

11 June 2002

**James Hardie Industries N.V.**  
ARBN 097 829 895  
Incorporated in The Netherlands.  
The liability of members is limited.

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Dear Shareholder

The fiscal year ended March 2002 has been an exciting and successful one for James Hardie. On 16 May 2002 your Board announced a new dividend and capital management strategy for the Company. This new strategy supports our focused and high growth fibre cement business and was developed following the sale of the Company's US-based gypsum assets in April 2002 for US\$345 million. The sale of these assets occurred at a 30% premium to book value.

The new capital management strategy envisages:

- making a US 20 cents per share tax free return of capital to all Shareholders,
- making a dividend payment of US 5 cents per share,
- repaying debt to reduce average gearing to around 40%,
- retaining funds for growth projects.

The Company will then have a capital structure with debt levels that are appropriate for its growth orientation and at the same time retain sufficient funds to pursue growth projects in the near-term.

The Company has established a new dividend policy as part of its more active approach to capital management. Future dividends are projected at around US 5 cents per share per annum. If and when appropriate, the Board will also consider other capital management options including share buy backs for returning surplus capital to Shareholders.

Shareholders will be asked to approve changes in capitalisation at the Company's AGM in July, including the return of capital. After approval by Shareholders, the law requires a two month notice period and court approval before the Company can announce the record date and payment date for the capital return.

If the changes to the capitalisation of the Company are approved, Shareholders will receive US 20 cents per share withholding tax-free capital return as well as a US 5 cents per share dividend. CUFS holders will receive payment in equivalent Australian dollars. It is expected that Shareholders will be paid the capital return and dividend in November 2002. This will bring total returns to Shareholders since December 2001 to US 30 cents per share. Directors will consider declaring an interim dividend in line with the Company's new capital management strategy at the November Board meeting.

More details on the capital management strategy are contained in the accompanying notice of Australian Information Meeting and Annual General Meeting and in James Hardie's Annual Report and on the Company's website at [www.jameshardie.com](http://www.jameshardie.com)

Yours faithfully



AG McGregor  
**Chairman**