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Analyst and Media enquiries, please contact Greg Baxter on Tel: 61 2 8274 5377 Mob: 0419 461 368 or Steve Ashe on Tel: 61 2 8274 5246 Mob: 0408 164 011

3rd Qtr Operating Profit Up 89% to US\$28.3m Year-to-Date Operating Profit Up 56% to US\$94.0m

James Hardie today announced an 89% increase in 3rd quarter operating profit from continuing operations to US\$28.3 million for the three months ended 31 December 2003.

For the nine months year-to-date, operating profit from continuing operations is up 56% to US\$94.0 million.

Overall, third quarter net sales increased 23%, gross profit was up 22% and EBIT² increased 36% to US\$41.2 million.

The company's major businesses all recorded significant improvements in 3rd quarter operating performance compared to the same period last year.

The USA Fibre Cement business continued to generate strong growth, lifting net sales 20% and EBIT² 18% compared to the same period last year.

EBIT² increased 43% in Australia and New Zealand, and the Philippines business recorded another quarterly profit.

Basic earnings per share from continuing operations increased 88% for the quarter, from US 3.3 cents to US 6.2 cents.

Net operating profit including discontinued operations in the 3rd quarter was US\$30.1 million. Year-to-date, net operating profit including discontinued operations is US\$97.6 million, down slightly on the same period last year that included a profit of US\$55.6 million related to the sale of Las Vegas land associated with our former Gypsum business.

3rd Quarter and Year-to-Date at a Glance – US\$ Million

	Q3FY04	Q3FY03	%+/-)	YTD FY04	YTD FY03	%+/-)
Net Sales	237.5	192.6	23	730.6	589.3	24
Gross Profit	87.5	71.6	22	269.2	213.7	26
EBIT ²	41.2	30.2	36	137.4	100.9	36
Net Interest Expense	(2.8)	(12.4)	(77)	(7.5)	(17.8)	(58)
Income Tax Expense	(10.0)	(2.8)	257	(32.5)	(22.8)	43
Operating Profit from continuing operations ³	28.3	15.0	89	94.0	60.4	56
Net Operating Profit including discontinued operations ⁴	30.1	15.5	94	97.6	116.0	(16)

Unless otherwise stated, results are for continuing operations only and comparisons are of the 3rd quarter of the current fiscal year versus the 3rd quarter of the prior fiscal year

Commentary

James Hardie's CEO, Peter Macdonald said: "The third quarter results have cemented the strong performance of the first half and the growth momentum evident in the first nine months is continuing into the fourth quarter. We are on track for a solid and satisfactory full year result.

"In North America, we continued to win market share and delivered strong growth in revenues, volumes and profits, offsetting our further investment in growth initiatives which drove up costs.

"Demand for our interior and exterior range of products remains strong in both our emerging and established markets within North America and we expect to continue taking share from alternative materials.

"The broader outlook for housing in North America also remains positive," Mr Macdonald said.

USA Fibre Cement – Continued Strong Growth

Net sales increased 20% to US\$175.3 million in the 3rd quarter due to a 20% increase in sales volume to 358.3 million square feet. A one-off gain of US\$3.8 million was included in net sales in the 3rd quarter last year. Excluding this, net sales were up 23% and average selling prices increased 2% to US\$489 per thousand square feet.

In both the interior and exterior product markets and in our emerging and established markets, our products continued to take market share from alternative materials, helping to deliver good growth for the quarter.

The 2% increase in average selling prices largely reflects sales of higher-priced, differentiated products increasing as a proportion of total sales.

Strong top line growth helped lift EBIT 18% to US\$44.6 million for the quarter. Excluding the one-off US\$3.8 million gain in the prior year, EBIT was up 31%. The EBIT margin for the quarter was 25.4%.

During the quarter, we continued to ramp-up the recently-upgraded capacity at the Blandon, Pennsylvania and Waxahachie, Texas plants, as well as our new proprietary pre-finishing line at the Peru, Illinois plant which is used to paint our ColorPlus™ Collection of products.

Australia and New Zealand Fibre Cement – Stronger Operating Performance

Net sales increased 26% to US\$50.7 million for the quarter due almost entirely to favourable currency translation. New housing and commercial activity in Australia were weaker compared to the same period a year ago, but housing renovations remained buoyant. In New Zealand, new housing activity remained healthy.

EBIT for the quarter was up 43% and the EBIT margin increased to 21.1%.

Philippines – Operating Profit

The Philippines business recorded another operating profit in the quarter as it continued to generate increased sales and lowered manufacturing costs.

Chile – Operating Profit

The business recorded another quarterly profit after sales more than trebled for the quarter, compared to the same period a year ago.

USA Hardie® Pipe – Strong Growth and Manufacturing Efficiencies

The business continued to improve its manufacturing performance and deliver top line growth as it further penetrated its target market in Florida, USA. However, prices remain low and manufacturing costs are still higher than our targets, resulting in the business incurring a loss for the quarter.

Europe

Our expansion into Europe is tracking in line with expectations since the business became operational in the first quarter. We continued to add distribution outlets in the U.K. and France and expand the business's sales and marketing operations during the quarter, helping to build awareness among distributors, builders and contractors.

Artisan Roofing

The first commercial sales of our new generation of fibre cement roofing products were made during the quarter, and production trials and commissioning work at the pilot plant in California are continuing.

Outlook

In North America, the outlook for housing construction and repair and remodelling activity remains positive. Mortgage rates are low, house prices are strong, building permits are up and there are low inventories of new homes for sale.

The US-based National Association of Home Builders reports that builders remain upbeat about the strength of the market in 2004 and, while projecting a small decline in housing starts in 2004, says "there is a possibility that housing starts in 2004 could surpass the excellent performance of 2003".

The company expects its North American business to continue to win market share in its interior and exterior product categories, and in both its established and emerging markets.

In Australia and New Zealand, the renovations segment is expected to remain relatively healthy over the short term, but new housing activity in Australia is expected to be softer over the same period. Market share gains are expected for differentiated products such as Linea® weatherboards. Profitability is expected to further improve due to increased sales of higher-priced differentiated products and manufacturing efficiency gains.

In the Philippines, domestic building and construction activity is expected to be stronger in the fourth quarter due to increased government spending. Further market penetration against plywood and more manufacturing cost savings are expected. Export sales should also be stronger with signs that economic conditions in the region are becoming more favourable.

In Chile, increased penetration and share growth is expected from stronger domestic construction activity and an increased awareness of the business's expanded product range among builders, distributors and contractors.

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

In Europe, further market penetration is expected as the business continues to build awareness of its products among builders, contractors and distributors.

Overall, there is no sign of any near-term threat to satisfactory results for the full year, and the strong growth momentum evident during the first nine months is continuing.

We are comfortable that operating profit from continuing operations for the 2004 fiscal year will fall within the current range of analysts' forecasts of between US\$122 million and US\$134 million*.

Ends.

Media/Analysts call:

Greg Baxter
Executive Vice President
Telephone: 61 2 8274 5377
Mobile: 0419 461 368
Email: greg.baxter@jameshardie.com.au

Or

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 MD&As 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

* Range includes forecasts from: ABN Amro, CSFB, Deutsche, JPMorgan, Merrill Lynch, Goldman Sachs JBWere, UBS, Citigroup SB and Macquarie

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.