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2nd Qtr Operating Profit Up 43% to US\$32.8m Half Year Operating Profit up 45% to US\$65.7m

James Hardie today announced a 43% increase in 2nd quarter operating profit from continuing operations to US\$32.8 million for the three months ended 30 September 2003.

Among the 2nd quarter highlights, net sales increased 24%, gross profit was up 26% and EBIT² increased 35% to US\$47.9 million.

The USA Fibre Cement business was again the standout performer lifting sales 24% and EBIT² 32% compared to the same period a year ago. In Asia Pacific, EBIT² increased 16%.

The 2nd quarter result lifted half year operating profit from continuing operations to US\$65.7 million. EBIT² from our USA Fibre Cement segment was up 36% for the half and Asia Pacific Fibre Cement was up 15% for the half.

Basic earnings per share from continuing operations increased 54% from US 5.0 cents to US 7.2 cents for the 2nd quarter and 46% from US 9.9 cents to US 14.5 cents for the half year.

The half year net operating profit including discontinued operations of US\$67.5 million includes income of US\$1.8 million primarily related to the sale of our New Zealand Building Systems business on 30 May 2003. The net operating profit including discontinued operations for the half year of the previous year includes a profit of US\$55.1 million primarily related to the sale of our Gypsum business.

2nd Quarter and Half Year at a Glance

US\$ Million	Q2FY04	Q2FY03	%+(-)	HYFY04	HYFY03	%+(-)
Net Sales	\$251.6	\$202.1	24	\$493.1	\$396.7	24
Gross Profit	92.4	73.6	26	181.7	142.1	28
EBIT ²	47.9	35.6	35	96.2	70.7	36
Net Interest Expense	(2.4)	(2.5)	(4)	(4.7)	(5.4)	(13)
Income Tax Expense	(9.4)	(9.9)	(5)	(22.5)	(20.0)	13
Operating Profit from continuing operations ³	32.8	23.0	43	65.7	45.4	45
Net Operating Profit including discontinued operations ⁴	32.8	24.6	33	67.5	100.5	(33)

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's CEO, Peter Macdonald said: "The second quarter result mirrors the strong performance of the first quarter and prospects for the balance of the year remain encouraging.

"The outlook for housing construction in North America is positive and it now appears likely that housing starts will finish the year at a new record high.

"We are continuing to penetrate both the exterior and interior product markets of the USA without sacrificing margin, and this is resulting in strong top line growth," Mr Macdonald said.

USA Fibre Cement – Continued Strong Growth and Higher Margins

Net sales increased 24% to US\$191.4 million in the 2nd quarter due to a 16% increase in sales volume to 390.5 million square feet and a 7% increase in the average selling price to US\$490 per thousand square feet.

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

Average selling prices were again up due to sales of higher-priced, differentiated products increasing as a proportion of total sales.

Strong revenue growth and further progress on costs lifted EBIT 32% to US\$53.7 million for the quarter and 36% to US\$107.8 million for the half. The EBIT margin for the quarter increased to 28.1% and was 28.5% for the half.

During the quarter, the new line to produce the pre-painted ColorPlus™ Collection was commissioned at our plant in Illinois, and we continued to ramp up the recently upgraded capacity at the plant at Blandon, Pennsylvania and the new panel production line at our plant in Waxahachie, Texas.

Australia and New Zealand Fibre Cement – Higher Net Sales

Net sales increased 17% to US\$47.8 million for the quarter due to a favourable exchange difference. New housing activity in Australia was weaker compared to the same period a year ago but was above industry expectations. In New Zealand, housing activity was affected by poor weather in some regions.

EBIT was up 2% for the quarter and 8% for the half. The EBIT margin was 18.0% for the quarter and 18.5% for the half.

Philippines – Small Operating Profit

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

Chile – Small Operating Profit

The business recorded a small operating profit for both the quarter and the half year as sales more than doubled.

USA Hardie® Pipe – Strong Growth and Manufacturing Efficiencies

Strong top line growth continued as the business further penetrated its target market in Florida, USA increasing share to an estimated 20%. More manufacturing efficiency gains were achieved. However, the business continued to incur losses.

Europe

Awareness of our backer and siding products increased among distributors, builders and contractors following their launch in the U.K. and French markets in the first quarter. Market response to these products has been favourable and the rate of penetration is in line with our expectations.

Artisan Roofing

Plant testing and market trials continued during the quarter following the commissioning of our plant in June 2003. Sales of our new generation of fibre cement roofing products are expected to begin in the third quarter.

Interim Dividend

The Board has declared an interim dividend of US 2.5 cents a share. The dividend will be paid on 16 December 2003 to shareholders registered on 27 November 2003.

Outlook

In North America, the current level of housing activity is expected to continue, buoyed by low mortgage rates, strong house prices, an improving economy, low inventories of new homes for sale and large backlogs or orders for homes to be built.

Indicators of future activity, including housing starts, permits and builder confidence, all remain at high levels.

The National Association of Home Builders announced in September 2003 that “Housing production for 2003 should easily surpass last year’s very healthy 1.71 million and will likely approach the 1.8 million mark”. This follows housing start numbers exceeding a seasonally adjusted rate of 1.8 million for the past four months.

Further strong top-line growth and profitability is expected as our USA Fibre Cement business continues to penetrate the northern and southern regions of the country and the exterior and interior product markets.

In Australia and New Zealand, the commercial and renovations segments should remain strong but no improvement in new residential housing is expected. A better operating result is expected in the third quarter following the manufacturing performance of our Rosehill, NSW plant returning to more acceptable levels at the end of the second quarter and strong demand for higher-priced differentiated products such as Linea® weatherboards in New Zealand.

In the Philippines, building and construction activity is expected to increase as seasonal conditions become more favourable. Further share growth and manufacturing cost savings are expected.

In Chile, recent signs of improved construction activity are expected to continue. Further market penetration and share growth is expected as awareness of our expanded product range continues to grow.

The USA Hardie® Pipe business is continuing to increase production to meet growing demand, improve operating efficiency and reduce costs.

In Europe, demand for our products is expected to grow as awareness among builders, contractors and distributors increases.

Overall, the strong growth momentum evident in the first half is continuing into the third quarter and there is no sign of any near-term threat to highly satisfactory results overall for the full year.

We are comfortable with the current range of analysts' forecasts of operating profit from continuing operations for the 2004 fiscal year of between US\$118 million and US\$131 million*.

Ends.

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The release and the accompanying MD&As and management presentation, along with the audio webcast of the presentation, are available at www.jameshardie.com

* Range includes forecasts from: ABN Amro (date of forecast 7/11/03), CSFB (31/10/03), Deutsche (30/10/03), JPMorgan (31/10/03), Merrill Lynch (30/10/03), Goldman Sachs JBWere (30/10/03), UBS 30/10/03, Citigroup SB (31/10/03), Macquarie (31/10/03)

Notes

1. *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 Discussion and Analysis (MD&A), a Management Presentation, a Financial Report and a Results at a Glance document.*
2. *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 cash generated from our operations, excluding the operating cash requirement of our interest and income taxes. 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.*

The use of EBIT and EBIT margins in this document are equivalent to the US GAAP measures of operating income and operating income margin.

3. *Operating profit from continuing operations is equivalent to the US GAAP measure of income from continuing operations.*
4. *Net operating profit including discontinued operations is equivalent to the US GAAP measure of net income.*

Disclaimer

This media release contains forward-looking statements. 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, which are further discussed in our reports submitted to the Securities and Exchange Commission on Forms 20-F and 6-K and in our other filings, 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 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; and risks of conducting business internationally. 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 contained in forward-looking statements. Forward-looking statements speak only as of the date they are made.