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1st Qtr Operating Profit from Continuing Operations¹ US\$37.1 million Continued Strong Growth in USA Fibre Cement

James Hardie today announced an operating profit from continuing operations¹ for the three months ended 30 June 2004 of US\$37.1 million.

Among the 1st quarter highlights, total company net sales increased 27%, gross profit was up 25% and EBIT¹ increased 21% to US\$58.3 million.

The USA Fibre Cement business continued to grow strongly, lifting net sales 29% and EBIT¹ 17% compared to the same period a year ago.

Australia and New Zealand Fibre Cement increased net sales 18% and EBIT¹ 31% and the Philippines recorded another small positive EBIT¹ for the quarter.

Diluted earnings per share from continuing operations increased 14% for the quarter, from US 7.1 cents to US 8.1 cents.

Net operating profit including discontinued operations¹ of US\$36.3 million incorporates US\$0.8 million of additional costs associated with the sale of New Zealand land in March 2004. Costs associated with the NSW Commission of Inquiry into the Medical Research and Compensation Commission were US\$2.9 million for the quarter.

1st Quarter at a Glance – US\$ Million

	FY05	FY04	%+(-)
Net Sales	306.1	241.5	27
Gross Profit	111.3	89.3	25
Other Operating Expense	2.9	-	-
EBIT ¹	58.3	48.3	21
Net Interest Expense	(2.5)	(2.3)	9
Income Tax Expense	(18.7)	(13.1)	43
Operating Profit from continuing operations ¹	37.1	32.9	13
Net Operating Profit including discontinued operations ¹	36.3	34.7	5

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.

Operations Commentary

James Hardie's CEO, Peter Macdonald said: "The first quarter results represent a strong start to the year, and prospects for the balance of the year are encouraging.

"In our North American business, highlights included strong top line growth and margin expansion despite increased costs.

"Our growth rates in North America continued to accelerate and we again significantly outpaced the rate of housing construction growth.

"We expect to continue taking market share in both our emerging and established markets and in our exterior and interior product categories.

"The outlook for housing construction in North America remains positive.

"Our Asia Pacific businesses in Australia, New Zealand and the Philippines all delivered a stronger operating performance for the quarter," Mr Macdonald said.

USA Fibre Cement – Strong Sales and Volume Growth

Net sales increased 29% to US\$240.7 million in the 1st quarter due to a 27% increase in sales volume to 490.4 million square feet. The increase was due to continued penetration against substitute materials, including wood and vinyl siding, and a strong housing sector buoyed by low interest rates, strong house prices and a strengthening US economy.

Demand for the company's products was strong in both our exterior and interior product categories and in our emerging and established markets.

Sales of higher-priced, differentiated products increased as a proportion of total sales, lifting the average net selling price by 2%.

Despite raw material cost increases in the 1st quarter, strong top line growth lifted EBIT¹ 17% to US\$63.1 million for the quarter. The EBIT margin¹ was 26.2% for the quarter.

Australia and New Zealand Fibre Cement

Net sales increased 18% to US\$51.8 million for the quarter primarily due to stronger demand that lifted sales volumes 5%, and a favourable currency translation. New residential housing activity improved during the quarter led by buoyant activity in Queensland and the renovation and commercial segments remained strong. In New Zealand, new housing activity was robust.

EBIT¹ increased 31% to US\$11.0 million for the quarter and was up 18% in Australian dollars due to increased sales and cost savings. The EBIT margin¹ for the quarter increased to 21.2%.

Philippines – Positive EBIT¹

The Philippines business recorded another small positive EBIT¹ in the quarter due to growth in higher-margin sales and cost reductions.

Chile – Positive EBIT¹

The business recorded another quarterly positive EBIT¹ as it continued to penetrate the domestic flat sheet market and reduce costs.

USA Hardie® Pipe – Strong Growth and More Manufacturing Efficiencies

Operating performance was significantly improved as the business continued to grow sales and improve its manufacturing efficiency. Despite this, a small EBIT¹ loss was incurred for the quarter.

Europe

Sales have continued to build steadily since commencement of operations in the same quarter last year. Increased awareness of our products among distributors, builders and contractors, and the addition of distribution outlets in the UK and French markets is generating stronger demand.

Income Tax Expense

The effective income tax rate for the quarter increased to 33.5% due to estimated income tax contingencies. We believe the effective income tax rate for the full fiscal year will be towards the upper end of our 25% to 30% expectation.

Special Commission of Inquiry

There is currently a Special Commission of Inquiry into the establishment of the Medical Research and Compensation Foundation in NSW, Australia. The company recently provided its submissions to the Inquiry and, on 14 July 2004, issued a statement announcing that it would recommend that shareholders approve the provision of additional funding to enable an effective statutory scheme to be established to compensate all future claimants for asbestos-related injuries caused by former James Hardie subsidiary companies. The Commission is expected to report to the NSW Government on 21 September 2004.

Outlook

In North America, the short-term outlook for housing construction remains positive. Interest rates remain low although they have started to increase, house prices are strong, inventories of new homes for sale are at an all-time low and consumer confidence is improving.

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

The business expects to continue to generate strong top line growth and profitability as it further penetrates its exterior and interior product categories across its established and emerging markets.

In Australia and New Zealand, new housing construction is expected to soften in Australia but remain buoyant in the short term in New Zealand. The renovations and commercial segments are expected to remain relatively healthy. Further improvements to operating performance should result from more manufacturing efficiencies and cost savings. Negative sentiment associated with the Special Commission of Inquiry could have an adverse impact on Australian sales.

In the Philippines, improved domestic and regional economic conditions are expected to generate increased construction activity and demand for our products. Increased demand and cost savings should further improve operating performance.

Our Chilean business is in its seasonal slow-down period but further market penetration and share growth is expected as awareness of its expanded product range continues to grow. Both domestic and regional construction activity is continuing to show signs of improvement.

In our USA Hardie® Pipe business, further improvements to operating performance are expected as it continues to increase production to meet growing demand in the southeast market, improve plant operating efficiency, and lower manufacturing costs.

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

The company believes the strong growth momentum evident in the first quarter will continue during the second quarter and the prospects for growth over the full year remain encouraging.

We are comfortable that the company's operating profit from continuing operations¹ for the 2005 fiscal year will fall within the current range of analyst estimates of between US\$135 million and US\$169 million*.

Ends.

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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.

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

¹Definitions

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 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.

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 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 senior management; the success of our research and development efforts; 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; risks of conducting business internationally; changes in tax laws and treatments; and foreign exchange risks. 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.