



media release

24 July 2001

James Hardie Announces New Corporate Structure

James Hardie Industries Limited (JHIL) today announced plans to establish a new corporate structure that will generate higher returns for shareholders from the group's continuing international expansion, than are possible under the current structure.

The new structure will position James Hardie for further international growth using its proprietary fibre cement technology and completes a restructuring commenced in 1998 when the group moved its operational headquarters to the United States.

This new structure will increase the group's after-tax profit by about \$30 million a year compared to retaining the current structure, all other things being equal. The new structure will allow James Hardie to maintain a global tax rate of 25-30% over the long term, compared to a rate of 40-50% that would arise under the current structure.

As part of the restructuring, James Hardie will establish a new parent company, James Hardie Industries NV (JHINV), incorporated in The Netherlands.

Subject to final approval, James Hardie Industries NV's primary listing will be on the Australian Stock Exchange. Most of the group's share trading is expected to occur on the ASX and no adverse change to the group's 100% index weighting on the S&P/ASX 100 is expected.

Through a Scheme of Arrangement, existing shareholders will be asked to exchange their shares on a one-for-one basis for interests in shares in James Hardie Industries NV.

A secondary listing of American Depositary Receipts (ADRs) on the New York Stock Exchange is also being sought in order to improve James Hardie's access to international capital markets and provide greater flexibility in financing its growth.

The restructuring does not involve an IPO or any other form of capital raising.

James Hardie's Chief Executive Officer, Mr Peter Macdonald said the new structure would achieve a range of key strategic objectives for the group and its shareholders.

"The success of James Hardie's fibre cement technology in overseas markets, particularly in the USA, has placed the group in a unique situation," Mr Macdonald said.

"While about 90 per cent of our shareholders are based in Australia, about 85 per cent of our income is earned in the USA.

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“High rates of foreign tax will be imposed on our foreign income when it is repatriated to Australia to pay dividends to shareholders.

“Under the current structure, this problem will increase as international demand for our products grows,” he said.

Mr Macdonald said the new structure will resolve this problem.

“The new structure will reduce the high rates of foreign tax and as a result, our after-tax profit will increase by about \$30 million compared to what it would be if we kept our existing structure.

“The new structure will provide us with significant additional funds which could be invested in our expanding fibre cement business or returned to shareholders.

“We estimate the global market potential for our products using our Australian-developed fibre cement technology, is 10 to 15 times larger than at present.

“The new structure will help the group to capitalise on fibre cement’s global potential and optimise returns to shareholders as this occurs,” he said.

Mr Macdonald said that for most practical purposes, the restructuring involves very few changes.

“The ASX will continue to provide James Hardie’s primary listing, our dividend policy will not change as a result of the restructuring and shareholders’ economic interest in James Hardie will not be diluted,” he said.

“Additionally, the restructuring will not crystallise a capital gains tax liability for shareholders when it is implemented,” he said.

Mr Macdonald said a key objective was to establish a simpler structure with minimal implementation risk that would produce a number of tangible and enduring benefits. The financial benefits arising from the new structure will offset the cost of its implementation within the first year.

“James Hardie will be essentially the same company with the same assets, board, management and organisational structure. We will be pursuing the same growth strategy.

“This strategy is focussed entirely on becoming the global leader in fibre cement, using our proprietary, Australian technology.

“Over the next five years we will spend more than A\$75 million at our new Global R&D Centre in Sydney to produce the next generation of products and processes which will have application around the world.

“Fibre-cement is enabling James Hardie to become an Australian success story in major international markets. This new structure will ensure that our Australian shareholders share to the greatest possible extent in that success,” Mr Macdonald said.

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Key Steps in the Restructuring

- A new parent company, James Hardie Industries NV will be incorporated in The Netherlands.
- Shareholders will exchange their shares in the existing parent company, James Hardie Industries Limited, on a 1-for-1 basis, for interests in shares in the new parent company, James Hardie Industries NV.
- The 1-for-1 exchange will occur by a Scheme of Arrangement under the Australian Corporations Act. The Scheme will require shareholder and court approval.
- Shareholder approval will be sought at a Scheme Meeting of shareholders that will be held in Sydney in September. If shareholder approval is obtained, court approval will be sought shortly thereafter.
- If all approvals are received, James Hardie Industries NV should commence trading on the ASX about two weeks after the Scheme Meeting.

Shareholder Information

James Hardie's directors intend to vote unanimously in favour of the restructuring and unanimously recommend that shareholders approve the Scheme of Arrangement.

Grant Samuel & Associates has been appointed to provide an Independent Expert's Report that will be sent with an Information Memorandum to shareholders in August.

In the interim, more information about the restructuring is contained in an attachment to this announcement.

Further information about the restructuring is also available as follows:

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| Shareholder information line | In Australia call 1800 554525 Outside Australia call 612 9207 3625 |
| Website | www.jameshardie.com |
| Share Registrar | (61 2) 8234 5222 |

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James Hardie's principal advisors in respect of the restructuring are UBS Warburg, Allens Arthur Robinson, PricewaterhouseCoopers, Gibson Dunn & Crutcher and De Brauw Blackstone Westbroek.

This document contains forward-looking statements. Forward-looking statements are subject to risks and uncertainties and, as a result, readers should not place undue reliance on such statements. The inclusion of these forward-looking statements should not be regarded as a representation that the objectives or plans described will be realised.

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