

9 October 2001

James Hardie Industries Limited
ABN 60 000 009 263

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For Release to the Market

James Hardie Restructuring Receives Conditional Court Approval - Impact of Announced Proposed Tax Changes

Dear Sir

RE: Shareholder Approval

James Hardie Industries Limited shareholders overwhelmingly approved the Company's corporate restructuring at the Scheme Meeting held on Friday 28 September 2001.

The resolution was approved by **97.66%** of votes cast (by person or by proxy) representing **92.38%** of shareholders who voted. Details of the final voting results are as follows:

Votes cast FOR the resolution	274,064,591
Votes cast AGAINST the resolution	6,561,448
Votes abstained	50,027

Stock Exchange Approvals

James Hardie has received in principle listing approval from the Australian Stock Exchange (ASX) for its new parent company, James Hardie Industries NV (JHI NV). S&P/ASX Index Services has confirmed that the new company will have the same index weighting as James Hardie Industries Limited at 100%.

James Hardie has also received the relevant approvals from the US Securities & Exchange Commission and approval for the listing of ADRs in the USA from the New York Stock Exchange (NYSE). The Company's ticker symbol will change to JHX on both the ASX and the NYSE when the listings occur.

Proposed Changes to US/Australia Tax Treaty

On the evening prior to the shareholder meeting, the Australian Federal Treasurer announced that he had signed an agreement with the US Ambassador to Australia under which changes are proposed to the US-Australia Double Tax Treaty. One of the proposed changes is a reduction in the rate of withholding tax on dividends paid from the US to Australia from 15% to 0%, provided all relevant conditions are met. The new Treaty is not due to come into force until 1 July 2003 at the earliest and must be ratified by the US Senate and the Australian parliament. Its implementation is, therefore, not wholly certain.

Implications of Tax Treaty Changes

James Hardie advised shareholders and the Australian Stock Exchange of the proposed treaty change and reviewed its implications for the proposed restructuring at the shareholder meeting held on 28 September 2001 to consider and vote on the Company's proposal. The Chairman noted in his formal comments to the meeting that the directors had met before the meeting and confirmed that the proposed changes to the tax treaty did not affect their recommendation. Of those shares voted in person at the meeting in that knowledge, 98.9% voted in favour of the Scheme.

The possibility of a change in the treaty was referred to in section 3.5 of the Information Memorandum, the Board having anticipated and considered such a possibility when it developed the restructuring proposal.

The Board maintains its view that this proposed change does not and should not alter the Company's restructuring plans for the following reasons:

- the principal benefits to be derived by the Company and shareholders – in particular, the estimated corporate tax rate of between 25-30% to be achieved under the Scheme, are not affected by the proposed treaty changes;
- if the restructuring proposal were not implemented, James Hardie would have to wait until at least July 2003 to obtain benefits that may arise from the proposed changes to the Australian/US tax treaty. By doing so, it would forgo an estimated \$26 million in withholding tax savings and \$28 million in other foreign tax savings, which would otherwise accrue during this time; and,
- if James Hardie sought to take advantage of the proposed changes to the tax treaty:
 - the Company would need to implement an alternative restructuring and would incur refinancing and other costs estimated at \$40 million (after tax) to do so - there are no such expenses to be incurred under the Scheme;
 - the Company's corporate tax rate would rise to between 40-50% for at least the next two years and to 36-37% once the proposed treaty changes were implemented. This rate is considerably more than the estimated group corporate tax rate of 25-30% to be achieved under the Scheme. This difference in rates arises because the net savings of \$16million a year to be derived from the European financing structure can only be achieved by implementing the Scheme.

Grant Samuel & Associates Pty Limited, the Independent Expert, concluded in its report in the Information Memorandum when discussing the possibility of tax treaty changes, that the proposed restructure would still give a more favourable outcome than the current structure, even if withholding tax were reduced to zero. Grant Samuel has since considered the impact of the treaty change announcement and its further report is attached. In summary, its report says that the restructuring as proposed remains in the best interests of shareholders.

Shareholders should also note that, as previously disclosed to the shareholder meeting and the ASX, the implementation costs associated with the Scheme proposal have been revised down from the \$17-\$19 million referred to at section 3.3(f) on page 23 of the Information Memorandum to \$6 million. This is because expenses that were expected to arise have not materialised. This further improves the economic benefits of the restructuring as proposed.

Court Confirmation of Scheme

At the second Court hearing to confirm the restructuring Scheme on Monday 8 October 2001, the Court, having considered the implications of the proposed changes to the tax treaty, made orders confirming the Scheme on the basis that those orders take effect at 1:00 p.m. on Thursday 11 October 2001. The Court concluded that shareholders who voted in favour of the Scheme should be given the opportunity to be heard in relation to whether they would have voted against the Scheme had the proposed treaty changes been announced well in advance of the Scheme meeting, rather than the day before and, if so, what consequences that is likely to have had for the approval of the Scheme by shareholders.

Shareholder Opportunity To Be Heard

Accordingly, the Court has decided that such shareholders should have the opportunity to be heard, before the Scheme approval takes effect, as to any objection to the Scheme on the basis that they would have changed their vote had they been aware of the proposed treaty change. The Court will hear any such objections at 11.00 a.m. on Thursday 11 October 2001. If you wish to object to the Scheme on those grounds, you may file and serve on James Hardie Industries Limited a notice of appearance, in the prescribed form, together with any affidavit on which you wish to rely at the hearing.

The address for service of James Hardie Industries Limited is:

Allens Arthur Robinson
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2 Chifley Square
Sydney NSW 2000
ref: DARS 20-121-3363 YMSS
(02) 9230 4000

Name of James Hardie Industries Limited's legal practitioner: David Robb.

Timing of Implementation

If, in accordance with its terms, the Court's order takes effect on Thursday 11 October 2001, James Hardie intends to lodge the order with ASIC on Friday 12 October 2001.

On that basis, the last day for trading in JHIL shares is expected to be Friday 12 October 2001. The trading of JHI NV CUFS on the ASX is therefore expected to commence under the new ticker symbol JHX, on a deferred settlement basis on Monday 15 October 2001 and on a T+3 basis on Monday 29 October 2001.

Recommendation

The Board of James Hardie remains of the view that its restructuring is in the best interests of shareholders and creates significant value for shareholders, while the available alternatives would be earnings per share negative, when the reduced benefits and additional costs are taken into account. The treaty changes do not affect the benefits available to the Company and shareholders under the Scheme. For further reference, the potential disadvantages of, and the risks associated with, the Scheme are described in Sections 3.3 and 3.4 (respectively) of Part B of the Information Memorandum that has been sent to you.

The Company recommends that the Scheme should proceed and that shareholders should not seek to object to it.

This document and the accompanying letter from Grant Samuel & Associates are available:

- on the Company's website <http://www.jameshardie.com>
- from the ASX
- free of charge at the Company's registered office at Level 8, 65 York Street, Sydney NSW 2000

Yours faithfully

Alan Kneeshaw
Company Secretary