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27 August 2001

Dear Shareholder

On 24 July 2001 the Board announced a proposal to establish a new corporate structure for James Hardie. This restructuring will position the Group to maximise the benefit of its expected strong international growth and generate higher returns for shareholders from the Group's continuing international expansion.

The restructuring is designed to make James Hardie a more attractive investment to existing and new shareholders, both in Australia and overseas, by removing a number of structural and financial inefficiencies.

The major aims of the restructuring are to:

- > generate higher after-tax returns on the Group's international growth;
- > provide more funds for investment in James Hardie's high-growth fibre cement business;
- > provide more funds for dividends or other forms of return to shareholders;
- > improve access to international capital markets and provide greater flexibility for James Hardie to finance its future growth;
- > make James Hardie more attractive to investors in both Australia and overseas; and
- > ensure that James Hardie remains a prominent, Australian-listed publicly owned company as it continues to grow internationally.

### **Overview**

The Proposal involves a Scheme of Arrangement whereby shareholders will exchange their investment in the existing parent company, James Hardie Industries Limited, for an investment in a new parent company, James Hardie Industries N.V. (JHI NV), which is incorporated in The Netherlands. The Proposal does not involve any change in ownership of the James Hardie businesses nor any change to the scale or scope of existing operations.

In short, the Proposal is essentially an internal restructuring to create a number of enduring benefits for James Hardie and its shareholders.

The new parent will, subject to Australian Stock Exchange Listing Rules, have its primary listing on the Australian Stock Exchange. You will be able to trade your investment in James Hardie on the Australian Stock Exchange in the same manner as you do today.

On implementation of the Proposal, your investment will take the form of CHESS Units of Foreign Securities (or CUFS), which are a form of security commonly used to allow trading on the Australian Stock Exchange. Through CUFS, you will be the beneficial owner of JHI NV shares and have all the rights attaching to those shares.

A secondary listing of American Depositary Receipts (ADRs) will be sought on the New York Stock Exchange and existing James Hardie ADR holders will exchange those ADRs for ADRs in the new parent company upon surrender of their existing ADRs.

There are certain disadvantages to shareholders under the Proposal and certain risks associated with the Proposal which are discussed in detail in this Information Memorandum (see Sections 3.3 and 3.4 of Part B).

There will be no dilution of the number of shares or shareholders as a result of this Proposal, and neither is any capital raising, such as an initial public offering, contemplated.

Most shareholders will be eligible for scrip-for-scrip rollover relief such that no liability for capital gains tax will arise when the scheme of arrangement is implemented.

No change to James Hardie's dividend policy is planned or envisaged as a result of the restructuring. The Directors will continue to determine the amount of the dividend every six months, having regard to the after-tax profits available and the reinvestment needs of the businesses.

**Directors' recommendation**

The Board believes that the Proposal will provide significant long-term benefits to shareholders, which are set out in the Information Memorandum. The Board also believes that these benefits clearly outweigh the disadvantages and risks.

The Board has also commissioned an Independent Expert to provide a third party appraisal of the restructuring. The Independent Expert, Grant Samuel, has concluded that the Proposal is in the best interests of shareholders. The Independent Expert's report forms part of this Information Memorandum (at Appendix II).

In order for the restructuring to be implemented, it must be approved by a majority of the shareholders who vote at a forthcoming shareholders' meeting (in person or by proxy) and by at least 75% of the total number of votes cast.

The shareholder meeting will be held at **11:00 am on Friday, 28 September 2001** at The Regent Sydney, 199 George Street, Sydney. The Notice of Meeting and proxy form included with this Information Memorandum explain the proposed resolution to approve the scheme of arrangement and how to vote.

Your Directors strongly recommend that you vote in favour of the restructuring, as they intend to do in respect of their shares in the company.

Yours sincerely,



**Alan McGregor AO**

Chairman



## Contents

Letter from the Chairman of JHIL	<b>1</b>
Table of contents	<b>3</b>
Important Notices	<b>6</b>
Your Vote	<b>6</b>
<b>PART A</b>	<b>Key Features of the Scheme</b>
	<b>9</b>
Why is James Hardie restructuring?	10
The Proposal at a glance	10
What are the potential advantages of the Proposal?	10
What are the potential disadvantages of the Proposal?	11
What changes as a result of the restructuring?	11
What do I have to do?	12
How will this affect me as a Shareholder?	12
Why will I be issued CUFS?	12
Do I have to pay capital gains tax?	12
Will dividends still be paid?	12
Where will the AGM be held?	12
What do the Board of Directors recommend?	12
What does the Independent Expert say?	12
When will I know the result?	12
In summary, what changes if the Proposal is implemented?	13
What if I still have questions or want more information?	13
<b>PART B</b>	<b>Explanatory Statement</b>
	<b>15</b>
<b>Section 1</b>	<b>Background to the Proposal</b>
	<b>16</b>
1.1	The business
	16
1.2	Fundamental structural issues
	16
1.3	The 1998 restructuring
	16
<b>Section 2</b>	<b>The Proposal</b>
	<b>17</b>
2.1	Positions James Hardie for continuing international growth
	17
2.2	Overview
	17
2.3	The corporate restructuring
	17
2.4	What you will receive under the Scheme
	18
<b>Section 3</b>	<b>Important Considerations for Shareholders</b>
	<b>20</b>
3.1	Introduction
	20
3.2	Benefits of the Proposal
	20
3.3	Disadvantages of the Proposal
	21
3.4	Risks and other considerations
	23
3.5	Other alternatives considered by the Board
	26
3.6	Directors' recommendation
	26
<b>Section 4</b>	<b>Description of JHI NV</b>
	<b>27</b>
4.1	Introduction
	27
4.2	Business description
	27
4.3	Business strategy
	27
4.4	Operations
	27

4.5	Location of operations	28
4.6	Research and development	29
4.7	Employees	29
4.8	ASX Listing	29
4.9	Listing on the NYSE	29
4.10	Reporting requirements	29
4.11	Office in the The Netherlands	30
4.12	External borrowings	30
4.13	Overview of JHI NV Board structure	30
4.14	Joint Board composition	30
4.15	Supervisory Board composition	30
4.16	Managing Board composition	31
4.17	Other key management positions	31
4.18	Corporate governance	31
4.19	Annual general meeting and other general meetings	32
4.20	Information meeting	32
4.21	Equity Incentive Plan	32
4.22	Transition agreements for existing employee share plans	34
4.23	Share Purchase Plan	36
4.24	Description of JHI NV Shares and JHI NV CUFS and principal differences between Dutch and Australian company laws	36
4.25	Description of JHI NV ADRs	36
<b>Section 5</b>	<b>Financial Impact of the Proposal</b>	<b>37</b>
5.1	Introduction	37
5.2	Basis of preparation	37
5.3	Pro forma financial information	38
5.4	Discussion of the pro forma impact of the Proposal	39
5.5	Financial impact on Shareholders	39
<b>Section 6</b>	<b>Australian and Dutch Tax Implications</b>	<b>40</b>
6.1	Australian resident individuals	40
6.2	Australian complying superannuation funds	42
6.3	Australian company holding less than 10% of James Hardie	42
6.4	Australian company that holds 10% or more of James Hardie	43
6.5	Foreign Shareholders	43
6.6	Controlled Foreign Company (CFC) and Foreign Investment Fund (FIF) regimes	43
<b>Section 7</b>	<b>Additional Information</b>	<b>44</b>
7.1	Conditions precedent	44
7.2	Scheme Meeting and voting	44
7.3	Effective date	44
7.4	Implementation date	44
7.5	Basis of formula for calculating number of JHI NV CUFS to be issued to all Scheme Participants	44
7.6	Determination of persons entitled to consideration	44
7.7	Suspension of trading of JHIL Shares and listing of JHI NV Shares	45

7.8	JHIL Shares and options held by the Directors of JHIL	45
7.9	Payments or other benefits to Directors, secretaries or executive officers	45
7.10	Agreements or arrangements with Directors of JHIL	45
7.11	Interests of Directors of JHIL in contracts of JHI NV	45
7.12	Capital structure of JHIL	45
7.13	Material changes in the financial position of JHIL	45
7.14	JHI NV Shares held by Directors of JHIL	45
7.15	Particulars of JHI NV Directors' interests	45
7.16	Expert's interests	46
7.17	Expert's consent	46
7.18	Regulatory relief and approvals	46
7.19	Foreign regulatory matters	46
7.20	Supplementary Information Memorandum	46
7.21	No unacceptable circumstances	47
7.22	Other material information	47
<b>PART C</b>	<b>Implementation Deed</b>	<b>49</b>
<b>PART D</b>	<b>Deed Poll</b>	<b>65</b>
<b>PART E</b>	<b>Scheme of Arrangement</b>	<b>71</b>
<b>PART F</b>	<b>Glossary of Defined Terms</b>	<b>81</b>
<b>APPENDICES</b>		
I	Terms relating to JHI NV Shares and JHI NV CUFS and principal differences between Dutch and Australian company laws	<b>85</b>
	1. Introduction	86
	2. Rights attaching to JHI NV Shares	86
	3. Takeovers, mergers and compulsory acquisition	87
	4. Comparison of Dutch and Australian laws in relation to shareholder rights	93
	5. Description of CHESS Units of Foreign Securities (CUFS)	97
II	Independent Expert's Report	<b>99</b>
III	Adjustments between historic JHIL A GAAP and JHIL US GAAP accounts	<b>147</b>
IV	Adjustments to JHIL US GAAP historic accounts to establish JHIL Normalised financial information	<b>151</b>
V	Adjustments to JHIL Normalised financial information to establish US GAAP pro forma financial information	<b>153</b>
VI	Additional information for US Shareholders	<b>155</b>
	1. Introduction	156
	2. Voting with JHIL ADRs	156
	3. Description of JHI NV ADRs	156
	4. United States tax implications	160
VII	Corporations Act 2001 modification	<b>163</b>
	<b>NOTICE OF SCHEME MEETING</b>	<b>167</b>
	<b>INDEX</b>	<b>171</b>
	<b>ENCLOSED WITH THIS DOCUMENT</b>	
	Proxy Form (for Shareholders)	
	ADR Voting Instruction Card (for ADR Holders)	



## IMPORTANT NOTICES

You should read this Information Memorandum in its entirety before making a decision as to how to vote on the resolution to be considered at the Scheme Meeting.

A copy of this Information Memorandum has been examined by ASIC. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act 2001, that ASIC has no objection to the Scheme. If ASIC provides that statement, then it will be produced to the Court at the time of the Court hearing to approve the Scheme. Neither ASIC, the ASX nor any of their respective officers takes any responsibility for the contents of this Information Memorandum.

No securities are being or will be offered under this Information Memorandum to any person or entity other than to JHIL Shareholders (at the Scheme Record Date) and JHIL ADR holders (at the Implementation Date) respectively.

### To Shareholders and ADR Holders resident outside of Australia, New Zealand, the US and the UK

The JHI NV CUFS (and JHI NV ADRs) are not and will not be offered to any person or entity resident, established, domiciled or otherwise having residence, as determined by (1) the registered address of JHIL Shareholders (or in the case of JHIL ADR Holders, their address as recorded in the books of the Depository), outside of Australia, New Zealand, the United States and the United Kingdom unless JHI NV is satisfied, before the Implementation Date (and without being obliged to conduct any investigations into the matter), that they can lawfully be issued JHI NV CUFS or JHI NV ADRs (as the case may be) pursuant to the Scheme or (2) in the case of corporate entities, the name of JHIL Shareholders or JHIL ADR Holders, as shown in the relevant register, if such name indicates that they are incorporated in The Netherlands.

If, by operation of the previous paragraph, it is determined that any such persons or entities will not be able to exchange their JHIL CUFS or JHIL ADRs for JHI NV CUFS or JHI NV ADRs, such persons and entities will receive the cash proceeds from the sale of their entitlement, which will be effected by a nominee. For more information, please refer to Section 2.4 of Part B of this Information Memorandum.

### To US Resident Shareholders:

Approval of the transactions contemplated herein is being sought for the exchange of securities of JHIL, a foreign company, for securities of JHI NV, also a foreign company, to US resident holders of JHIL securities. Approval of the transaction contemplated herein is subject to disclosure requirements of a foreign country that are different from those of the United States. Financial statements included in the Information Memorandum have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of US companies.

This Information Memorandum has not been filed with or reviewed by the US Securities and Exchange Commission, any state securities commission or other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Scheme or the accuracy, adequacy or completeness of this Information Memorandum. Any representation to the contrary is a criminal offence under US securities laws.

It may be difficult for US resident holders to enforce their rights and any claim they may have arising under the US federal securities laws since JHI NV is located in a foreign country and some or all of its officers and directors may be residents of a foreign country. You may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the US securities laws. Accordingly, it may be difficult to compel a foreign company and its affiliates to subject themselves to a US court's jurisdiction.

## YOUR VOTE

### Your vote is important

For the Scheme to be implemented, it is important that sufficient Shareholders vote in favour of it.

In order for the restructuring to proceed, the Scheme must be approved by a resolution passed by a majority in number of Shareholders present and voting (either in person or by proxy), and by 75% of votes cast on the resolution.

### Can I vote?

- > If you are registered as a James Hardie Shareholder at 7.00pm (Sydney time) on Wednesday, 26 September 2001, you are entitled to vote at the meeting.
- > If you are a holder of JHIL ADRs, please refer to Appendix VI.
- > If you are unsure whether you can vote, you can contact the James Hardie Information Line on 1800 55 45 25 (Australia only) or (61 2) 9207 3625 (international) weekdays between 8.00am and 6.00pm (Sydney time). Any calls to this line will be recorded for compliance purposes.

### How do I vote?

You can vote at the Scheme Meeting:

- > in person;
- > by corporate representative (if you are a corporate Shareholder);
- > by attorney; or
- > by proxy.

#### *Voting in Person*

- > If you hold JHIL Shares and wish to vote in person, you will have to attend the Scheme Meeting on Friday, 28 September 2001 at 11.00am at The Regent Sydney, 199 George Street, Sydney.
- > The barcode on the proxy form enclosed with this Information Memorandum will facilitate your admission to the Scheme Meeting and you are requested to take it with you.

#### *Voting by Proxy, attorney or corporate representative*

- > If you hold JHIL Shares and wish to vote by proxy, you will need to complete and sign the personalised proxy form which accompanies this Information Memorandum and return it by post to the registered office of JHIL in the reply envelope provided, or fax it to (02) 9262 5758 (within Australia) or (61 2) 9262 5758 (outside Australia).
- > These proxies must be received at the registered office of JHIL by 11:00am, Wednesday, 26 September 2001.

- > Your appointment of a proxy does not stop you from attending and voting at the Scheme Meeting yourself.
- > Alternatively, you may appoint another person by power of attorney to attend the Scheme Meeting and vote on your behalf. You will need to provide appropriate evidence of the grant of that power of attorney.
- > If you are a corporate Shareholder and wish to appoint a representative to attend the Scheme Meeting, you should ensure that your representative can provide appropriate evidence of his or her appointment.

Further information relating to these voting procedures, the resolution to be proposed at the Scheme Meeting and what constitutes sufficient evidence of the appointment of an attorney or corporate representative are contained in Section 7.2 of Part B of this Information Memorandum and in the Notice of Meeting included with this Information Memorandum.

If you are a holder of JHIL ADRs, further information on voting is contained in Appendix VI and an ADR Voting Instruction Card is enclosed with this Information Memorandum.

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