Media Release

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2nd Qtr Operating Profit US$24.7m

Half Year Operating Profit US$61.8m

James Hardie today announced a 25% decline in second quarter operating profit from continuing operations for the three months ended 30 September 2004, to US$24.7 million.

Despite a 20% lift in net sales, earnings were lower due to costs associated with the NSW Government Special Commission of Inquiry into the Medical Research and Compensation Foundation (SCI) and other associated developments, and increased costs in the USA Fibre Cement business.

Excluding US$5.6 million of SCI and related costs, operating profit for continuing operations was 8% lower for the quarter, at US$30.3 million.

Overall, net sales increased 20%, gross profit was up 5% and EBIT fell 16% to US$40.0 million for the quarter.

The USA Fibre Cement business continued to grow strongly, delivering a 21% increase in net sales for the quarter, but EBIT fell 9% due to higher spending on ramping-up growth initiatives and higher manufacturing costs, including increased costs caused by efficiency problems at a number of our US plants. The efficiency issues have been addressed and are now largely behind us and prices of our most cost-significant raw material are declining. In Asia Pacific Fibre Cement, net sales increased 14% and EBIT increased 31%.

The second quarter result lifted half year operating profit from continuing operations to 30 September 2004 to US$61.8 million, but this was down 6% compared to the first half of last year due to SCI related costs. Excluding SCI and other related costs, operating profit from continuing operations was up 7% to US$70.3 million. EBIT from USA Fibre Cement and Asia Pacific Fibre Cement segments were up 4% and 35%, respectively for the half year.

Diluted earnings per share from continuing operations decreased from US 7.1 cents to US 5.4 cents for the 2nd quarter and from US 14.3 cents to US 13.4 cents for the half year.

The half year net operating profit, including discontinued operations, of US$61.1 million includes additional costs associated with the sale of New Zealand land in March 2004. The net operating profit including discontinued operations for the corresponding period of the previous year includes profit recorded from the sale of our New Zealand Building Systems business.

2nd Quarter and Half Year at a Glance

US$ Million	Q2FY05	Q2FY04	%+\(-)	HYFY05	HYFY04	%+\(-)
Net Sales	$300.9	$251.6	20	$607.0	$493.1	23
Gross Profit	97.1	92.4	5	208.4	181.7	15
Special Commission of Inquiry related expenses	5.6	-	-	8.5	-	-
EBIT[1]	40.0	47.9	(16)	98.3	96.2	2
Net Interest Expense	(1.3)	(2.4)	(46)	(3.8)	(4.7)	(19)
Income Tax Expense	(12.1)	(9.4)	29	(30.8)	(22.5)	37
Operating Profit from continuing operations[1]	24.7	32.8	(25)	61.8	65.7	(6)
Net Operating Profit including discontinued operations[1]	24.8	32.8	(24)	61.1	67.5	(9)

Unless otherwise stated, results are for continuing operations only and comparisons are of the 2nd quarter of the current fiscal year versus the 2nd quarter of the prior fiscal year

Commentary

James Hardie Interim CEO, Louis Gries said: “Despite continued strong top line growth in the second quarter, the bottom line was affected by a number of non-recurring items and a dip in the operating performance of some of our US plants.

“However, the company’s cash generation continued to be very strong and was up a significant 50% for the half year.

“The outlook for housing construction in North America remains positive for the remainder of the year despite the prospect of modest interest rate increases.

“Further strong sales growth is expected as we continue to take market share in our emerging and established markets and in our exterior and interior product categories in North America.

“Many of the internal and external factors that adversely impacted financial performance in our North America businesses have already been overcome and further improvement is expected.

“Given the external pressures on our Australia and New Zealand business during the quarter, its overall performance was particularly pleasing,” Mr Gries said.

USA Fibre Cement – Continued Strong Top Line Growth

Net sales increased 21% to US$231.0 million in the 2nd quarter due to an 18% increase in sales volume to 459.7 million square feet and a 3% increase in the average selling price to US$503 per thousand square feet.

Strong growth continued across all regions and in both the exterior and interior product markets.

The average selling price increased 3% due to a price increase on some products implemented in the quarter and sales of higher-priced, differentiated products representing an increased proportion of total sales.

Despite the strong top line growth, EBIT was down 9% to US$49.0 million for the quarter due to higher spending on ramping-up growth initiatives and increased manufacturing costs including increased costs caused by efficiency problems at a number of our US plants. Pulp, cement and energy prices were all higher for the quarter and plant efficiency problems resulted in increased maintenance, labour and freight costs being incurred. Freight was significantly higher due to longer hauls associated with capacity constraints related to the under-performing plants, and higher oil prices.

We expect overall costs to fall in the next quarter. Plant efficiency levels have been addressed and are now largely behind us, and prices of our most cost-significant raw material, pulp, are declining.

For the half year, EBIT increased 4% to US$112.1 million. The EBIT margin was lower for the quarter and half year at 21.2% and 23.8%, respectively.

Australia and New Zealand (ANZ) Fibre Cement – Stronger Sales and Profitability

Despite softer market conditions and certain negative sentiment in Australia associated with the SCI, net sales increased 16% to US$55.6 million for the quarter due to favourable currency exchange movements, increased volumes and higher average prices. Both new housing and renovation activity in Australia were weaker compared to the same period a year ago, but the Queensland market continued to perform strongly. In New Zealand, housing activity remained strong during the quarter. ANZ EBIT increased 28% for the quarter and 30% for the half year. The EBIT margin increased to 19.8% for the quarter and to 20.6% for the half year.

Philippines – Small Positive EBIT

The Philippines recorded a small positive EBIT in both the quarter and the half year due to increased sales and manufacturing cost savings.

Chile – Small Positive EBIT

The business recorded a small positive EBIT for the quarter and half year as it continued to penetrate the domestic flat sheet market and build regional exports.

USA Hardie® Pipe – Sales Growth and More Manufacturing Efficiencies

Net sales increased strongly for both the quarter and half year despite being adversely affected by four hurricanes that hit Florida in the second quarter. Increased prices and more manufacturing efficiency gains are helping to improve operating performance. However, as expected, the business incurred EBIT losses for the quarter and half year.

Europe Fibre Cement

Net sales for the quarter were up again as awareness of our backer and siding products increased among distributors, builders and contractors following their launch in the UK and French markets in the first quarter last year.

Artisan® Roofing

Further work was undertaken during the quarter to refine manufacturing operation and improve productivity. Commercial sales of our new generation of fibre cement roofing products began in October 2004 and are expected to ramp up to the end of the fiscal year.

Interim Dividend

The Board has decided to defer consideration of declaring an interim dividend until it is in a position to better assess the potential financial impact of the likely outcome of negotiations with the Australian Council of Trade Unions, Labor Council of NSW and representatives of asbestos diseases groups in relation to the future funding of legitimate asbestos diseases claims against former subsidiary companies.

Special Commission of Inquiry and Subsequent Developments

The SCI reported its findings to the NSW Governor on 21 September 2004. It indicated that the establishment of the MRCF and the establishment of ABN 60 Foundation were legally effective and that, accordingly, although any liabilities in relation to asbestos victims' claims remained with Amaca, Amaba or ABN 60 (as the case may be), no significant liabilities for those claims could likely be assessed directly against James Hardie Industries NV or any other James Hardie entities.

On 14 July 2004, the company issued a statement announcing that it would recommend that shareholders approve the provision of additional funding to enable an effective statutory scheme to be established to compensate all future claimants for asbestos-related injuries caused by former James Hardie subsidiary companies.

When the SCI reported in September 2004, it found that there was a significant funding shortfall in the MRCF. The SCI found that the net assets of the MRCF and ABN 60 Foundation were not sufficient to meet the prospective liabilities and were likely to be exhausted in the first half of 2007. In relation to the company's proposal, it indicated that although there were several issues which needed to be refined quite significantly the proposal was an appropriate starting point for negotiation with affected persons.

The NSW Government indicated that it was not prepared to negotiate with the company and would only consider implementing a proposal brought to it by the company after it had been endorsed by the Australian Council of Trade Unions (ACTU), the Labor Council of New South Wales (LCNSW) and the various groups representing asbestos claimants (Representatives).

The ACTU/LCNSW and the Representatives indicated they were not prepared to recommend a statutory scheme along the lines of the one they assumed was being proposed by James Hardie to the SCI and that it was unacceptable to them.

The company has taken a pragmatic approach and, acting on the early statements of the NSW Premier, is engaged in discussions with the ACTU/LCNSW and the Representatives.

On 10 September 2004, the company announced that the Audit Committee of the Board had commissioned an internal investigation to be conducted by independent legal advisers, consistent with US Securities regulations to investigate allegations of illegal conduct raised during the SCI and any potential impacts on the financial statements. The investigation has now been completed and there was found to be no impact on the company's current financial statements.

On 22 September 2004, the Australian Securities and Investments Commission (ASIC) announced that it had commenced investigations into the circumstances surrounding the creation of the MRCF. The investigation is to include the conduct of certain directors and officers of the James Hardie group of companies and associated parties, and market disclosures made by the companies and individuals. The company is co-operating with ASIC in relation to all aspects of its investigation.

On 16 November 2004 the Company announced that it had offered an indemnity to the directors of ABN 60 in order to facilitate the release of funding by ABN 60 to the MRCF. This proposed indemnity would require the Company to pay for any legal costs incurred by the ABN 60 directors in connection with the release of funding by ABN 60 to the MRCF. Additionally, the Company has offered to provide funding to the MRCF on an interim basis for a period of up to six months, commencing on 16 November 2004. The interim funding by the Company would only be provided once existing MRCF funds have been exhausted.

On 18 November 2004, the NSW Government announced its intention to conduct a review of current asbestos compensation arrangements in NSW. The intention of this review is primarily to examine ways to reduce legal and administrative costs, and to consider the current processes for handling and resolving dust diseases compensation claims. The review is expected to report to the NSW Government early in 2005.

Readers are also referred to the contingent liability discussion in note 8 of the company's financial statements for the half year ended 30 September 2004 concerning claims against former subsidiaries.

The company will lodge its annual report on Form 20-F for the year ended 31 March 2004 with the US Securities and Exchange Commission on 22 November 2004.

Outlook

In North America, there is little on the short-term horizon to suggest the housing construction sector will not remain strong. Interest rates continue to be low and expected increases over the balance of the fiscal year should have only a modest impact on demand for new housing.

Builders are reporting an optimistic outlook for the remainder of the year and continue to have relatively low inventories of new homes for sale and large backlogs of orders for homes to be built. Despite entering the seasonally slower period, further strong top-line growth is expected and improved manufacturing performance and overall lower costs should lift profitability as the company's North American business continues to penetrate its exterior and interior product markets.

Reduced manufacturing costs should result from lower pulp prices and improved efficiency levels. The improvement in plant operating efficiency has addressed capacity constraints experienced in the 2nd quarter and reduced freight costs. Further ramping-up costs are expected to be incurred in the 2nd half for a number of growth initiatives.

In the ANZ business, new housing and the renovations segments in Australia are expected to further soften with the expectation of higher interest rates over the medium term. In New Zealand, the new housing segment is believed to have peaked and activity may soften as interest rates increase. Demand and profitability for the ANZ business may be also adversely affected by product boycotts and negative sentiment in Australia associated with the Special Commission of Inquiry and related matters.

In the Philippines, building and construction activity is expected to increase as seasonal conditions become more favourable. Increased prices and margins are expected to further improve operating performance.

In our emerging Chile Fibre Cement, Europe Fibre Cement and US Hardie® Pipe businesses, sales and market share are expected to increase as awareness of their products among builders, contractors and distributors continues to grow.

Overall, the strong top line growth momentum evident in the first half is continuing into the third quarter. Operating performance for the full year is expected to benefit from improved manufacturing performance and reduced costs in the second half.

Costs associated with the SCI and other associated developments are continuing to be incurred and may be material.

The current range of analyst estimates[1] for operating profit from continuing operations for the year ending 31 March 2005 is US$151 million to US$160 million – excluding costs for the SCI and other associated developments. Due to higher spending in our North America business on ramping-up growth initiatives, increased manufacturing and other costs incurred in the 2nd quarter, and plant start up expenses in the 2nd half, as well as the potential impact of negative customer sentiment and product boycotts on the profitability of our ANZ business in the second half, we now expect operating profit from continuing operations (excluding costs for the SCI and other associated developments) will fall within the range of US$135 to US$145 million for the year ending 31 March 2005.

Ends.

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The release and the accompanying management's analysis of results and management presentation, along with the audio webcast of the presentation, are available from the Investor Relations section of the company website at www.jameshardie.com

This media release forms part of a package of information about the company's results. It should be read in conjunction with the other parts of this package, including Management's Analysis of Results, a Management Presentation, a Financial Report and a Results at a Glance document.

[1] Range includes forecasts from ABN AMRO, Deutsche, JPMorgan, Merrill Lynch, Goldman Sachs JBWere, UBS, Citigroup SB, CSFB, Morgan Stanley

[1]Definitions

EBIT and EBIT Margin *- EBIT is defined as operating income. EBIT margin is defined as EBIT as a percentage of our net sales. We believe EBIT and EBIT margin to be relevant and useful information as these are the primary measures used by our management to measure the operating profit or loss of our business. EBIT is one of several metrics used by our management to measure the earnings generated by our operations, excluding interest and income tax expenses. Additionally, EBIT is believed to be a primary measure and terminology used by our Australian investors. EBIT and EBIT margin should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America. EBIT and EBIT margin, as we have defined them, may not be comparable to similarly titled measures reported by other companies.*

EBIT and EBIT margin, as used in this document, are equivalent to the US GAAP measures of operating income and operating income margin.

Operating profit from continuing operations *- is equivalent to the US GAAP measure of income from continuing operations.*

Net operating profit including discontinued operations *- is equivalent to the US GAAP measure of net income.*

Disclaimer

This Media Release 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 media 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 include but are not limited to: all matters relating to or arising out of the prior manufacture of asbestos by ABN 60 and certain former subsidiaries; 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; the successful transition of new senior management; 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, asbestos or other legal proceedings; risks of conducting business internationally; compliance with and changes in tax laws and treatments; and foreign exchange risks. 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.