

19 August 2005

1st quarter operating profit up 51% to US\$55.9 million USA Fibre Cement EBIT up 49% to US\$94.1 million

James Hardie today announced a 51% increase in operating profit from continuing operations to US\$55.9 million for the three months ended 30 June 2005.

The strong 1st quarter results included a 17% increase in net sales, a 31% increase in gross profit and a 49% lift in EBIT.

The USA Fibre Cement business continued to perform strongly during the quarter, lifting net sales 19% and expanded margins leading to a 49% increase in EBIT.

Our Asia Pacific Fibre Cement business continued to perform well despite softer market conditions during the quarter, with the Australia and New Zealand business recording a flat EBIT and the Philippines business delivering another positive EBIT result.

Diluted earnings per share from continuing operations increased 49% for the quarter from US 8.1 cents to US 12.1 cents.

The company continued to incur costs related to the Special Commission of Inquiry into the establishment of the Medical Research and Compensation Foundation (the SCI) and other related matters, totalling US\$5.2 million for the quarter, along with a related income tax benefit of US\$0.2 million.

Operating profit from continuing operations for the quarter includes a US\$1.4 million loss related to the sale of our Chilean business in July 2005.

1st Quarter and Year-To-Date at a Glance

US\$ Million	Q1FY06	Q1FY05	%+ \(-)
Net Sales	\$359.4	\$306.1	17
Gross Profit	145.3	111.3	31
Special Commission of Inquiry and other related expenses	(5.2)	(2.9)	79
Impairment loss on business held for sale	(1.4)	-	-
EBIT	86.9	58.3	49
Net Interest Expense	(0.7)	(2.5)	(72)
Income Tax Expense	(30.3)	(18.7)	62
Operating Profit from continuing operations	55.9	37.1	51
Net Operating Profit including discontinued operations	55.9	36.3	54

Note: Please refer to the Definitions section at the end of this release for an explanation of certain financial terms used within this document. Unless otherwise stated, results are for continuing operations only and comparisons are of the 1st quarter of the current fiscal year versus the 1st quarter of the prior fiscal year.

Commentary

James Hardie CEO, Louis Gries, said: “The first quarter results demonstrate strong top-line and bottom-line growth, which has started the year off well and continues the very satisfactory operational performance of the previous year.

“The broader outlook for housing construction in North America is positive with the current healthy level of activity expected to continue.

“Early indications are that demand for our interior and exterior products in the second quarter is in line with our expectations and we’re encouraged about the prospect of meeting our growth targets for the year,” said Mr Gries.

“We’re getting good results with the roll-out of our growth strategy for our ColorPlus™ Collection of products in our emerging North America markets.

“We are still working towards completing the final steps of a Principal Agreement with the NSW Government for a voluntary long term funding arrangement for asbestos compensation. Upon completion we will require shareholder approval,” Mr Gries said.

USA Fibre Cement – Strong Top-Line and Bottom-Line Growth

Net sales increased 19% to US\$287.5 million in the 1st quarter due to a 7% lift in sales volumes to 523.4 million square feet and a 12% increase in the average net sales price to US\$549 per thousand square feet.

The higher average sales price reflects price increases for some products during the past fiscal year and sales of higher-priced, differentiated products increasing as a proportion of the sales mix.

Both the new residential housing and the repair and remodel segments remained buoyant during the quarter and demand for our exterior and interior products grew in most regions of our emerging and established markets.

Despite higher unit cost of sales and unit freight costs, EBIT for the quarter was up 49% to US\$94.1 million due mainly to higher prices and to a lesser extent, increased sales volumes and lower SG&A expenses. The EBIT margin improved to 32.7%.

Australia and New Zealand (ANZ) Fibre Cement

Net sales increased 8% to US\$56.1 million for the quarter due to favourable foreign currency movements and a 1% increase in sales volumes. In Australian dollars, net sales were up 1% despite weaker housing activity in both Australia and New Zealand compared to the same period a year ago. The average net sales price was flat compared to the same quarter last year.

ANZ EBIT was flat at US\$11.1 million for the quarter despite the impact of a softer housing market in Australia and New Zealand and continuing effect of product bans and boycotts. The EBIT margin was 19.8%.

Philippines – Increased EBIT

The Philippines recorded another improved EBIT for the quarter despite weaker construction activity due to increased political and economic uncertainty. Higher prices were the driver of the improved result.

USA Hardie Pipe – Reduced EBIT loss

Net sales were lower compared to the same quarter of the prior year as further price increases had the impact of softening demand. Despite lower sales volumes in the quarter, higher prices and SG&A savings helped further reduce the EBIT loss.

Europe Fibre Cement

Net sales have grown steadily following commencement of our European business in 2003, as we continue to expand our distribution network and increase awareness of our backer and siding products among distributors, builders and contractors.

Artisan™ Roofing

The business continues to focus on proving its longer term business model.

Proposed Voluntary Asbestos Compensation Funding Arrangement

The company is continuing to work towards completion of a Principal Agreement with the NSW Government to establish and fund a special purpose fund to provide compensation on a long-term basis for proven asbestos claims against Amaba, Amaca, ABN 60 and Asbestos Mines (former James Hardie Australian subsidiaries). When we entered into the non-binding Heads of Agreement in December 2004, it specified that tax deductibility of payments to the special purpose fund was a condition precedent to proceeding to a binding agreement. This recognised that all parties to the Heads of Agreement (The Australian Council of Trade Unions, UnionsNSW, the NSW Government, a representative of the asbestos claimants and the Company) agreed that tax deductibility of the payments is a critical factor regarding affordability of the proposed voluntary funding arrangements. We are continuing to discuss tax deductibility of the payments with the Australian Taxation Office and the Commonwealth Treasury.

Under applicable accounting standards, we have not established a provision for asbestos-related liabilities as of 30 June 2005 because at this time such liabilities do not fall within the relevant accounting definitions of being probable and estimable.

The need for the establishment of a provision for asbestos-related liabilities will continue to be reviewed as discussions on the voluntary funding proposal continue.

Readers are referred to Note 8 of our Financial Report as at 30 June 2005 for further information on our voluntary asbestos compensation funding proposal, the Special Commission of Inquiry and other associated developments.

Outlook

A strong economy and favourable market fundamentals suggest the outlook for housing construction and repair and remodelling in North America will remain positive through the remainder of this calendar year despite recent increases in mortgage rates and the prospect of a further modest increase in mortgage rates during the second half.

Indicators of future activity including housing starts, permits and builder confidence are all at high levels and the US-based National Association of Home Builders reports that both housing construction and new home sales are on pace to set new records in 2005.

In North America, further strong top line growth and profitability is expected as our market initiatives continue to generate demand for our fibre cement products. The EBIT margin is expected to remain at the upper end or above our long-term target of 20% to 25% over the short-term despite high raw material and freight costs.

In the ANZ business, housing construction and renovation activity in Australia is expected to remain weak over the short term. Some product bans and boycotts remain in place and these are not expected to be lifted until agreement is reached on our voluntary long-term asbestos compensation funding proposal. In New Zealand, building consents have declined and this is expected to soften housing construction activity over the short term.

In the Philippines, sales are expected to increase as we enter the seasonally stronger period for building and construction, but demand may be affected by uncertainties associated with the current instability in the political and economic environments.

We are comfortable with the current range of equity analysts' forecasts of operating profit from continuing operations excluding asbestos related costs for the fiscal year 2006 of between US\$175 million and US\$240 million¹.

The company is continuing to incur costs associated with the SCI and other related matters including: the negotiation of the Principal Agreement with the NSW Government to provide long-term funding of proven asbestos-related claims for Australian personal injury claimants against former Australian James Hardie subsidiary companies; cooperating with the Australian Securities and Investments Commission's ongoing investigation into the circumstances surrounding the establishment of the Medical Research and Compensation Foundation; and in providing an updated actuarial assessment of the total asbestos liabilities of the former subsidiary companies. These costs are again likely to be material over the short term.

Ends.

Media/Analyst Enquiries:

Steve Ashe
Vice President Investor Relations
Telephone: 61 2 8274 5246
Mobile: 0408 164 011
Email: steve.ashe@jameshardie.com.au

Facsimile: 61 2 8274 5218

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 by research equity analysts from: ABN Amro, Deutsche, JPMorgan, Merrill Lynch, Goldman Sachs JBWere, UBS, Citigroup, CSFB, Morgan Stanley and Macquarie Research.

Definitions

Financial Measures – US GAAP equivalents

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 Management's Analysis of Results contains forward-looking statements. We may from time to time make forward-looking statements in our periodic reports filed with or furnished to the United States 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 forward-looking statements include:

- *projections of our operating results or financial condition;*
- *statements regarding our plans, objectives or goals, including those relating to competition, acquisitions, dispositions and our products;*
- *statements about our future performance;*
- *statements about product or environmental liabilities; and*
- *expectations about payments to a special purpose fund for the compensation of proven asbestos-related personal injury and death claims.*

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 6 of our Form 20-F filed on 7 July 2005 with the Securities and Exchange Commission, include but are not limited to: all matters relating to or arising out of the prior manufacture of products that contained asbestos by current and former James Hardie Australian subsidiaries; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which we operate; the consequences of product failures or defects; exposure to environmental, asbestos or other legal proceedings; general economic and market conditions; the supply and cost of raw materials; the success of our research and development efforts; our reliance on a small number of product distributors; compliance with and changes in environmental and health and safety laws; risks of conducting business internationally; compliance with and changes in laws and regulations; foreign exchange risks; the successful implementation of new software systems; and the successful transition of our new senior management. 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.