45%	101.3	101.3
A$ term loan from Amaca Pty Ltd, variable interest based on A$ bank bill rate plus margin, repayable in annual installments between 2002 and 2006	7.51%	35.5	35.5
US$ stand-by loan, can be drawn down in either US$ or A$, variable interest based on US$ LIBOR or A$ bank bill rate (depending on draw down currency) plus margin, maturity $10.0 million October 2001, $107.5 million April 2002	5.42%	117.5	91.2
US$ line of credit, can be drawn down in Chilean Pesos, variable interest based on Chilean Tasa Activa Bancaria rate plus margin, maturity December 2001	8.25%	3.5	2.6
Total		$482.8	$455.6

On August 1, 2001, JHIL announced that it had raised approximately A$197 million ($99 million) in an underwritten private placement. JHIL used A$70 million of the proceeds to repay the loan from Amaca Pty Ltd.

Cash Flow

Net operating cash inflows were $94.6 million, $146.3 million and $39.4 million in fiscal years 2001, 2000 and 1999, respectively. We had a net operating cash outflow of $38.2 million in the first quarter of fiscal year 2002, compared to an inflow of $30.8 million in the first quarter of fiscal 2001. The major reason for the decrease in cash flow was the operating loss incurred in the first quarter of fiscal year 2002 compared to a profit in the first quarter of fiscal year 2001, largely due to the fall in gypsum wallboard selling prices, high energy cost in the gypsum business and lower sales volumes in the Australian and new Zealand fiber cement businesses. Also contributing to the decrease in cash flow was a one-time extension of payment terms granted to a large customer whose payment was received in full in July 2001. Net operating cash flows decreased by $51.7 million in fiscal year 2001 compared to fiscal year 2000. The major reason for this decrease was the decrease in operating profit, resulting in large part from the fall in gypsum wallboard selling prices, our increased costs of raw materials and increased expenditures on sales, marketing and product and business development. Net operating cash flows increased by $106.9 million in fiscal year 2000 compared to fiscal year 1999. The primary reason for this increase was our increase in operating profit in our gypsum and U.S. fiber cement segments.

Cash flows from net investing activities were $162.9 million outflow, $5.8 million inflow and $141.9 million outflow in fiscal years 2001, 2000 and 1999, respectively. Net investing cash outflows decreased by $11.1 million from $32.7 million for the first quarter of fiscal year 2001 to $21.6 million for the first quarter of fiscal 2002 mainly due to lower levels of capital expenditure. An A$70.0 million loan was established on the creation of the foundation in February 2001 and $9.9 million was spent to acquire businesses during fiscal year 2001, whereas $98.4 million was received from the disposal of subsidiaries and businesses in fiscal year 2000.

Cash flows from net financing activities were $1.3 million inflow, $49.0 million outflow and $177.2 million outflow in fiscal years 2001, 2000 and 1999, respectively and $3.8 million outflow and $19.0 million outflow in the first quarter of fiscal year 2002 and 2001, respectively.

While there can be no assurance, we believe that cash flow from operations, funds from the disposal of our windows business and funds from our credit facilities will be adequate to meet our cash flow requirements for the next 12 months.

Capital Expenditures

Our total capital expenditures for continuing operations for fiscal years 2001, 2000 and 1999 and for the first quarter of fiscal year 2002 were $120.0 million, $80.5 million, $106.2 million and $26.2 million, respectively. The capital expenditures were primarily used to create additional low cost, high volume manufacturing capacity to meet increased demand for our fiber cement and gypsum products and to create new manufacturing capacity for new fiber cement products.

Significant capital expenditures in the first quarter of fiscal year 2002 included the construction of a second line at each of our Waxahachie, Texas and Peru, Illinois plants. Significant capital expenditures in fiscal year 2001 included the construction of a fifth U.S. fiber cement plant in Peru, Illinois, a sixth plant in Waxahachie, Texas, the new trim line in Cleburne, Texas and the first U.S. fiber cement pipe plant in Plant City, Florida. Significant capital expenditures in fiscal year 2000 included the start of construction of a fifth U.S. fiber cement plant in Peru, Illinois and the completion of expansion of our gypsum manufacturing capacity in Nashville, Arkansas. Significant capital expenditures in fiscal year 1999 included the start of the expansion of our gypsum manufacturing line in Nashville, Arkansas, the completion of our first trim line at our Cleburne, Texas fiber cement plant and the completion of our Philippines fiber cement plant.

Inflation

We do not believe that inflation has had a significant impact on our results of operations for the three years presented.

Seasonality and Quarterly Variability

Earnings are seasonal and typically follow activity levels in the building and construction industry. In the United States, the quarters ending December and March reflect reduced levels of building activity depending on weather conditions. In Australia and New Zealand, the quarter ended March is usually affected by a slowdown due to summer vacations. In the Philippines, construction activity diminishes during the wet season from June to September. Also, general industry patterns can be affected by weather, economic conditions, industrial disputes and other factors.

Research and Development

For fiscal years 2001, 2000 and 1999, our expenses for research and development were $14.6 million, $18.4 million and $15.7 million, respectively. For the first quarter of fiscal 2002 and 2001, our expenses for research and development were $3.8 million and $3.2 million, respectively.

We have invested heavily in research and development, with a focus primarily on fiber cement. We view research and development as key to sustaining our existing market leadership position and expect to continue to allocate significant funding to this endeavor. Our research and development strategy includes:

- developing differentiated products by applying our key competencies of manufacturing, process development, material science and performance characterization to our core technologies;
- increased penetration in our existing markets of the United States, Australia, New Zealand, the Philippines and Chile by developing segment-specific products;
- developing innovative technologies and systems that will facilitate our entry into new markets globally;
- further investing in our manufacturing competency in order to increase capital utilization and operational efficiencies; and
- building an intellectual property portfolio that will support future growth and help sustain our competitive advantage.

Trend Information

We believe that the decrease in prices for gypsum products experienced over the last year may continue through our 2002 fiscal year and possibly beyond. Because we generally must sell our gypsum products at the prevailing market prices and because of the significant fixed costs associated with our gypsum segment, continued low prices or further deterioration in the market price for gypsum products could adversely affect our results of operations and financial condition.

Impact of Recent Accounting Pronouncements

In 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard establishes a new model for accounting for derivatives and hedging activities and supersedes and amends a number of existing standards. All derivatives are required to be recognized in the statement of financial position as either assets or liabilities and measured at fair value. Changes in the fair value of derivatives will be recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. We adopted the new standard on April 1, 2001 to take effect beginning with our first quarter of fiscal year 2002. The adoption of the new standard did not have a material impact on our consolidated financial statements.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of pooling-of-interest method will be prohibited. We have evaluated this standard and believe that adoption will not have an impact on our consolidated financial statements.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 142, "Goodwill and Other Intangible Assets." Under this standard, goodwill and intangible assets that have indefinite useful lives will not be amortized over an arbitrary period nor will intangible assets that have fixed useful lives be bound by a ceiling of 40 years for amortization. Rather, these assets will be tested annually for impairment with any resulting impairment losses charged against earnings. The new rules will be effective during our first quarter of fiscal year 2003. We have not determined the impact that adoption of this standard will have on our consolidated financial statements.

In June 2001, the Financial Accounting Standard Board 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 operations of a long-lived asset, except for certain obligations of leases. The statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. We have not determined the impact that adoption of this standard will have on our consolidated financial statements.

Item 6 *Directors, Senior Management and Employees*

Board Practices and Senior Management

We have a multi-tiered board structure. This structure consists of our Managing Board, our Supervisory Board and our Joint Board. Our Managing Board currently consists of two executive officers and will be responsible for managing our general affairs and our financing and operations, including our treasury. Our Supervisory Board consists exclusively of persons who are not our officers or employees and will be responsible for advising and supervising our Managing Board based on the best interests of our company, including the interests of our shareholders. The existing non-executive directors on the JHIL Board, with the exception of Peter Willcox, who will be retiring, comprise the initial members of our Supervisory Board.

Our Joint Board consists of all of the members of our Supervisory Board, the Chairman of our Managing Board (Mr. Peter Macdonald) and other members of our Managing Board chosen by the Chairman of our Supervisory Board. Our Joint Board will be responsible for planning and overseeing our general course of affairs. The Chairman of our Supervisory Board may appoint additional members of our Managing Board to our Joint Board, provided that the number of Managing Board members on our Joint Board at any given time cannot exceed the number of Supervisory Board members on our Joint Board. The Chairman of our Supervisory Board does not currently intend to appoint any additional Managing Board members to our Joint Board.

Pursuant to our articles of association, our Joint Board may adopt written policies governing the internal organization of our Managing Board, including directions to our Managing Board concerning our general financial, economic, personnel and social policies. In addition, our Supervisory Board may specify by resolution that certain actions of our Managing Board require the prior approval of our Joint Board. Finally, our general meeting of shareholders may also from time to time by written resolution subject certain decisions of our Managing Board to the approval of our shareholders.

Our Joint Board may resolve to abolish the Joint Board by unanimously voting to do so at a meeting at which all its members are present or represented. In such a case, our Joint Board will cease to exist as of the date the relevant resolution is filed with the trade register in The Netherlands and all of its powers and authorities will vest in our Supervisory Board. Our Joint Board may be reinstituted at any time by our Supervisory Board.

The members of our Supervisory Board and our Managing Board may be nominated by our Joint Board and any shareholders and will be elected by our shareholders, provided however that up to one-third of the members of our Supervisory Board may be appointed by our Joint Board. The appointment by our Joint Board shall be for a term ending at the end of the first general meeting of shareholders after such appointment and at that meeting our Joint Board may nominate for election as Supervisory Board members the persons previously appointed by it as members of our Supervisory Board.

Members of our Supervisory Board who are elected by our shareholders and members of our Managing Board (other than our Chief Executive Officer) will generally be elected for a three-year term. In each case, such terms expire at the end of the third annual meeting of shareholders following such persons' election. Initially, members of our Supervisory Board will be elected for varying periods so that only one-third of its members retire in any given year.

Each Supervisory Board member and Managing Board member holds office until the expiration of such director's term of office or such director's resignation, retirement or removal. Unless otherwise permitted under Dutch law, members of our Supervisory Board must retire no later than the day of the annual meeting of shareholders held in the year in which such director reaches the age of 72. Our Managing Board members and those members of our Supervisory Board appointed at our general meeting of shareholders may be suspended or removed by the affirmative vote of an absolute majority of the shares represented at a general meeting of shareholders at which at least 5% of our issued share capital is present or represented. In addition, our Supervisory Board may suspend members of our Managing Board. Our Joint Board may dismiss and remove the members of the Supervisory Board appointed by it. Executive officers (other than members of our Managing Board) are appointed by our Managing Board and, subject to the terms of any employment agreement, serve at the will and pleasure of our Managing Board.

Under Dutch law, each member of the Managing Board, Supervisory Board and Joint Board will be responsible to JHI NV for the proper performance of his or her duties.

Directors of Dutch companies are required to act in accordance with the principles of reasonableness and fairness under Dutch law. A managing board's duty of care, which is derived from statute, is to perform properly its management tasks. Members of a managing board perform their tasks properly so long as they act in accordance with what could reasonably be expected of them under the circumstances.

The duties of the managing board comprise all (legal) actions within the limits of a company's objects, including those which, according to custom, reasonableness and fairness, derive from such objects. Management duties are not limited to managing the day to day course of business of a company, but extend to the formulation and implementation of policy and strategy.

A managing board is required to take into account not only the interests of shareholders but also the interests of the company, its business and all persons involved in the organization of the company (including, in particular, the employees of the company and its subsidiaries).

The duties of a supervisory board are to supervise the policy and the general course of business of a company. The supervisory board advises the managing board. In performing its duties, the supervisory board directors are similarly required to act in accordance with the principles of reasonableness and fairness, and to take into account the same interests as managing board directors.

A breach of duties by a member of our Managing Board, Supervisory Board or Joint Board can, under certain circumstances, cause that person to be subject to an action and held personally liable. Such action can be commenced by (i) any person who suffers harm due to a tortious act of the director, (ii) JHI NV if the director has failed to properly perform his or her duties and such director has been negligent in the taking of adequate measures to prevent the consequences of such failure or (iii) by JHI NV's official receiver upon insolvency (if it can be shown that our Managing Board, Supervisory Board or Joint Board has manifestly improperly performed its duties and that this was an important contributing factor to the insolvency of the Company).

The authorities and duties conferred upon our Managing Board, our Supervisory Board and our Joint Board constitute a shared responsibility for their respective members. Subject to certain limited exceptions, such members are jointly and severally liable for failures of their Boards as a whole.

The members of our Supervisory Board, Managing Board and Joint Board and our executive officers as of the implementation of the scheme of arrangement will be:

Name	Age	Position	Term Expires
Supervisory Board			
Alan McGregor	65	Chairman of the Joint Board and Chairman of the Supervisory Board	2004
Meredith Hellicar	47	Member of the Joint Board and the Supervisory Board	2003
Michael Brown	55	Member of the Joint Board and the Supervisory Board	2002
Michael Gillfillan	53	Member of the Joint Board and the Supervisory Board	2003
Martin Koffel	62	Member of the Joint Board and the Supervisory Board	2003
Managing Board			
Peter Macdonald	49	Chief Executive Officer, Member of the Joint Board and Chairman of the Managing Board	2004(1)
Donald Cameron	64	Treasurer and Member of the Managing Board	2004

Name	Age	Position
Other Executive Officers		
Phillip Morley	53	Chief Financial Officer
Louis Gries	47	Executive Vice President — Building Products, USA
Robert Rugg	44	Executive Vice President — Gypsum
Don Merkley	38	Executive Vice President — Research and Development
John Moller	42	Executive Vice President — Asia Pacific
Greg Baxter	41	Senior Vice President — Corporate Affairs
Jay Arnold	48	Vice President — Human Resources and Organizational Development
Peter Shafron	40	General Counsel and Secretary

(1) Pursuant to our articles of association, as long as Mr. Macdonald remains our Chief Executive Officer he will remain a member of our Managing Board.

Alan McGregor, AO is Chairman of the Joint Board and the Supervisory Board. Mr. McGregor was appointed as a non-executive director of JHIL in March 1989 and was appointed Chairman of the Board of JHIL in December 1995. He is also Chairman of FH Faulding & Co. Ltd, Australian Wool Testing Authority Ltd and Burns Philp & Company Ltd, and a board or committee member of the University of Adelaide, Winston Churchill Memorial Trust of Australia and The Center for Independent Studies Ltd. Mr. McGregor received an M.A. in Economics and Law from the University of Cambridge in the United Kingdom and a Bachelor of Laws from the University of Adelaide in Australia.

Meredith Hellicar will be a Member of the Joint Board and the Supervisory Board. Ms. Hellicar joined the Board of Directors of JHIL as a non-executive director in May 1992. She is a director of Goldfields Ltd, Chairman of The Sydney Institute.

Michael Brown will be a Member of the Joint Board and the Supervisory Board. Mr. Brown joined the Board of Directors as a non-executive director in September 1992. He previously served as finance director of Brambles Industries Ltd and a councilor of the Royal Blind Society of New South Wales.

Michael Gillfillan is a Member of the Joint Board and the Supervisory Board. Mr. Gillfillan joined the Board of Directors of JHIL as a non-executive director in August 1999. He is based in San Francisco and held a number of senior positions with Wells Fargo Bank, including positions as Vice Chairman and Chief Credit Officer, Credit Administration, and Vice Chairman, Commercial and Corporate Banking Groups, and has a diversity of experience in commercial and corporate banking. Mr. Gillfillan received a B.A. in History from the University of California, Berkeley and an M.B.A. from the University of California, Los Angeles.

Martin Koffel will be a Member of the Joint Board and the Supervisory Board. Mr. Koffel joined the Board of Directors of JHIL as a non-executive director in August 1999. He is Chairman and Chief Executive Officer of URS Corporation and a director of McKesson HBOC Inc.

Peter Macdonald is our Chief Executive Officer, Member of the Joint Board and Chairman of the Managing Board. Mr. Macdonald joined JHIL as General Manager — James Hardie Building Boards Australia in August 1993 and was appointed President of James Hardie Inc. in October 1994. He was appointed Chief Operating Officer of JHIL in September 1998 and Chief Executive Officer of JHIL in November 1999. Mr. Macdonald received a Bachelor of Commerce and Administration from Victoria University, New Zealand and an M.B.A. from Pepperdine University. Mr. Macdonald has worked for over 21 years in the building and construction sectors in the Americas, Asia and Australia.

Donald Cameron is our Treasurer and a Member of the Managing Board. Mr. Cameron joined JHIL as General Manager, Finance — James Hardie Pipelines in August 1991 and served as Secretary and Chief Accountant from April 1994 to October 1997. In October 1997 he was appointed JHIL's Secretary and Treasurer. Prior to joining JHIL, Mr. Cameron held a number of senior commercial and financial positions with Southcorp Ltd. and Rheem Australia Ltd. Mr. Cameron received a Bachelor of Economics from the University of Adelaide.

Phillip Morley is our Chief Financial Officer. Mr. Morley joined JHIL as Chief Accountant in October 1984 and served as Financial Controller from 1988 until 1995 and Executive General Manager — James Hardie Building Services from 1995 until 1997. He was appointed JHIL's Chief Financial Officer in 1997. Prior to joining JHIL, Mr. Morley held senior positions in finance and management at Swift & Co. Ltd., Pfizer Corporation and Farley & Lewers Ltd. Mr. Morley received a Bachelor of Economics in Economics and Accounting and an M.B.A. from the University of Sydney.

Louis Gries is our Executive Vice President — Building Products, USA. Mr. Gries joined JHIL as Manager of the Fontana plant for James Hardie Building Products in February 1991 and was appointed General Manager — James Hardie Building Products (Fiber Cement) in January 1992 before being appointed President of James Hardie Building Products (Fiber Cement) in December 1993. Prior to joining JHIL, Mr. Gries held senior management positions with United States Gypsum Company. Mr. Gries received a B.S. in Mathematics from the University of Illinois and an M.B.A. from California State University, Long Beach.

Robert Rugg is our Executive Vice President — Gypsum. Mr. Rugg joined JHIL as President of James Hardie Gypsum in April 1998. Prior to joining JHIL, Mr. Rugg held a number of senior positions with United States Gypsum Company, including General Manager — Industrial Gypsum and Director of Business Development — Gypsum Wood Fiber. Mr. Rugg received a B.S. in Finance from the University of Illinois and an M.B.A. from St. Mary's College.

Don Merkley is our Executive Vice President — Research and Development. Mr. Merkley joined JHIL in 1993 as Plant Manager of the Plant City fiber cement operation in Florida and was appointed U.S. Product Development Manager in 1997. Prior to joining James Hardie, Mr. Merkley held senior positions with United States Gypsum Company in various engineering-related roles. Mr. Merkley received a B.S. in engineering from Arizona State University.

John Moller is our Executive Vice President — Asia Pacific. Mr. Moller joined JHIL in April 1992 as General Manager of Building Automation, which manufactured security systems. He was General Manager — James Hardie Building Services from September 1995 until it was sold in January 1997 and was Executive General Manager — James Hardie Building Systems from January 1997 until it was sold in

February 2000 and was appointed Executive Vice President — Building Products Australia. Prior to joining JHIL, Mr. Moller held a variety of positions at Honeywell — Australia. Mr. Moller has a Bachelor of Engineering from the University of Adelaide and a Graduate Diploma in Marketing from Macquarie University.

Greg Baxter is our Senior Vice President — Corporate Affairs. Mr. Baxter joined JHIL as General Manager — Corporate Affairs in November 1996, a position he continues to hold. Prior to joining JHIL, Mr. Baxter was a partner principal of Balstrup Baxter Corporate Communication from 1993 until 1996 and was General Manager — Corporate Affairs for Goodman Fielder Ltd. from 1990 until 1993.

Jay Arnold is our Vice President — Human Resources and Organizational Development. Mr. Arnold joined JHIL in 1999 and was appointed to his current position in 2000. He has 20 years of human resources, administration and management experience, working for companies such as Grumman Boats Division, McDonnell Douglas Corporation and, most recently, Pittston BAX Group. Mr. Arnold received a B.A. from Stockton College.

Peter Shafron is our General Counsel and Secretary. Mr. Shafron joined JHIL as Legal Officer in August 1993 and served as Senior Company Solicitor from June 1995 before being appointed JHIL's General Counsel in March 1997, a position he continues to hold. Mr. Shafron was appointed Company Secretary of JHNV in October 1998. Prior to joining JHIL, Mr. Shafron was an associate with the Australian law firm of Allen Allen & Hemsley. Mr. Shafron received a B.A. from the Australian National University and a Bachelor of Laws and a Master of Laws from the University of Sydney. Mr. Shafron is admitted to practice law in Australia and California.

None of the persons above maintains any familial relationship with each other. None of the individuals listed above is party to any arrangement or understanding with a major shareholder, customer, supplier or other entity, pursuant to which any of the above was selected as a director or member of senior management.

Compensation

Remuneration

The aggregate amount of compensation that JHIL paid to, or accrued with respect to, members of our Supervisory Board, our Managing Board and our Joint Board and to our executive officers (18 persons, in aggregate), in their capacities as members of JHIL's boards and/or corporate officers in fiscal year 2001 was approximately $5.2 million. This figure consists of base salaries, bonuses paid under JHIL's Economic Profit Incentive Plan, described below, and accrued compensation relating to awards of shadow stock made under the four shadow stock plans of JHIL and its subsidiaries, the James Hardie Inc Shadow Stock Plan, the JHIL Key Management Equity Incentive Plan, the JHIL 1998 Executive Stock Incentive Plan, and the JHIL 2000 Executive Stock Incentive Plan. In addition, each of these directors and officers (except for Messrs. Gillfillan and Koffel), in their capacities as members of JHIL's boards and/or corporate officers, participated in the Hardiplan Superannuation Plan in Australia, a defined benefit plan, or the Retirement and Profit Sharing Plan in the United States, each described below. In addition, on July 12, 2001, JHIL granted Mr. Macdonald stock options to purchase 624,000 shares of its common stock, which will be exchanged for stock options relating to our shares of common stock. See "— Equity Plans — Peter Donald Macdonald Share Option Plans."

The table below sets forth the compensation for those persons who served as directors of JHIL during the fiscal year ended March 31, 2001.

Name	Bonus A$	Base Pay/ Directors fees A$	Superannuation A$	Total A$	Total US$
A.G. McGregor	—	195,000	15,252	210,252	116,872
M. Hellicar	—	65,000	5,138	70,138	38,987
P.J. Wilcox	—	65,000	5,138	70,138	38,987
M.R. Brown	—	65,000	5,138	70,138	38,987
M.J. Gillfillan	—	65,000	—	65,000	36,131
M.M. Koffel	—	65,000	—	65,000	36,131
G.J. Terry	—	65,000	5,138	70,138	38,987
G.F. O'Brien	—	—	—	—	—
Sir Llewellyn Edwards	—	59,584	4,603	64,187	35,679
Sir Selwyn Cushing	—	65,000	5,138	70,138	38,987
P.D. Macdonald	686,210	1,100,779	36,003	1,822,992	1,013,336
Total compensation for JHIL Directors				2,578,121	1,433,084

The table below sets forth the compensation for JHIL's five most highly compensated current officers of JHIL during the fiscal year ended March 31, 2001, excluding JHIL directors:

Name	Base pay A$	Superannuation and other benefits A$	Bonuses A$	Expatriate Allowances A$	Total A$	Total US$
J.L. Moller	296,250	208,641	827,069	—	1,331,960	740,389
P.G. Morley	504,587	358,718	71,581	201,306	1,136,192	631,569
P.J. Shafron	353,308	232,067	31,678	269,527	886,580	492,818
L. Gries	491,580	125,460	222,920	—	839,960	466,904
R.F. Rugg	444,639	113,601	171,786	—	730,026	405,795

The officers in the table set out above are current officers. During the 2001 fiscal year, a number of executive officers ceased employment with JHIL. They received total compensation, including termination payments, as follows: B. Bridges A$1,610,486 ($895,212), K.A. Boundy A$1,350,607 ($750,754) and R. Middendorp A$1,000,429 ($556,103).

We sponsor a U.S. defined contribution plan, the James Hardie Retirement and Profit Sharing Plan, for our employees in the United States and a defined benefit pension plan, the Hardiplan Superannuation Plan, for our employees in Australia. The U.S. defined contribution plan is a tax-qualified retirement and savings plan (the "401(k) Plan") covering all U.S. employees, subject to certain eligibility requirements. Participating employees may elect to reduce their current compensation by up to 14% of their salary or base compensation or the statutorily prescribed annual contribution limits and have the amount of such reduction contributed to the 401(k) Plan. In addition, we match employee contributions dollar for dollar up to a maximum of the first 6% of an employee's salary or base compensation. The Hardiplan Superannuation Plan is funded based on statutory requirements in Australia and is based primarily on the contributions and income derived thereon held by the plan on behalf of the member, and to a lesser degree, on the participants' eligible compensation and years of credited service.

Effective as of the implementation of the scheme of arrangement, we will confirm JHIL's Economic Profit Incentive Plan. The Economic Profit Incentive Plan provides incentive compensation, in the form of year-end bonus payments, to certain of our officers and key employees based upon the participant's achievement of mutually agreed upon individual performance objectives and the achievement by the participant's economic profit center or centers of certain target profit levels.

By the date of implementation of the scheme of arrangement, we will have amended the JHIL 1998 Executive Stock Incentive Plan, the JHIL 2000 Executive Stock Incentive Plan, and the James Hardie Inc. Shadow Stock Plan such that our common stock will serve as the benchmark for determining cash payments at maturity as opposed to JHIL's common stock. The JHIL Key Management Equity Incentive Plan will be terminated as of the implementation of the scheme of arrangement and awards of JHIL shadow stock made under that plan will be replaced by awards of nonqualified stock options to purchase shares of our common stock. See the section below entitled "Option Ownership."

Pension and Retirement Benefits

The aggregate amount that we accrued and/or set aside to provide pension, retirement and similar benefits for members of our Supervisory Board, our Managing Board and our Joint Board and to our executive officers during the fiscal year ended March 31, 2001, was approximately $0.2 million.

Directors' Service Contracts

Each of the members of our Managing Board has an employment agreement with us pursuant to which each is compensated for his services as an executive officer. Mr. Macdonald's agreement provides for benefits upon termination and is described below. None of our Supervisory Board members has a service contract with us.

Peter Macdonald

Mr. Macdonald serves as Chief Executive Officer, Chairman of Managing Board and Member of the Joint Board. We have entered into an Executive Service Agreement with Peter Macdonald pursuant to which he serves as one of the Members of our Managing Board and as our Chief Executive Officer and as Chief Executive Officer of various of our subsidiaries. The agreement expires on October 31, 2002. Upon his voluntary termination of his employment, we may, in our sole discretion, pay his salary for two (2) years after such termination. If his employment is terminated by us without cause or if he terminates his employment for certain good reasons, he will receive two (2) years severance pay which includes a salary equal to the average of his annual salaries for the prior three years equal plus an annual bonus equal to his average annual bonuses for the prior three years and certain additional benefits.

Audit Committee and Remuneration Committee

Audit Committee

Our Joint Board will establish an Audit Committee. The Audit Committee will be comprised of Messrs. Brown (Chairman), McGregor and Gillfillan and Ms. Hellicar. The role of the Audit Committee will be to:

- review and assess the adequacy of accounting policies and internal and external reporting procedures;
- review and assess the integrity and effectiveness of internal auditing procedures and risk management control systems including the external auditors' evaluation of internal accounting controls;
- nominate and monitor the performance of external auditors and the scope and quality of their audit;
- provide a link between the Joint Board and the external auditors; and
- monitor changes in and compliance with relevant laws, accounting standards, listing rules and other statutory requirements.

Remuneration Committee

Our Joint Board will establish a Remuneration Committee. The Remuneration Committee will be comprised of Messrs. McGregor (Chairman) and Koffel and Ms. Hellicar. The role of the Remuneration Committee will be to:

- review and advise our Joint Board on the Chief Executive Officer's remuneration package and evaluate his performance each year;
- review and advise our Joint Board on annual remuneration policy guidelines set forth by the Joint Board for senior executives other than for executives who are members of our Managing Board;
- approve any significant changes in remuneration policy, superannuation, or executive and employee share purchase plans;
- administer the 2001 Equity Incentive Plan;
- consider changes in non-executive directors' fees; and
- oversee succession planning for senior management positions including the Chief Executive Officer.

Employees

As of the end of each of the last three fiscal years, we employed the following number of people:

	Fiscal Year Ended March 31,		
	1999	2000	2001
Continuing Operations			
Fiber Cement:			
United States	826	858	1,140
Australia	1,019	818	709
New Zealand	284	269	260
Philippines	194	215	210
Chile	—	—	40
Pipes (United States)	—	—	44
Total Fiber Cement	2,323	2,160	2,403
Gypsum	612	636	635
Research & Development, including Technology	99	67	58
General Corporate, including International Development	112	80	60
Discontinued Businesses			
Windows	746	786	601
Building Systems	720	—	—
Total Employees	4,612	3,729	3,757

As of the end of fiscal year 2001, of the 3,757 people we employ 1,112 are members of labor unions: 192 in the U.S.; 789 in Australia; and 131 in New Zealand. Management believes it has a satisfactory relationship with these unions and there are currently no labor disputes.

Share Ownership

The number of shares of JHIL common stock, which will be exchanged for interests in JHI NV on the implementation date of the scheme of arrangement, owned by each director and executive officer as of August 1, 2001, is:

Name	Number of Shares Beneficially Owned(1)	Percent of Class(2)
Alan McGregor(3)	13,732,994	3.0%
Meredith Hellicar	2,261	*
Michael Brown	10,000	*
Michael Gillfillan	50,000	*
Martin Koffel	—	*
Peter Macdonald	81,000	*
Phillip Morley	115,200	*
Donald Cameron	69,000	*
John Moller	87,300	*
Greg Baxter	85,000	*
Peter Shafron	48,500	*

* Indicates that the individual beneficially owns less than 1% of our shares of common stock.

(1) No JHIL stock options are exercisable as of August 1, 2001, or will be exercisable within 60 days of August 1, 2001. The number of shares beneficially owned does not include shares of JHI NV common stock underlying stock options that will be granted on the effective date of, or the date of the implementation of the scheme of arrangement. See the section below entitled "Option Ownership."

(2) Based on 450,771,082 shares outstanding.

(3) Includes 10,242,200 shares held in the Andrew Thyne Reid Charitable Trust and 3,490,794 shares held in a discretionary family trust. Mr. McGregor may be deemed to be the beneficial owner of these shares, although Mr. McGregor disclaims such beneficial ownership.

None of the shares held by any of the directors or officers has any special voting rights.

Option Ownership

In connection with the second stage of the restructuring, JHIL will exercise its right under its Key Management Equity Incentive Plan, a shadow stock plan dated November 1, 1999, to terminate that plan and outstanding shadow share awards issued under that plan effective as of the implementation date of the scheme of arrangement and issue nonqualified stock options to purchase shares of JHI NV common stock in replacement for the terminated shadow stock awards. We will grant these replacement options effective as of the implementation date of the scheme of arrangement under the JHI NV 2001 Equity Incentive Plan. The number of shares of JHI NV common stock underlying each replacement option will be equal to the number of shares of JHIL common stock underlying the award of shadow stock that was terminated and replaced. The exercise price of each replacement option will be equal to the fair market value of a single share of JHIL common stock on the issuance date of the award of shadow stock that is being terminated. The replacement options will expire on what would have been the expiration date of the terminated shadow stock awards that they are replacing.

As of the implementation of the scheme of arrangement, the number of shares of our common stock that each director and executive officer has an option to purchase, will be:

Name	Number of Shares Underlying Options Owned	Purchase Price	Exercise Price	Expiration Date
Peter Macdonald	1,200,000(1)	None	A$3.87/share(3)	November 2009
	624,000(2)	None	A$5.45/share	July 2011
Louis Gries(3)	200,874(4)	None	A$3.82/share	November 2009
	437,539(5)	None	A$3.78/share	November 2010
Robert Rugg(3)	200,874(4)	None	A$3.82/share	November 2009
	230,284(5)	None	A$3.78/share	November 2010
Don Merkley(3)	120,524(4)	None	A$3.82/share	November 2009
	230,284(5)	None	A$3.78/share	November 2010
Jay Arnold(3)	40,174(4)	None	A$3.82/share	November 2009
	138,170(5)	None	A$3.78/share	November 2010

(1) JHIL granted a nonqualified stock option to Mr. Macdonald on November 17, 1999 under the JHIL Peter Donald Macdonald Share Option Plan. This option will be terminated and replaced by this stock option to purchase shares of JHI NV common stock. See "— Equity Plans — Peter Donald Macdonald Share Option Plans" under Item 6.

(2) JHIL granted a nonqualified stock option to Mr. Macdonald on July 12, 2001 under the JHIL Peter Donald Macdonald Share Option Plan 2001. This option will be terminated and replaced by this stock option to purchase shares of JHI NV common stock. See "— Equity Plans — Peter Donald Macdonald Share Option Plans" under Item 6.

(3) Such person will be issued this nonqualified stock option to purchase shares of JHI NV common stock under the JHI NV 2001 Equity Incentive Plan on the implementation date of the scheme of arrangement in exchange for the termination of an award of shadow stock covering an equal number of shares of JHIL common stock.

(4) This option will be vested and exercisable as to 20% of the underlying shares of common stock as of the date of grant. The remaining 80% of the underlying shares will vest and become exercisable in four equal installments in November 2001, 2002, 2003 and 2004.

(5) This option will vest and become exercisable in five equal installments in November 2001, 2002, 2003, 2004 and 2005.

Equity Plans

Peter Donald Macdonald Share Option Plans

JHIL granted Mr. Macdonald an option to purchase 1,200,000 shares of JHIL common stock on November 17, 1999 under the JHIL Peter Donald Macdonald Share Option Plan, which was approved by JHIL's shareholders at the July 15, 1999 annual general meeting. The purchase price for this option was one cent per share, for a total of A$12,000, and the option exercise price was A$3.87 per share. JHIL will terminate this option and we will grant Mr. Macdonald a replacement option to purchase 1,200,000 shares of our common stock at no purchase price and an exercise price of A$3.87 per share under the JHI NV Peter Donald Macdonald Share Option Plan. As with the original JHIL option grant, this stock option will vest and become exercisable in three equal installments of 400,000 shares after November 17, 2002, 2003 and 2004, and will immediately vest in full if there is a change in control, if Mr. Macdonald's employment is terminated by us without cause, if Mr. Macdonald dies during the term of his executive service agreement or if his executive service agreement expires. The option will expire on the first to occur of November 17, 2009 or six months after the date on which Mr. Macdonald dies or ceases to be employed by us, unless earlier terminated under the terms of the plan. The replacement option will contain the same additional terms as in the original JHIL option grant.

JHIL granted Mr. Macdonald an option to purchase 624,000 shares of JHIL common stock on July 12, 2001 under the JHIL Peter Donald Macdonald Share Option Plan 2001, which was approved by JHIL's shareholders at the July 12, 2001 annual general meeting. There was no option purchase price and the option exercise price was equal to A$5.45 per share. JHIL will terminate this option and we will grant Mr. Macdonald a replacement option to purchase 624,000 shares of our common stock at no purchase price and an exercise price per share equal to A$5.45 under the JHI NV Peter Donald Macdonald Share Option Plan 2001. The replacement options will become exercisable for 486,000 shares on the first business day on or after July 12, 2004, if our total shareholder returns (essentially our dividend yield and common stock performance) from July 12, 2001, to that date is at least equal to the median total shareholder returns for the companies comprising our peer group, as selected by our Joint Board (the "Initial Performance Milestone"). In addition, the replacement options will become exercisable on that same day for an additional 6,240 shares for each one percent improvement in our total shareholder returns ranking above the median total shareholder returns for our peer group (up to a total of 156,000 additional shares). If any options remain unexercisable on that date because the applicable test for total shareholder returns is not satisfied, then on the first business day of each month occurring from that day until the first business day on or after July 12, 2006, our total shareholder returns will again be compared with that of our peer group to determine if any previously unvested options vest according to the applicable test described above. The options may become exercisable early upon a change of control, dismissal of Mr. Macdonald without cause, the death of Mr. Macdonald during the term of his service contract or upon expiration of his service contract, if at the time of such event the Initial Performance Milestone has been attained or exceeded.

2001 Equity Incentive Plan

Under our 2001 Equity Incentive Plan, our employees, including employees of our subsidiaries and officers who are employees, but not including any member of our Managing Board or Supervisory Board, are eligible to receive awards in the form of nonqualified stock options, performance awards, restricted stock grants, stock appreciation rights, dividend equivalent rights, phantom stock or other stock-based benefits. The Equity Incentive Plan is intended to promote our long-term financial interests by encouraging our management and other persons to acquire an ownership position in us, to align their interests with those of our shareholders and to encourage and reward their performance. The Equity Incentive Plan was approved by our Joint Board subject to implementation of the scheme of arrangement.

An aggregate of 45,077,100 shares of common stock have been made available for issuance under the Equity Incentive Plan, provided that such number (and any awards granted) will be subject to adjustment in the event of a stock split, stock dividend or other changes in our common stock or capital structure or our restructuring. Our ADSs evidenced by ADRs and our common stock in the form of CUFS will be equivalent to and interchangeable with our common stock for all purposes of the Equity Incentive Plan, in the case of ADRs on a proportionately adjusted basis to account for the ratio of outstanding common stock or CUFS in relation to outstanding ADRs. Options covering a total of approximately 5,511,944 shares will be awarded to our employees on the implementation date of the scheme of arrangement in exchange for the cancellation of JHIL shadow stock awards under the JHIL Key Management Equity Incentive Plan.

The Equity Incentive Plan will be administered by our Joint Board or Remuneration Committee. Subject to the provisions of the Equity Incentive Plan, our Joint Board or Remuneration Committee will be authorized to determine who may participate in the Equity Incentive Plan, the number and types of awards made to each participant and the terms, conditions and limitations applicable to each award. In addition, our Joint Board or Remuneration Committee will have the exclusive power to interpret the Equity Incentive Plan and to adopt such rules and regulations as it may deem necessary or appropriate for purposes of administering the Equity Incentive Plan. Subject to certain limitations, our Joint Board or Remuneration Committee will be authorized to amend, modify or terminate the Equity Incentive Plan to meet any changes in legal requirements or for any other purpose permitted by law.

The purchase or exercise price of any award granted under the Equity Incentive Plan may be paid in cash or other consideration at the discretion of our Joint Board or Remuneration Committee. Our Joint Board or

Remuneration Committee, in its discretion, may allow cashless exercises of awards or may permit us to assist in the exercise of options.

Stock Options. Under the Equity Incentive Plan, our Joint Board or Remuneration Committee is authorized to award nonqualified options to purchase shares of common stock as additional employment compensation. The Equity Incentive Plan does not allow us to grant options qualified as "incentive stock options" under Section 422 of the U.S. Internal Revenue Code of 1986, as amended. Options shall be exercisable over such periods as may be determined by our Joint Board or Remuneration Committee, but no stock option may be exercised after 10 years from the date of grant. Options may be exercisable in installments and upon such other terms as determined by our Joint Board or Remuneration Committee. Options will be evidenced by notices of option grants authorized by our Joint Board or Remuneration Committee. No option may be transferable other than by will or by the laws of descent and distribution or pursuant to certain domestic relations orders.

Performance Awards. Our Joint Board or Remuneration Committee, in its discretion, may award performance awards to an eligible person contingent on the attainment of criteria specified by our Joint Board or Remuneration Committee. Performance awards will be paid in the form of cash, shares of common stock or a combination of both. Our Joint Board or Remuneration Committee will determine the total number of performance shares subject to an award, the terms and the time at which the performance shares will be issued.

Restricted Stock Awards. Under the Equity Incentive Plan, our Joint Board or Remuneration Committee may award restricted shares of common stock, which are subject to forfeiture under such conditions and for such periods of time as our Joint Board or Remuneration Committee may determine. Shares of such restricted stock may not be sold, transferred, assigned, pledged or otherwise encumbered so long as such shares remain restricted. Our Joint Board or Remuneration Committee shall determine the conditions or restrictions of any restricted stock awards, which may include restrictions on requirements of continued employment, individual performance or our financial performance.

Stock Appreciation Rights. Under the Equity Incentive Plan, our Joint Board or Remuneration Committee also may award stock appreciation rights either in tandem with an option or alone. Stock appreciation rights granted in tandem with a stock option may be granted at the same time as the stock option or at a later time. A stock appreciation right shall entitle the participant to receive from us an amount payable in cash, in shares of common stock or in a combination of cash and common stock, equal to the positive difference between the fair market value of a share of common stock on the date of exercise and the grant price, or such lesser amount as our Joint Board or Remuneration Committee may determine.

Dividend Equivalent Rights. Dividend equivalent rights, defined as a right to receive payment with respect to all or some portion of the cash dividends that are or would be payable with respect to shares of common stock, may be awarded in tandem with stock options, stock appreciation rights or other awards under the Equity Incentive Plan. Our Joint Board or Remuneration Committee will determine the terms and conditions of these rights. The rights may be paid in cash, shares of common stock or other awards.

Other Stock-Based Benefits. Our Joint Board or Remuneration Committee may award other benefits that by their terms might involve the issuance or sale of common stock or other securities of JHI NV, or involve a benefit that is measured by the value, appreciation, dividend yield or other features attributable to a specified number of shares of our common stock or other securities, including but not limited to stock payments, stock bonuses and stock sales.

Effect of Change in Control. The Equity Incentive Plan provides for the automatic acceleration of certain benefits and the termination of the plan in some circumstances in the event of a "change in control." A change in control will be deemed to have occurred if either (1) any person or group acquires beneficial ownership equivalent to 30% of our voting securities, (2) individuals who are members of our Joint Board as of the effective date of the Equity Incentive Plan, or individuals who became members of our Joint Board after the effective date of the Equity Incentive Plan whose election or nomination for election was approved by a majority of such individuals (or, in the case of directors nominated by a person, entity or group with 20% of our voting securities, by two-thirds of such individuals) cease to constitute at least a majority of the members of our Joint Board, or (3) there occurs the consummation of certain mergers, the sale of substantially all of our assets or our complete liquidation or dissolution.

Item 7 *Major Shareholders and Related Party Transactions*

Major Shareholders

To our knowledge, based on substantial shareholder notices filed with the Australian Stock Exchange, the following table identifies those shareholders who beneficially own 5% or more of our common stock and their holdings as of August 13, 2001, giving effect to the restructuring:

Shareholder	Shares Beneficially Owned	Percentage of Shares Outstanding
Commonwealth Bank of Australia (and subsidiaries)	58,717,434	13.02%
Merrill Lynch Investment Managers	37,987,966	8.43%
Mr. J.B. Reid, AO	26,543,560	5.89%
Credit Suisse First Boston Australia (Holdings) Limited	25,235,923	5.60%
AMP Limited	23,568,849	5.23%

On May 21, 2001 and May 22, 2001, Brierley Investments Ltd. sold the 119,441,850 shares of JHIL common stock it held indirectly in an underwritten placement by J.B. Were & Son. At that time, Brierley beneficially owned approximately 29% of JHIL's outstanding shares. These shares were predominantly sold to Australian institutional investors. Brierley had first purchased JHIL's shares in 1994 and then increased its stake to approximately 20% in 1995, with gradual increases from that time until its sales in May.

Commonwealth Bank merged with Colonial First State Investments in June 2000, and their combined holdings at that time exceeded 5% of JHIL's outstanding stock. Commonwealth Bank increased its percentage ownership of JHIL to approximately 13% by purchasing shares sold by Brierley in May 2001. In July 2001, Commonwealth Bank increased its securities ownership by 4,147,603 additional shares. AMP Limited also increased its percentage ownership interest in JHIL to approximately 6% by purchasing shares from Brierley in May 2001. Merrill Lynch began purchasing JHIL common stock in April 1999 and has increased its holdings gradually since that time. Credit Suisse became a substantial shareholder on June 4, 2001 holding 20,989,047 shares or approximately 5% of JHIL's outstanding shares at that time. On June 13, 2001, it announced it had increased its interest to approximately 6% of JHIL's outstanding shares at that time. Mr. Reid is a descendent of one of the founding members of James Hardie. He has voting and dispositive power for 3,523,560 of shares. Mr. Reid has indirect voting and dispositive power with respect to 23,020,000 shares by virtue of his status as a director of custodian corporations holding those shares for trusts of which Mr. Reid is a trustee; however, Mr. Reid does not have a pecuniary interest in these 23,020,000 shares.

Each of the above shareholders has the same voting rights as all other holders of our common stock. To our knowledge, except for the major shareholders described above, we are not directly or indirectly owned or controlled by another corporation, by a foreign government or by any other natural or legal persons severally or jointly.

Other Security Ownership Information

At August 13, 2001, 1.5% of the outstanding shares of JHIL were held by 83 holders with registered addresses in the United States. In addition, at August 13, 2001, 0.01% of the outstanding shares of JHIL represented by JHIL ADSs were held by 14 record holders (including the Depositary Trust Company) with registered addresses in the United States. A total of 1.5% of the outstanding capital stock of JHIL was owned by U.S. holders as of August 13, 2001. These percentages of share and ADR beneficial ownership should be virtually identical to the CUFS and ADR beneficial ownership of JHI NV immediately after the completion of the restructuring, except for such changes resulting from the sale or transfer of JHIL securities prior to the distribution of our securities in connection with the restructuring and for such changes resulting from holders of JHIL securities who reside outside of the United States, Australia, New Zealand and the United Kingdom receiving cash in lieu of our securities.

Related Party Transactions

Loans Made to our Directors and Directors of our Subsidiaries

Loans totaling A$1,940,479 ($1,078,643), A$2,495,392 ($1,608,374) and A$3,209,062 ($1,994,073) were outstanding as of March 31, 2001, 2000 and 1999, respectively, which were made to members of our Managing Board and directors of our subsidiaries, most of whom also serve as executive officers under the terms and conditions of our Executive Share Purchase Plan. Loans under the share purchase plan are interest free and repayable from dividend income earned by the shares acquired under the plan. The loans are secured by shares issued under the plan. During our 2001, 2000 and 1999 fiscal years, we made no new loans under the terms of the plan. Repayments totaling A$71,881 ($39,956), A$234,896 ($151,399) and A$64,906 ($40,332) were received in fiscal years 2001, 2000 and 1999, respectively, in respect of the plan from such directors.

Two plan participants were appointed directors of our subsidiaries in fiscal year 2000 and had loans totaling A$111,186 ($71,664) on the dates of their respective appointments. Eight plan participants were appointed directors of our subsidiaries in fiscal year 1999 and had loans totaling A$1,378,605 ($856,649) at the date of their respective appointments. During our 2001, 2000 and 1999 fiscal years certain directors of our subsidiaries resigned from James Hardie with loans totaling A$483,032 ($268,500), A$589,959 ($380,251), and A$325,680 ($202,374), respectively, outstanding at the date of their resignation. These amounts are repayable within two years of the date of resignation of such director. In addition, some participants have resigned from their directorships, but are still employed by James Hardie.

The following table sets forth the names of JHIL and its subsidiaries' directors and the loan amounts outstanding for each such director as of March 31, 1999, 2000 and 2001.

	March 31,		
Director	1999	2000	2001
K.A. Boundy	A$ 408,036	A$ 363,963	A$ 353,200
S.L. Broderick	—	53,824	52,552
K.S. Brown	103,599	2,745	201
D.E. Budgen	59,118	57,965	—
D.E. Cameron	140,358	134,672	127,920
M. Edghill	21,114	20,702	—
C.R. Forster	211,826	207,294	201,912
A. Grewal	190,024	186,316	181,913
J. Hodgkinson	228,717	—	—
J. Hooper	63,341	—	—
P.D. Macdonald	48,386	46,326	43,880
A.R. Mann	55,509	53,944	52,084
G.T. McGown	178,889	174,192	—
R. Middendorp	244,464	234,576	—
J.L. Moller	343,883	315,709	307,196
P.G. Morley	241,337	231,845	220,572
P.J. Shafron	190,024	186,316	181,913
G.M. Smith	—	56,792	53,035
N.E. Thompson	177,969	—	—
J.K. Wilson	130,797	—	—
D.K. Worley	171,671	168,211	164,101
Total	A$3,209,062	A$2,495,392	A$1,940,479

Payments Made to Entities Related to our Directors and Directors of our Subsidiaries

The following payments were made to entities in which members of our Supervisory Board or Managing Board or directors of our subsidiaries had a pecuniary interest. Payments of A$15,194 ($8,446), A$92,146 ($59,392) and A$81,549 ($50,674) for fiscal years 2001, 2000 and 1999, respectively, were made to Volaw Trust & Corporate Services Limited, a trust management company. RA Christensen and TL Norman, directors of a number of James Hardie subsidiaries, are directors of Volaw Trust & Corporate Services Limited. The payments were in respect of accounting and secretarial services and were negotiated in accordance with usual commercial terms and conditions.

Payments of $69,076, $70,340 and $64,694 for fiscal years 2001, 2000 and 1999, respectively, were made to McDonald, Carano, Wilson, McCune, Bergin, Frankovich & Hicks, attorneys. R.E. Armstrong and L.P. Bergin III, directors of a number of James Hardie subsidiaries until their resignations in August 2000, are partners in McDonald, Carano, Wilson, McCune, Bergin, Frankovich & Hicks. The payments were in respect of legal and secretarial services and were negotiated in accordance with usual commercial terms and conditions.

Payments of $6,679, $9,450, and $8,286 were made in fiscal years 2001, 2000 and 1999, respectively, to Medina Management Services Limited. J.L. Bonello, a former director of a number of James Hardie subsidiaries, is a director and shareholder of Medina Management Services Limited. The payments were in respect of professional services and were negotiated in accordance with usual commercial terms and conditions.

Payments of $18,262, $38,703, $105,253 for fiscal years 2001, 2000 and 1999, respectively, were made to Nagy és Trócsányi, attorneys. P. Nagy was a liquidator of one of our subsidiaries, and is a partner in Nagy és Trócsányi. The payments were in respect of legal and secretarial services and were negotiated in accordance with usual commercial terms and conditions.

Payments of NZ$8,000 ($3,516), NZ$8,000 ($4,155), and $2,667 for fiscal years 2001, 2000 and 1999, respectively, were made to K.S. Brown, a director of one of our subsidiaries. The payments were in respect of professional services and were negotiated in accordance with usual commercial terms and conditions.

Payments of Singapore $4,336 ($2,496), Singapore $3,000 ($1,771), and Singapore $2,000 ($1,191) for fiscal years 2001, 2000 and 1999, respectively, were made to AC Fergusson and Partners, advocates and solicitors. A.C. Fergusson and A. Tan were directors of a number of our subsidiaries and partners in AC Fergusson and Partners. The payments were in respect of legal and secretarial services and were negotiated in accordance with usual commercial terms and conditions.

Payments of A$160,880 ($89,433), A$159,076 ($102,524), A$158,495 ($98,489) for fiscal years 2001, 2000 and 1999, respectively, were made to Pether and Associates Pty Ltd, technical contractors. J.F. Pether is a director of a James Hardie subsidiary and a director of Pether and Associates Pty Ltd. The payments were in respect of technical services and were negotiated in accordance with usual commercial terms and conditions.

In addition, we purchased goods or services in the ordinary course of business from entities in which some of the members of our Supervisory Board have some involvement, but not a pecuniary interest. Ms. Hellicar served as Chief Executive Officer of Corrs Chambers Westgarth, a firm which provides legal services to us. Mr. Brown has served as a Director of Brambles Industries Ltd, from which we purchase transport and storage services. Mr. Koffel is Chairman and Chief Executive of URS Corporation, from which we purchase engineering services. All transactions were negotiated in accordance with usual commercial terms and conditions. We do not believe that these members of our Supervisory Board had significant influence over these transactions.

Transactions Related to the Foundation

On February 16, 2001, JHIL announced that it had established a special purpose charitable foundation to compensate individuals with claims against two former James Hardie subsidiaries and fund medical research into asbestos-related diseases. See "Information on the Company — Recent Developments — Creation of the

Foundation" in Item 4. JHIL gifted A$3.0 million ($1.7 million) in cash and transferred ownership and control of Amaca Pty Ltd (formerly James Hardie & Coy Pty Ltd) ("JH & Coy") and Amaba Pty Ltd (formerly Jsekarb Pty Ltd) ("Jsekarb") to the Medical Research and Compensation Foundation.

As a result of the change in ownership of JH & Coy and Jsekarb on February 15, 2001, a gain on disposal of $2.3 million has been recorded by James Hardie at March 31, 2001, representing the net liabilities of JH & Coy and Jsekarb which were disposed of for no consideration, the A$3.0 million cash gift to the Foundation and the costs associated with the establishment and funding of the Foundation. JHIL agreed to repay its existing loan of A$70.0 million ($34.3 million) due to JH & Coy in four annual tranches of A$15.0 million and a final tranche of A$10.0 million, the first tranche payable on August 15, 2002. At March 31, 2001, the effective interest rate was 8.13%, being the average bank bill rate plus 250 basis points. Following the private placement of JHIL shares on August 1, 2001, this A$70.0 million loan was repaid in full on August 8, 2001.

As part of the establishment and funding of the Foundation, JHIL entered into an agreement to pay to JH & Coy and Jsekarb 42 annual payments of A$5.6 million, totaling A$234.2 million ($114.7 million). Under this agreement, JHIL has the option of making the first seven annual payments and then a final annual payment of A$73.0 million when the eighth payment becomes due, making a total payment of A$112.0 million ($54.9 million). JHIL has recorded a liability against the gain on disposal for A$112.0 million which management believes is the most likely payment schedule under the agreement. The first payment was made on February 16, 2001. In addition, in the event amounts paid by the two former subsidiaries with respect to asbestos-related claims exceed certain amounts, JH & Coy and Jsekarb have the right to demand payment of any remaining unpaid balance, discounted for early payment. See Note 13 to the financial statements beginning on page F-1.

In 1998, we entered into lease agreements with JH & Coy whereby we lease, on a long-term basis, four fiber cement manufacturing facilities in Australia. Obligations under such leases amount to an aggregate of approximately $2.7 million per year. All of the leases expire on October 31, 2008. The leases contain renewal options and provisions adjusting lease payments based on changes in various market factors as reflected in changes in the consumer price index.

Interests of Experts and Counsel

Not applicable.

Item 8 *Financial Information*

See Item 4 "Information on the Company — Legal Proceedings," Item 18 "Financial Statements" and pages F-1 through F-42.

Item 9 *Listing Details*

Price History

Prior to the implementation date of the scheme of arrangement, there will be no public market for shares of JHI NV common stock, nor will there be a market for JHI NV ADSs. Shares in JHIL, which represent substantially the same operations, assets and liabilities as those of JHI NV prior to the implementation of the scheme of arrangement, will be traded on the Australian Stock Exchange and over-the-counter as ADSs. One JHIL ADS currently represents two JHIL shares.

JHIL shares will be exchanged for JHI NV shares represented by CUFS shares upon implementation of the scheme of arrangement. See Item 4 "Information on the Company — History and Development of the Company."

The high and low trading prices of JHIL shares on the Australian Stock Exchange are as follows:

Period	JHIL Shares			
	High		Low	
	(A$)	(US$)	(A$)	(US$)
Fiscal year ended:				
March 31, 2001	4.65	2.58	3.36	1.87
March 31, 2000	4.62	2.98	3.21	2.07
March 31, 1999	5.21	3.24	2.93	1.82
March 31, 1998	5.75	4.13	3.58	2.57
March 31, 1997	3.96	3.12	2.40	1.89
Fiscal quarter ended:				
June 30, 2001	5.37	2.76	4.19	2.15
March 31, 2001	4.26	2.26	3.44	1.82
December 31, 2000	3.90	2.08	3.36	1.79
September 30, 2000	4.65	2.67	3.43	1.97
June 30, 2000	4.39	2.59	3.60	2.12
March 31, 2000	4.03	2.54	3.21	2.02
December 31, 1999	4.36	2.81	3.55	2.29
September 30, 1999	4.62	3.00	4.01	2.61
Month ended:				
August 31, 2001	5.97	3.13	5.22	2.74
July 31, 2001	6.30	3.21	5.19	2.64
June 30, 2001	5.37	2.78	4.60	2.38
May 31, 2001	5.27	2.75	4.41	2.30
April 30, 2001	4.60	2.30	4.19	2.10
March 31, 2001	4.26	2.14	3.70	1.86

The U.S. dollar prices set forth above were calculated using the weighted average exchange rate for the relevant period.

Prior to the restructuring, JHIL ADSs traded over the counter. Because historically the JHIL ADSs have not been actively traded, complete trading price information is not readily available. However, we believe that the trading price of the JHIL ADSs generally reflect the price of the underlying JHIL shares represented thereby, as well as any transaction costs associated with the ADSs.

During the twelve months ended July 31, 2001, an average of 889,134 JHIL shares were traded daily on the Australian Stock Exchange, excluding the disposal by Brierley Investments Ltd. of 119,411,850 JHIL shares in May 2001.

Type and Class of Securities

We are registering American Depositary Shares, or ADSs, each of which represents five CUFS, and each CUFS in turn represents one share of our common stock. Following implementation of the scheme of arrangement, our authorized share capital will amount to EUR 1 billion, consisting of 2 billion shares of common stock, with a nominal value of EUR 0.50 per share.

CHESS Depositary Nominees Pty Limited ("CDN") will be registered as the holder of all shares issued by JHI NV, pursuant to the restructuring on the JHI NV share register. CDN, as depositary for the CUFS, will issue CUFS to those investors who held JHIL shares at the time of the restructuring and who are eligible to receive CUFS under the scheme of arrangement. CDN will deliver holding statements evidencing ownership of the CUFS. The Bank of New York, as depositary, will issue American Depositary Receipts, or ADRs, for our ADSs that, upon effectiveness of our registration statements on Forms F-6 and 20-F and implementation of the scheme arrangement, will be listed on the New York Stock Exchange. The ADSs and

ADRs will be governed by the terms of the deposit agreement entered into among us, the depositary and the holders of the ADRs. See Item 12 "Description of Securities Other Than Equity Securities."

Rights of Class of Securities

Shares of our common stock will be represented by CUFS. The rights and obligations of CDN, CUFS holders and the issuer of shares represented by CUFS are set forth in the Securities Clearing House Business Rules (the "SCH Business Rules"). The SCH Business Rules are enforceable under Australian law. Pursuant to the SCH Business Rules, CUFS holders effectively have all of the economic rights of a shareholder. CUFS holders are entitled to direct CDN to vote the shares represented by their CUFS at shareholder meetings. We intend to apply for a waiver from CDN from the SCH Business Rules that, if granted, would allow CUFS holders to instruct CDN to appoint CUFS holders as proxies for purposes of directly voting the shares represented by their CUFS.

The rights governing the ADSs and the ADRs are set forth in the deposit agreement that will be entered into among JHI NV, as issuer, The Bank of New York, as depositary, and holders of ADRs from time to time. We have entered into the deposit agreement subject to effectiveness of our registration statement on Form F-6. The terms of the deposit agreement are described under Item 12, "Description of Securities Other than Equity Securities."

Trading Markets

Prior to the restructuring, JHIL shares traded on the Australian Stock Exchange. It is expected that our securities will be listed or quoted on the following exchanges upon completion of the restructuring as follows:

Common stock (in the form of CUFS) . . .	Australian Stock Exchange
ADSs	New York Stock Exchange

Listing or quotation on these markets requires approval from the relevant authorities, and as of the date of this registration statement, we have not yet received approval from either of them. We expect trading of our shares and ADSs to begin in October 2001, but there can be no assurance that there will not be a delay in the commencement of trading. We cannot predict the prices at which our shares and ADSs will trade or the volume of trading for such securities, nor can we assure you that these securities will continue to meet the applicable listing requirements of these exchanges.

This registration statement is not an offer to sell nor is it seeking an offer to buy the securities being registered hereunder.

Trading on the Australian Stock Exchange

The Australian Stock Exchange is headquartered in Sydney, Australia, with branches located in each state capital. The Australian Stock Exchange is a publicly listed company with trading being undertaken by brokers registered under the Australian Corporations Act 2001. Trading principally takes place between the hours of 10:00 a.m. and 4:00 p.m. on each weekday (excluding public holidays). Settlement of trades in uncertificated securities listed on the Australian Stock Exchange is generally effected electronically on the third business day following the trade. This is undertaken through CHESS (Clearing House Electronic Sub-register System) which is the clearing and settlement system operated by the Australian Stock Exchange.

Item 10 *Additional Information*

General

We were originally incorporated as a private company with limited liability, or *"besloten vennootschap met beperkte aansprakelijkheid"* (a "B.V."), on October 26, 1998 by notarial deed executed before Mr. Martin van Olffen, civil law notary. By notarial deed dated July 24, 2001, we changed our name to James Hardie Industries N.V. and by the same deed we changed our legal form into that of a *"naamloze vennootschap"* (an "N.V."), a public limited liability company, under Dutch law. Our articles of association were most recently amended and restated by notarial deed executed before Mr. Martin van Olffen on September 7, 2001. The statement of no-objections of the Ministry of Justice related to this last amendment of our articles of association was issued on September 6, 2001 under number N.V. 1.000.893.

Our corporate seat is in Amsterdam, The Netherlands and we have offices at World Trade Center, Strawinskylaan 1725, 1077 JE Amsterdam, The Netherlands. We are registered at the trade register of the Chamber of Commerce and Industry for Amsterdam, The Netherlands under number 34106455.

Share Capital

Description of Share Capital

Certain provisions of our articles of association (an English translation of which has been included as an exhibit to the registration statement of which this registration statement forms a part), and certain provisions of Dutch law, are summarized below. This summary may not contain all the information that might be important to you. You should read our articles of association and, as appropriate, consult with your Dutch legal adviser.

Following the restructuring, our authorized share capital will amount to EUR 1 billion, consisting of 2 billion shares of common stock, with a nominal value of EUR 0.50 each.

Shares of our common stock will be issued in registered form only. Until August 15, 2006, all shares of our common stock may be issued by a resolution of our Joint Board. After August 15, 2006, shares of our common stock may be issued by our Joint Board provided it has again been delegated this authority by our shareholders (such delegation may be for a maximum period of 5 years), or our shareholders. See "— Other Key Provisions of our Articles of Association — Issue of Shares; Preemptive Rights."

All shares of common stock issued will have the right to one vote for each share held on every matter submitted to a vote of the shareholders. Shares of common stock must be issued for a subscription price equal to their nominal value, which must be fully paid unless otherwise agreed, of which at least 25% must be paid up at the time of issuance. See also "— Other Key Provisions of our Articles of Association — Limitations on Right to Hold or Vote Shares of Common Stock."

At present, 450,771,082 shares of JHIL's common stock are issued and outstanding.

JHIL previously granted Mr. Macdonald an option to purchase 1,200,000 shares of JHIL common stock on November 17, 1999 under the JHIL Peter Donald Macdonald Share Option Plan, which was approved by JHIL shareholders at the July 15, 1999 annual general meeting. The purchase price for this option was one cent per share, for a total of A$12,000, and the option exercise price was A$3.87 per share. On or about the effective date of the scheme of arrangement, JHIL will terminate this option and we will grant Mr. Macdonald a replacement option to purchase 1,200,000 shares of our common stock at no purchase price and an exercise price of A$3.87 per share under the JHI NV Peter Donald Macdonald Share Option Plan. This stock option will vest, expire and contain the same additional terms as in the original JHIL option grant. See Item 6 "Equity Plans — Peter Donald Macdonald Share Option Plans."

JHIL also granted Mr. Macdonald an option to purchase 624,000 shares of JHIL common stock on July 12, 2001 under the JHIL Peter Donald Macdonald Share Option Plan 2001, which was approved by JHIL shareholders at the July 12, 2001 annual general meeting. There was no option purchase price and the option exercise price was equal to A$5.45 per share. On or about the effective date of the scheme of arrangement, JHIL will terminate this option and we will grant Mr. Macdonald a replacement option to purchase 624,000 shares of our common stock at no purchase price and an exercise price equal to A$5.45 per share under the JHI NV Peter Donald Macdonald Share Option Plan 2001. This stock option will vest, expire and contain the same additional terms as in the original JHIL option grant. See Item 6 "Equity Plans — Peter Donald Macdonald Share Option Plans."

Under our 2001 Equity Incentive Plan, options covering approximately 5,511,944 shares of our common stock will be outstanding as of the implementation date of the scheme of arrangement. We will grant these options as of the implementation date of the scheme of arrangement to replace terminated awards of shadow stock made under the JHIL Key Management Equity Incentive Plan, a shadow stock plan dated November 1, 1999. JHIL will exercise its right under the Key Management Equity Incentive Plan to terminate that plan and outstanding shadow share awards issued under that plan subject to our issuance of nonqualified stock options to purchase shares of JHI NV common stock in replacement for the terminated shadow stock awards. The number of shares of JHI NV common stock underlying each replacement option will be equal to the number of shares of JHIL common stock underlying the award of shadow stock that will be terminated. The exercise price per share of each replacement option will be equal to the fair market value of a single share of JHIL common stock on the issuance date of the award of shadow stock that is being terminated. The replacement options will vest 20% per year, commencing on the date that the terminated shadow stock award was granted. The replacement options will expire on what would have been the expiration date of the terminated shadow stock awards.

Reduction of Share Capital

Upon proposal by our Joint Board and subject to Dutch law, our shareholders as a group may reduce our issued share capital by cancellation of our shares of common stock where we have acquired such shares or by reducing the par value of shares. See "— Other Key Provisions of our Articles of Association — Reduction of Share Capital."

Description of CHESS Units of Foreign Securities (CUFS)

CUFS are units of beneficial ownership in foreign securities, legal title to the securities being held by an Australian depositary entity, CHESS Depositary Nominees Pty Ltd ("CDN"). Each of our CUFS represents beneficial ownership of one of our shares of common stock.

The key practical difference between CUFS and shares is that CUFS holders will not be able to vote CUFS directly at general meetings of shareholders. A CUFS holder, however, may vote at our shareholder meetings in any of the following ways:

- By instructing CDN, as legal owner of the shares of our common stock represented by the CUFS, how to vote the shares of our common stock represented by the holder's CUFS.

- By converting the holder's CUFS into a holding of shares of our common stock represented thereby and voting the shares at the meeting (however, in order to sell their shares on the Australian Stock Exchange thereafter, it will be first necessary to convert them back to JHI NV CUFS) — this must be undertaken prior to the meeting.

We will distribute, or cause to be distributed, more detailed instructions and the appropriate proxy or other forms to CUFS holders, including the ADS Depositary, prior to any shareholder meetings. In any case, we cannot guarantee that the instructions, proxies and forms will be received by CUFS holders in time for such CUFS holder to take the necessary actions to vote as described above. We cannot assure you that the ADS Depositary, as a holder of CUFS underlying ADSs, will receive proxies or forms in time to enable it to distribute them to ADR holders with sufficient time for ADR holders to take the necessary actions to enable the ADS Depositary to vote as instructed. See the risk factor entitled "Holders of ADRs may be restricted in their ability to exercise voting rights" under Item 3 "Key Information."

CUFS holders will receive holding statements in lieu of certificates for their CUFS. The holding statement sets out the number of JHI NV CUFS held by each holder and the reference number of the holding. An updated holding statement will be provided to holders if there is a change in their holding of JHI NV CUFS.

A summary of the rights and entitlements of holders of our CUFS is shown below. Further information about CUFS is available from our share registry, CHESS, or most Australian stockbrokers.

Converting from a CUFS holding to a certified holding of shares. Our CUFS holders may at any time convert their CUFS holding to a holding of shares of our common stock by:

- in the case of issuer sponsored CUFS, notifying our share registry; or
- in the case of CUFS sponsored on the CHESS subregister, notifying their sponsoring broker.

In either case, once our share registry has been notified, it will provide the holder with the necessary transfer forms.

Shareholders who hold shares of our common stock directly will not be able to sell their shares on the Australian Stock Exchange. The transfer of our common stock (as opposed to our CUFS) requires the execution of a deed by both the transferor and transferee. The transfer will have effect when JHI NV is a party to the deed, when the deed of transfer is served upon JHI NV or when the transaction is acknowledged by JHI NV. If a certificate has been issued for a share of common stock, such certificate must be delivered to us before a transfer can be effected and we must endorse such transfer on the share certificate or issue a new certificate.

Dividends and other shareholder entitlements. The SCH Business Rules, which are in force under the Commonwealth Corporations Act of 2001, and the regulations thereunder, require us to treat CUFS holders as if they were the holders of the underlying shares of our common stock for purposes of dividends and other entitlements.

The SCH Business Rules ensure that CUFS holders have all the direct economic benefits of legal ownership (such as the right to receive the same dividends and rights distributions as certificated shareholders of our common stock are entitled to). If a cash dividend or any other cash distribution is made in a currency other than Australian dollars, our share registry (acting as CDN's agent) will convert the dividend or other cash distributions into Australian dollars. These will then be distributed to our CUFS holders in Australian dollars in accordance with each CUFS holder's entitlement. In respect of dividends to ADR holders, we expect to pay dividends in U.S. dollars directly to the ADS Depositary, who will then distribute the dividends pursuant to the deposit agreement.

Takeovers. If a takeover offer is received by CDN in respect of any of the shares of our common stock of which CDN is the registered holder, CDN shall not accept the offer except to the extent that acceptance is authorized by our CUFS holders with respect to the common stock shares underlying their CUFS, in accordance with the SCH Business Rules.

Other rights. As CUFS holders will not appear on our share registry as legal holders of shares of our common stock, any other right conferred on our shareholders may be exercised by our CUFS holders only by instructing CDN.

CUFS holders (but not ADR holders) are provided with the right under our articles of association to attend and speak at all of our information and general meetings.

Fees. A CUFS holder will not incur any additional fees or charges solely as a result of being a CUFS holder.

Trading in CUFS. CUFS holders who wish to trade in our common stock shares will be transferring beneficial title rather than legal title. The transfer will be settled electronically by delivery of the relevant CUFS holding through CHESS, thereby avoiding the need to effect settlement by the physical delivery of certificates.

Trading in CUFS holdings is no different to trading in other CHESS approved securities. More information on trading CUFS electronically on the Australian Stock Exchange is available from the exchange and from most Australian stockbrokers.

CUFS will underlie your ADSs. See Item 12 "Description of Securities Other Than Equity Securities — American Depositary Securities" for more information regarding ADSs.

Other Key Provisions of our Articles of Association

Purpose of the Company

Our purposes are:

- to participate in, to take an interest in any other way in and to conduct the management of business enterprises of whatever nature;
- to raise funds through the issuance of debt or equity or in any other way and to finance third parties;
- to provide guarantees, including guarantees for the debts of third parties; and
- to perform all activities which are incidental to or which may be conducive to, or connected with, any of the foregoing.

Issuance of Shares; Preemptive Rights

Pursuant to Dutch law and our articles of association, the authority to issue shares and to grant rights to subscribe for shares, such as options, and to limit or exclude preemptive rights is vested in our shareholders as a group, unless our shareholders have delegated this authority to another corporate body. Such delegation is valid for a maximum period of 5 years, but may be renewed at any time prior to its expiration.

Our Joint Board has been delegated the authority to issue shares and to grant rights to subscribe for shares, such as options, and to limit or exclude preemptive rights for a period expiring on August 15, 2006. After August 15, 2006 shares and rights to subscribe for shares may be issued, and preemptive rights may be limited or excluded, by our Joint Board provided it has again been delegated this authority by our shareholders (such delegation shall be for a maximum period of five years), or by our shareholders. We plan to ask our shareholders to delegate this authority to our Joint Board again prior to the expiration of the period ending on August 15, 2006. It is anticipated that our Joint Board will eliminate preemptive rights with respect to any and all issuances of shares of common stock during such period.

Shares of common stock must be issued for a subscription price at least equal to their nominal value of which nominal value at least 25% must have been paid up at the time of issuance.

As a Dutch company that has listed securities in Australia and the United States, we are subject to applicable legislation regarding insider trading. Generally, Dutch law prohibits anyone, whether or not a director or employee of the issuer, from trading in or bringing about transactions in the securities of the issuer while in possession of inside, non-public information, and from passing on inside information or recommending a transaction whilst in possession of inside information. Under Australian law, persons are prohibited from trading on the basis of undisclosed, price-sensitive information regarding a company's securities. Similarly, in the United States, persons are prohibited from trading on the basis of material, non-public information. We will adopt an internal code on insider trading consistent with Dutch, Australian and U.S. laws and regulations on insider trading and will make this code available to our directors and employees to whom these laws and regulations may apply. The insider trading rules of The Netherlands, Australia and the United States will generally be applicable to our directors and employees and those who obtain and unlawfully use non-public information, as well as, in the case of the United States, 10% holders of our securities. Holders of 25% or more of our share capital have to provide notice of all transactions in our shares, ADRs and related securities to the Dutch Securities Board. See "— Disclosure of Holdings."

Repurchase of Shares

At the proposal of our Joint Board, we may acquire shares, subject to certain provisions of Dutch law and of our articles of association, if and insofar as (1) shareholders' equity, less the amount to be paid for the shares acquired, is not less than the sum of the paid and called up part of our issued share capital, plus any reserves required to be maintained by Dutch law or our articles of association, (2) the aggregate par value of the shares of our capital which we or our subsidiaries acquire, already hold or on which we or they hold a right of pledge, amounts to no more than one-tenth of the aggregate par value of the issued share capital and

(3) our shareholders, as a group, have authorized our Managing Board to acquire such shares. Neither we nor any of our subsidiaries may vote shares that are held by us or them.

Our Managing Board has been authorized to acquire shares of our capital for a period expiring on February 15, 2003. After February 15, 2003, shares in our capital may be acquired if our Managing Board has again been authorized to do so by our shareholders (such authorization may be for a maximum period of 18 months).

Reduction of Share Capital

Upon the proposal of our Joint Board, our shareholders as a group have the power to decide to cancel shares acquired by us in our own share capital or to reduce the nominal value of our shares, subject to applicable statutory provisions. A partial repayment or release must be made *pro rata* to all shares concerned. The *pro rata* requirements may be waived by agreement of all shareholders concerned.

Shareholders Meetings and Voting Rights

Each shareholder, person entitled to vote and CUFS holder (but not an ADR holder) has the right to attend general meetings of shareholders, either in person or by proxy, to address shareholder meetings and, in the case of shareholders and other persons entitled to vote (for instance, certain pledge holders), to exercise voting rights, subject to the provisions of our articles of association. A meeting of shareholders will be held in The Netherlands at least annually, within six months after the close of each of our fiscal years. These meetings will take place in either Amsterdam, Haarlemmermeer (Schiphol Airport), The Hague or Rotterdam. Additional meetings of shareholders may be held as often as our Joint Board, our Managing Board or our Supervisory Board deems necessary or upon the call of (1) holders of shares of common stock jointly representing at least 5% of our issued share capital, or (2) upon the call of at least 100 holders of shares of common stock or one shareholder representing at least 100 CUFS holders or any relevant combination thereof so that the request of at least 100 persons is taken into account. Our articles of association also provide that an information meeting of shareholders must be undertaken prior to each general meeting, which must be held in Australia.

We will give notice of each meeting of shareholders by mail and by way of an announcement in a nationally distributed newspaper in The Netherlands. Such notice will be given no later than the 28th day prior to the day of the meeting and will include or be accompanied by an agenda identifying the business to be considered at the meeting. We currently are exempt from the proxy rules under the Securities Exchange Act of 1934 (the "Exchange Act"). Holders of shares of common stock represented by CUFS and holders of our ADRs will be provided notice of general meetings of shareholders and other communications with shareholders by us or the ADS depositary, The Bank of New York, respectively. CDN, or we on behalf of CDN, may deliver to CUFS holders instruction forms allowing the CUFS holders to instruct CDN how to vote at a meeting. Similarly, the ADS depositary may deliver to ADR holders instruction forms allowing the ADR holders to direct the ADS depositary on how to instruct CDN to vote at a meeting. In order for CUFS holders to attend general meetings of shareholders in person, such holders need not withdraw the shares of common stock represented by the CUFS, and must follow such rules and procedures as may be established by the CUFS Subregistrar and our share registry. In order for ADR holders to attend general meetings of shareholders in person, such holders will have to convert their ADSs into CUFS and, in doing so, must follow the procedures set forth in the deposit agreement and such rules and procedures as may be established by the ADS depositary. See Item 12 "Description of Securities Other Than Equity Securities — American Depositary Receipts."

Each share of common stock entitles the holder thereof to one vote on each matter to be voted upon by the shareholders. Holders of CUFS will be entitled to attend and to speak, but not vote, at our shareholders meetings. Holders of ADRs will neither be entitled to attend and to speak, nor be entitled to vote, at our general meetings of shareholders.

Unless otherwise required by our articles of association or Dutch law, resolutions of the general meeting of shareholders will be validly adopted by an absolute majority of the votes cast at a meeting at which at least

5% of our issued share capital is present or represented. Except where expressly stated otherwise in this registration statement, all references here and elsewhere in this registration statement to actions by the shareholders, or shareholders as a group, are references to actions taken by way of such a resolution at a meeting of shareholders.

Our shareholders as a group can amend our articles of association or dissolve us or merge or demerge us, by resolution approved by 75% of the votes cast at a meeting at which at least 5% of our issued share capital is present or represented.

Dutch law and our articles of association currently do not impose any limitations on the rights of persons who are not resident of The Netherlands to hold or vote shares of common stock, solely as a result of such non-resident status.

Adoption of Annual Accounts and Discharge of Management

Our fiscal year runs from April 1 through March 31. Dutch law requires that within five months after the end of our fiscal year, unless the general meeting of shareholders has extended this period for a maximum of six months, our Managing Board must make available to our shareholders a report with respect to that fiscal year. This report must include the financial statements and a report of an independent accountant. The annual report must be submitted to the shareholders for adoption. The annual report, including the management report, will be prepared in English (unless the shareholders approve a resolution to the contrary) and, in the case of the JHI NV and its subsidiaries' consolidated accounts, according to U.S. GAAP, and in the case of JHI NV's accounts, in Dutch GAAP.

Adoption of our annual accounts by the shareholders as a group discharges the members of our Managing, Supervisory and Joint Boards for liability towards us in respect of the exercise of their duties during the financial year covered by the accounts, unless an explicit reservation, or *''voorbehoud,''* is made by the shareholders and subject to certain exceptions under Dutch law, including exceptions relating to the liability of the members of our Joint Board, our Supervisory Board and our Managing Board upon bankruptcy or insolvency of a company and to general principles of reasonableness and fairness. Under Dutch law, this discharge does not extend to matters not disclosed in or apparent from our annual accounts or not otherwise disclosed to our shareholders as a group.

Indemnification

Our articles of association provide that we shall generally indemnify any person who is or was a member of our Managing, Supervisory or Joint Boards or one of our employees, officers or agents, and suffers any loss as a result of any action in connection with their service to us, provided they acted in good faith in carrying out their duties and in a manner they reasonably believed to be in our interest. This indemnification generally will not be available if the person seeking indemnification acted with gross negligence or willful misconduct in the performance of such person's duties to us. A court in which an action is brought may, however, determine that indemnification is appropriate nonetheless.

Dividends

All calculations to determine the amounts available for dividends or other distributions will be based on our statutory accounts which will, as a holding company, be different from our consolidated accounts and which will be prepared in accordance with Dutch GAAP because we are a Dutch company. Because we are a holding company and have no operations of our own, we are dependent on dividends or other distributions from our subsidiaries to fund any cash dividends.

The profits made in any financial year, if any, shall, if approved by our Joint Board, be allocated to our reserves, or if permitted by Dutch law and our articles of association be made available for distribution as a dividend to the holders of shares of common stock, or a combination thereof. Our Joint Board may also declare interim dividends as permitted by Dutch law and our articles of association.

We may not make any distribution, whether out of our profits as an interim dividend, or out of our general share premium reserve or out of any other reserves that are available for shareholder distributions under Dutch law, if the distribution would reduce shareholders' equity to an amount less than the sum of the paid and called up part of our issued share capital, plus certain reserves that are required to be maintained by Dutch law and our articles of association. Distributions may, at the discretion of our Joint Board, be made in cash or in shares or other securities, such as a stock dividend, provided that our shareholders as a group are authorized to make distributions in shares or other securities, if and so long as our Joint Board has not been delegated the authority to issue shares and rights to subscribe for shares. See "— Other Key Provisions of our Articles of Association — Issue of Shares; Preemptive Rights."

Cash dividends and other distributions that have not been collected within five years and two days after the date on which they became due and payable will revert to us.

JHIL historically paid dividends to its shareholders. Whether a dividend was declared and the amount of any such dividend were determined by JHIL's board of directors. Our Joint Board will likewise determine whether to declare a dividend and the amount of any such dividend. The Joint Board will also determine the date on which record holders of our common stock, including the CHESS Depositary Nominee issuing CUFS to the ADS depositary, will be entitled to such a dividend. We expect to declare any dividend in U.S. dollars and The Bank of New York, as a CUFS holder, will receive dividends directly from JHI NV shortly after the record date for the dividend and, as depositary for the ADSs, will distribute any dividend to holders of ADRs in U.S. dollars pursuant to the terms of the deposit agreement. All non-ADR holders owning interests in our common stock are expected to be paid their dividend in the equivalent amount of Australian dollars, as determined by the prevailing exchange rate shortly after the record date for the dividend. As of the date of this registration statement, we have not yet appointed any financial institution to act as paying agent for the payment of dividends.

Amendment of Articles of Association

Our articles of association may be amended by our shareholders by resolution approved by 75% of the votes cast at a general meeting of shareholders at which at least 5% of our issued share capital is present or represented.

Liquidation Rights

In the event of our dissolution and liquidation, and after we have paid all debts and liquidation expenses, all assets available for distribution shall be distributed to our holders of shares of common stock *pro rata* based on the amount paid upon the shares of common stock held by such holders. As a holding company, our sole material assets are the capital stock of our subsidiaries. Therefore, in the event of a dissolution or liquidation, we will either distribute the capital stock of our subsidiaries or sell such stock and distribute the net proceeds thereof, after satisfying our liabilities.

Limitations on Right to Hold Common Stock

Subject to certain exceptions, our articles of association prohibit the holding of shares of our common stock if, because of an acquisition of a relevant interest (including in the form of shares of our common stock, CUFS or ADSs) in such shares: (1) the number of shares of our common stock in which any person, directly or indirectly, acquires or holds a relevant interest increases from 20% or below to over 20% or from a starting point that is above 20% and below 90% of the issued and outstanding share capital of JHI NV; or (2) the voting rights which any person, directly or indirectly, is entitled to exercise at a general meeting of shareholders increase from 20% or below to over 20% or from a starting point that is above 20% and below 90% of the total number of such voting rights which may be exercised by any person at a general meeting of shareholders. The purpose of this prohibition is to ensure that the principles which underpin the Australian Corporations Act 2001 takeover regime are complied with in a change of control, namely that: (1) the acquisition of control over the company takes place in an efficient, competitive and informed market; (2) the holders of the shares of our common stock or CUFS and our Managing Board, Joint Board and Supervisory

Board know the identity of any person who proposes to acquire a substantial interest in the company, have a reasonable time to consider the proposal, and are given enough information to enable them to assess the merits of the proposal; and (3) as far as practicable, the holders of the shares of our common stock or CUFS inter alia all have a reasonable and equal opportunity to participate in any benefits accruing to the holders through any proposal under which a person would acquire a substantial interest in the company. The exceptions to this prohibition set forth in our articles of association generally include:

- acquisitions that result from acceptances under a takeover bid which complies with the articles of association, including the principles set forth above;
- acquisitions which result in a person's voting power increasing by not more than 3% in a six-month period;
- acquisitions which are consistent with the principles set forth above, conform to the other takeover principles set out in the articles of association (adjusting those principles as appropriate to meet the particular circumstances of the acquisitions) and have received the prior approval of the Supervisory Board; and
- acquisitions approved at a general meeting of shareholders, subject to certain requirements being satisfied in relation to voting and the provision of information.

The prohibition does not apply to holdings by the CUFS depositary, CDN, of our shares as custodian for the CUFS Holders but will apply to CDN where another person holds a relevant interest thereby constituting a breach of the provisions. If a person has a relevant interest that constitutes a breach of the prohibition, JHI NV has several powers available to it under our articles of association. These include powers to require the disposal of our common stock, disregard the exercise of votes and suspend dividend rights. These powers will only extend to that number of shares of common stock which result in the prohibition being breached.

The Supervisory Board may cause JHI NV to exercise these powers if JHI NV has first obtained a judgment from a court of competent jurisdiction that a breach of the prohibition has occurred and is continuing. Alternatively, these powers may also be exercised without having recourse to the courts if certain procedures in relation to obtaining legal advice are followed. Our right to exercise these powers by complying with these procedures must be renewed by shareholder approval every five years or such powers will lapse. If renewed, confirmation of this renewal must be made by lodgement of a declaration by the Joint Board with the relevant authority in accordance with Dutch law.

Furthermore, if JHI NV becomes subject to the law of any jurisdiction which applies so as to regulate the acquisition of control, and the conduct of any takeover, of the company, JHI NV shall consult promptly with ASX to determine whether, in the light of the application of such law:

(i) ASX requires an amendment to the takeover provisions in our articles of association to comply with the ASX Listing Rules as then in force; or

(ii) any waiver of the ASX Listing Rules permitting the inclusion of the takeovers provisions has ceased to have effect.

In either case, the Managing Board shall put to a general meeting of shareholders a proposal to amend our articles of association so as to make them, to the fullest extent permitted by law, consistent with the ASX Listing Rules.

Although these provisions of our articles of association may help to ensure that no person may acquire voting control of us without making an offer to all shareholders, these provisions may also have the effect of delaying or preventing a change in control of our company.

Disclosure of Holdings

Holders of shares of our common stock, including those shares represented by CUFS or ADRs, may become subject to notification obligations under the Dutch 1995 Act on the Supervision of the Securities

Trade (*Wet toezicht effectenverkeer* 1995, the "Dutch Securities Act"). Those obligations are summarized below. You are advised to consult your own legal advisers to determine whether the obligations apply to you.

Under the Dutch Securities Act, certain persons must notify the Securities Board of The Netherlands, or "S*tichting Toezicht Effectenverkeer,"* of any transaction in our shares of our common stock, CUFS, ADRs or ADSs or related securities. Notification must be made within ten days of the end of the calendar month in which the transaction was made, using a form which can be obtained from the Securities Board (P.O. Box 11723, 1001 GS Amsterdam, The Netherlands, telephone +31 (20) 553 52 00). The Securities Board keeps a public register of all notifications received.

Persons who must notify the Dutch Securities Board of transactions in our shares, ADRs or related securities include:

- persons who directly or indirectly hold more than 25% of JHI NV's outstanding share capital;
- spouses of such greater than 25% shareholders and persons running a joint household with such greater than 25% shareholders; and
- managing and supervisory directors of such greater than 25% shareholders and their spouses and persons running a joint household with them.

The notification obligation applies in respect of transactions which the person has made himself and in addition to transactions incited or solicited by him, transactions in respect of which he has given aid, opportunity, means or information and transactions which he has otherwise brought about. In case of non-observance of the notification obligations of the Dutch Securities Act, criminal (including fines and imprisonment) or administrative sanctions (including fines) may be imposed.

In addition, pursuant to our articles of association, we have the power to require our shareholders and CUFS holders to provide (and to procure any other relevant person to provide) to us information about the identity of persons who have relevant interests in our securities and the details of that interest. These provisions are intended to mirror the tracing of beneficial ownership provisions of the Australian Corporations Act 2001, which would not have applied statutorily to us as a Dutch company absent a specific provision in our articles of association.

Finally, shareholders are subject to beneficial ownership reporting disclosure requirements under U.S. securities laws, including the filing of beneficial ownership reports on Schedules 13D and 13G with the U.S. Securities and Exchange Commission (the "SEC"). The SEC's rules require all persons who beneficially own more than 5% of a class of securities registered with the SEC to file either a Schedule 13D or 13G. This filing requirement applies to all holders of our shares of common stock, ADRs or CUFS because our securities have been registered with the SEC. The number of shares of common stock underlying ADRs and CUFS is used to determine whether a person beneficially owns more than 5% of the class of securities. This beneficial ownership reporting requirement applies whether or not the holders are U.S. residents. The decision of whether to file a Schedule 13D or a Schedule 13G will depend primarily on the nature of the beneficial owner and the circumstances surrounding the person's beneficial ownership. A copy of the rules and regulations relating to the reporting of beneficial ownership with the SEC, as well as Schedules 13D and 13G, are available on the SEC's website at www.sec.gov.

Material Contracts

Agreements Related to the Establishment of the Foundation. As part of the establishment and funding of the Medical Research and Compensation Foundation, which is managed by independent trustees and operates entirely independently of James Hardie, and the transfer of ownership and control of JH & Coy and Jsekarb to the Foundation, JHIL entered into the following arrangements:

- Trust Deed dated February 15, 2001 between JHIL and the Medical Research and Compensation Foundation, as trustee, establishing the Medical Research and Compensation Foundation as a charitable private fund for the purposes of medical research into asbestos-related diseases.

- Deed of Covenant and Indemnity by and among JHIL, JH & Coy and Jsekarb dated February 15, 2001, pursuant to which JHIL has undertaken to pay to JH & Coy and Jsekarb 42 annual payments of A$5.6 million, totaling A$234.2 million ($114.7 million). Under this agreement, JHIL has the option of making the first seven payments and then a final payment of A$73.0 million when the eighth payment becomes due, making a total payment of A$112.0 million ($54.9 million). JHIL has recorded a liability against the gain on disposal for A$112.0 million ($54.9 million) which reflects management's belief that these seven payments and a final payment is the most likely payment schedule under the agreement. The first payment was made on February 16, 2001. In addition, in the event amounts paid by the two former subsidiaries with respect to asbestos-related claims exceed certain amounts, JH & Coy and Jsekarb have the right to demand payment of any remaining unpaid balance, discounted for early payment.

- Loan Deed dated February 15, 2001, pursuant to which JHIL agreed to repay its existing loan of A$70.0 million ($34.3 million) due to JH & Coy in four annual tranches of A$15.0 million and a final tranche of A$10.0 million, the first tranche payable on August 15, 2002. At March 31, 2001, the effective interest rate was 8.13%, being the average bank bill rate plus 250 basis points. Following the private placement of JHIL shares on August 1, 2001, the loan was repaid in full on August 8, 2001.

We do not control the activities of the Foundation in any way and, effective as of February 16, 2001, no longer control the activities of JH & Coy and Jsekarb.

Paperboard Supply Agreement. On May 14, 1998, we entered into a Paperboard Supply Agreement with Republic Paperboard Company, which commenced on October 1, 2000 and terminates on October 1, 2010 or 10 years after the Commercial Production Date (as defined in the agreement), whichever is later. Under the agreement, the purchase price is computed by a formula whereby an initial base price is adjusted for changes in the cost of certain key grades of paper stock and other factors as detailed in the agreement. Commencing January 1, 2001 and continuing to the termination date of the agreement, each Gypsum manufacturing plant is required to source 95% (plus or minus 5%) of its annual paperboard requirements through this agreement. As the supplier has not met all of the quality specifications required under the agreement, we are purchasing approximately 70% of our current paperboard requirements and at a reduced selling price under the agreement.

Notes. In November 1998, we issued $225 million of noncollateralized notes as part of a seven-tranche private placement facility. Principal repayments are due in seven installments on specified dates that commence on November 5, 2004 and end on November 5, 2013. The tranches bear fixed interest rates of 6.86%, 6.92%, 6.99%, 7.05%, 7.12%, 7.24% and 7.42%, respectively. Interest is payable in May and November each year. JHNV guarantees the principal and interest of the notes.

Revolving Loan Facility. Under the Revolving Loan Agreement among James Hardie Australia Finance Pty Ltd as borrower, and James Hardie N.V. and James Hardie U.S. Funding Inc., as guarantors, and certain lenders thereto, we have an Australian dollar-denominated noncollateralized revolving loan facility providing for borrowings up to A$200 million that can be repaid and redrawn until maturity in November 2003. Interest is recalculated at the commencement of each drawdown period based on the average bank bill rate plus the margins of individual lenders. As of June 30, 2001, we had drawn down the full A$200 million and there were no additional borrowings available under this revolving loan facility and the weighted average interest rate was 6.21%, 5.98% and 5.45% as of March 31, 2000, March 31, 2001 and June 30, 2001, respectively. This loan facility will be novated to James Hardie International Finance B.V. as part of the restructuring.

Stand-by Loan Facility. Under the 364 Day Standby Loan Agreement among James Hardie Australia Finance Pty Ltd, as borrower, James Hardie Aust. Investco Pty Limited, James Hardie N.V. and James Hardie U.S. Funding Inc., as guarantors, and certain lenders thereto, we have short-term unsecured stand-by loans that allow us to borrow up to $117.5 million. As of March 31, 2001, the loans had a maturity date of October 30, 2001, but in April 2001, we renegotiated the loans to extend the maturity date of $107.5 million of the loans to April 29, 2002. As of June 30, 2001, we had borrowed $91.2 million of the available loans. As of March 31, 2000, March 31, 2001 and June 30, 2001, the weighted average interest rate on our outstanding borrowings under the loans was 6.07%, 5.82% and 5.42%, respectively. JHNV guarantees the principal and interest under the standby loans. This loan facility will be novated to James Hardie International Finance B.V. as part of the restructuring.

Sale of Building Systems. On February 29, 2000, we sold our Ausco portable building business to Waco International Pty. Ltd., which completed the divestiture of our building systems segment. We had proceeds of $77.5 million from the sale. The $77.5 million in proceeds from the sale were comprised of cash of $90.4 million less selling costs of $12.9 million.

Exchange Controls

There are no legislative or other legal provisions currently in force in The Netherlands or arising under our articles of association restricting remittances to our security holders not resident in The Netherlands. Cash dividends payable in U.S. dollars on our common stock may be officially transferred from The Netherlands and converted into any other convertible currency.

There are no limitations, either by Dutch law or in our articles of association, on the right of non-residents of The Netherlands to hold or vote our common stock.

Taxation

The following general discussion of the material tax consequences of an investment in our shares of common stock is based on the current law applicable in The Netherlands and the United States as in effect on the date of this registration statement and is subject to changes therein, including changes that could have retroactive effect. Except as specifically provided for herein, this discussion does not consider the effect of any foreign, state, local or other tax laws that may be applicable to a purchaser of common stock or an ADS.

PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISERS AS TO THE TAX CONSEQUENCES OF AN INVESTMENT IN OUR SHARES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, INCLUDING THE EFFECT OF ANY FOREIGN, STATE OR LOCAL TAXES.

United States Taxation

The following discussion contains a description of the material U.S. federal income tax consequences generally applicable to an investment in our shares of common stock ("Shares") by the following persons who invest in our Shares, and who hold such Shares as capital assets ("U.S. Shareholders"): (1) citizens or residents of the United States (as defined for U.S. federal income tax purposes), (2) corporations created or organized in or under the laws of the United States or any political subdivision thereof, (3) estates the income of which is subject to U.S. federal income taxation regardless of its source, and (4) trusts if (A) a court in the United States is able to exercise primary supervision over the administration of the trust and (B) one or more U.S. persons have the authority to control all of the substantial decisions of the trust. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a U.S. Shareholder's decision to acquire Shares. In particular, this summary does not address (a) the tax treatment of special classes of U.S. Shareholders, such as financial institutions, life insurance companies, tax-exempt organizations, dealers in securities, shareholders who hold their Shares as part of a hedge, straddle, or other risk reduction arrangement, or shareholders whose functional currency is not the U.S. dollar, (b) the tax treatment of U.S. Shareholders who own (directly or indirectly by attribution through certain related parties) 10% or more of our voting stock, (c) the application of other U.S. federal taxes such as the U.S. federal estate tax, and (d) the application of any aspect of state, local and non-U.S. tax laws. The following discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), applicable Treasury regulations, judicial decisions, and administrative rulings and practice, all as of the date of this registration statement.

Treatment of ADSs. In general, for U.S. federal income tax purposes, a holder of an ADS is considered the owner of the stock represented by the ADS. Accordingly, except as otherwise noted, references in this section of the registration statement to ownership of Shares includes ownership of those Shares underlying the corresponding ADSs.

Taxation of Distributions. The gross amount of any distribution that we make (including any Netherlands taxes withheld therefrom) with respect to Shares generally will be included in the gross income of a U.S. Shareholder as dividend income to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles ("earnings and profits"). To the extent that the amount of any distribution is not paid out of our earnings and profits, such amount will first be treated as a tax-free return of capital to the extent of the U.S. Shareholder's adjusted tax basis in the Shares and, to the extent that such amount exceeds the U.S. Shareholder's adjusted tax basis in the Shares, such excess will be taxed as capital gain. See the discussion of "Capital Gains Rates" below. U.S. Shareholders will not be entitled to the dividends received deduction with respect to any distributions that we make that are treated as dividends.

Distributions treated as dividends generally will be treated as income from sources outside the United States and generally will be foreign source "passive" income for purposes of the foreign tax credit provisions. However, if U.S. persons own, directly or indirectly, 50% or more of our Shares, then a portion of any dividends paid by us (based on the proportion of our income that is from sources within the United States) may be treated as income from sources within the United States for purposes of these rules, which generally would limit the availability of foreign tax credits. See the discussion of "Credit of Foreign Taxes Withheld" below.

The amount of any distribution paid in foreign currency will generally equal the fair market value in U.S. dollars of the foreign currency on the date of receipt. A U.S. Shareholder will have a basis for U.S. federal income tax purposes in the foreign currency distributed equal to their U.S. dollar value on the date of receipt. Any gain or loss recognized upon the subsequent disposition of the foreign currency will generally be U.S. source ordinary income or loss, but U.S. Shareholders who are individuals may be entitled to nonrecognition of any gain realized on the disposition of the foreign currency to the extent such gain does not exceed $200 and the realization transaction constitutes a "personal transaction" for purposes of the Code. The amount of any distribution of property other than money will be equal to its fair market value on the date of distribution.

Credit of Foreign Taxes Withheld. Subject to certain conditions and limitations (including pursuit of refunds to the extent available), the foreign tax legally owed and withheld or paid with respect to dividends on Shares generally will be eligible for credit against a U.S. Shareholder's federal income tax liability. Alternatively, a U.S. Shareholder may claim a deduction for such amount of withheld foreign taxes, but only for a year for which such U.S. Shareholder elects to do so with respect to all foreign income taxes. The rules relating to the determination of the foreign tax credit are complex, and U.S. Shareholders should consult their tax advisers to determine whether and to what extent a foreign tax credit would be available.

Under certain specific circumstances, and subject to certain limitations and conditions, we may be permitted to retain a portion of Netherlands withholding taxes that are withheld from dividend distributions to our shareholders, rather than paying such amounts to The Netherlands Tax Administration. This will result from the application of a Netherlands tax credit which may not exceed 3% of the dividend distribution, and which will be available to the extent that the dividend distribution relates to dividends that we receive from qualifying non-Netherlands subsidiaries, with respect to which at least 5% withholding tax has been withheld. U.S. Shareholders should consult their tax adviser to determine the amount of The Netherlands withholding tax that may be claimed as a foreign tax credit or as a deduction for U.S. federal income tax purposes. We do not anticipate that a significant portion of dividends will be subject to the above-described rules.

Sale or Other Disposition of Shares. Gain or loss, if any, recognized by a U.S. Shareholder on the sale or other disposition of Shares will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between the U.S. Shareholder's adjusted tax basis in such Shares and the amount realized on the sale or other disposition. Lower marginal tax rates may apply to individual U.S. Shareholders in the case of capital gains, depending on the holding period of Shares sold by such U.S. Shareholders. See the discussion of "Capital Gains Rates" below. For U.S. federal income tax purposes, capital losses not offset by capital gains are subject to limitations on deductibility. Gain or loss realized by a U.S. Shareholder on the sale or other disposition of Shares generally will be treated as income from sources within the United States for purposes of the foreign tax credit provisions, unless the U.S. Shareholder is a U.S. citizen residing outside the United States and certain other conditions are met.

Capital Gains Rates. For individual U.S. Shareholders, the difference between the tax rates applicable to capital gain and ordinary income may be significant. For calendar year 2001, the highest marginal income tax rate (disregarding the effect of limitations on deductions) applicable to ordinary income by an individual U.S. Shareholder is 39.1% (scheduled to be reduced to 35% by 2006). Any net capital gain recognized by an individual U.S. Shareholder generally will be taxed at a maximum rate of 20% with respect to capital gain attributable to the sale or exchange of assets held for more than one year. Gain attributable to the sale or exchange of capital assets held for one year or less is short-term capital gain, which is taxable as ordinary income.

Passive Foreign Investment Company Status. Special U.S. federal income tax rules apply to U.S. Shareholders owning capital stock of a "passive foreign investment company" (a "PFIC"). A foreign corporation will be considered a PFIC for any taxable year in which 75% or more of its gross income is passive income or in which 50% or more of the average value of its assets are considered "passive assets" (generally assets that generate passive income or assets held for the production of passive income). For these purposes, passive income generally does not include interest, dividends or royalties received from related parties. We do not believe that we are currently a PFIC for U.S. federal income tax purposes and we do not anticipate that we will become a PFIC in the future.

If we were classified as a PFIC, a U.S. Shareholder generally would be subject to increased tax liability (possibly including an interest charge) upon the sale or other disposition of Shares or upon receipt of "excess distributions," unless such U.S. Shareholder elects (1) to be taxed currently on its pro rata portion of our income, whether or not such income was distributed in the form of dividends or otherwise, or (2) to mark its Shares to market by accounting for any difference between such Shares' fair market value and adjusted basis at the end of the taxable year by either an inclusion in income or a deduction from income.

Foreign Personal Holding Company Status. Special U.S. federal income tax rules apply to U.S. Shareholders owning shares of a "foreign personal holding company" (a "FPHC"). A foreign corporation will be classified as a FPHC if (i) at any time during its taxable year, five or fewer individuals who are U.S. citizens or residents own (directly or indirectly by attribution through certain related parties) more than 50% of the corporation's capital stock (by either voting power or value) (the "Shareholder Test") and (ii) the corporation derives at least 60% of its gross income (reduced to at least 50% after the initial year of qualification under certain circumstances), as adjusted, for the taxable year from certain passive sources (the "Income Test"). Although we believe that we and certain of our subsidiaries likely will meet the Income Test because most of our income will be derived from interest or dividends, we believe that the Shareholder Test is not met. Therefore, we do not believe that we or any of our subsidiaries are currently a FPHC for U.S. federal income tax purposes.

If we or any of our subsidiaries were classified as a FPHC, U.S. Shareholders (including certain indirect holders) would be required to include in income, as a dividend, their pro rata share of the undistributed taxable income (as specifically adjusted) of the FPHC, if they were holders on the last day of our taxable year (or, if earlier, the last day on which the FPHC satisfies the Shareholder Test), but such pro rata share would increase their basis in their Shares by a corresponding amount. In addition, if we or any of our subsidiaries were to become a FPHC, U.S. persons who acquire Shares from decedents would not receive a "stepped-up" basis in such Shares. Instead, such holders would have a tax basis in such Shares equal to the lesser of the decedent's basis or fair market value.

Information Reporting and Backup Withholding. In general, information reporting requirements will apply to dividends paid in respect of Shares to non-corporate U.S. Shareholders or the proceeds received on the sale, exchange or redemption of Shares by non-corporate U.S. Shareholders, and such amounts may be subject to a 31% U.S. backup withholding tax. Backup withholding tax will not apply, however, to a U.S. Shareholder who (1) is a corporation or comes within certain exempt categories and, when required, demonstrates this fact, or (2) furnishes a correct taxpayer identification number or certificate of foreign status and makes certain other required certifications as provided by the backup withholding rules. Generally, a U.S. Shareholder will provide such certifications on Form W-9 (Request for Taxpayer Identification Number and Certification). A U.S. Shareholder who does not furnish us with his or her correct taxpayer identification number may also be subject to penalties imposed by the U.S. Internal Revenue Service (the "IRS"). Backup withholding is not an additional tax and may be claimed as a credit against the U.S. federal income tax liability of a U.S. Shareholder, provided that the required information is furnished to the IRS.

U.S. Federal Income Tax Provisions Applicable to Non-United States Holders. Holders of Shares who are not U.S. Shareholders ("Non-U.S. Shareholders") generally will not be subject to U.S. federal income taxes, including U.S. withholding taxes, on any gain realized on a sale, exchange, or other disposition of the Shares unless (i) such gain is effectively connected with the conduct by the Non-U.S. Shareholder of a trade or business in the United States or (ii) in the case of gain realized by a Non-U.S. Shareholder who is an individual, the Non-U.S. Shareholder is present in the United States for 183 days or more in the taxable year in which the sale or other disposition occurs and certain other conditions are met. A Non-U.S. Shareholder generally will not be subject to U.S. federal income or withholding tax on dividends received with respect to Shares, unless such income is effectively connected with the conduct by the Non-U.S. Shareholder of a trade or business in the United States.

Netherlands Taxation

The statements below represent a broad analysis of the current Netherlands tax law and are limited to tax implications for a holder of shares of common stock or ADSs who is not a citizen or resident or deemed resident of The Netherlands. The comments below do not cover Netherlands gift, estate or inheritance taxes. The description is not to be read as extending by implication to matters not specifically referred to herein and does not purport to be a comprehensive description of all the tax considerations that may be relevant to a prospective investor's decision to acquire shares of common stock. Any prospective investor should consult such investor's own tax adviser, as individual circumstances may affect the general tax consequences described in this summary.

The statements below are based on the Dutch tax legislation, published case law, and other regulations in force as at the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

Treatment of ADRs. In general, for Netherlands Tax purposes, a holder of depositary receipts is considered the owner of the stock represented by depositary receipts. In the US-NL Treaty it is stated that the term "shares" shall include the depositary receipts thereof. Furthermore, in the official Governmental correspondence regarding the US-NL Tax Treaty, it is stated that for the purpose of Article 10 (Dividends) and subparagraph 8(b) of Article 26 (Limitation of Benefits) of the US-NL Treaty, it is understood that depositary receipts will be considered to possess the rights attached to the shares which they replace, including the voting rights thereof. Therefore, except as otherwise noted, references in this section to shares of common stock also include American Depositary Receipts.

Dutch Dividend Withholding Tax. Dividends that we distribute are generally subject to a withholding tax imposed by The Netherlands at a rate of 25%. The term "dividends" for this purpose includes, but is not limited to:

(1) direct or indirect distributions in cash or in kind, deemed or constructive distributions, and repayments of additional paid-in capital not recognized as such for Netherlands dividend withholding tax purposes;

(2) liquidation proceeds, proceeds of redemption of shares of common stock or, generally, consideration paid by us for the repurchase of shares of common stock in excess of the average paid-in capital recognized for Netherlands dividend withholding tax purposes;

(3) the par value of shares of common stock issued to a holder of shares of common stock or an increase of the par value of shares of common stock, as the case may be, to the extent that no contribution to capital, recognized for Netherlands dividend withholding tax purposes, was made or will be made; and

(4) the partial repayment of paid-in capital, recognized for Netherlands dividend withholding tax purposes, if and to the extent that there are net profits (*"zuivere winst"*) for dividend withholding tax

purposes, unless the general meeting of our shareholders has previously resolved to make such repayment and provided that the par value of the shares of common stock concerned has been reduced by a corresponding amount by changing our Articles of Association. As a result of contributions in kind (i.e. in shares) to our paid-in capital made prior to the listing, a portion of such paid-in capital may not be recognized for Dutch dividend withholding tax purposes. Repayment of paid-in capital in the manner described above, may consequently be subject to dividend withholding tax to the extent that dividends have been received from non-Netherlands subsidiaries out of profits generated after the above mentioned contributions in kind.

If a holder of shares of common stock is resident in a country with which The Netherlands has concluded a convention to avoid double taxation that is in effect, such holder may, depending on the terms of such double taxation convention, be eligible for a full or partial exemption from, or refund of, Netherlands dividend withholding tax.

Under the US-NL Treaty, dividends that we pay to residents of the United States who are the beneficial owners of those dividends (other than an exempt organization or exempt pension organization) are generally eligible for a reduction of the 25% Netherlands withholding tax to 15%, or in the case of certain U.S. corporate shareholders owning at least 10% of our voting power, 5%, unless the shares of common stock held by such residents form part of the business property of a business that is carried on through a permanent establishment in The Netherlands. The same exception applies if the beneficial owner of the dividends, being a resident of the United States, performs independent personal services from a fixed base situated in The Netherlands and the holding of the shares of common stock in respect of which the dividends are paid pertains to such fixed base in The Netherlands. The US-NL Treaty provides for a complete exemption for dividends received by exempt pension organizations and exempt organizations, as defined therein. A holder of shares of common stock other than an individual will not be eligible for the benefits of the US-NL Treaty if such holder of shares of common stock does not satisfy one or more of the tests set forth in the limitation on benefits provisions of Article 26 of the US-NL Treaty.

A holder of shares of common stock (other than an exempt organization or exempt pension organization) generally may claim the benefits of a reduced withholding tax rate pursuant to the US-NL Treaty by submitting a duly signed Form IB 92 USA, which form includes a qualifying banker's affidavit, which must be from a bank having membership in the New York Stock Exchange or the American Stock Exchange, or a bank which is a member of the Federal Reserve System or of a recognized non-US Bankers' Association, stating that the shares of common stock are in the bank's custody in the name of the applicant, or that the shares of common stock have been shown to the bank as being the property of the applicant. If the Form IB 92 USA is submitted prior to the dividend payment date and all relevant conditions are fulfilled, we can apply the reduced withholding tax rate to the dividend payment. A holder of shares of common stock unable to claim withholding tax relief in this manner can obtain a refund of excess tax withheld by filing a Form IB 92 USA and describing the circumstances that prevented claiming withholding tax relief at source within a period of three years after the expiration of the calendar year in which the tax has been levied.

Holders of shares of common stock through a depository will initially receive dividends subject to a withholding tax rate of 25%. An amount equal to 10% of the dividend should be paid to such holders upon timely receipt by the dividend disbursing agent (via any nominee) of required documentation that such holders are eligible for the reduced rate under the US-NL Treaty.

Qualifying U.S. exempt organizations must seek a full refund of the tax withheld by using Form IB 95 USA, which form also includes a banker's affidavit. An exempt pension organization may obtain a full exemption of the dividend withholding tax at source upon payment of the dividends, provided a duly signed Form IB 92 USA is filed in advance of the payment, which form also includes a banker's affidavit, and all relevant conditions are fulfilled.

Recently, the Dutch Ministry of Finance released new draft legislation with regard to measures for combatting dividend stripping. The draft legislation states broadly, amongst other things, that:

- dividend stripping is deemed to occur if the recipient of the dividend is not the beneficial owner of that dividend where, due to a transaction or a series of related transactions, the dividend directly or indirectly accrues to an other person; and
- the proposed measures will deny the dividend recipient the right to obtain a refund or tax credit of (part of) the dividend withholding tax if that other person has a more restricted right to such a refund or tax credit.

The draft legislation provides that the measures will be effective as of April 27, 2001.

Taxes on Income and Capital Gains. A holder of shares of common stock will not be subject to any Netherlands taxes on income or capital gains in respect of dividends distributed by the Company or in respect of capital gains realized on the disposition of shares of common stock (other than the dividend withholding tax described above), provided that:

(1) such holder is neither resident nor deemed to be resident in The Netherlands;

(2) such holder does not have a business or an interest in a business that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which business or part of a business, as the case may be, the shares of common stock are attributable;

(3) such holder does not perform independent personal services in The Netherlands giving rise to a fixed base in The Netherlands to which the shares of common stock are attributable; and

(4) the shares of common stock owned by such holder do not form part of a substantial interest or a deemed substantial interest, as defined below, in the share capital of the Company or, if such shares of common stock do form part of such an interest, they form part of the assets of a business other than a Netherlands business.

Generally, a holder of the shares will not have a substantial interest if he, his spouse, certain other relatives (including foster children) or certain persons sharing his household, do not hold, alone or together, whether directly or indirectly, the ownership of, or certain other rights (e.g. the right of usufruct) over, the shares representing 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares), or rights to acquire the shares, whether or not already issued, that represent at any time 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) or the ownership of certain profit participating certificates that relate to 5% or more of the annual profit and/or to 5% or more of the liquidation proceeds. Holders of ordinary shares who do not hold a substantial interest themselves will also be subject to the "substantial interest" regime if their spouse and/or certain other relatives hold a substantial interest. A deemed substantial interest is present if (part of) a substantial interest has been disposed of, or is deemed to have been disposed of, without a recognition of gain.

If such holder is resident of a country with which The Netherlands has concluded a convention to avoid double taxation, such holder may, depending on the terms of such double taxation convention, be eligible for an exemption from Netherlands income tax on capital gains realized upon the disposition or deemed disposition of shares of common stock, or to a full or partial exemption from Netherlands income tax on dividends distributed by us.

Under the US-NL Treaty, capital gains realized by such holder upon the disposition of shares of common stock, provided such holder is a resident, as defined in the US-NL Treaty, of the United States, are, with certain exceptions, generally exempt from Netherlands tax on income and capital gains.

Under the US-NL Treaty, dividends received from us by such holder who is a resident of the United States (other than an exempt organization or an exempt pension organization) are with certain exceptions generally eligible for a reduction of The Netherlands income tax liability to 15%. The US-NL Treaty provides for a complete exemption of Netherlands income tax for dividends received by U.S. resident exempt pension organizations and exempt organizations, as defined.

As indicated above, a holder of shares of common stock, other than an individual, will not be eligible for the benefits of the US-NL Treaty if such holder of shares of common stock does not satisfy one or more of the tests set forth in the limitation on benefits provisions of Article 26 of the US-NL Treaty.

Capital Duty. We will be required to pay Netherlands capital duty at the rate of 0.55% of any contribution (including cash, in kind and/or deemed capital contributions) made in respect of the shares of common stock, including a 0.55% capital duty payable in The Netherlands on the proceeds received by us in any future issuance of shares.

Other Taxes and Duties. No other Netherlands registration tax, transfer tax, stamp duty or any similar documentary tax or duty will be payable by our investors in respect of or in connection with the registration of shares of our common stock.

Dividends and Paying Agents

See "— Other Key Provisions in Our Articles of Association — Dividends."

Statements by Experts

The financial statements as of March 31, 2001 and 2000 and for each of the three years in the period ended March 31, 2001 included under Item 18 of this registration statement have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

Documents Available for Review

Upon the effective date of this registration statement, we will become subject to the reporting requirements of the Exchange Act, applicable to "foreign private issuers," and in accordance therewith will file reports, including annual reports, and other information with the SEC. Such reports and other information may be obtained, upon written request, from our Corporate Secretary at 26300 La Alameda, Suite 100, Mission Viejo, California 92691. Such reports and other information may also be inspected and copied at prescribed rates at the public reference facilities maintained by the SEC at Room 1024 Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the regional offices of the SEC located at Seven World Trade Center, Suite 1300, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. In addition, our reports and other information may be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. Although, as a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements and annual reports to shareholders and the short-swing profit recovery provisions set forth in Section 16 of the Exchange Act, we intend to:

- furnish our shareholders with annual reports containing consolidated financial statements examined by an independent accounting firm; and

- file quarterly reports for the first three quarters of each fiscal year containing unaudited financial information with the SEC under Form 6-K.

Item 11 ***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 flow. For our fiscal year ended March 31, 2001, 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	77.3%	16.2%	4.5%	2.0%
Cost of goods sold	80.8%	13.0%	4.0%	2.2%
Expenses	55.0%	36.3%	4.2%	4.5%
Liabilities (excluding borrowings)	51.6%	43.0%	2.7%	2.7%

(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 March 31, 2001, 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 March 31, 2001, 52% of our borrowings were fixed-rate and 48% variable-rate, as compared to 58% of our borrowings at a fixed rate and 42% at a variable rate at March 31, 2000. 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. At March 31, 2001, no interest rate swap contracts had been entered into and no contracts were outstanding.

The table below presents our long-term borrowings at March 31, 2001, 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 March 31, 2001, all our fixed-rate borrowings were denominated in U.S. dollars, and all our variable-rate borrowings in Australian dollars. The table includes A$ borrowings in US$ equivalent, using an exchange rate of A$1 = US$0.49.

Future Principal Repayments by Expected Maturity Date
(In millions of dollars, except percentages)

	Year Ending March 31,							
	2002	2003	2004	2005	2006	Thereafter	Total	Fair Value
Fixed rate debt	—	—	—	$24.0	$35.0	$166.0	$225.0	$226.7
Weighted-average interest rate	—	—	—	6.86%	6.92%	7.16%	7.09%	
Variable rate debt	—	$ 7.4	$105.4	$ 7.4	$ 7.3	$ 4.8	$132.3	$132.3
Weighted-average interest rate	—	8.13%	6.13%	8.13%	8.13%	8.13%	6.53%	

Commodity Price Risk

Pulp is a raw material we use to produce fiber cement, and it has historically demonstrated more price sensitivity than other raw materials we use in our manufacturing process. Effective September 1, 2000, we contracted with a third party to hedge the price of 5,000 metric tons of pulp per month, representing approximately 50% of our production requirements. The contract ends August 31, 2005 and entitles us to receive or requires us to pay each month the difference between the contract price and that month's end spot price of pulp. The fair value of the hedge contract is what we would receive or have to pay to end the contract.

We adopted SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" on April 1, 2001, to take effect beginning with our first quarter of fiscal year 2002. At June 30, 2001, according to the counter party to the hedge contract, we would have been required to pay $6.2 million to terminate the contract.

Item 12 *Description of Securities Other Than Equity Securities*

American Depositary Receipts

The securities we are registering and intend to have listed on the New York Stock Exchange are American Depositary Shares ("ADSs"), each of which represents five (5) shares of our common stock in the form of CUFS. The Bank of New York, as depositary, will issue the ADSs, which will be evidenced by American Depositary Receipts ("ADRs"). CUFS may be deposited with Australia and New Zealand Banking Group, Melbourne, as custodian, pursuant to the deposit agreement that we intend to enter into among us, the depositary and you as an ADR holder. Each ADR will also represent any securities, cash or other property deposited with the depositary but not distributed by it to you.

The depositary's corporate trust office is located at 101 Barclay Street, New York, NY 10286. Its principal executive office is located at One Wall Street, New York, NY 10286.

You may hold ADRs either directly or indirectly through your broker or other financial institution. If you hold ADRs directly, by having an ADR registered in your name on the books of the depositary, you are an ADR holder. This description assumes you hold your ADRs directly. If you hold the ADRs through your broker or financial institution nominee, you must rely on the procedures of such broker or financial institution to assert the rights of an ADR holder described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Because the depositary will actually hold the CUFS underlying your ADRs, you must rely on the depositary to exercise the rights of a CUFS holder on your behalf. The obligations of the depositary and its agents are set out in the deposit agreement. The deposit agreement and the ADRs are governed by New York law.

The following is a summary of the material terms of the deposit agreement. We have entered into the deposit agreement subject to effectiveness of our registration statement on Form F-6. For more complete information, you should read the entire deposit agreement, as executed, and the form of ADR, which together will contain the terms of your ADSs and ADRs. Copies of the executed deposit agreement will be on file with the depositary at its corporate trust office and the custodian and will be available for inspection by ADR holders during regular business hours.

Dividends and Other Distributions

The depositary has agreed to pay to you the cash dividends or other distributions it or the custodian receives with respect to CUFS or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of shares represented by CUFS that your ADRs represent. The custodian will hold all deposited securities for the account of the depositary. Our CUFS, deposited securities, including any additional securities, property and cash received on or in substitution for any CUFS deposited with the custodian are referred to as "deposited securities."

Cash

The depositary or the custodian, as the case may be, distributes all dividends and distributions in respect of our deposited securities deposited under the deposit agreement. The depositary will convert any cash dividend or other cash distribution we pay on our deposited securities into U.S. dollars, if such amounts are delivered to it in a foreign currency and if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible, or if any approval from any government is needed and cannot be obtained, the agreement allows the depositary to distribute the foreign currency only to those ADR holders to whom it is possible to do so. The depositary will hold the foreign currency it cannot convert for the account of the ADR holders who have not been paid. It will not invest the foreign currency and it will not be liable for the interest.

Before making a distribution, any fees payable to the depositary under the deposit agreement and any withholding taxes that must be paid under applicable law will be deducted. The depositary will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.

CUFS

The depositary may distribute additional ADRs for ADSs representing any CUFS which are issued as a result of a distribution of shares as a dividend. The depositary will only distribute ADRs representing whole ADSs. It will sell shares that would require it to deliver ADRs for fractional ADSs and distribute the net proceeds in the same way it does with cash. If the depositary does not distribute additional ADRs, each ADR will also represent the new deposited securities or any of our securities represented by any deposited securities.

Rights to Receive Additional Deposited Securities or Any of Our Securities Represented by Any of Our Deposited Securities

If we offer holders of our deposited securities, or any of our securities represented by any of our deposited securities, any rights to subscribe for additional shares or any other rights, the depositary may make these rights available to you upon your request. In lieu of such distribution, the depositary may sell the rights and distribute the proceeds in the same way it does with cash. The depositary may also allow rights that are not distributed or sold to lapse. If so, you would receive no value for them.

If the depositary makes rights available to you, upon instruction from you, it will exercise the rights and purchase the additional securities on your behalf. The depositary will then deposit the additional securities and deliver to you ADRs for these shares. It will exercise rights only if you pay it the exercise price and any other charges the rights require you to pay.

The depositary will not offer rights to owners of ADSs unless either the rights and the securities to which such rights relate are registered, or exempt from registration, under the Securities Act. The depositary will not distribute any warrants or instruments representing rights unless we provide the depositary with a legal opinion that the distribution of such instruments is exempt from such registration and the depositary may rely on such opinion.

U.S. securities laws may restrict the sale, deposit, cancellation and transfer of the ADRs issued after exercise of rights. For example, you may not be able to trade the ADRs freely in the United States. In this case, the depositary may issue the ADSs under a separate restricted deposit agreement that will contain the same provisions as the agreement, except for the changes necessary to put the restrictions in place.

Other Distributions

The depositary will send to you all other distributions on deposited securities or any of our securities represented by any deposited securities, after deduction or upon payment of any fees and expenses of the depositary or any taxes or other governmental charges, by any means it believes is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds in the same way it does with cash or it may decide to hold what we distributed, in which case the ADRs will also represent the newly distributed property.

We are under no obligation to register ADRs, CUFS, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADRs, shares, CUFS, rights or anything else to ADR holders. This means that you may not receive the distribution we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.

The depositary may choose any practical method of distribution for any specific ADR holder, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the ADR holder as deposited securities.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADR holders.

There can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares, CUFS or other securities at a specified price, or that any of such transactions can be completed within a specified time period.

Deposit, Cancellation and Withdrawal

Deposit

The depositary will issue ADSs if you or your broker deposits CUFS or other evidence of rights to receive shares with the custodian. Upon each deposit of CUFS, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and expenses and any charges of the depositary and any taxes such as stamp taxes or stock transfer taxes or other fees or charges owing, the depositary will issue an ADR or ADRs in the name of the person entitled thereto evidencing the number of ADSs to which such person is entitled. Certificated ADRs will be delivered at the depositary's corporate trust office to the persons you request.

Cancellation and Withdrawal

You may turn in your ADRs at the depositary's corporate trust office. Upon payment of certain applicable fees and expenses, charges and taxes, and upon receipt of proper instructions, the depositary will deliver deposited securities to you, or the person designated by you, at the office of the custodian. At your risk, expense and request, the depositary shall direct the custodian to deliver deposited securities at the depositary's corporate trust office.

The depositary may close its transfer books or we may close our transfer books at any time or from time to time. This may cause temporary delays in your ability to receive ADRs against deposits of CUFS, cancel ADRs and obtain deposited securities, or transfer ADRs.

However, even in the situation described in the previous paragraph, you have the right to cancel your ADRs and withdraw the underlying CUFS at any time subject only to:

- temporary delays caused by closing of the depositary's transfer books or our transfer books or the deposit of CUFS in connection with voting at a shareholders' meeting, or the payment of dividends;
- the payment of fees, taxes and similar charges; and
- compliance with any laws or governmental regulations relating to ADRs or to the withdrawal of underlying CUFS.

All ADRs surrendered to the depositary will be cancelled by the depositary and the depositary is authorized to destroy such cancelled ADRs.

Voting Rights

If you are an ADR holder and the depositary asks you to provide it with voting instructions, you may instruct the depositary how to direct CDN to exercise the voting rights for the shares held by CDN and represented by the CUFS which underlie your ADSs. Upon receipt of notice of any meeting of holders of shares or deposited securities sent by us, the depositary has agreed, upon our request, to mail the notice to the ADR holders as soon as practicable. The notice will contain an English version of the notice received from us and a summary in English of any materials provided to CUFS holders and will describe how you, by a certain date, may instruct the depositary to direct CDN to exercise the voting rights for the shares held by CDN and represented by the CUFS underlying your ADSs, including a statement as to how the depositary will instruct

CDN to vote shares represented by CUFS for which the depositary receives incomplete voting instructions. For instructions to be valid, the depositary must receive them on or before the date specified. The depositary will attempt, as far as is practical and subject to the provisions governing the underlying shares, CUFS or other deposited securities, to vote, or to have CDN vote, in accordance with your instructions. The depositary will vote or attempt to vote only as you instruct. The depositary will not itself exercise any voting discretion. Neither the depositary nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast or for the effect of any vote.

We cannot guarantee that you will receive voting materials in time to instruct the depositary to vote and it is possible that you, or persons who hold their ADRs through brokers, dealers or other third parties, will not have the opportunity to vote. The depositary will not charge ADR holders for taking any action in connection with shareholders' meetings. You may also withdraw your underlying CUFS and then instruct CDN, as holder of the shares represented by the CUFS, how to vote those shares. For instructions concerning how to withdraw your CUFS from the depositary so that you may instruct CDN how to vote them directly, see "— Deposit, Cancellation and Withdrawal" and Item 10 "Additional Information — Share Capital — Description of CHESS Units of Foreign Securities (CUFS)."

Record Dates

The depositary will fix the record dates for determining the ADR holders who will be entitled:

- to receive a dividend distribution or rights, or
- to give instructions for the exercise of voting rights at a meeting of holders of shares or deposited securities,

all subject to the provisions of the deposit agreement.

Reports and Other Communications

The depositary will make available for inspection by ADR holders at its corporate trust office any communications or reports, including any proxy soliciting materials, from us or CDN, as the CUFS depositary, that are both received by the depositary or the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities. The depositary will also arrange for the mailing, at our request and at our expense, of copies of the notices, reports and communications, including any proxy soliciting materials, to all ADR holders. These communications will be furnished by us in English.

Fees and Expenses

ADR holders or persons depositing CUFS will be charged for the following expenses:

ADR holders must pay:	For:
$5.00 (or less) per 100 ADSs	Each issuance of an ADS, including as a result of a distribution of CUFS or rights or other property Each cancellation of an ADS, including if the deposit agreement terminates
$.02 (or less) per ADS	Any cash payment
Clearing and Settlement Fees	Clearing and settlement fees of CUFS on the register of the foreign registrar from your name to the name of The Bank of New York or its agent when you deposit, or similar fees resulting from your withdrawal of, CUFS
$.02 (or less) per ADS per calendar year	Depositary services; provided that this fee will not be charged if a fee of $.02 was charged in the same calendar year for a cash distribution.
Expenses of The Bank of New York	Conversion of foreign currencies to U.S. dollars Cable, telex and facsimile transmission expenses
Taxes and other governmental charges The Bank of New York or the custodian has to pay on any ADS or deposited securities underlying an ADS (*e.g.,* stock transfer taxes, stamp duty or withholding taxes)	As necessary
Distribution fees	Distributions of or relating to deposited securities

The fees described above may be amended from time to time. The Clearing House Electronic Subregister System ("CHESS") may charge CHESS participants customary fees for utilizing CHESS. The fees for CUFS are the same as fees charged with respect to shares. The depositary may pass along any fees incurred in the clearance and settlement of CUFS.

Payment of Taxes

ADR holders will be required to pay any tax or other governmental charge on any ADS or ADR, deposited security or distribution. If an ADR holder owes any tax or other governmental charge, the depositary may deduct the amount thereof from any cash distribution or sell deposited securities and deduct the amount owing from the net proceeds of such sale. In either case, the ADR holder will remain liable for any shortfall. Additionally, if any tax or governmental charge is unpaid, the depositary may refuse to effect any transfer of an ADR or withdrawal of deposited securities until such payment is made. If the depositary sells the deposited securities, it will, if appropriate, reduce the number of ADRs to reflect the sale and pay to you any proceeds, or send to you any property, remaining after it has paid the taxes.

Reclassifications, Recapitalizations and Mergers

If we do any of the following:

- Change the nominal or par value of our deposited securities or shares represented by deposited securities,

- Reclassify, split up or consolidate any deposited securities, or shares represented by deposited securities, or

- Recapitalize, reorganize, merge, consolidate, sell all or substantially all of our assets, or take any similar action, then, the shares, CUFS or other securities received by the depositary will become deposited securities. Each ADR will automatically represent its proportional share of the new deposited securities. The depositary may, at our request, issue new ADRs evidencing these deposited securities or ask you to surrender your outstanding ADRs in exchange for new ADRs that specifically describe the new deposited securities.

Amendment and Termination

Amendment

We may agree with the depositary to amend the deposit agreement and the form of ADRs without your consent for any reason. ADR holders must be given at least 30 days' notice of any amendment that imposes or increases any fees or charges (except for taxes and other governmental charges or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or prejudices any substantial existing right of ADR holders. If an ADR holder continues to hold ADRs after being so notified, such ADR holder will be deemed, at the time an amendment becomes effective, to have consented and agreed to such amendment. Notwithstanding the foregoing, no amendment shall impair a holder's right to surrender its ADRs and receive deposited securities represented thereby, except as necessary to ensure compliance with mandatory provisions of applicable law.

Termination

The depositary will terminate the deposit agreement if we ask it to do so. The depositary may also terminate the agreement if the depositary has advised us that it wants to resign and we have not appointed a new depositary bank within 90 days. In both cases, the depositary is required to notify you at least 90 days before termination.

After termination, the depositary and its agents will be required only to collect dividends, sell rights and other distributions on the deposited securities and deliver CUFS and other deposited securities upon cancellation of ADRs. After one year from the date of termination, the depositary may sell any remaining deposited securities by public or private sale. After that, the depositary will hold the proceeds of the sale, as well as any other cash it is holding under the deposit agreement, for the pro rata benefit of the ADR holders who have not surrendered their ADRs. It will not invest the money and will have no liability for interest. The depositary's only obligations will be to account for the proceeds of the sale and other cash. After termination of the deposit agreement, our only obligations will be with respect to indemnification and to pay certain amounts due to the depositary.

Limitations on Obligations and Liability to ADR Holders

The deposit agreement expressly limits our and the depositary's obligations and liability. Neither we nor the depositary will be liable if either:

- performs its obligations without negligence or bad faith; or
- takes any action or omits to take any action based on advice or information provided by legal counsel, accountants, any person presenting shares for deposit, any holder or any other qualified person.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances. Neither we nor the depositary is under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or ADRs which such party believes may involve its expense or liability unless satisfactory indemnity is furnished.

The depositary will not be responsible for failing to carry out instructions to vote the ADSs, the manner in which the ADSs are voted or the effect of the vote. The depositary may own and deal in any class of securities of our company.

Requirements for Depositary Actions

Before the depositary will issue or register the transfer of an ADR, make a distribution on an ADR, or make a withdrawal of deposited securities, the depositary may require:

- payment of stock transfer or other taxes or governmental charges and transfer or registration fees charged by third parties for the transfer of any CUFS or other deposited securities;

- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and

- compliance with regulations it may establish from time to time consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to deliver, transfer or register transfers of ADRs generally when the books of the depositary, the CHESS subregister or our company are closed, or at any time if the depositary or we deem it advisable to do so.

You will have the right to surrender your ADRs, cancel your ADSs and withdraw the underlying deposited securities at any time except in circumstances in which the depositary may restrict the withdrawal of deposited securities. See "— Deposit, Cancellation and Withdrawal."

Pre-Release of ADRs

In certain circumstances, subject to the provisions of the deposit agreement, the depositary may issue ADRs evidencing ADSs before deposit of the underlying CUFS. This is called a pre-release of the ADRs. The depositary may also deliver CUFS upon cancellation of pre-released ADRs (even if the ADRs are cancelled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying CUFS are delivered to the depositary. The depositary may receive ADRs instead of shares to close out a pre-release. The depositary may pre-release ADRs only under the following conditions:

- before or at the time of the pre-release, the party to whom the pre-release is being made must represent to the depositary in writing that it or its customer owns the CUFS or ADRs to be deposited;

- the pre-release must be fully collateralized with cash or other collateral that the depositary considers appropriate;

- the depositary must be able to close out the pre-release on not more than five business days' notice; and

- the pre-release shall be subject to such further indemnities and credit regulations as the depositary deems appropriate.

In addition, the depositary will limit the number of ADSs that may be outstanding at any time as a result of pre-release to 30% of the CUFS deposited under the deposit agreement, although the depositary may disregard the limit from time to time if it deems it appropriate to do so.

PART III

Item 18 *Financial Statements*

See pages F-1 through F-42, incorporated into this registration statement by reference.

Item 19 *Exhibits*

Documents filed as exhibits to this registration statement:

Exhibit Number	Description of Exhibits
1.1	Articles of Association, as amended on September 7, 2001 of James Hardie Industries N.V. (English translation) (1)
2.1	Deposit Agreement dated as of September 24, 2001 between The Bank of New York, as depositary, and James Hardie Industries N.V. (1)
2.2	Note Purchase Agreement, dated November 5, 1998, among James Hardie Finance B.V., James Hardie N.V. and certain purchasers thereto re: $225,000,000 Guaranteed Senior Notes (1)
2.3	Assignment and Assumption Agreement among James Hardie Finance B.V., James Hardie U.S. Funding, Inc., James Hardie N.V. and James Hardie Aust. Investco Pty Limited dated January 24, 2000 (1)
2.4	Novation Agreement, dated August 27, 2001, relating to Amended and Restated Revolving Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and Australia and New Zealand Banking Group Limited (1)
2.5	Novation Agreement, dated August 27, 2001, relating to Amended and Restated Revolving Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and Bank One, NA (1)
2.6	Novation Agreement, dated August 27, 2001, relating to Amended and Restated Revolving Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and BNP Paribas (1)
2.7	Novation Agreement, dated August 27, 2001, relating to Amended and Restated Revolving Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and Australia and Westdeutsche Landesbank Girozentrale, Sydney Branch (1)
2.8	Novation Agreement, dated August 27, 2001, relating to Amended and Restated Standby Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and Australia and New Zealand Banking Group Limited (1)
2.9	Novation Agreement, dated August 27, 2001, relating to Amended and Restated Standby Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and Bank One, NA (1)
2.10	Novation Agreement, dated August 27, 2001, relating to Amended and Restated Standby Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and BBL Australia Limited (1)
2.11	Novation Agreement, dated August 27, 2001, relating to Amended and Restated Standby Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and BNP Paribas (1)
2.12	Novation Agreement, dated August 27, 2001, relating to Amended and Restated 364 Day Standby Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and Wells Fargo HSBC Trade Bank, National Association (1)
2.13	Novation Agreement, dated August 27, 2001, relating to Amended and Restated 364 Day Standby Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and Westdeutsche Landesbank Girozentrale, Sydney Branch (1)

Exhibit Number	Description of Exhibits
2.14	Loan Deed between James Hardie Industries Ltd. and James Hardie & Coy Pty Ltd in relation to a A$70 million loan dated February 15, 2001(1)
2.15	Deed of Covenant and Indemnity, dated February 15, 2001, among James Hardie Industries Limited, James Hardie & Coy Pty Limited and Jsekarb Pty Ltd.(1)
4.1	James Hardie Industries N.V. 2001 Equity Incentive Plan(1)
4.2	James Hardie Industries N.V. Peter Donald Macdonald Share Option Plan(1)
4.3	James Hardie Industries N.V. Peter Donald Macdonald Share Option Plan 2001(1)
4.4	Executive Service Agreement, dated November 1, 1999, between James Hardie Industries Limited and Peter Donald Macdonald(1)
4.5	Form of Joint and Several Indemnity Agreement among James Hardie N.V., James Hardie (USA) Inc. and certain indemnitees thereto(1)
4.6	Form of Joint and Several Indemnity Agreement among James Hardie Industries N.V., James Hardie Inc. and certain indemnities thereto(1)
4.7	Form of Deed of Access to Documents, Indemnity and Insurance among James Hardie Industries N.V. and certain indemnitees thereto(1)
4.8	Gypsum Supply Agreement, dated January 1, 1995, between Oxbow Carbon & Minerals, Inc. and James Hardie Gypsum (Washington), Inc.(1)(2)
4.9	Paperboard Supply Agreement, dated May 14, 1998, among Republic Paperboard Company, Republic Group Incorporated and James Hardie Gypsum, Inc.(1)(2)
4.10	Lease Agreement, effective November 1, 1998, among James Hardie & Coy Pty Limited, JHIL and James Hardie Australia Pty Limited re premises at the corner of Cobalt & Silica Street, Carole Park, Queensland, Australia(1)
4.11	Lease Agreement, effective November 1, 1998, among James Hardie & Coy Pty Limited, JHIL and James Hardie Australia Pty Limited re premises at the corner of Colquhoun & Devon Streets, Rosehill, New South Wales, Australia(1)
4.12	Lease Agreement, dated November 6, 1998, among James Hardie & Coy Pty Limited, JHIL and James Hardie Australia Pty Limited re premises at Rutland, Avenue, Welshpool, Western Australia, Australia(1)
4.13	Lease Agreement, effective November 1, 1998, among Amaca Pty Limited (f/k/a/ James Hardie & Coy Pty Limited), JHIL and James Hardie Australia Pty Limited re premises at 46 Randle Road, Meeandah, Queensland, Australia(1)
4.14	Asset and Sale Purchase Agreement by and between Fibrocementos Ecologicos Limitada, Inversiones Tilama Limitada, Inversiones Tilama Dos Limitada and James Hardie Chile Limitada, dated December 15, 2000(1)
4.15	Agreement to Purchase Assets, as amended on December 14, 2000, by and between Western Gypsum, Inc. and James Hardie Industries Limited(1)
4.16	Trust Deed, dated February 15, 2001, between James Hardie Industries Limited and the Medical Research and Compensation Foundation, as trustee, establishing the Medical Research and Compensation Foundation(1)
4.17	Purchase and Sale Agreement with Escrow Instructions, dated June 28, 2001, between WL Homes LLC and James Hardie Gypsum, Inc.(2)
4.18	Industrial Building Lease Agreement, effective October 6, 2000, between James Hardie Building Products, Inc. and Fortra Fiber-Cement L.L.C., re premises at Waxahachie, Ellis County, Texas(1)

Exhibit Number	Description of Exhibits
4.19	Letter Agreement of September 6, 2001 by and between James Hardie Industries N.V. and CHESS Depositary Nominees Pty Limited, as the depositary for CHESS Units of Foreign Securities(1)
8.1	List of significant subsidiaries of James Hardie Industries N.V.(1)
10.1	Consent of PricewaterhouseCoopers LLP
99.1	Excerpts of the Securities Clearing House Business Rules, including Temporary Rule Book inserts thereto, as of September 28, 2001(1)
99.2	Excerpts of the Corporations Act 2001, as of September 28, 2001(1)
99.3	ASIC Class Order 00/182, dated February 13, 2000(1)
99.4	ASIC Modification, dated August 23, 2001(1)

(1) Previously filed.

(2) Certain portions of the exhibit have been omitted and submitted to the Securities and Exchange Commission pursuant to a confidential treatment request filed separately with the Securities and Exchange Commission.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Amendment No. 2 to the registration statement on its behalf.

JAMES HARDIE INDUSTRIES N.V.

By: /s/ PETER MACDONALD

Peter Macdonald
Chief Executive Officer

Date: October 1, 2001

JAMES HARDIE INDUSTRIES LIMITED AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
James Hardie Industries Limited and Subsidiaries

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, cash flows and changes in shareholders' equity present fairly, in all material respects, the financial position of James Hardie Industries Limited and Subsidiaries at March 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for revenue recognition in fiscal year 2001.

PRICEWATERHOUSECOOPERS LLP

Los Angeles, California
May 15, 2001, except as to Note 20,
which is as of June 28, 2001, and Note 1,
which is as of July 24, 2001

JAMES HARDIE INDUSTRIES LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Millions of US Dollars)

ASSETS

	March 31, 2000	March 31, 2001
Current assets:		
Cash and cash equivalents	$154.2	$ 75.1
Accounts and notes receivable, net of allowance for doubtful accounts of $1.5 million and $1.2 million as of March 31, 2000 and 2001, respectively	110.2	66.1
Inventories	63.9	84.7
Prepaid expenses and other current assets	13.0	20.1
Deferred tax assets	8.4	31.0
Net current assets — discontinued operations	8.9	—
Total current assets	358.6	277.0
Long-term receivables	20.2	12.8
Investments	11.9	10.2
Property, plant and equipment, net	488.3	554.4
Intangible assets, net	33.3	34.0
Mineral acquisition costs, net	25.7	52.0
Prepaid pension cost	10.7	8.8
Deferred tax assets	8.6	3.7
Net non-current assets — discontinued operations	—	7.8
Total assets	$957.3	$ 960.7
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 67.5	$ 77.6
Short term debt	42.5	74.8
Accrued payroll and employee benefits	31.7	20.2
Accrued product warranties	4.5	4.5
Deferred tax liabilities	13.1	—
Other liabilities	19.0	14.3
Net current liabilities — discontinued operations	—	0.7
Total current liabilities	178.3	192.1
Long term debt	346.5	357.3
Deferred tax liabilities	32.0	68.0
Liability to Medical Research and Compensation Foundation	—	49.4
Other liabilities	18.4	12.8
Net non-current liabilities — discontinued operations	137.0	—
Total liabilities	712.2	679.6
Minority interest	0.4	—
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Common stock — no par value; 407,021,837 shares and 415,771,082 shares issued and outstanding at March 31, 2000 and 2001, respectively	419.9	437.0
Accumulated deficit	(99.8)	(103.8)
Employee loans	(9.1)	(7.9)
Accumulated other comprehensive income (loss)	(66.3)	(44.2)
Total shareholders' equity	244.7	281.1
Total liabilities and shareholders' equity	$957.3	$ 960.7

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

JAMES HARDIE INDUSTRIES LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Millions of US Dollars, except per share data)

	Years Ended March 31,		
	1999	2000	2001
Net sales	$ 688.2	$ 874.3	$ 819.9
Cost of goods sold	(471.9)	(552.8)	(582.7)
Gross profit	216.3	321.5	237.2
Selling, general and administrative expenses	(110.4)	(139.0)	(138.6)
Restructuring expenses	(26.6)	(4.1)	(15.5)
Operating profit	79.3	178.4	83.1
Interest expense	(30.0)	(25.9)	(21.4)
Interest income	14.5	5.4	8.2
Other income (expense), net	5.4	(1.6)	1.6
Income from continuing operations before income tax expense	69.2	156.3	71.5
Income tax expense	(26.6)	(57.1)	(17.5)
Income from continuing operations	42.6	99.2	54.0
Discontinued operations:			
Income from discontinued operations, net of income tax benefit of $4.0 million, $1.3 million and $0.7 million for the years ended March 31, 1999, 2000 and 2001, respectively	5.5	5.8	0.5
Gain (loss) on disposal of discontinued operations, net of income tax (expense) benefit of ($3.3) million and $0.6 million for the years ended March 31, 2000 and 2001, respectively	—	12.8	(15.1)
Income (loss) from discontinued operations	5.5	18.6	(14.6)
Income before extraordinary item and cumulative effect of change in accounting principle	48.1	117.8	39.4
Extraordinary loss of $12.4 million, net of income tax benefit of $3.6 million for early extinguishment of debt	(8.8)	—	—
Cumulative effect of change in accounting principle for revenue recognition, net of income tax benefit of $0.8 million	—	—	(1.2)
Net income	$ 39.3	$ 117.8	$ 38.2
Income (loss) per share — basic and diluted:			
Income from continuing operations	$ 0.11	$ 0.24	$ 0.13
Income (loss) from discontinued operations	0.01	0.05	(0.04)
Extraordinary loss	(0.02)	—	—
Cumulative effect of change in accounting principle	—	—	—
Net income	$ 0.10	$ 0.29	$ 0.09
Basic and diluted weighted average number of JHIL shares outstanding (in millions)	407.0	407.0	409.6

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

JAMES HARDIE INDUSTRIES LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Millions of US Dollars)

	Years Ended March 31, 1999	2000	2001
Cash flows from operating activities:			
Net income	$ 39.3	$ 117.8	$ 38.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on disposal of subsidiaries and businesses	—	(11.9)	(2.3)
Gain on disposal of investments and negotiable securities	(9.4)	(1.8)	(2.4)
Property, plant & equipment impairment	—	—	7.5
Depreciation and amortization	41.0	49.4	37.7
Deferred income taxes	11.5	31.8	4.0
Prepaid pension cost	1.1	1.9	(0.2)
Other	(2.3)	1.8	0.9
Changes in operating assets and liabilities:			
Accounts receivable, prepaids and other current assets	7.5	(31.4)	8.7
Inventories	(17.8)	(0.2)	(22.1)
Accounts payable, accrued liabilities and other liabilities	(31.5)	(11.1)	24.6
Net cash provided by operating activities	39.4	146.3	94.6
Cash flows from investing activities:			
Purchases of property, plant, and equipment	(149.1)	(111.2)	(121.9)
Proceeds from sale of property, plant, and equipment	14.4	14.1	2.7
Payments for subsidiaries and businesses, net of cash acquired	(7.5)	—	(9.9)
Disposal of subsidiaries and businesses, net of cash invested	(11.6)	98.4	(11.8)
Proceeds from sale and maturity of investments	10.9	3.7	1.9
Loans repaid by other entities	1.0	0.8	7.3
Cash transferred and payments of other costs on establishment of the Medical Research and Compensation Foundation	—	—	(31.2)
Net cash provided by (used in) investing activities	(141.9)	5.8	(162.9)
Cash flows from financing activities:			
Proceeds from borrowings	554.7	156.1	187.8
Repayments of borrowings	(694.2)	(163.3)	(143.7)
Dividends paid	(37.7)	(41.8)	(42.8)
Net cash provided by (used in) financing activities	(177.2)	(49.0)	1.3
Effects of exchange rate changes on cash	(17.7)	(1.5)	(12.1)
Net increase (decrease) in cash and cash equivalents	(297.4)	101.6	(79.1)
Cash and cash equivalents at beginning of period	350.0	52.6	154.2
Cash and cash equivalents at end of period	52.6	154.2	75.1
Components of cash and cash equivalents:			
Cash at bank and on hand	27.6	0.3	2.4
Deposits	25.0	153.9	72.7
Cash and cash equivalents at end of period	$ 52.6	$ 154.2	$ 75.1
Supplemental disclosure of cash flow activities:			
Cash paid during the period for interest	$ 26.1	$ 26.3	$ 20.2
Cash paid during the period for income taxes	$ 11.6	$ 26.6	$ 22.6

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

JAMES HARDIE INDUSTRIES LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Millions of US Dollars)

	Common Stock	Accumulated Deficit	Employee Loans	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of March 31, 1998	$419.1	$(174.9)	$(10.6)	$(42.4)	$191.2
Comprehensive income (loss):					
Net income		39.3			39.3
Other comprehensive income (loss):					
Foreign currency translation loss				(29.2)	(29.2)
Unrealized loss on available-for-sale securities				(0.4)	(0.4)
Other comprehensive income				(29.6)	(29.6)
Total comprehensive income					9.7
Dividends paid		(38.0)			(38.0)
Stock compensation	(1.8)				(1.8)
Employee loans			0.7		0.7
Other	2.0	(2.0)			—
Balance as of March 31, 1999	419.3	(175.6)	(9.9)	(72.0)	161.8
Comprehensive income:					
Net income		117.8			117.8
Other comprehensive income:					
Foreign currency translation gain				5.1	5.1
Unrealized gain on available-for-sale securities				0.6	0.6
Other comprehensive income				5.7	5.7
Total comprehensive income					123.5
Dividends paid		(42.0)			(42.0)
Stock compensation	0.6				0.6
Employee loans			0.8		0.8
Balance as of March 31, 2000	419.9	(99.8)	(9.1)	(66.3)	244.7
Comprehensive income (loss):					
Net income		38.2			38.2
Other comprehensive income (loss):					
Foreign currency translation gain				22.2	22.2
Unrealized loss on available-for-sale securities				(0.1)	(0.1)
Other comprehensive income				22.1	22.1
Total comprehensive income					60.3
Dividends paid		(43.0)			(43.0)
Issuance of equity	17.3				17.3
Stock compensation	0.6				0.6
Employee loans			1.2		1.2
Other	(0.8)	0.8			—
Balance as of March 31, 2001	$437.0	$(103.8)	$ (7.9)	$(44.2)	$281.1

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

1. Background and Basis of Presentation

Background

On July 2, 1998, James Hardie Industries Limited ("JHIL"), a public company organized under the laws of Australia and listed on the Australia Stock Exchange, announced a plan of reorganization and capital restructuring (the "1998 Reorganization"). James Hardie N.V. ("JHNV") was incorporated in August 1998, as an intermediary holding company, with all its common stock owned by indirect subsidiaries of JHIL. On October 16, 1998, JHIL's shareholders approved the 1998 Reorganization. Effective as of November 1, 1998, JHIL contributed its fiber 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 Reorganization, JHIL and its non-transferring subsidiaries retained certain unrelated assets and liabilities (the "Retained Assets and Liabilities").

On July 24, 2001, JHIL announced a further plan of reorganization and capital restructuring (the "2001 Reorganization"). In connection with the 2001 Reorganization, James Hardie Industries N.V. ("JHINV"), formerly RCI Netherlands Holdings B.V., intends to issue 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 JHINV will become the new ultimate holding company for JHIL and JHNV. Completion of the 2001 Reorganization is conditional on obtaining approval from the New South Wales Supreme Court in Australia and JHIL shareholders.

Basis of Presentation

The consolidated financial statements represent the financial position and results of JHIL and its wholly owned subsidiaries, collectively referred to as either the "Company" or "James Hardie," unless the context indicates otherwise.

Following the 2001 Reorganization, JHINV will control the same assets and liabilities as are currently controlled by JHIL, and will have substantially the same number of shares outstanding as JHIL has currently outstanding. Basic and diluted earnings per share of JHINV and its wholly owned subsidiaries will not be materially different from those of JHIL and its wholly owned subsidiaries as disclosed in these consolidated financial statements.

In accordance with accounting principles generally accepted in the United States of America, the transfers to JHINV will be 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.

2. Summary of Significant Accounting Policies

Nature of Operations

The Company manufactures and sells fiber cement building products for interior and exterior building construction applications primarily in the United States, Australia, New Zealand, Philippines and Chile. In addition, the Company produces gypsum wallboard products in the United States. It also manufactures commercial and residential windows in Australia.

Accounting Principles

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The US dollar is used as the reporting currency. All subsidiaries are consolidated and all significant intercompany transactions and balances are eliminated.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Foreign Currency Translation

All assets and liabilities are translated into US dollars at current exchange rates while revenues and expenses are translated at average exchange rates in effect for the period. The effects of foreign currency translation adjustments are included directly in a separate component of shareholders' equity. Prior to the 1998 Reorganization, financial instruments were used to hedge, from an Australian dollar perspective, the amount of JHIL's net investment in foreign operations. Gains and losses, net of taxes, arising on such hedges were recognized in the cumulative translation adjustment account in shareholders' equity. Subsequent to the 1998 reorganization, the Company manages its balance sheet from a US dollar perspective. Gains and losses arising from foreign currency transactions are recognized in income currently.

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in banks and cash invested temporarily in various highly liquid financial instruments with an original maturity of three months or less when acquired.

Inventories

Inventories are valued at the lower of cost or market. Cost is generally determined under the first-in, first-out method, except that the cost of raw materials and supplies is determined using actual or average costs. Cost includes the costs of materials, labor and applied factory overhead.

Investments

Management determines the proper classifications of investments at the time of purchase and re-evaluates such designations at each balance sheet date. All marketable securities are designated as available-for-sale securities. Accordingly, these securities are stated at fair value based upon quoted market prices, with unrealized gains and losses charged to a separate component of shareholders' equity, net of taxes. Realized gains and losses on sales of investments are recognized in income currently.

Other investments without readily available quoted market prices are recorded at the lower of cost or management's estimate of fair value.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Property, plant and equipment of businesses acquired are recorded at their fair market value at the date of the acquisition. Depreciation of property, plant and equipment is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings	40
Building improvements	5 to 10
Machinery and equipment	5 to 27
Computer equipment	3 to 4
Office furniture and equipment	3 to 10

The cost of additions and improvements is capitalized, while maintenance and repair costs are expensed as incurred. Interest is capitalized in connection with the construction of major facilities. Capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation amounts with any resulting gain or loss reflected in the statement of income.

Intangibles

Intangibles consist primarily of goodwill, which represents cost in excess of the fair value of the identifiable net assets of businesses acquired. Goodwill is amortized using the straight-line method over the period such additional value is expected to be realized, generally 25 years.

Impairment of Long-Lived Assets

The Company evaluates its long-lived assets, including goodwill, for financial impairment in accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and will continue to evaluate them as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. The Company evaluates the recoverability of long-lived assets by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. At the time such evaluations indicate that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values, based on future discounted cash flows.

Environmental

Environmental remediation expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Estimated liabilities are not discounted to present value. Generally, the timing of these accruals coincides with completion of a feasibility study or the Company's commitment to a formal plan of action.

Mineral Acquisition Costs

The Company records acquired proven and probable gypsum and silica mineral ore reserves at their fair market value at the date of acquisition. Depletion expense is recorded based on the estimated rate per ton multiplied by the number of tons extracted during the period. The rate per ton may be periodically revised by management based on changes in the estimated tons available to be extracted which, in turn, is based on third party studies of proven and probable reserves. The estimated costs of reclamation associated with mining activities are accrued during production and are included in determining the cost of production.

Revenue Recognition and Change in Accounting Principle

Effective April 1, 2000, the Company changed its method of accounting for revenue recognition to comply with Securities and Exchange Commission Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." Previously, the Company had recognized revenue when products were shipped based on FOB shipping point terms. Under the new accounting method adopted retroactive to April 1, 2000, the Company now recognizes revenue when the risks and obligations of ownership have been transferred to the customer which generally occurs at the time of delivery to the customer. Assuming the change in accounting principle was made retroactively to all prior periods, the calculated pro-forma amounts are immaterial and thus have been excluded from the statements of income. As a result of the adoption of SAB

No. 101, in the year ended March 31, 2001 the Company recognized $4.9 million in revenue that was previously recognized in fiscal year 2000.

Construction contract revenues are recognized using the percentage-of-completion method based on the costs incurred relative to total estimated costs. Provisions for anticipated losses on construction contracts are recognized in income currently. Sales revenue is presented net of sales returns and allowances.

Accrued Product Warranties

An accrual for estimated future warranty costs is recorded based on an analysis by the Company, including the historical relationship of warranty costs to sales.

Financial Instruments

Periodically, interest rate swaps, commodity swaps and forward exchange contracts are used in an effort to manage market risks and reduce exposure resulting from fluctuations in interest rates, commodity prices and foreign currency exchange rates. Where such contracts are designated as, and effective as, a hedge, gains and losses arising on such contracts are deferred and recognized on a basis consistent with corresponding gains and losses on the underlying hedged item.

Stock-Based Compensation

The Company accounts for stock option grants and other equity incentive awards in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Under APB Opinion No. 25, compensation expense is recorded when the current market price of the underlying stock exceeds the exercise price on the date of grant. Under the JHIL Employee and Executive Share Purchase Plans, loans were provided to employees to buy shares in JHIL.

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 year. 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 1.2 million shares were outstanding at March 31, 2000 and 2001 but 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. Consequently, for the periods presented, the diluted EPS is equivalent to basic EPS.

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) includes net income, foreign currency translation adjustments and unrealized gains (losses) on available-for-sale securities and is presented as a separate component of shareholders' equity.

Recent Accounting Pronouncements

In 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This standard establishes a new model for accounting for derivatives and hedging activities and supersedes and amends a number of existing standards. All derivatives are required to be recognized in the statement of financial position as either assets or liabilities and measured at fair value. Changes in the fair value of derivatives will be recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The new rules will be effective the first quarter of fiscal year 2002. The adoption of the new standard on April 1, 2001 did not have a material impact on the Company's consolidated financial statements.

3. Accounts Receivable

The collectibility of accounts receivable, consisting mainly of trade receivables, is reviewed on an ongoing basis and an allowance for doubtful accounts is provided for known and estimated bad debts. The following are changes in the allowance for doubtful accounts (in millions of US dollars):

	March 31,		
	1999	2000	2001
Balance at beginning of period	$ 3.6	$ 2.8	$ 1.5
Charge (reduction) to expense	(0.2)	0.9	0.1
Costs and deductions	(0.4)	(2.1)	(0.2)
Foreign currency movements	(0.2)	(0.1)	(0.2)
Balance at end of period	$ 2.8	$ 1.5	$ 1.2

4. Inventories

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

	March 31,	
	2000	2001
Raw materials and supplies	$23.3	$25.8
Work-in-process	4.5	3.5
Finished goods	36.1	55.4
Contracts-in-progress less advance billings	—	—
Total inventories	$63.9	$84.7

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 $2.1 million and $1.5 million as of March 31, 2000 and 2001, respectively.

5. Investments

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

	March 31,	
	2000	2001
Available-for-sale securities:		
Marketable securities at cost	$ 9.9	$ 8.4
Gross unrealized losses	(0.3)	(0.2)
Marketable securities at fair value	9.6	8.2
Other investments at cost approximating fair value	2.3	2.0
Total investments	$11.9	$10.2

6. Property, Plant and Equipment

Property, plant and equipment consist of the following components (in millions of US dollars):

	March 31, 2000	March 31, 2001
Property, plant and equipment, at cost:		
Machinery and equipment	$ 499.9	$ 555.0
Buildings and improvements	110.4	150.6
Land	15.8	16.2
	626.1	721.8
Less accumulated depreciation	(137.8)	(167.4)
Property, plant and equipment, net	$ 488.3	$ 554.4

Interest related to the construction of major facilities is capitalized and included in the cost of the asset to which it relates. Interest capitalized was $3.9 million, $2.2 million and $4.9 million for the years ended March 31, 1999, 2000 and 2001, respectively. Depreciation expense for continuing operations was $29.3 million, $36.0 million and $34.3 million for the years ended March 31, 1999, 2000 and 2001, respectively.

In January 1999, the Company decided to replace certain machinery and equipment in its Nashville, Arkansas plant in the first and second quarters of fiscal year 2000. As a result of management's decision, the Company reduced the useful lives of the existing assets and recognized an additional $3.8 million and $2.0 million in depreciation expense in the fourth quarter of fiscal year 1999 and in the first quarter of fiscal year 2000, respectively.

7. Intangible Assets

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

	March 31, 2000	March 31, 2001
Intangible assets:		
Goodwill	$38.1	$40.4
Trademarks, patents and other intangibles	0.3	0.3
	38.4	40.7
Less accumulated amortization	(5.1)	(6.7)
Intangibles, net	$33.3	$34.0

Amortization expense related to goodwill and other intangibles was $1.5 million, $1.6 million and $1.6 million for the years ended March 31, 1999, 2000 and 2001, respectively.

8. Retirement Plans

The Company sponsors a defined contribution plan for employees in its US operations and defined benefit and defined contribution plans for its Australian and New Zealand employees. The defined contribution plan in the US covers all US employees meeting certain eligibility requirements and provides for contributions of up to 6% of their salary or wages. The Company's expense for the US defined contribution plan totaled $1.4 million, $2.4 million and $3.2 million for the years ended March 31, 1999, 2000 and 2001, respectively.

The following are the components of net periodic pension cost (benefit) for the Australian defined benefit pension plan (in millions of US dollars):

	Years Ended March 31,		
	1999	2000	2001
Service cost	$ 5.2	$ 5.6	$ 3.3
Interest cost	3.8	4.1	2.7
Expected return on plan assets	(7.0)	(7.1)	(4.8)
Amortization of unrecognized transition asset	(1.3)	(1.3)	(0.9)
Amortization of prior service cost	0.1	0.1	—
Recognized net actuarial loss (gain)	0.2	0.4	(0.5)
Net periodic pension cost (income)	$ 1.0	$ 1.8	$(0.2)

Settlement gains of $2.5 million and curtailment losses of $0.1 million were recognized during the year ended March 31, 2000 as a result of the sale of the businesses within the Building Systems segment.

The following are the assumptions used in developing the projected benefit obligation as of March 31 for the Australian defined benefit pension plan:

	March 31,		
	1999	2000	2001
Discount rate	5.5%	6.5%	5.5%
Rate of increase in compensation	4.0%	4.0%	4.0%
Expected return on plan assets	8.5%	8.5%	7.5%

Plan assets consist primarily of investments in marketable securities. Net unrecognized gains and losses are amortized over the average remaining service period of active employees. A market related value of assets is used to determine pension costs using a five year average of stocks held for investment purposes. The discount rate is based on the yield on 10 year high quality investment securities. The changes in the discount rate from 1999 to 2000, and from 2000 to 2001, are a direct result of the change in the yields of high quality investment securities over the same periods. The decrease in the expected return on plan assets from 2000 to 2001 is a result of both the reduction in the expected underlying inflation rate and reduced expected after-tax rates of return.

The following are the actuarial changes in the benefit obligation, changes in plan assets, and the funded status of the Australian defined benefit pension plan (in millions of US dollars):

	Years Ended March 31, 2000	Years Ended March 31, 2001
Changes in benefit obligation:		
Benefit obligation — beginning balance	$ 70.8	$ 44.7
Service cost	5.6	3.3
Interest cost	4.1	2.7
Plan participants' contributions	1.4	1.4
Actuarial (gain) loss	(3.4)	7.2
Divestitures	(12.5)	—
Benefits paid	(20.4)	(8.0)
Foreign currency translation	(0.9)	(9.4)
Benefit obligation — ending balance	$ 44.7	$ 41.9
Changes in plan assets:		
Fair value of plan assets — beginning balance	$ 95.9	$ 71.7
Actual return on plan assets	9.2	1.0
Divestitures	(12.5)	—
Plan participants' contributions	1.4	1.4
Benefits paid	(20.4)	(8.0)
Foreign currency translation	(1.9)	(13.3)
Fair value of plan assets — ending balance	$ 71.7	$ 52.8
Funded status	$ 27.0	$ 10.9
Unamortized prior service cost	0.3	0.2
Unrecognized actuarial (gain) loss	(12.6)	0.1
Unrecognized net transition asset	(4.0)	(2.4)
Prepaid pension cost	$ 10.7	$ 8.8

9. Short and Long Term Debt

Long term debt consists of the following components (in millions of US dollars):

	March 31, 2000	March 31, 2001
US$ noncollateralized notes, 7.09% average rate	$225.0	$225.0
A$ noncollateralized revolving loan facility, 5.98% average rate	121.5	98.0
A$ loan from Medical Research and Compensation Foundation	—	34.3
Total long term debt	$346.5	$357.3

The US$ noncollateralized notes form part of a seven tranche private placement facility. Principal repayments are due in seven installments that commence on November 5, 2004 and end on November 5, 2013. The tranches bear fixed interest rates of 6.86%, 6.92%, 6.99%, 7.05%, 7.12%, 7.24% and 7.42%, respectively. Interest is payable in May and November each year.

The Australian dollar (A$) denominated revolving loan can be repaid and redrawn until maturity in November 2003. Interest is recalculated at the commencement of each draw-down period based on the average bank bill rate plus the margins of individual lenders. At March 31, 2001, there were no additional borrowings available under this revolving loan facility and the weighted average interest rate was 6.21% and 5.98% as of March 31, 2000 and 2001, respectively.

The A$ loan from the Medical Research and Compensation Foundation is repayable in installments between August 16, 2002 and August 16, 2006. Interest is calculated and paid monthly and is based on the A$ average bank bill rate plus a margin. At March 31, 2001, the effective interest rate was 8.13%. (See Note 13.)

At March 31, 2001, the following are the scheduled maturities of long term debt for each of the next five years and in total thereafter (in millions of US dollars):

	Years Ending March 31,
2002	$ —
2003	7.4
2004	105.4
2005	31.4
2006	42.3
Thereafter	170.8
Total	$357.3

The Company has short-term noncollateralized stand-by loan facilities which provide for maximum borrowings of $117.5 million. At March 31, 2001, the facilities had a maturity date of October 30, 2001. During April 2001, the Company renegotiated the facilities to extend the maturity date of $107.5 million of the maximum borrowings to April 29, 2002. At March 31, 2001, the Company had drawn down $73.5 million from these facilities. Interest is recalculated at the commencement of each draw-down period based on either the US$ LIBOR or the average A$ bank bill bid rate plus the margins of the individual lenders and is payable at the end of each draw-down period. At March 31, 2000 and 2001, the weighted average interest rate on outstanding borrowings under these facilities was 6.07% and 5.82%, respectively.

During the year, the Company established a short-term US$ line of credit which provides for maximum borrowings of $3.5 million. At March 31, 2001, the Company had drawn down $1.3 million on this line of credit. The line of credit can be repaid and redrawn until maturity on December 31, 2001. Interest is recalculated at the commencement of each draw-down period based on the 90-day Chilean Tasa Activa Bancaria (TAB) rate plus a margin and is payable at the end of each draw-down period. At March 31, 2001 the weighted average interest rate on outstanding borrowings under this facility was 8.88%.

At March 31, 2001, management believes it was in compliance with all restrictive covenants contained in the noncollateralized notes, revolving loan facility and the stand-by credit facility agreements. Under the most restrictive of these covenants, JHNV is required to maintain certain ratios of debt to equity and net worth, and earnings before interest and taxes.

10. Commitments and Contingencies

Environmental

The operations of the Company, like those of other companies engaged in similar businesses, are subject to various federal, state and local laws and regulations on air and water quality, waste handling and disposal. The Company's policy is to accrue for environmental costs when it is determined that it is probable that an obligation exists and the amount can be reasonably estimated. In the opinion of management, based on information presently known, the ultimate liability for such matters should not have a material adverse effect on either the Company's consolidated financial position, results of operations or cash flows.

Legal

The Company is involved from time to time in various legal proceedings and administrative actions incident to the normal conduct of its business. Although it is impossible to predict the outcome of any pending legal proceeding, management believes that such proceedings and actions should not, individually or in the aggregate, have a material adverse effect on either its consolidated financial position, results of operations or cash flows.

Claims Against Former Subsidiaries

With the establishment and funding of the Medical Research and Compensation Foundation (the "Foundation") in February 2001 (see Note 13), the Company no longer owns or controls two Australian companies which manufactured and marketed asbestos-related products prior to 1987. From time to time, JHIL is joined as a party to asbestos suits which are primarily directed at these two former subsidiaries which are now controlled by the Foundation. JHIL does not settle or compromise such claims, and all such claims that have been litigated have been found in JHIL's favor. In prior years and up to the date of the establishment of the Foundation, these two former subsidiaries incurred costs of asbestos-related litigation and settlements. Consequently, the Company held a provision for contingencies related to asbestos litigation of $187.7 million at March 31, 2000. The provision at March 31, 2000 included estimated costs of litigation and settlements, but excluded internal legal department costs which were expensed as incurred.

The Company calculated its asbestos provision based upon a reasonable estimate of expected litigation and settlement costs to be incurred in the ensuing 15 year period. Due to the significant uncertainty associated with asbestos litigation, the Company was unable to reasonably estimate costs beyond that point. As it is difficult to predict the incidence or outcome of future litigation, it is reasonably possible that amounts greater than the provision established could be incurred by these two former subsidiaries now controlled by the Foundation.

As these two former subsidiaries are no longer a part of James Hardie, and all such claims have been successfully defended by JHIL, no provision has been established in the Company's accounts at March 31, 2001. While it is difficult to predict the incidence or outcome of future litigation, we believe it is unlikely that significant personal injury suits for damages, in connection with the former manufacture or sale of asbestos containing products, will be filed against JHIL or its current subsidiaries, or if filed, we believe it is remote that such suits would have a material adverse effect on our business, results of operations or financial condition. Our belief is based in part on the separateness of corporate entities under Australian law, the limited circumstances where "piercing the corporate veil" might occur under Australian law, and there being no equivalent under Australian law of the U.S. legal doctrine of "successor liability". The courts in Australia have confirmed the primacy of separate corporate entities and have generally refused to hold parent entities responsible for the liabilities of their subsidiaries absent any finding of fraud, agency, direct operational responsibility or the like.

Asbestos litigation and settlement payments were $10.6 million, $11.9 million and $11.5 million for the years ended March 31, 1999, 2000 and 2001, respectively.

Operating Leases

As the lessee, the Company principally enters into property and equipment leases. The following are future minimum lease payments for non-cancelable operating leases having a remaining term in excess of one year at March 31, 2001 (in millions of US dollars):

	Years Ending March 31,
2002	$ 8.0
2003	4.9
2004	3.7
2005	3.0
2006	3.0
Thereafter	8.0
Total	$30.6

Rental expense amounted to $9.4 million, $7.1 million and $8.4 million for the years ended March 31, 1999, 2000 and 2001, respectively.

Capital Commitments

Commitments for the acquisition of plant and equipment, primarily in the US, contracted for but not recognized as liabilities and generally payable within one year, were $25.1 million at March 31, 2001.

Other Commitments

On May 14, 1998, the Gypsum business entered into a paperboard supply agreement which commenced on October 1, 2000 and terminates on October 1, 2010 or 10 years after the Commercial Production Date (as defined in the agreement), whichever is later. Under the agreement, the selling price is computed by a formula whereby an initial base price is adjusted for changes in the cost of certain key grades of paper stock and other factors as detailed in the agreement. Commencing January 1, 2001 and continuing to the termination date of the paperboard agreement, each Gypsum manufacturing plant is required to source 95% (plus or minus 5%) of their annual paperboard requirements through this agreement.

As the supplier has not met all of the quality specifications required per the contract, the Company is only purchasing approximately 70% of the paperboard requirements and at a reduced selling price under this agreement.

11. Restructuring Expenses and Other Income (Expense), Net

The Company incurred restructuring expenses of $26.6 million for the year ended March 31, 1999. Included in the restructuring charge were employee termination costs of $3.1 million for 11 employees associated with the restructuring of the corporate head office and treasury function. Approximately two thirds of the terminations were management employees and one third were non-management employees. Six employees left their positions in fiscal year 2000. The remaining five employees are expected to leave their positions in the last two quarters of fiscal year 2002 and the first quarter of fiscal year 2003. A $5.2 million charge was incurred to establish a reserve for rental expense on surplus office space in Australia, which will be paid out by March 2002. A $14.8 million charge was incurred for reorganization expenses related to the 1998 Reorganization. Also included in the restructuring charge were employee termination costs of $3.5 million for 83 employees associated with the restructuring and upgrade of the Australian fiber cement business. Of the terminated employees, 12 worked in sales, 4 in administration and 67 were hourly paid workers in manufacturing and distribution. All of these employees had left their positions by March 31, 1999.

In the year ended March 31, 2000, the Company incurred employee termination costs of $4.1 million for 251 employees associated with the restructuring and upgrade of the Australian fiber cement business. Of the terminated employees, 11 worked in sales, 38 in administration and 202 were hourly paid workers in manufacturing and distribution. All of these employees had left their positions by March 31, 2000.

In March 2001, the Company announced the creation of a new division for its fiber cement businesses in the Asia Pacific region, commencing with the 2002 fiscal year. The new regional division comprises the fiber cement operations in Australia, New Zealand and the Philippines. As a result, the Company has decided to phase out manufacturing at its Perth, Western Australia facility during the course of calendar year 2001. Accordingly, restructuring costs of $15.5 million were incurred in the Asia Pacific fiber cement segment for the year ended March 31, 2001. The Company incurred employee termination costs of $5.4 million for 189 employees, 8 from sales, 23 from administration, 5 from marketing and 153 hourly paid workers in manufacturing and distribution. One employee had left by March 31, 2001. The balance of employees are expected to leave their positions by March 31, 2002. Included in the restructuring costs were $7.5 million for the write down of fixed assets to their fair value and $2.6 million for lease cancellation charges.

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

	Years Ended March 31,		
	1999	2000	2001
Asia Pacific fiber cement employee termination costs	$ (3.5)	$(4.1)	$ (5.4)
Asia Pacific fiber cement fixed asset impairment charge	—	—	(7.5)
Asia Pacific fiber cement lease cancellation charge	—	—	(2.6)
Corporate Australia employee termination costs	(3.1)	—	—
Corporate Australia surplus lease space	(5.2)	—	—
Corporate Australia reorganization expenses	(14.8)	—	—
	$(26.6)	$(4.1)	$(15.5)

The following table displays the activity and balances of the restructuring reserve account from April 1, 1998 to March 31, 2001 (in millions of US dollars):

Type of Cost	April 1, 1998 Balance	Additions	Deductions	March 31, 1999 Balance
Employee terminations	$ —	$ 6.6	$ (3.5)	$ 3.1
Surplus Lease Space	3.6	5.2	(0.9)	7.9
Reorganization expenses	—	14.8	(14.8)	—
Total	$3.6	$26.6	$(19.2)	$11.0

Type of Cost	April 1, 1999 Balance	Additions	Deductions	March 31, 2000 Balance
Employee terminations	$ 3.1	$4.1	$(5.6)	$1.6
Surplus Lease Space	7.9	—	(2.9)	5.0
Total	$11.0	$4.1	$(8.5)	$6.6

Type of Cost	April 1, 2000 Balance	Additions	Deductions	March 31, 2001 Balance
Employee terminations	$1.6	$5.4	$(2.3)	$4.7
Surplus Lease Space	5.0	2.6	(3.2)	4.4
Total	$6.6	$8.0	$(5.5)	$9.1

Deductions reflect cash payments of $19.1 million, $8.3 million and $3.8 million and foreign currency movements of $0.1 million, $0.2 million and $1.7 million for the years ended March 31, 1999, 2000 and 2001, respectively.

Other income (expense), net consists of the following components (in millions of US dollars):

	Years Ended March 31,		
	1999	2000	2001
Dividend and investment income (expense)	$ 7.9	$(1.6)	$1.6
Write-down of investments to net realizable value	(2.5)	—	—
	$ 5.4	$(1.6)	$1.6

12. Income Taxes

The income tax (expense) benefit includes income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities. The income tax expense (benefit) for income from continuing operations consists of the following components (in millions of US dollars):

	Years Ended March 31,		
	1999	2000	2001
Income from continuing operations before income tax expense:			
Domestic(1)	$ 24.5	$ 38.1	$ 6.4
Foreign	44.7	118.2	65.1
	$ 69.2	$156.3	$ 71.5
Income tax (expense) benefit:			
Current			
Domestic(1)	$ (3.7)	$ (2.9)	$ (2.5)
Foreign	18.3	(30.4)	(7.5)
	14.6	(33.3)	(10.0)
Deferred			
Domestic(1)	—	—	—
Foreign	(41.2)	(23.8)	(7.5)
	(41.2)	(23.8)	(7.5)
Income tax expense	$(26.6)	$(57.1)	$(17.5)

Income tax (expense) benefit for discontinued operations consists of the following components (in millions of US dollars):

	Years Ended March 31,		
	1999	2000	2001
Income tax (expense) benefit on discontinued operations:			
Current			
Foreign	$1.3	$(2.0)	$ —
	1.3	(2.0)	—
Deferred			
Foreign	2.7	3.3	0.7
	2.7	3.3	0.7
Income tax (expense) benefit on disposal of discontinued operations	—	(3.3)	0.6
Total income tax (expense) benefit for discontinued operations	$4.0	$(2.0)	$1.3

(1) These consolidated financial statements have been prepared in connection with the 2001 Reorganization, under which JHINV, a Dutch company, will become the new ultimate holding company. Accordingly, domestic represents The Netherlands.

The following are the approximate statutory tax rates during the three years in the period ended March 31, 2001:

	Years Ended March 31,		
	1999	2000	2001
United States	35%	35%	35%
The Netherlands	15%	15%	35%
Australia	36%	36%	34%
New Zealand	33%	33%	33%
Philippines	35%	35%	35%

The income tax (expense) benefit is reconciled to the tax at the statutory rates as follows (in millions of US dollars):

	Years Ended March 31,		
	1999	2000	2001
Continuing operations			
Income tax expense computed at the statutory tax rates	$(25.7)	$(55.7)	$(26.7)
US state income taxes	(0.4)	(4.1)	(0.3)
Depreciation and amortization not allowable	0.4	—	—
Expenses not deductible	(6.8)	(1.0)	(1.4)
Non-assessable items	3.5	1.4	12.4
Research and development incentive	0.6	0.7	0.5
Losses not available for carryforward	(5.3)	(3.2)	(1.9)
Other items	5.3	4.8	(0.1)
Valuation allowance	1.8	—	—
Income tax expense	$(26.6)	$(57.1)	$(17.5)
Effective tax rate	38.4%	36.5%	24.5%
Discontinued operations			
Income tax (expense) benefit computed at the statutory tax rates	$ (0.6)	$ (1.5)	$ 0.1
Expenses not deductible	(0.1)	—	—
Non-taxable income	—	0.2	0.6
Losses not available for carryforward	0.1	—	—
Tax rate change	—	(2.3)	—
Other items	4.6	4.9	—
Income tax benefit	$ 4.0	$ 1.3	$ 0.7

Deferred tax balances consist of the following components (in millions of US dollars):

	March 31, 2000	March 31, 2001
Deferred tax assets:		
Core technology	$ 29.2	$ 23.5
Provisions and accruals	16.1	42.2
Income received in advance	7.3	1.4
Net operating loss carryforwards	39.3	42.5
Capital loss carryforwards	0.6	0.4
Foreign currency movements	2.6	1.8
Foreign tax credit carryforwards	3.7	3.5
Other	—	0.1
	98.8	115.4
Valuation allowance	(89.8)	(91.0)
	9.0	24.4
Deferred tax liabilities:		
Plant and equipment	(32.9)	(42.0)
Prepaid pension cost	(3.2)	(2.6)
Prepayments	(0.1)	—
Intangibles	(0.9)	(13.1)
	(37.1)	(57.7)
Total deferred taxes, net	$(28.1)	$(33.3)

Legislation has been enacted in Australia to reduce the income tax rate from 36% to 34% in the year ended March 31, 2001 and to 30% in the year ending March 31, 2002. Consequently, management has analyzed the Australian deferred tax assets and liabilities at March 31, 2000 and 2001 and adjusted these assets and liabilities using the appropriate tax rate for the period in which management believes they will be utilized. This adjustment resulted in a tax benefit of $0.7 million in the year ended March 31, 2001.

The Company establishes valuation allowances in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes." Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. The valuation allowance has been established against the temporary difference relating to core technology, arising from a change in Australian legislation effective January 20, 1997 which permits this temporary difference to be realized only on the deemed disposal of the core technology at an amount that exceeds its tax basis. A valuation allowance has therefore been established against this asset. A valuation allowance has also been established against the liability to the Medical Research and Compensation Foundation, income received in advance, a portion of the net operating loss carryforwards and against other capital losses in existence on the basis there is doubt about the ability of the Company to generate capital gains sufficient to offset capital losses.

Following the 2001 Reorganization, the undistributed earnings of non-Dutch subsidiaries will be approximately $77.0 million. Since it is the Company's intention to indefinitely reinvest these earnings, no provision has been made for foreign withholding taxes that would be payable upon remittance of those earnings. Such taxes would amount to approximately $3.8 million.

At March 31, 2001, the Company has net operating loss carryforwards of approximately $142.2 million, which can be carried forward indefinitely. There were no foreign tax credit entitlements at March 31, 2001 which have not been reflected as deductible foreign taxes for financial and tax reporting purposes.

The following are the changes in the valuation allowance (in millions of US dollars):

	Years Ended March 31,		
	1999	2000	2001
Balance at beginning of period	$(119.0)	$(108.2)	$(89.8)
Charged to expense	(0.4)	—	—
Charged to cumulative translation adjustment	—	—	(12.6)
Reduction to expense:			
Capital gains brought back to account	3.0	—	0.1
Timing differences brought back to account	—	0.9	1.2
Net operating losses brought back to account	1.8	0.5	3.1
Tax rate change	—	14.3	4.9
Transfer from discontinued operations	—	—	(17.8)
Foreign currency movements	6.4	2.7	19.9
Balance at end of period	$(108.2)	$ (89.8)	$(91.0)

13. Discontinued Operations

James Hardie & Coy Pty Ltd and Jsekarb Pty Ltd

On February 16, 2001, JHIL announced that it had established a foundation to compensate individuals with claims against two former James Hardie subsidiaries and to fund medical research into asbestos-related diseases. JHIL gifted A$3.0 million ($1.7 million) in cash and transferred ownership of Amaca Pty Ltd (formerly James Hardie & Coy Pty Ltd) ("JH & Coy") and Amaba Pty Ltd (formerly Jsekarb Pty Ltd) ("Jsekarb") to the Medical Research and Compensation Foundation (the "Foundation"), a special purpose charitable foundation established to fund medical and scientific research into asbestos-related diseases. JH & Coy and Jsekarb manufactured and marketed asbestos-related products prior to 1987, when all such activities ceased.

The Foundation is managed by independent trustees and operates entirely independently of James Hardie. James Hardie does not control the activities of the Foundation in any way and, effective from February 16, 2001, does not own or control the activities of JH & Coy or Jsekarb. In particular, the trustees are responsible for the effective management of claims against JH & Coy and Jsekarb, and for the investment of their assets. James Hardie has no economic interest in the Foundation, JH & Coy or Jsekarb; it has no right to dividends or capital distributions, nor will it benefit in the event that there is ultimately a surplus of funds in the Foundation, JH & Coy or Jsekarb following satisfaction of all asbestos-related liabilities.

As a result of the change in ownership of JH & Coy and Jsekarb on February 15, 2001, a gain on disposal of $2.3 million has been recorded by James Hardie at March 31, 2001, representing the net liabilities of JH & Coy and Jsekarb which were disposed of for no consideration, the A$3.0 million ($1.7 million) cash gift to the Foundation together with costs associated with the establishment and funding of the Foundation. JHIL agreed to repay its existing loan of A$70.0 million ($34.3 million) due to JH & Coy in four annual tranches of A$15.0 million and a final tranche of A$10.0 million. The first tranche is payable on August 15, 2002. The loan bears interest at the average Bank Bill Rate (BBR) plus 250 basis points. At March 31, 2001, the effective interest rate was 8.13%.

As part of the establishment and funding of the Foundation, JHIL has entered into an agreement to pay to JH & Coy and Jsekarb 42 annual payments of A$5.6 million, totalling A$234.2 million ($114.7 million). Under the agreement, JHIL has the option of making the first seven payments and then a final payment of A$73.0 million when the eighth payment becomes due, making a total payment of A$112.0 million ($54.9 million). JHIL has recorded a liability for A$112.0 million ($54.9 million) which management believes is the most likely payment schedule under the agreement. The first payment was made on February 16, 2001. In addition, in the event claims against the two former subsidiaries exceed certain amounts, the Foundation has the right to demand payment of any remaining unpaid balance, discounted for early payment.

In 1998 the Company entered into lease agreements with JH & Coy whereby the Company leases, on a long-term basis, four fiber cement manufacturing facilities in Australia. Obligations under such leases amount to an aggregate of approximately $2.7 million per year. All of the leases expire on October 31, 2008. The leases contain renewal options and provisions adjusting lease payments based on changes in various market factors as reflected in changes in the consumer price index.

Windows

On August 15, 2000, the Company approved a plan to dispose of its Windows business. The disposal is expected to be completed during the fiscal year ended March 31, 2002. For the year ended March 31, 2001, the Company recorded a loss on disposal of $17.4 million, net of an income tax benefit of $0.6 million. The loss on disposal consists of $17.2 million for a write down of assets to their expected net realizable value on disposal and transaction costs expected to be incurred on disposal. Expected operating losses from August 15, 2000 to the estimated final disposal date are $0.8 million and are included in the loss on disposal. The net assets of Windows at March 31, 2001 consist primarily of trade receivables, inventory, property, plant and equipment and a provision for loss on disposal.

Building Systems

By contract dated September 6, 1999, the Company sold the Bondor business, a part of the Building Systems segment, to a third party. This divestment was consummated on September 30, 1999. A gain of $2.9 million represented the excess of the proceeds from the sale of $7.2 million over the net book value of the assets sold of $5.1 million and a retirement plan settlement gain of $0.8 million. The sale resulted in an income tax expense of $1.0 million. The proceeds from the sale were comprised of cash of $9.2 million less selling costs of $1.2 million and repayment of payables of $0.8 million.

On February 29, 2000, the Company sold the remaining Building Systems segment comprising the Ausco portable building business to a third party. A gain of $13.2 million represented the excess of the proceeds from the sale of $77.5 million over the net book value of the assets sold of $68.3 million, a retirement plan settlement gain of $1.6 million, and income from the October 1999 measurement date forward of $2.4 million. The sale resulted in an income tax expense of $2.3 million. The proceeds from the sale were comprised of cash of $90.4 million less selling costs of $12.9 million.

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

	Years Ended March 31,		
	1999	2000	2001
Building Systems			
Net sales	$106.8	$ 68.8	$ —
Income before income tax expense	5.9	5.0	—
Income tax expense	(2.1)	(1.8)	—
Net income	3.8	3.2	—
Windows			
Net sales	55.7	59.9	24.0
Loss before income tax (expense) benefit	(3.3)	(0.6)	(0.9)
Income tax benefit (expense)	1.2	(0.4)	0.2
Net loss	(2.1)	(1.0)	(0.7)
James Hardie & Coy Pty Ltd and Jsekarb Pty Ltd			
Net sales	—	0.2	0.2
Income (loss) before income tax benefit	(1.1)	0.1	0.7
Income tax benefit	4.9	3.5	0.5
Net income	3.8	3.6	1.2
Total			
Net sales	162.5	128.9	24.2
Income (loss) before income tax benefit	1.5	4.5	(0.2)
Income tax benefit	4.0	1.3	0.7
Net income	5.5	5.8	0.5
Gain (loss) on disposal, net of income tax	—	12.8	(15.1)
Income (loss) from discontinued operations	$ 5.5	$ 18.6	$(14.6)

14. Stock-Based Compensation

Peter Donald Macdonald Share Option Plan

On November 17, 1999, 1,200,000 options were granted by JHIL at fair market value to Mr. Peter D. Macdonald, Chief Executive Officer of JHIL, under the Peter Donald Macdonald Share Option Plan. Each option confers the right to subscribe for one ordinary share in the capital of JHIL at a price of A$3.87 per ordinary share payable by Mr. Macdonald or his nominee at the time of exercise of the options.

The options may be exercised in three equal tranches. The first tranche of 400,000 options is exercisable after November 17, 2002; the second tranche of 400,000 options is exercisable after November 17, 2003; and the third tranche of 400,000 options is exercisable after November 17, 2004. The exercise price and the number of shares available on exercise may be adjusted on the occurrence of certain events, including new issues, share splits, rights issues and capital reconstructions, as set out in the plan rules.

Options which have not lapsed may be exercised on any date on or after there has been a change of control of JHIL or Mr. Macdonald's termination, resignation or death. Options not exercised will lapse on the first to occur of: (a) 10 years from the date of issue; or (b) expiration of six months after the date on which Mr. Macdonald dies or six months after he ceases to be employed by JHIL.

The Company accounts for stock-based compensation in accordance with APB Opinion No. 25 and discloses such compensation under the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." The fair value of Mr. Macdonald's share options was estimated as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected life (years)	5.0
Risk-free interest rate	6.4%
Expected volatility	35.2%
Dividend yield	4.2%

If the Company had elected to recognize compensation cost for stock-based compensation grants consistent with the method prescribed by SFAS No. 123, net income and net income per common share would have been changed to the following pro forma amounts (in millions of US dollars, except per share data):

	Years Ended March 31,		
	1999	2000	2001
Net income:			
As reported	$39.3	$117.8	$38.2
Pro forma	39.3	117.8	38.1
Basic and diluted EPS:			
As reported	$0.10	$ 0.29	$0.09
Pro forma	0.10	0.29	0.09

The weighted average grant-date fair value of the options was A$0.98.

Shadow Stock Plans

The US Shadow Stock Plan and the Key Management Equity Incentive Plan are shadow stock plans that provide an incentive to certain key employees in the United States based on growth in the JHIL share price over time as if such employees were the owners of that number of JHIL's common stock as are equal to the number of shares of shadow stock issued to employees. The vesting period of these shadow stock plans is five years. The Key Management Equity Incentive Plan allows partial vesting under certain conditions after three years. Issuances under the Key Management Equity Incentive Plan were made in November 1999 and November 2000. There have been no issuances under the US Shadow Stock Plan since April 1, 1999. The total number of shadow stock shares outstanding under the plans at March 31, 1999, 2000 and 2001 were 2,497,000 shares, 4,586,000 shares and 7,754,000 shares, respectively.

In December 1998, a shadow stock plan for non-US based employees was instituted under similar terms to the US Shadow Stock Plan with a vesting period of three years. The total number of shadow stock shares outstanding at March 31, 1999, 2000 and 2001 were 2,942,000 shares, 3,099,000 shares and 4,633,000 shares, respectively.

The plans have been accounted for as variable plans under APB Opinion No. 25 and, accordingly, compensation expense of zero, $1.0 million and $0.8 million was recognized in fiscal years 1999, 2000 and 2001, respectively.

Executive Share Purchase Plan

Prior to July 1998, JHIL issued stock under an Executive Share Purchase Plan. Under the terms of the Plan, eligible executives had purchased JHIL shares at their market price when issued. Executives funded purchases of JHIL shares with non-recourse, interest-free loans provided by JHIL and collateralized by the shares. In such cases, the amount of indebtedness is reduced by any amounts payable by JHIL in respect of such shares, including dividends. These loans are generally payable within two years after termination of an executive's employment. Accordingly, variable plan accounting has been applied under APB Opinion No. 25. Compensation income (expense) was $1.8 million, ($0.6) million and ($0.6) million for the years ended March 31, 1999, 2000 and 2001, respectively. No shares were issued to executives during fiscal years 1999, 2000 and 2001.

15. Financial Instruments

Foreign Currency

As a multinational corporation, the Company maintains significant operations in foreign countries. As a result of these activities, the Company is exposed to changes in exchange rates which affect its results of operations and cash flows. At March 31, 2000 and 2001, the Company had not entered into contracts to hedge these exposures.

The Company also purchases raw materials and fixed assets and sells some finished product for amounts denominated in foreign currencies. In order to protect against exchange rate movements, the Company may enter into forward exchange contracts timed to mature when settlement of the underlying transactions is due to occur. Any unrealized gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognized in the measurement of the underlying transaction. At March 31, 2000 and 2001, there were no material contracts outstanding.

Credit Risk

Financial instruments which potentially subject the Company to credit risk consist primarily of cash and cash equivalents, investments and trade accounts receivable.

The Company maintains cash and cash equivalents, investments and certain other financial instruments with various major financial institutions. The Company performs periodic evaluations of the relative credit standing of these financial institutions and, where appropriate, places limits on the amount of credit exposure with any one institution. At times, the Company's cash balances may exceed FDIC insured limits.

Concentrations of credit risk with respect to trade accounts receivable are limited due to the large number of customers and their geographical dispersion. Credit is extended based on an evaluation of each customer's financial condition and, generally, collateral is not required. The Company has historically not incurred significant credit losses.

For off-balance sheet financial instruments, including derivatives, credit risk also arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity.

The Company is exposed to losses on forward exchange contracts in the event that counterparties fail to deliver the contracted amount. In accordance with the terms of its master netting agreement with each counterparty, the credit exposure to the Company is calculated as the net fair value of all contracts outstanding with that counterparty. At March 31, 2000 and 2001, total credit exposure arising from forward exchange contracts was zero.

The counterparties are prime financial institutions. The Company controls risk through the use of credit ratings and reviews. At March 31, 2000 and 2001, the Company had no significant concentration of credit risk with any single counterparty or group of counterparties.

Derivatives

In August 2000, the Company entered into a contract with a third party to hedge the price of 5,000 metric tons per month of pulp, a major commodity used in its manufacture of fiber cement products. Under the terms of the contract, if the published market price of the commodity is greater than the contract price of US$615 per metric ton, the third party will pay the difference to the Company. Alternatively, if the published market price is lower than the contract price, the Company will pay the difference to the third party. The contract is effective from September 1, 2000 to August 31, 2005, with payments made each month.

Interest Rates

At March 31, 2001, the Company had approximately 48% of its debt subject to variable interest rates. No interest rate hedging contracts in respect to that debt have been entered into.

Fair Values

The carrying values of cash and cash equivalents, marketable securities, accounts receivable, short-term borrowings and accounts payable and accrued liabilities are a reasonable estimate of their fair value due to the short-term nature of these instruments. The following table summarizes the estimated fair value of the Company's long-term debt (in millions of US dollars):

	March 31,			
	2000		2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt				
Floating	$121.5	$121.5	$132.3	$132.3
Fixed	225.0	221.5	225.0	226.7
Total	$346.5	$343.0	$357.3	$359.0

Fair values of long-term debt were determined by reference to the March 31, 2000 and 2001 market values for comparably rated debt instruments.

Based on a quote from the counterparty, the estimated fair value at March 31, 2001 of the pulp contract is less than the contract value by $4.9 million. As of March 31, 2001 the Company had not yet adopted SFAS No. 133, therefore, the financial statements have not been adjusted to record the fair value or change in fair value of this contract.

16. 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. US Fiber Cement manufactures and sells flat sheet fiber cement products in the United States. Gypsum manufactures and sells gypsum wallboard products in the United States. Asia Pacific Fiber Cement manufactures and sells fiber cement products in Australia, New Zealand and the Philippines. Research and Development is the Research and Development center in Sydney, Australia. Other includes the manufacture and sale of fiber cement products in Chile and the manufacture and sale of fiber 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(1) Years Ended March 31,		
	1999	2000	2001
US Fiber Cement	$245.6	$310.5	$373.0
Asia Pacific Fiber Cement	181.4	203.3	166.6
Gypsum	259.0	358.5	279.0
Segments total	686.0	872.3	818.6
General Corporate	2.2	2.0	1.3
Worldwide total	$688.2	$874.3	$819.9

	Income (Loss) from Operations Years Ended March 31,		
	1999	2000	2001
US Fiber Cement(2)	$ 48.9	$ 72.3	$ 73.3
Asia Pacific Fiber Cement(2),(3)	16.7	19.8	4.0
Gypsum	60.0	118.2	41.9
Research and Development(2)	(10.6)	(11.3)	(6.5)
Other(2)	—	—	(2.9)
Eliminate intercompany transactions(4)	—	2.3	1.7
Segments total	115.0	201.3	111.5
General Corporate(5)	(35.7)	(22.9)	(28.4)
Total operating profit	79.3	178.4	83.1
Net interest expense(6)	(15.5)	(20.5)	(13.2)
Other income (expense)	5.4	(1.6)	1.6
Worldwide total from continuing operations	$ 69.2	$156.3	$ 71.5

	Total Identifiable Assets March 31,	
	2000	2001
US Fiber Cement	$263.6	$336.8
Asia Pacific Fiber Cement	179.1	139.9
Gypsum	279.7	277.4
Other	—	39.9
Segments total	722.4	794.0
General Corporate(7)	226.0	158.9
Discontinued operations	8.9	7.8
Worldwide total	$957.3	$960.7

	Additions to Property, Plant and Equipment(8) Years Ended March 31,		
	1999	2000	2001
US Fiber Cement	$ 25.9	$ 35.6	$ 75.4
Asia Pacific Fiber Cement	36.1	9.6	7.9
Gypsum	42.9	35.1	4.4
Other	—	—	32.3
Segments total	104.9	80.3	120.0
General Corporate	1.3	0.2	—
Discontinued operations	17.5	29.8	2.3
Worldwide total	$123.7	$110.3	$122.3

	Depreciation and Amortization Years Ended March 31,		
	1999	2000	2001
US Fiber Cement	$ 6.3	$ 11.0	$ 11.3
Asia Pacific Fiber Cement	9.6	9.9	9.1
Gypsum	14.1	16.3	15.1
Segments total	30.0	37.2	35.5
General Corporate	0.8	0.4	0.4
Discontinued operations	10.2	11.8	1.8
Worldwide total	$ 41.0	$ 49.4	$ 37.7

	Net Sales to Customers(1) Years Ended March 31,		
	1999	2000	2001
Geographic Areas			
United States	$504.6	$669.0	$652.0
Australia	128.6	140.7	111.0
New Zealand	44.9	48.7	38.0
Other Countries	7.9	13.9	17.6
Segments total	686.0	872.3	818.6
General Corporate	2.2	2.0	1.3
Worldwide total	$688.2	$874.3	$819.9

	Total Identifiable Assets March 31,	
	2000	2001
United States	$543.3	$645.6
Australia	97.7	72.4
New Zealand	25.8	21.0
Other Countries	55.6	55.0
Segments total	722.4	794.0
General Corporate(7)	226.0	158.9
Discontinued operations	8.9	7.8
Worldwide total	$957.3	$960.7

(1) Export sales and intersegment sales are not significant.

(2) Research and development costs of $5.3 million, $6.3 million and $6.3 million in 1999, 2000 and 2001, respectively, were expensed in the US Fiber Cement operating segment. Research and development costs of $0.4 million, $0.9 million and $2.2 million in 1999, 2000 and 2001, respectively, were expensed in the Asia Pacific Fiber Cement segment.

Research and development expenditures are expensed as incurred and in total amounted to $15.7 million, $18.4 million and $14.6 million for the years ended March 31, 1999, 2000 and 2001, respectively.

(3) The operating profit of Asia Pacific Fiber Cement was reduced by restructuring and other expenses of $3.5 million, $4.1 million and $15.5 million for the years ended March 31, 1999, 2000 and 2001, respectively (see Note 11).

(4) Relates to property rent paid by the Asia Pacific Fiber Cement segment to former subsidiaries of the Company which are now controlled by the Medical Research and Compensation Foundation.

(5) The principal components of General Corporate are officer and employee compensation and related benefits, professional and legal fees, administrative costs, and rental expense, net of rental income, on the Company's corporate offices.

Restructuring expenses of $23.1 million were included in General Corporate for the year ended March 31, 1999.

Additionally, pension cost (income) related to the Australian defined benefit plan for the Asia Pacific Fiber Cement segment totaling $1.0 million, $1.8 million and ($0.2) million in fiscal years 1999, 2000 and 2001, respectively, have been included in the General Corporate segment.

(6) The Company does not report net interest expense for each reportable segment as reportable segments are not held directly accountable for interest expense.

(7) The Company does not report deferred tax assets and liabilities for each reportable segment as reportable segments are not held directly accountable for deferred taxes. All deferred taxes are included in General Corporate.

(8) Additions to property, plant and equipment are calculated on an accrual basis, and therefore differ from property, plant and equipment in the consolidated statement of cash flows. In fiscal year 2001, $31.1 million of property, plant and equipment additions reported in the Other segment were related to fiber cement reinforced pipes in the United States.

Concentrations of Risk

The current source of gypsum rock for the Seattle, Washington gypsum wallboard manufacturing facility is a gypsum mine located in Santa Rosalia, Mexico. The mine is owned by Compania Minera Caopas S.A. de C.V. and its affiliates ("Caopas"), which is currently operating under a form of Mexican bankruptcy protection, and management has been unable to determine the status of certain licenses or permits necessary for operation of the mine. Therefore, there can be no assurance that shipments from the Caopas mine will continue. A cessation of shipments from the Caopas mine and an inability to secure an alternative source of supply on reasonable terms could have a material adverse effect on the business, consolidated results of operations, cash flows and financial position of the Company.

The distribution channels for the Company's fiber cement products and gypsum wallboard products are concentrated. If the Company were to lose one or more of its major distributors, there can be no assurance that the Company will be able to find a replacement. Therefore, the loss of one or more distributors could have a material adverse effect on the Company's consolidated results of operations, cash flows and financial position. The Company has two major distributors that individually each account for over 10% of the Company's sales. These two distributors represented 22% and 19% of the Company's trade accounts receivable at March 31, 2000 and 2001, respectively. Sales generated by these two distributors, primarily in the US Fiber Cement segment, were as follows:

	Years Ended March 31,		
	1999	2000	2001
Distributor A	$ 84.7	$102.9	$ 95.8
Distributor B	97.3	136.4	163.7
	$182.0	$239.3	$259.5

Approximately 23% of the Company's revenues in fiscal year 2001 were derived from sales outside the United States. This includes any discontinued operations not disposed of as at March 31, 2001. Consequently, changes in the value of foreign currencies could significantly affect the consolidated results of operations, cash flows and financial position of the Company's non-US operations on translation into US dollars.

17. Comprehensive Income (Loss)

The following are the components of total comprehensive income (loss) (in millions of US dollars):

	Years Ended March 31,		
	1999	2000	2001
Net income	$ 39.3	$117.8	$38.2
Other comprehensive income (loss):			
Net unrealized gains (losses) on available-for-sale securities	(0.4)	0.6	(0.1)
Hedging, from an Australian dollar perspective, of the net investment in foreign operations:			
Gross currency translation gains	10.6	—	—
Income tax expense	(3.8)	—	—
Net currency translation gains	6.8	—	—
Net currency translation gains (losses) on translation into US dollars	(36.0)	5.1	22.2
Total other comprehensive income (loss), net of income tax	(29.6)	5.7	22.1
Total comprehensive income (loss)	$ 9.7	$123.5	$60.3

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

	March 31,	
	2000	2001
Net unrealized loss on available-for-sale securities	$ (1.1)	$ (1.2)
Foreign currency translation losses	(65.2)	(43.0)
Total accumulated other comprehensive income (loss)	$(66.3)	$(44.2)

18. Purchases of Assets of a Business

On April 17, 2000, the Company exercised its option, entered into in July 1999, and signed an agreement to acquire the assets of Western Gypsum which has estimated reserves of more than 3.5 billion tons of high quality gypsum rock near St. George, Utah. The acquisition was completed in December 2000 for a purchase price of $17.5 million, comprising the issuance of ordinary shares in JHIL for $16.9 million and acquisition costs of $0.6 million.

In December 2000, the Company acquired a fiber cement manufacturing plant in Chile for $6.9 million in cash.

19. Extraordinary Item

In connection with the 1998 Reorganization, the Company refinanced its borrowings. The Company incurred an $8.8 million extraordinary loss, net of income tax benefit of $3.6 million, for prepayment penalties.

20. Subsequent Events

On May 11, 2001, the Company announced it had begun a formal process to evaluate a sale of its gypsum assets in the United States. As part of this process, the Company has entered into discussions with a number of parties. It is not yet clear whether these discussions will result in formal offers for the assets on terms and conditions acceptable to the Company. Since the Company has not committed to a formal plan to dispose of its gypsum assets, the gypsum business is not reflected as a discontinued operation.

On June 28, 2001, the Company entered into an agreement to sell its gypsum mine in Las Vegas, Nevada, to a developer for approximately $50 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 following are the components of the Company's net gypsum assets, excluding intercompany financing and deferred tax assets and liabilities:

	March 31,	
	2000	2001
Current assets	$ 54.4	$ 31.7
Property, plant and equipment, net	167.2	162.9
Intangibles, net	33.3	31.7
Mineral acquisition costs, net	24.8	51.1
Total assets	279.7	277.4
Total liabilities	(26.9)	(20.7)
Net assets	$252.8	$256.7

JAMES HARDIE INDUSTRIES LIMITED AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEETS
(Millions of US Dollars)

ASSETS

	March 31, 2001	June 30, 2001 (unaudited)
Current assets:		
Cash and cash equivalents	$ 75.1	$ 14.8
Accounts and notes receivable, net of allowance for doubtful accounts of $1.2 million and $1.3 million as of March 31, 2001 and June 30, 2001, respectively	66.1	109.7
Inventories	84.7	79.8
Prepaid expenses and other current assets	20.1	26.9
Deferred tax assets	31.0	32.9
Net current assets — discontinued operations	—	0.7
Total current assets	277.0	264.8
Long-term receivables	12.8	11.5
Investments	10.2	7.6
Property, plant and equipment, net	554.4	570.9
Intangible assets, net	34.0	33.5
Mineral acquisition costs, net	52.0	51.8
Prepaid pension cost	8.8	8.9
Deferred tax assets	3.7	4.1
Net non-current assets — discontinued operations	7.8	7.9
Total assets	$960.7	$961.0

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 2001	June 30, 2001 (unaudited)
Current liabilities:		
Accounts payable and accrued liabilities	$ 77.6	$ 80.9
Short term debt	74.8	91.8
Accrued payroll and employee benefits	20.2	15.7
Accrued product warranties	4.5	4.2
Other liabilities	14.3	13.0
Net current liabilities — discontinued operations	0.7	—
Total current liabilities	192.1	205.6
Long term debt	357.3	361.8
Deferred tax liabilities	68.0	68.9
Liability to Medical Research and Compensation Foundation	49.4	51.1
Other liabilities	12.8	19.6
Total liabilities	679.6	707.0
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Common stock — no par value; 415,771,082 shares issued and outstanding at March 31, and June 30, 2001	437.0	438.3
Accumulated deficit	(103.8)	(125.0)
Employee loans	(7.9)	(6.2)
Accumulated other comprehensive loss	(44.2)	(53.1)
Total shareholders' equity	281.1	254.0
Total liabilities and shareholders' equity	$960.7	$961.0

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

JAMES HARDIE INDUSTRIES LIMITED AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME
(Millions of US Dollars, except per share data)
(Unaudited)

	Three Months Ended June 30, 2000	Three Months Ended June 30, 2001
Net sales	$ 229.9	$ 203.2
Cost of goods sold	(148.8)	(163.2)
Gross profit	81.1	40.0
Selling, general and administrative expenses	(38.6)	(36.0)
Restructuring and other operating expenses	(0.2)	(1.2)
Operating profit	42.3	2.8
Interest expense	(5.5)	(5.9)
Interest income	2.4	0.6
Other income (expenses), net	0.7	(1.2)
Income (loss) from continuing operations before income taxes	39.9	(3.7)
Income tax (expense) benefit	(13.6)	2.5
Income (loss) from continuing operations	26.3	(1.2)
Discontinued operations:		
Income from discontinued operations, net of income taxes of nil for the three months ended June 30, 2000	1.4	—
Gain on disposal, net of income tax expense of $0.1 million for the three months ended June 30, 2001	—	0.3
Income from discontinued operations	1.4	0.3
Income (loss) before cumulative effect of change in accounting principle	27.7	(0.9)
Cumulative effect of change in accounting principle for revenue recognition, net of income tax benefit of $0.8 million	(1.2)	—
Net income (loss)	$ 26.5	$ (0.9)
Net income (loss) per share — basic:		
Income (loss) from continuing operations	$ 0.07	$ —
Income (loss) from discontinued operations	—	—
Cumulative effect of change in accounting principle	—	—
Net income (loss)	$ 0.07	$ —
Net income (loss) per share — diluted:		
Income (loss) from continuing operations	$ 0.07	$ —
Income (loss) from discontinued operations	—	—
Cumulative effect of change in accounting principle	—	—
Net income (loss)	$ 0.07	$ —
Basic and diluted weighted average number of JHIL shares outstanding (in millions)	407.0	415.8

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

JAMES HARDIE INDUSTRIES LIMITED AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Millions of US Dollars)
(Unaudited)

	Three Months Ended June 30, 2000	Three Months Ended June 30, 2001
Cash flows from operating activities:		
Net income (loss)	$ 26.5	$ (0.9)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	9.3	10.1
Deferred income taxes	1.4	(2.7)
Prepaid pension cost	—	(0.2)
Other	(0.9)	2.9
Changes in operating assets and liabilities:		
Accounts receivable, prepaids and other current assets	(6.0)	(49.8)
Inventories	1.5	5.6
Accounts payable, accrued liabilities and other liabilities	(1.0)	(3.2)
Net cash provided by (used in) operating activities	30.8	(38.2)
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(33.8)	(26.5)
Proceeds from sale of property, plant, and equipment	1.9	0.1
Purchases of investments and negotiable securities	(1.8)	—
Proceeds from sale and maturity of investments	0.8	2.7
Loans repaid by other entities	0.2	2.1
Net cash used in investing activities	(32.7)	(21.6)
Cash flows from financing activities:		
Proceeds from borrowings	50.9	26.3
Repayments of borrowings	(47.2)	(9.9)
Dividends paid	(22.7)	(20.2)
Net cash used in financing activities	(19.0)	(3.8)
Effects of exchange rate changes on cash	(0.5)	3.3
Net decrease in cash and cash equivalents	(21.4)	(60.3)
Cash and cash equivalents at beginning of period	154.2	75.1
Cash and cash equivalents at end of period	132.8	14.8
Components of cash and cash equivalents:		
Cash at bank and on hand	4.6	4.8
Deposits	128.2	10.0
Cash and cash equivalents at end of period	$132.8	$ 14.8

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

JAMES HARDIE INDUSTRIES LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Background and Basis of Presentation

Background

On July 2, 1998, James Hardie Industries Limited ("JHIL"), a public company organized under the laws of Australia and listed on the Australian Stock Exchange, announced a plan of reorganization and capital restructuring (the "1998 Reorganization"). James Hardie N.V. ("JHNV") was incorporated in August 1998, as an intermediary holding company, with all its common stock owned by indirect subsidiaries of JHIL. On October 16, 1998, JHIL's shareholders approved the 1998 Reorganization. Effective as of November 1, 1998, JHIL contributed its fiber 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 Reorganization, JHIL and its non-transferring subsidiaries retained certain unrelated assets and liabilities.

On July 24, 2001, JHIL announced a further plan of reorganization and capital restructuring (the "2001 Reorganization"). In connection with the 2001 Reorganization, James Hardie Industries N.V. ("JHINV"), formerly RCI Netherlands Holdings B.V., intends to issue 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 JHINV will become the new ultimate holding company for JHIL and JHNV. Completion of the 2001 Reorganization is conditional on obtaining approval from the New South Wales Supreme Court in Australia and JHIL shareholders.

Basis of Presentation

The consolidated financial statements represent the financial position and results of JHIL and its wholly owned subsidiaries, collectively referred to as either the "Company" or "James Hardie," unless the context indicates otherwise.

Following the 2001 Reorganization, JHINV will control the same assets and liabilities as are currently controlled by JHIL, and will have substantially the same number of shares outstanding as JHIL has currently outstanding. Basic and diluted earnings per share of JHINV and its wholly owned subsidiaries will not be materially different from those of JHIL and its wholly owned subsidiaries as disclosed in these consolidated financial statements.

In accordance with accounting principles generally accepted in the United States of America, the transfers to JHINV will be 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 consolidated interim financial statements and related notes are condensed and unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair statement of financial position as of March 31 and June 30, 2001, and the results of operations and cash flows for the three months ended June 30, 2000 and 2001. These financial statements and notes are to be read in conjunction with the audited consolidated financial statements of James Hardie Industries Limited and Subsidiaries for the three years ended March 31, 2001. The results of operations for the three months ended June 30, 2001 are not necessarily indicative of the results to be expected for the full fiscal year ending March 31, 2002.

2. Summary of Significant Accounting Policies

Earnings per Share

Basic earnings per share ("EPS") is calculated using income divided by the weighted average number of common shares outstanding during the year. 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. Accordingly, basic and dilutive common shares outstanding used in determining net income (loss) per share are as follows (in millions):

	Three Months Ended June 30,	
	2000	2001
Basic	407.0	415.8
Dilutive effect of stock options	—	—
Diluted	407.0	415.8

Potential common shares of 0.2 million for the quarter ended June 30, 2001 have been excluded from the calculation of diluted shares outstanding because the effect of their inclusion would be antidilutive.

Recent Accounting Pronouncements

Revenue

In the fourth quarter of the prior year, the Company adopted Securities and Exchange Commission Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 requires the Company to recognize revenue when the risks and obligations of ownership have been transferred to the customer. The adoption of SAB No. 101 resulted in a cumulative effect of a change in accounting principle in the fiscal year ended March 31, 2001 of $1.2 million retroactively applied to April 1, 2000.

Derivatives

Beginning April 1, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. The cumulative effect on April 1, 2001 of adopting this statement was to reduce other comprehensive income, a component of shareholders' equity, by $4.9 million.

Periodically, interest rate swaps, commodity swaps and forward exchange contracts are used to manage market risks and reduce exposure resulting from fluctuations in interest rates, commodity prices and foreign currency exchange rates. Where such contracts are designated as, and effective as, a hedge, gains and losses arising on such contracts are accounted for in accordance with SFAS No. 133. Specifically, changes in the fair value of derivative instruments designated as cash flow hedges are deferred and recorded in other comprehensive income. These deferred gains or losses are recognized in income when the transactions being hedged are completed. The ineffective portion of these hedges is recognized in income. Changes in the fair value of derivative instruments designated as fair value hedges are recognized in income, as are changes in the fair value of the hedged item. Changes in the fair value of derivative instruments that are not designated as hedges for accounting purposes are recognized in income. The Company does not use derivatives for trading purposes.

In August 2000, the Company entered into a contract with a third party to hedge the price of 5,000 metric tons per month of pulp, a major commodity used in its manufacture of fiber cement products. Under the terms of the contract, if the published market price of the commodity is greater than the contract price of US$615 per metric ton, the third party will pay the difference to the Company. Alternatively, if the published market price is lower than the contract price, the Company will pay the difference to the third party. The contract is effective from September 1, 2000 to August 31, 2005, with settlement payments made each month. Based on a quote from the counter party, the estimated fair value at June 30, 2001 of the pulp contract is a $6.1 million liability and is recorded in other non-current liabilities. For the three months ended June 30, 2001, this derivative did not qualify as a cash flow hedge for accounting purposes. Therefore, the change in fair value of the pulp contract during the quarter of $1.2 million has been recorded as an other operating expense.

Business Combinations

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method will be prohibited. The Company has evaluated this standard and believes that adoption will not have an impact on its consolidated financial statements.

Goodwill

In June 2001, the Financial Accounting Standards Board issued SFAS No. 142, "Goodwill and Other Intangible Assets." Under this standard, goodwill and intangible assets that have indefinite useful lives will not be amortized over an arbitrary period nor will intangible assets that have finite useful lives be bound by a ceiling of 40 years for amortization. Rather, these assets will be tested annually for impairment with any resulting impairment losses charged against earnings. As permitted by the standard, the Company will adopt the provisions of SFAS No. 142 in the first quarter of fiscal year 2003. The Company has not determined the impact that adoption of this standard will have on its consolidated financial statements.

Asset Retirement Obligations

In June 2001, the Financial Accounting Standards Board 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 recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company has not determined the impact that adoption of this standard will have on its consolidated financial statements.

3. Inventories

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

	March 31, 2001	June 30, 2001
Raw materials and supplies	$25.8	$28.8
Work-in-process	3.5	4.5
Finished goods	55.4	46.5
Contracts-in-progress less advance billings	—	—
Total inventories	$84.7	$79.8

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 $1.5 million and $1.2 million as of March 31, 2001 and June 30, 2001, respectively.

4. Restructuring and Other Operating Expenses

The Company incurred restructuring expenses for the three months ended June 30, 2000 of $0.2 million. These restructuring expenses related to employee termination costs associated with the restructuring and upgrade of the fiber cement business in Australia.

For the three months ended June 30, 2001, the Company incurred other operating expenses of $1.2 million for the decrease in the fair value of the derivative pulp contract.

The following table displays the activity and balances of the restructuring reserve account from April 1 to June 30, 2001 (in millions of US dollars):

Type of Cost	April 1, 2001 Balance	Additions	Deductions	June 30, 2001 Balance
Employee terminations	$4.7	$0.1	$(1.1)	$3.7
Surplus lease space	4.4	0.1	(0.6)	3.9
Total	$9.1	$0.2	$(1.7)	$7.6

Additions reflect foreign currency movements and deductions reflect cash payments.

5. Discontinued Operations

Windows

On August 15, 2000, the Company approved a plan to dispose of its Windows business. The disposal is expected to be completed during the fiscal year ended March 31, 2002. For the year ended March 31, 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 realizable value on disposal and transaction costs expected to be incurred on disposal. At March 31, 2001 operating losses from August 15, 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 August 15, 2000 to the final disposal date were reduced by $0.3 million. The net assets of Windows at June 30, 2001 consist primarily of trade receivables, inventory, property, plant and equipment, trade payables and a provision for loss on disposal.

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. US Fiber Cement manufactures and sells fiber cement flat sheet products in the United States. Asia Pacific Fiber Cement manufactures and sells fiber cement products in Australia, New Zealand and the Philippines. Gypsum manufactures and sells gypsum wallboard products in the United States. Research and Development is the Research and Development center in Sydney, Australia. Other includes the manufacture and sale of fiber cement products in Chile and the manufacture and sale of fiber 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 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 June 30,	
	2000	2001
US Fiber Cement	$ 92.9	$111.2
Asia Pacific Fiber Cement	51.2	36.6
Gypsum	85.5	54.7
Other	—	0.5
Segments total	229.6	203.0
General Corporate	0.3	0.2
Worldwide total	$229.9	$203.2

	Income (Loss) from Continuing Operations Three Months Ended June 30,	
	2000	2001
US Fiber Cement	$18.4	$23.4
Asia Pacific Fiber Cement	7.1	3.3
Gypsum	26.1	(8.5)
Research and Development	(1.1)	(2.6)
Other	—	(2.5)
Eliminate Intercompany transactions	0.5	—
Segments total	51.0	13.1
General Corporate	(8.7)	(10.3)
Total operating profit	42.3	2.8
Net interest expense	(3.1)	(5.3)
Other income (expense)	0.7	(1.2)
Worldwide total from continuing operations	$39.9	$(3.7)

	Total Identifiable Assets	
	March 31, 2001	June 30, 2001
US Fiber Cement	$336.8	$400.7
Asia Pacific Fiber Cement	139.9	138.9
Gypsum	277.4	275.0
Other	39.9	43.0
Segments total	794.0	857.6
General Corporate	158.9	94.8
Discontinued operations	7.8	8.6
Worldwide total	$960.7	$961.0

Geographic Areas

	Net Sales to Customers Three Months Ended June 30, 2000	2001
United States	$178.4	$166.2
Australia	36.8	23.3
New Zealand	10.1	9.1
Other Countries	4.3	4.4
Segments total	229.6	203.0
General Corporate	0.3	0.2
Worldwide total	$229.9	$203.2

	Total Identifiable Assets March 31, 2001	June 30, 2001
United States	$645.6	$709.6
Australia	72.4	75.0
New Zealand	21.0	20.9
Other Countries	55.0	52.1
Segments total	794.0	857.6
General Corporate	158.9	94.8
Discontinued operations	7.8	8.6
Worldwide total	$960.7	$961.0

7. Comprehensive Income (Loss)

The following are the components of total comprehensive income (loss) (in millions of US dollars):

	Three Months Ended June 30, 2000	2001
Net income (loss)	$26.5	$(0.9)
Other comprehensive income (loss):		
Net unrealized gains (losses) on available-for-sale securities	(0.4)	1.2
Effect of adopting SFAS No. 133		
Unrealized transition loss on derivative instruments classified as cash flow hedges	—	(4.9)
Amortization of unrealized transition loss on derivative instruments	—	0.3
Net currency translation losses on translation into US dollars	(7.2)	(5.5)
Total other comprehensive income (loss), net of income taxes	(7.6)	(8.9)
Total comprehensive income (loss)	$18.9	$(9.8)

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

	March 31, 2001	June 30, 2001
Unrealized loss on available-for-sale securities	$ (1.2)	$ —
Unrealized loss on derivative instruments	—	(4.6)
Foreign currency translation losses	(43.0)	(48.5)
	$(44.2)	$(53.1)

As of June 30, 2001, accumulated other comprehensive income included $4.6 million of unrealized after-tax losses on the open pulp commodity derivative instrument. It is expected that $1.1 million of these unrealized after-tax losses will be recognized over the next 12 months.

8. Commitments and Contingencies

The Company announced on May 11, 2001 that it had begun a formal process to evaluate a possible sale of its US-based gypsum business. As of June 30, 2001, the Company is in discussions with interested third parties but it is not yet clear whether these discussions will result in formal offers for the assets on terms and conditions acceptable to the Company. Since the Company has not committed to a formal plan to dispose of its gypsum assets, the gypsum business is not reflected as a discontinued operation.

On June 28, 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 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 recognized when all conditions have been met.

9. Subsequent Event

On August 1, 2001, the Company raised approximately A$197 million ($99 million) through the issuance of 35.0 million fully paid ordinary shares by means of an underwritten share placement. The Company used A$70 million of the proceeds to repay a term loan.

EXHIBIT INDEX

Exhibit Number	Description of Exhibits
1.1	Articles of Association, as amended on September 7, 2001 of James Hardie Industries N.V. (English translation) (1)
2.1	Deposit Agreement dated as of September 24, 2001 between The Bank of New York, as depositary, and James Hardie Industries N.V.(1)
2.2	Note Purchase Agreement, dated November 5, 1998, among James Hardie Finance B.V., James Hardie N.V. and certain purchasers thereto re: $225,000,000 Guaranteed Senior Notes(1)
2.3	Assignment and Assumption Agreement among James Hardie Finance B.V., James Hardie U.S. Funding, Inc., James Hardie N.V. and James Hardie Aust. Investco Pty Limited dated January 24, 2000(1)
2.4	Novation Agreement, dated August 27, 2001, relating to Amended and Restated Revolving Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and Australia and New Zealand Banking Group Limited(1)
2.5	Novation Agreement, dated August 27, 2001, relating to Amended and Restated Revolving Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and Bank One, NA(1)
2.6	Novation Agreement, dated August 27, 2001, relating to Amended and Restated Revolving Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and BNP Paribas(1)
2.7	Novation Agreement, dated August 27, 2001, relating to Amended and Restated Revolving Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and Australia and Westdeutsche Landesbank Girozentrale, Sydney Branch(1)
2.8	Novation Agreement, dated August 27, 2001, relating to Amended and Restated Standby Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and Australia and New Zealand Banking Group Limited(1)
2.9	Novation Agreement, dated August 27, 2001, relating to Amended and Restated Standby Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and Bank One, NA(1)
2.10	Novation Agreement, dated August 27, 2001, relating to Amended and Restated Standby Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and BBL Australia Limited(1)
2.11	Novation Agreement, dated August 27, 2001, relating to Amended and Restated Standby Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and BNP Paribas(1)
2.12	Novation Agreement, dated August 27, 2001, relating to Amended and Restated 364 Day Standby Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and Wells Fargo HSBC Trade Bank, National Association(1)
2.13	Novation Agreement, dated August 27, 2001, relating to Amended and Restated 364 Day Standby Loan Agreement among James Hardie International Finance B.V., James Hardie N.V., James Hardie U.S. Funding Inc. and Westdeutsche Landesbank Girozentrale, Sydney Branch(1)
2.14	Loan Deed between James Hardie Industries Ltd. and James Hardie & Coy Pty Ltd in relation to a A$70 million loan dated February 15, 2001(1)
2.15	Deed of Covenant and Indemnity, dated February 15, 2001, among James Hardie Industries Limited, James Hardie & Coy Pty Limited and Jsekarb Pty Ltd.(1)
4.1	James Hardie Industries N.V. 2001 Equity Incentive Plan(1)

Exhibit Number	Description of Exhibits
4.2	James Hardie Industries N.V. Peter Donald Macdonald Share Option Plan(1)
4.3	James Hardie Industries N.V. Peter Donald Macdonald Share Option Plan 2001(1)
4.4	Executive Service Agreement, dated November 1, 1999, between James Hardie Industries Limited and Peter Donald Macdonald(1)
4.5	Form of Joint and Several Indemnity Agreement among James Hardie N.V., James Hardie (USA) Inc. and certain indemnitees thereto(1)
4.6	Form of Joint and Several Indemnity Agreement among James Hardie Industries N.V., James Hardie Inc. and certain indemnities thereto(1)
4.7	Form of Deed of Access to Documents, Indemnity and Insurance among James Hardie Industries N.V. and certain indemnitees thereto(1)
4.8	Gypsum Supply Agreement, dated January 1, 1995, between Oxbow Carbon & Minerals, Inc. and James Hardie Gypsum (Washington), Inc.(1)(2)
4.9	Paperboard Supply Agreement, dated May 14, 1998, among Republic Paperboard Company, Republic Group Incorporated and James Hardie Gypsum, Inc.(1)(2)
4.10	Lease Agreement, effective November 1, 1998, among James Hardie & Coy Pty Limited, JHIL and James Hardie Australia Pty Limited re premises at the corner of Cobalt & Silica Street, Carole Park, Queensland, Australia(1)
4.11	Lease Agreement, effective November 1, 1998, among James Hardie & Coy Pty Limited, JHIL and James Hardie Australia Pty Limited re premises at the corner of Colquhoun & Devon Streets, Rosehill, New South Wales, Australia(1)
4.12	Lease Agreement, dated November 6, 1998, among James Hardie & Coy Pty Limited, JHIL and James Hardie Australia Pty Limited re premises at Rutland, Avenue, Welshpool, Western Australia, Australia(1)
4.13	Lease Agreement, effective November 1, 1998, among Amaca Pty Limited (f/k/a/ James Hardie & Coy Pty Limited), JHIL and James Hardie Australia Pty Limited re premises at 46 Randle Road, Meeandah, Queensland, Australia(1)
4.14	Asset and Sale Purchase Agreement by and between Fibrocementos Ecologicos Limitada, Inversiones Tilama Limitada, Inversiones Tilama Dos Limitada and James Hardie Chile Limitada, dated December 15, 2000(1)
4.15	Agreement to Purchase Assets, as amended on December 14, 2000, by and between Western Gypsum, Inc. and James Hardie Industries Limited(1)
4.16	Trust Deed, dated February 15, 2001, between James Hardie Industries Limited and the Medical Research and Compensation Foundation, as trustee, establishing the Medical Research and Compensation Foundation(1)
4.17	Purchase and Sale Agreement with Escrow Instructions, dated June 28, 2001, between WL Homes LLC and James Hardie Gypsum, Inc.(2)
4.18	Industrial Building Lease Agreement, effective October 6, 2000, between James Hardie Building Products, Inc. and Fortra Fiber-Cement L.L.C., re premises at Waxahachie, Ellis County, Texas(1)
4.19	Letter Agreement of September 6, 2001 by and between James Hardie Industries N.V. and CHESS Depositary Nominees Pty Limited, as the depositary for CHESS Units of Foreign Securities(1)
8.1	List of significant subsidiaries of James Hardie Industries N.V.(1)
10.1	Consent of PricewaterhouseCoopers LLP
99.1	Excerpts of the Securities Clearing House Business Rules, including Temporary Rule Book inserts thereto, as of September 28, 2001(1)

Exhibit Number	Description of Exhibits
99.2	Excerpts of the Corporations Act 2001, as of September 28, 2001(1)
99.3	ASIC Class Order 00/182, dated February 13, 2000(1)
99.4	ASIC Modification, dated August 23, 2001(1)

(1) Previously filed.

(2) Certain portions of the exhibit have been omitted and submitted to the Securities and Exchange Commission pursuant to a confidential treatment request filed separately with the Securities and Exchange Commission.