

10 November 2005

2nd quarter operating profit up 93% to US\$47.6 million Half year operating profit up 67% to US\$103.5 million

James Hardie today announced a 93% increase in operating profit from continuing operations to US\$47.6 million for the three months ended 30 September 2005.

The 2nd quarter highlights include a 25% increase in net sales, a 41% increase in gross profit and a 91% lift in EBIT.

Our USA Fibre Cement business was again the standout performer, with strong demand leading to a 33% increase in net sales and a 76% improvement in EBIT for the quarter.

Our Asia Pacific Fibre Cement business performed relatively well in markets that continued to weaken during the quarter. Australia and New Zealand recorded a 3% increase in EBIT and our Philippines business delivered another positive EBIT result.

The strong second quarter performance lifted operating profit from continuing operations by 67% for the half year to US\$103.5 million.

Diluted earnings per share from continuing operations increased 89% for the quarter from US 5.4 cents to US 10.2 cents, and 66% for the half year from US 13.4 cents to US 22.3 cents.

Further costs were incurred in connection with the Special Commission of Inquiry into the establishment of the Medical Research and Compensation Foundation (the SCI) and other related matters. These costs totalled US\$4.7 million for the quarter and US\$9.9 million for the half year.

The company has declared an interim dividend of US 4.0 cents a share. The dividend will be paid on 16 December 2005 to shareholders registered on 29 November 2005. Last year we omitted paying an interim dividend, but paid a final dividend of US 6.0 cents a share.

2nd Quarter and First Half at a Glance

US\$ Million	Q2 FY06	Q2 FY05	%+ \(-)	HY FY06	HY FY05	%+ \(-)
Net sales	\$376.6	\$300.9	25	\$736.0	\$607.0	21
Gross profit	137.3	97.1	41	282.6	208.4	36
SCI and other related expenses	(4.7)	(5.6)	(16)	(9.9)	(8.5)	16
EBIT	76.4	40.0	91	163.3	98.3	66
Net interest expense	(1.0)	(1.3)	(23)	(1.7)	(3.8)	(55)
Income tax expense	(27.8)	(12.1)	130	(58.1)	(30.8)	89
Operating profit from continuing operations	47.6	24.7	93	103.5	61.8	67
Net operating profit including discontinued operations	47.6	24.8	92	103.5	61.1	69

In this Media Release, we present financial measures that we believe are customarily used by our Australian investors. In each case where we present one of these measures, the equivalent US GAAP financial measure is defined in the Definitions section on page 5. Specifically, these measures include "EBIT", "EBIT margin", "Operating profit from continuing operations", and "Net operating profit including discontinued operations". The Definitions section also includes other terms that we use for measuring our sales volumes ("million square feet (mmsf)" and "thousand square feet (msf)"). Unless otherwise stated, results are for continuing operations only and comparisons are of the 2nd quarter and half year of the current fiscal year versus the 2nd quarter and half year of the prior fiscal year.

Commentary

James Hardie CEO, Louis Gries, said: “Further market penetration across our major markets in North America helped deliver very strong top line growth in the second quarter and we remain on track to achieve our business targets for the year.

“There was also significant improvement in our bottom line despite large cost increases in North America for cement, energy and freight.

“Housing construction activity in North America is expected to remain positive, although we expect the level of activity to slow a little over the remainder of the year,” said Mr Gries.

“We are also continuing to generate substantial cash and further strengthen the company’s strong financial position.

“Further progress has been made on completing the steps towards finalisation of a Principal Deed with the NSW Government for a voluntary long term funding arrangement for asbestos compensation, but we are still working on some important matters of difference,” Mr Gries said.

USA Fibre Cement – Strong Top Line and Bottom Line Growth

Net sales increased 33% to US\$307.4 million in the 2nd quarter, compared to the same quarter last year, due to a 21% lift in sales volumes to 556.8 million square feet and a 10% increase in the average net sales price to US\$552 per thousand square feet.

Both new residential housing construction and repair and remodelling activity remained buoyant during the quarter. Overall, we grew sales at a rate significantly faster than the rate of growth in the market and achieved further market share gains against alternative materials. Demand grew in both our emerging and established markets and across our interior and exterior product categories.

Sales during the quarter were only slightly affected by the hurricanes that hit the Gulf Coast in September. The most affected states, Louisiana and Mississippi, account for less than 5% of our total USA Fibre Cement sales.

Despite higher costs for cement, energy and freight, strong sales growth lifted EBIT 76% to US\$86.1 million for the quarter and 61% to \$180.2 million for the half year. The EBIT margin was 28.0% for the quarter and 30.3% for the half year.

Australia and New Zealand (ANZ) Fibre Cement

Net sales increased 4% to US\$57.8 million for the quarter due to favourable foreign currency movements, partly offset by a 2% decrease in sales volumes. In Australian dollars, net sales were down 2% due to weaker housing activity in Australia compared to the same period a year ago. The average net sales price was flat compared to the same quarter last year.

ANZ Fibre Cement EBIT was up 3% for the quarter and 1% for the half year despite the impact of a softer housing market in Australia and New Zealand. The EBIT margin was 19.6% for the quarter and 19.7% for the half year.

Philippines – EBIT positive

Our Philippines business remained EBIT positive for the quarter and half year despite a further deterioration in domestic construction activity due to increased political and economic uncertainty.

USA Hardie Pipe – Reduced EBIT loss

There was a further reduction in EBIT loss despite a decline in sales revenue for the quarter.

Europe Fibre Cement – Growing steadily

Net sales are continuing to grow steadily as we expand our distribution network and increase awareness of our backer and siding products among distributors, builders and contractors.

Artisan™ Roofing – Proving business model

The business has continued to focus on proving its longer-term business model during the quarter and half year.

Proposed Voluntary Asbestos Compensation Funding Arrangement

We are continuing to work towards completing a Principal Deed with the NSW Government to establish and fund voluntarily a special purpose fund to provide compensation on a long-term basis for proven asbestos-related 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, as part of that agreement, that tax deductibility of payments to the special purpose fund was a condition precedent 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 James Hardie) 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 Federal Treasury.

Under applicable accounting standards, we have not established a provision for asbestos-related liabilities as at 30 September 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 September 2005 for further information on our voluntary asbestos compensation funding proposal, the SCI and other associated developments.

Outlook

In North America, housing construction and repair and remodelling activity is expected to maintain a healthy pace for the second half, albeit slightly slower than recent robust levels.

While the fundamentals, such as favourable mortgage rates, household income and employment growth, continue to support housing demand, further modest interest rate increases are expected to flatten activity to a slightly slower pace.

According to The National Association of Home Builders in October, 2005: "The housing market is seeking out a peak, and while it is still too early to conclude that it has found one – with housing starts increasing 3.4% in September and the third quarter exceeding expectations – there is growing evidence that the Federal Reserve has started to hit its mark and housing will lose some of its exuberance in the period ahead".

We expect top line growth to continue to be driven by increased demand for both our exterior and interior products in North America, as we further grow our market share against alternative materials. We also anticipate continued high costs for cement, energy and freight over the short-term.

In our ANZ Fibre Cement business, we do not expect improvement in the short-term to the weak housing construction and renovation markets in Australia, but growth in primary demand for fibre cement and further market share gains are expected. Some product bans and boycotts remain and are not expected to be lifted until final agreement is reached on our voluntary long-term asbestos compensation funding proposal. In New Zealand, building consents have continued to decline and this is expected to further soften housing construction activity in the short-term.

In the Philippines, we expect demand from building and construction activity to be slightly stronger in the third quarter, but this is dependent on how the current political and economic uncertainty develops.

Consistent with when we announced our first quarter results in August this year, we remain confident that fiscal year 2006 operating profit from continuing operations, excluding SCI and other related costs, will fall within the range of US\$200 million to US\$220 million.

We continue to incur costs associated with the SCI and other related matters, including: the negotiation of the Principal Deed 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; co-operating 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.

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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 the package, including Management's Analysis of Results, a Management Presentation, a Financial Report and a Results at a Glance Document.

These documents, along with the audio webcast of the presentation, are available from the Investor Relations section of the company website at www.jameshardie.com

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.