

MEDIA RELEASE

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1st Quarter net operating profit up 9% to US\$68.6m (excluding asbestos)

USA Fibre Cement EBIT up 11% to US\$114.4m

James Hardie today announced a US\$68.6 million net operating profit, excluding asbestos, for the quarter ended 30 June 2007, an increase of 9% compared to the same period last year.

For the first quarter, net operating profit including asbestos was US\$39.1 million compared to a net operating profit of US\$35.5 million for the same quarter last year.

Operating Performance

In very challenging market conditions, first quarter net sales increased 2% to US\$424.4 million, gross profit was up 6% to US\$166.9 million and EBIT excluding asbestos increased 10% to US\$105.7 million.

Housing construction activity in North America was significantly lower in the first quarter compared to the same quarter last year, but USA Fibre Cement net sales were down only 1% for the quarter. Cost management and an improved average selling price helped lift USA Fibre Cement EBIT 11% to US\$114.4 million for the quarter.

Asia Pacific Fibre Cement net sales were up 20% for the quarter despite weaker market conditions in Australia, primarily driven by the strength of the Australian dollar and increased sales volume. Asia Pacific Fibre Cement EBIT for the first quarter increased 20% to US\$12.4 million due to improved EBIT performance in the Australia and New Zealand Fibre Cement businesses and favourable currency movements.

Diluted earnings per share for the quarter rose to US8.3 cents per share from US7.6 cents in the same period last year.

Diluted earnings per share excluding asbestos increased by 9% from US13.4 cents to US14.6 cents for the quarter.

In this Media Release, James Hardie may present financial measures, sales volume terms, financial ratios, and Non-US GAAP financial measures included in the Definitions section of this document starting on page 6. The company presents financial measures that it believes are customarily used by its Australian investors. Specifically, these financial measures include "EBIT", "EBIT margin", "Operating profit" and "Net operating profit". The company may also present other terms for measuring its sales volumes ("million square feet (mmsf)" and "thousand square feet (msf)"); financial ratios ("Gearing ratio", "Net interest expense cover", "Net interest paid cover", "Net debt payback", "Net debt/cash"); and Non-US GAAP financial measures ("EBIT and EBIT margin excluding asbestos", "Net operating profit excluding asbestos", "Diluted earnings per share excluding asbestos", "Operating profit before income taxes excluding asbestos", "Income tax expense excluding asbestos", "Effective tax rate excluding asbestos", and "EBITDA"). Unless otherwise stated, results and comparisons are of the 1st quarter of the current fiscal year versus the 1st quarter of the prior fiscal year.

1st Quarter at a Glance

US\$ Million	Q1 FY 2008	Q1 FY 2007	% Change
Net sales	\$424.4	\$415.5	2
Gross profit	166.9	157.7	6
SCI and other related expenses	-	(2.4)	-
EBIT excluding asbestos	105.7	96.1	10
AICF SG&A expenses	(0.6)	-	-
Asbestos adjustments	(30.1)	(27.2)	(11)
EBIT	75.0	68.9	9
Net interest income (expense)	0.5	(2.0)	-
Income tax expense	(36.4)	(32.3)	(13)
Net operating profit	39.1	35.5	10

Net operating profit excluding asbestos increased 9% for the quarter to US\$68.6 million, as shown in the following table:

US\$ Million	Q1 FY 2008	Q1 FY 2007	% Change
Net operating profit	\$ 39.1	\$ 35.5	10
Asbestos:			
Asbestos adjustments	30.1	27.2	11
AICF SG&A expenses	0.6	-	-
AICF interest income	(1.6)	-	-
Tax expense related to asbestos adjustments	0.4	-	-
Net operating profit excluding asbestos	\$ 68.6	\$ 62.7	9

Commentary

James Hardie's CEO, Mr Louis Gries said: "Overall, our businesses performed very well in the first quarter amidst challenging market conditions. In North America, new housing construction activity continued to weaken and was significantly below the level of activity for the first quarter last year.

"Our USA Fibre Cement business continued to achieve market penetration against alternative materials during the quarter and achieved EBIT growth despite the weaker market conditions.

"The outlook for North America is for further weakness in new housing activity through the remainder of the year. We continue to believe that the adjustments made to our US business in late 2006 and early 2007 have positioned us well to address the weaker market conditions.

"Our Asia Pacific Fibre Cement business also performed well, growing demand for its differentiated fibre cement products and lifting sales and EBIT for the quarter," Mr Gries said.

Capital Management

The company also announced today that it would implement an on-market buy-back program for the purchase of up to 10% of its issued capital (up to approximately 46.8 million shares).

The proposed share buy-back reflects the company's focus on improving the efficiency of its capital structure through active capital management.

USA Fibre Cement

First quarter net sales were down 1% compared to the same quarter last year, to US\$346.1 million. Sales volume decreased 5% to 573.4 million square feet, and the average net sales price was 5% higher at US\$604 per thousand square feet.

New residential construction activity continued to weaken during the quarter as the market remained affected by high inventory levels of new homes for sale and affordability issues associated with higher interest rates and tightened lending standards due to concerns over the subprime mortgage market. Increased market penetration against alternative materials helped limit the impact of a significantly weaker housing market. Our exterior products category was affected most by the weaker market conditions, but sales continued to grow in our higher-priced differentiated products, XLD® trim and the ColorPlus® collection. Geographically, demand was weaker in our Southern and Northern Divisions, but stronger in our Western Division. Net sales for our interior product category were flat for the quarter.

EBIT for the quarter was 11% higher at US\$114.4 million, helped by the improved average sales price, lower freight costs, cost efficiencies and lower SG&A expenses compared to the same quarter last year. The EBIT margin was 33.1% for the quarter compared with 29.6% for the same period last year.

Asia Pacific Fibre Cement

Net sales increased 20% to US\$71.2 million for the quarter. In Australian dollars, net sales increased 8% due to a 7% increase in sales volumes and a 1% increase in the average net sales price.

Residential construction activity continued to weaken in Australia, was flat in New Zealand and slightly stronger in the Philippines. Sales volume increased in all businesses. In Australia, the business continued to grow the fibre cement market segment through its Scyon™ range of products launched in the previous fiscal year. In New Zealand, sales of Linea™ weatherboards continued to grow strongly and are driving market share growth in that country. In the Philippines, sales volumes grew as a result of improved domestic construction activity and stronger export demand.

EBIT was 20% higher for the quarter at US\$12.4 million due to the improved sales performance together with the increase in the Australian dollar against the US dollar. The EBIT margin was flat at 17.4%.

USA Hardie Pipe

Net sales for the quarter decreased compared to the same period last year due to the impact of weaker residential and non-residential construction activity in Florida, partly offset by an increase in the average net sales price. The business is continuing to focus on growing sales in its core

markets and expanding into other strategic markets. A small negative EBIT was recorded for the quarter.

Europe Fibre Cement

Sales continued to grow steadily, albeit from a low base. Losses were reduced compared to the same period last year.

Asbestos Adjustments

The asbestos adjustments to EBIT for the quarter are as follows:

US\$ Million	Q1 FY 2008	Q1 FY 2007
Effect of foreign exchange	\$ (33.2)	\$ (27.2)
Other adjustments	3.1	-
Asbestos adjustments to EBIT	\$ (30.1)	\$ (27.2)

Readers are referred to Note 6 of the company's 30 June 2007 Consolidated Financial Statements for further information on the asbestos adjustments.

ASIC Proceedings

In February 2007, the Australian Securities and Investments Commission (ASIC) announced that it was commencing civil proceedings against JHI NV, a former subsidiary and ten former officers and directors of the James Hardie group. The civil proceedings concern alleged contraventions of certain provisions of the Corporations Law and/or the Corporations Act connected with the affairs of the company and certain subsidiaries during the period February 2001 to June 2003.

The company has considered the impact of the ASIC proceedings upon its current financial statements and believes that these proceedings will have no material impact. However, there remains considerable uncertainty surrounding the likely outcome of the ASIC proceedings in the longer term and there is a possibility that the related costs to the company could become material. At this stage it is not possible to determine the amount of any such liability.

Readers are referred to Note 7 of the company's 30 June 2007 Consolidated Financial Statements for further information on the ASIC Proceedings.

Cash Flow

Operating cash flow for the quarter increased from US\$60.7 million to US\$131.5 million. The increase was driven primarily by an increased focus on working capital management throughout the quarter. As a result, at 30 June 2007, the company had net debt of US\$44.4 million compared to US\$153.9 million at 31 March 2007.

Capital expenditures for the purchase of property, plant and equipment decreased from US\$35.5 million to US\$16.5 million.

Outlook

In North America, the outlook for housing construction activity is to remain weak with no visibility as to when improvement may occur. Indicators of future activity, including building permits and builder confidence levels, suggest there will be further weakness in building activity in the short to medium term.

The business continues to focus on growing primary demand for fibre cement and outperforming the residential building construction market overall.

The adjustments made to our US business in late 2006 and early 2007 continue to position us well to address the weaker market conditions. These adjustments included resetting the business on the basis that housing starts were at an annual rate of 1.3 million. The business remains well-positioned to “flex-up” should demand be higher than anticipated.

The outlook for the repair and remodelling segment is for a slight decline in activity levels for the remainder of the calendar year. However, we expect further market share gains in this segment driven mainly by our interior products category

In our Asia Pacific business, market conditions are expected to weaken further in Australia and New Zealand over the short-term, and remain healthy in the Philippines. The business continues to focus on market initiatives around its differentiated product range to grow primary demand. Further manufacturing efficiencies and cost savings are expected. Non-differentiated products are expected to remain subject to strong competitive pressures.

We note the range of analysts' forecasts for operating profit from continuing operations, excluding asbestos, for the year ended 31 March 2008 of between US\$187 million and US\$233 million. The company is comfortable with the bottom end of this range, but notes there is still a significant amount of uncertainty over the outlook for US housing activity.

Changes to the Amended FFA liability to reflect changes in foreign exchange rates or updates to the actuarial estimate may have a material impact on the company's consolidated financial statements. Refer to Note 6 of the company's 30 June 2007 Consolidated Financial Statements for more information.

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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, and a Financial Report.

These documents, along with a webcast of the management presentation on 15 August 2007, are available from the Investor Relations area of James Hardie's website at: www.jameshardie.com

The company lodged its annual filing for the year ended 31 March 2007 with the SEC on 6 July 2007.

All holders of the company's securities may receive, on request, a hard copy of our complete audited financial statements, free of charge. Requests can be made via the company website or by contacting one of the company's corporate offices. Contact details are available on the company's website.

Definitions

Financial Measures – US GAAP equivalents

EBIT and EBIT margin – EBIT is equivalent to the US GAAP measure of operating income. EBIT margin is defined as EBIT as a percentage of net sales. James Hardie believes EBIT and EBIT margin to be relevant and useful information as these are the primary measures used by management to measure the operating profit or loss of its business. EBIT is one of several metrics used by management to measure the earnings generated by the company's operations, excluding interest and income tax expenses. Additionally, EBIT is believed to be a primary measure and terminology used by its 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 the company has defined them, may not be comparable to similarly titled measures reported by other companies.

Operating profit – is equivalent to the US GAAP measure of income.

Net operating profit – is equivalent to the US GAAP measure of net income.

Sales Volumes

mmsf – million square feet, where a square foot is defined as a standard square foot of 5/16" thickness.

msf – thousand square feet, where a square foot is defined as a standard square foot of 5/16" thickness.

Financial Ratios

Gearing Ratio – Net debt/cash divided by net debt/cash plus shareholders' equity.

Net interest expense cover – EBIT divided by net interest expense.

Net interest paid cover – EBIT divided by cash paid during the period for interest, net of amounts capitalised.

Net debt payback – Net debt/cash divided by cash flow from operations.

Net debt/cash – Short-term and long-term debt less cash and cash equivalents.

Non-US GAAP Financial Measures

EBIT and EBIT margin excluding asbestos – EBIT and EBIT margin excluding asbestos are not measures of financial performance under US GAAP and should not be considered to be more meaningful than EBIT and EBIT margin. James Hardie has included these financial measures to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations and provides useful information regarding its financial condition and results of operations. The company uses these non-US GAAP measures for the same purposes.

US\$ Millions	Q1 FY 2008	Q1 FY 2007
EBIT	\$ 75.0	\$ 68.9
Asbestos:		
Asbestos adjustments	30.1	27.2
AICF SG&A expenses	0.6	-
EBIT excluding asbestos	\$ 105.7	\$ 96.1
Net Sales	\$ 424.4	\$ 415.5
EBIT margin excluding asbestos	24.9%	23.1%

Net operating profit excluding asbestos – Net operating profit excluding asbestos is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than net income. The company has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations. The company uses this non-US GAAP measure for the same purposes.

US\$ Millions	Q1 FY 2008	Q1 FY 2007
Net operating profit	\$ 39.1	\$ 35.5
Asbestos:		
Asbestos adjustments	30.1	27.2
AICF SG&A expenses	0.6	-
AICF interest income	(1.6)	-
Tax expense related to asbestos adjustments	0.4	-
Net operating profit excluding asbestos	\$ 68.6	\$ 62.7

Diluted earnings per share excluding asbestos – Diluted earnings per share excluding asbestos is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than diluted earnings per share. The company has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations. The company's management uses this non-US GAAP measure for the same purposes.

US\$ Millions (except share data)	Q1 FY 2008	Q1 FY 2007
Net operating profit excluding asbestos	\$ 68.6	\$ 62.7
Weighted average common shares outstanding - Diluted (millions)	469.4	466.9
Diluted earnings per share excluding asbestos (US cents)	14.6	13.4

Effective tax rate excluding asbestos – Effective tax rate excluding asbestos is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than effective tax rate. The company has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations. The company's management uses this non-US GAAP measure for the same purposes.

US\$ Millions	Q1 FY 2008	Q1 FY 2007
Operating profit before income taxes	\$ 75.5	\$ 66.9
Asbestos:		
Asbestos adjustments	30.1	27.2
AICF SG&A expenses	0.6	-
AICF interest income	(1.6)	-
Operating profit before income taxes excluding asbestos	<u>\$ 104.6</u>	<u>\$ 94.1</u>
Income tax expense	\$ 36.4	\$ 32.3
Asbestos:		
Tax expense related to asbestos adjustments	(0.4)	-
Income tax expense excluding asbestos	<u>\$ 36.0</u>	<u>\$ 32.3</u>
Effective tax rate excluding asbestos	<u>34.4%</u>	<u>34.3%</u>

EBITDA – is not a measure of financial performance under US GAAP and should not be considered an alternative to, or more meaningful than, income from operations, net income or cash flows as defined by US GAAP or as a measure of profitability or liquidity. Not all companies calculate EBITDA in the same manner as James Hardie has and, accordingly, EBITDA may not be comparable with other companies. The company has included information concerning EBITDA because it believes 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.

US\$ Millions	Q1 FY 2008	Q1 FY 2007
EBIT	\$ 75.0	\$ 68.9
Depreciation and amortisation	14.2	11.0
EBITDA	<u>\$ 89.2</u>	<u>\$ 79.9</u>

Disclaimer

This Media Release 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:

- expectations about the timing and amount of payments to the Asbestos Injuries Compensation Fund (AICF), a special purpose fund for the compensation of proven asbestos-related personal injury and death claims;
- expectations with respect to the effect on our financial statements of those payments;
- statements as to the possible consequences of proceedings brought against us and certain of our former directors and officers by the Australian Securities and Investments Commission;
- expectations that our credit facilities will be extended or renewed;
- 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; 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 6 of our Form 20-F filed on 6 July 2007 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 subsidiaries; required contributions to the AICF and the effect of foreign exchange on the amount recorded in our financial statements as an asbestos liability; 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 effect of natural disasters. We caution you that the foregoing list of factors is not exhaustive 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.