**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

# FORM 6-K

**Report of Foreign Private Issuer Pursuant to Rule 13a-16 or 15d-16**
**under the Securities Exchange Act of 1934**

For the Month of May 2018

1-15240
(Commission File Number)

**JAMES HARDIE INDUSTRIES plc**
(Translation of registrant's name into English)

Europa House, Second Floor
Harcourt Centre
Harcourt Street, Dublin 2, Ireland
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F..X.... Form 40-F.........

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): Not Applicable

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): Not Applicable

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## *Forward-Looking Statements*

This Form 6-K contains forward-looking statements. James Hardie Industries plc (the “company”) may from time to time make forward-looking statements in its periodic reports filed with or furnished to the Securities and Exchange Commission, on Forms 20-F and 6-K, in its annual reports to shareholders, in offering circulars, invitation memoranda and prospectuses, in media releases and other written materials and in oral statements made by the company’s officers, directors or employees to analysts, institutional investors, existing and potential lenders, representatives of the media and others. Statements that are not historical facts are forward-looking statements and such forward-looking statements are statements made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995.

Examples of forward-looking statements include:

- statements about the company’s future performance;
- projections of the company’s results of operations or financial condition;
- statements regarding the company’s plans, objectives or goals, including those relating to strategies, initiatives, competition, acquisitions, dispositions and/or its products;
- expectations concerning the costs associated with the suspension or closure of operations at any of the company’s plants and future plans with respect to any such plants;
- expectations concerning the costs associated with the significant capital expenditure projects at any of the company’s plants and future plans with respect to any such projects;
- expectations regarding the extension or renewal of the company’s credit facilities including changes to terms, covenants or ratios;
- expectations concerning dividend payments and share buy-backs;
- statements concerning the company’s corporate and tax domiciles and structures and potential changes to them, including potential tax charges;
- statements regarding tax liabilities and related audits, reviews and proceedings;
- statements regarding the possible consequences and/or potential outcome of legal proceedings brought against us and the potential liabilities, if any, associated with such proceedings;
- expectations about the timing and amount of contributions to AICF, a special purpose fund for the compensation of proven Australian asbestos-related personal injury and death claims;
- expectations concerning the adequacy of the company’s warranty provisions and estimates for future warranty-related costs;
- statements regarding the company’s ability to manage legal and regulatory matters (including but not limited to product liability, environmental, intellectual property and competition law matters) and to resolve any such pending legal and regulatory matters within current estimates and in anticipation of certain third-party recoveries; and
- statements about economic conditions, such as changes in the US economic or housing market conditions or changes in the market conditions in the Asia Pacific region, the levels of new home construction and home renovations, unemployment levels, changes in consumer income, changes or stability in housing values, the availability of mortgages and other financing, mortgage and other interest rates, housing affordability and supply, the levels of foreclosures and home resales, currency exchange rates, and builder and consumer confidence.

Words such as “believe,” “anticipate,” “plan,” “expect,” “intend,” “target,” “estimate,” “project,” “predict,” “forecast,” “guideline,” “aim,” “will,” “should,” “likely,” “continue,” “may,” “objective,” “outlook” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Readers are cautioned not to place undue reliance on these forward-looking statements and all such forward-looking statements are qualified in their entirety by reference to the following cautionary statements.

Forward-looking statements are based on the Company’s current expectations, estimates and assumptions and because forward-looking statements address future results, events and conditions, they, by their very nature, involve inherent risks and uncertainties, many of which are unforeseeable and beyond the Company’s control. Such known and unknown risks, uncertainties and other factors may cause actual results, performance or other achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. These factors, some of which are discussed under “Risk Factors” in Section 3 of the Form 20-F filed with the Securities and Exchange Commission on 18 May 2017, include, but are not limited to: all matters relating to or arising out of the prior manufacture of products that contained asbestos by current and former Company subsidiaries; required contributions to AICF, any shortfall in AICF and the effect of currency exchange rate movements on the amount recorded in the Company’s financial statements as an asbestos liability; the continuation or termination of the governmental loan facility to AICF; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which the Company operates; the consequences of product failures or defects; exposure to environmental, asbestos, putative consumer class action or other legal proceedings; general economic and market conditions; the supply and cost of raw materials; possible increases in competition and the potential that competitors could copy the Company’s products; reliance on a small number of customers; a customer’s inability to pay; compliance with and changes in environmental and health and safety laws; risks of conducting business internationally; compliance with and changes in laws and regulations; currency exchange risks; dependence on customer preference and the concentration of the Company’s customer base on large format retail customers, distributors and dealers; dependence on residential and commercial construction markets; the effect of adverse changes in climate or weather patterns; possible inability to renew credit facilities on terms favorable to the Company, or at all; acquisition or sale of businesses and business segments; changes in the Company’s key management personnel; inherent limitations on internal controls; use of accounting estimates; the integration of Fermacell into our business; and all other risks identified in the Company’s reports filed with Australian, Irish and US securities regulatory agencies and exchanges (as appropriate). The Company cautions you that the foregoing list of factors is not exhaustive and that other risks and uncertainties may cause actual results to differ materially from those referenced in the Company’s forward-looking statements. Forward-looking statements speak only as of the date they are made and are statements of the Company’s current expectations concerning future results, events and conditions. The Company assumes no obligation to update any forward-looking statements or information except as required by law.

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**James Hardie Industries plc**

Date: 22 May 2018

By: /s/ Natasha Mercer

Natasha Mercer
Company Secretary

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Exhibit 99.1

# Results for Announcement to the Market

## James Hardie Industries plc

ARBN 097 829 895

| Appendix 4E - Preliminary Final Report Year Ended 31 March 2018 | | | | |
|---|---|---|---|---|
| Key Information | Year Ended 31 March | | | |
| | 2018 US$M | 2017 US$M | Movement | |
| Net Sales From Ordinary Activities | 2,054.5 | 1,921.6 | Up | 7% |
| Profit From Ordinary Activities After Tax Attributable to Shareholders | 146.1 | 276.5 | Down | 47% |
| Net Profit Attributable to Shareholders | 146.1 | 276.5 | Down | 47% |
| Net Tangible (Liabilities) Assets per Ordinary Share | US$(0.52) | US$(0.51) | Down | 2% |

### Dividend Information

- A FY2018 second half ordinary dividend (“**FY2018 second half dividend”**) of US30.0 cents per security is payable to CUFS holders on 3 August 2018.
- A FY2018 first half ordinary dividend (“**FY2018 first half dividend”**) of US10.0 cents per security was paid to CUFS holders on 23 February 2018.
- The record date to determine entitlements to the FY2018 second half dividend is 7 June 2018 (on the basis of proper instruments of transfer received by the Company’s registrar, Computershare Investor Services Pty Ltd, Level 4, 60 Carrington Street, Sydney NSW 2000, Australia, by 5:00pm if securities are not CHESS approved, or security holding balances established by 5:00pm or such later time permitted by ASTC Operating Rules if securities are CHESS approved).
- The FY2018 first half dividend, the FY2018 second half dividend and future dividends will be unfranked for Australian taxation purposes.
- The company will be required to deduct Irish DWT (currently 20% of the gross dividend amount) from this dividend and future dividends, unless the beneficial owner has completed and returned a non-resident declaration form (DWT Form).
- The Australian currency equivalent amount of the FY2018 second half dividend to be paid to CUFS holders will be announced after the record date. The amount payable to shareholders who have elected to receive their dividend in NZ dollars or British pounds will also be announced on the same date.
- No dividend reinvestment plan is currently in operation for the FY2018 second half dividend.
- The FY2017 second half ordinary dividend (“**FY2017 second half dividend”**) of US28.0 cents per security was paid to CUFS holders on 4 August 2017.

### Movements in Controlled Entities during the year ended 31 March 2018

The following entities were created or acquired:

James Hardie NL1 B.V. (27 October 2017), James Hardie NL2 B.V. (27 October 2017), James Hardie NL3 B.V. (27 October 2017), James Hardie Germany GmbH (30 October 2017), James Hardie Technology Holdings 1 Limited (24 January 2018), James Hardie Technology Holdings 2 Limited (24 January 2018)

### Audit

The results and information included within this Preliminary Final Report have been prepared using US GAAP and have been subject to an independent audit by external auditors.

### Results for the 4th Quarter and Year Ended 31 March 2018

### Contents



James Hardie Industries plc is incorporated under the laws of Ireland with its corporate seat in Dublin, Ireland. The liability of members is limited. The information contained in the above documents should be read in conjunction with the James Hardie 2018 Annual Report which can be found on the company website at www.jameshardie.com.

Exhibit 99.2

# James Hardie Announces Adjusted Net Operating Profit of US$81.1 million for Q4 Fiscal Year 2018 and US$291.3 million for the full year ended 31 March 2018

## James Hardie announces a fiscal year 2018 second half dividend of US 30.0 cents per security

James Hardie today announced results for the fourth quarter of fiscal year 2018 and the full year ended 31 March 2018:

- Group Adjusted net operating profit of US$81.1 million for the quarter and US$291.3 million for the full year, an increase of 49% and 17%, respectively, compared to the prior corresponding periods ("pcp");
- Group Adjusted EBIT of US$103.0 million for the quarter and US$397.5 million for the full year, an increase of 34% and 12%, respectively, compared to pcp;
- Group net sales of US$525.9 million for the quarter and US$2,054.5 million for the full year, an increase of 6% and 7%, respectively, compared to pcp;
- North America Fiber Cement Segment volume increased 1% for the quarter and full year, compared to pcp;
- North America Fiber Cement Segment net sales of US$410.1 million for the quarter and US$1,578.1 million for the full year, an increase of 6%, compared to pcp;
- North America Fiber Cement Segment EBIT margin of 25.2% for the quarter and 24.2% for the full year;
- International Fiber Cement Segment EBIT margin of 23.1% for the quarter and 23.5% for the full year; and
- The Fermacell acquisition closed on 3 April 2018.

## CEO Commentary

James Hardie CEO Louis Gries said, "Our North America Fiber Cement Segment for the quarter and full year delivered top line growth of 6%, driven primarily by higher net prices. In the first half of the year, our exterior volume growth was below our expectations and lower than market growth, as volume was significantly impacted by our capacity constrained position. However, in the second half of the year we began to build momentum and exteriors volume for the second half of the year grew in-line with our market index. Additionally, we exited fiscal year 2018 with an EBIT margin at the top end of our target range and our manufacturing performance within expected levels, despite input costs which continue to increase."

He continued, "We enter fiscal year 2019 with no constraints on capacity and are focused on driving improved primary demand growth."

He added, "Within our International Fiber Cement business, net sales increased 9% for the quarter and 12% for the full year due to strong growth in our Asia Pacific business. Furthermore, EBIT increased 10% for the quarter and 14% for the full year, primarily driven by the strong performance of our Australian business."

Mr. Gries concluded, "Our group results reflect strong Adjusted EBIT growth for the quarter and full year, driven by improving North America results as the year progressed and consistently strong Asia Pacific business results throughout the year. In addition to the financial results for fiscal year 2018, James Hardie made a significant strategic acquisition of Fermacell, which positions the Company for meaningful long-term growth in Europe."

## Outlook

We expect to see the steady growth in the US housing market to continue into fiscal year 2019. The single family new construction market and repair and remodel market are expected to grow similarly to the year-on-year growth experienced in fiscal year 2018. The Company expects new construction starts between approximately 1.2 and 1.3 million.

We expect our North America Fiber Cement segment EBIT margin to be in the top end of our stated target range of 20% to 25% for fiscal year 2019. This expectation is based upon the Company continuing to achieve strong operating performance in its plants, stable exchange rates and a moderate inflationary trend for input costs.

Net sales from the Australian business are expected to trend in line with the average growth of the domestic repair and remodel and single family detached housing markets in the eastern states of Australia.

## Further Information

Readers are referred to the Company's Consolidated Financial Statements and Management's Analysis of Results for the fourth quarter and full year ended 31 March 2018 for additional information regarding the Company's results, including information regarding income taxes, the asbestos liability and contingent liabilities.

## Use of Non-GAAP Financial Information; Australian Equivalent Terminology

This Media Release includes financial measures that are not considered a measure of financial performance under generally accepted accounting principles in the United States (GAAP), such as Adjusted net operating profit and Adjusted EBIT. These non-GAAP financial measures should not be considered to be more meaningful than the equivalent GAAP measure. Management has included such measures to provide investors with an alternative method for assessing its operating results in a manner that is focused on the performance of its ongoing operations and excludes the impact of certain legacy items, such as asbestos adjustments. Additionally, management uses such non-GAAP financial measures for the same purposes. However, these non-GAAP financial measures are not prepared in accordance with US GAAP, may not be reported by all of the Company's competitors and may not be directly comparable to similarly titled measures of the Company's competitors due to potential differences in the exact method of calculation. For additional information regarding the non-GAAP financial measures presented in this Media Release, including a reconciliation of each non-GAAP financial measure to the equivalent US GAAP measure, see the section titled "Non-US GAAP Financial Measures" included in the Company's Management's Analysis of Results for the fourth quarter and full year ended 31 March 2018.

In addition, this Media Release includes financial measures and descriptions that are considered to not be in accordance with US GAAP, but which are consistent with financial measures reported by Australian companies, such as operating profit, EBIT and EBIT margin. Since the Company prepares its Consolidated Financial Statements in accordance with US GAAP, the Company provides investors with a table and definitions presenting cross-references between each US GAAP financial measure used in the Company's Consolidated Financial Statements to the equivalent non-US GAAP financial measure used in this press release. See the sections titled "Non-US GAAP Financial Measures" included in the Company's Management's Analysis of Results for the fourth quarter and full year ended 31 March 2018.

## Forward-Looking Statements

This Media Release contains forward-looking statements and information that are necessarily subject to risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of James Hardie to be materially different from those expressed or implied in this release, including, among others, the risks and uncertainties set forth in Section 3 "Risk Factors" in James Hardie's Annual Report on Form 20-F for the year ended 31 March 2018; changes in general economic, political, governmental and business conditions globally and in the countries in which James Hardie does business; changes in interest rates, changes in inflation rates; changes in exchange rates; the level of construction generally; changes in cement demand and prices; changes in raw material and energy prices; changes in business strategy and various other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. James Hardie assumes no obligation to update or correct the information contained in this Media Release except as required by law.

END

**Media/Analyst Enquiries:**
Jason Miele
Vice President, Investor and Media Relations

| | |
|---|---|
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**Exhibit 99.3**

# Management's Analysis of Results

This Management's Analysis of Results forms part of a package of information about James Hardie Industries plc's results. It should be read in conjunction with the other parts of this package, including the Media Release, the Management Presentation and the consolidated financial statements. Except as otherwise indicated in this Management's Analysis of Results, James Hardie Industries plc is referred to as "JHI plc." JHI plc, together with its direct and indirect wholly-owned subsidiaries, are collectively referred to as "James Hardie," the "Company," "we," "our," or "us." Definitions for certain capitalized terms used in this Management's Analysis of Results can be found in the section titled "Non-GAAP Financial Measures."

This Management's Analysis of Results includes financial measures that are not considered a measure of financial performance under generally accepted accounting principles in the United States ("US GAAP"). These non-GAAP financial measures should not be considered to be more meaningful than the equivalent US GAAP measures. Management has included such measures to provide investors with an alternative method for assessing its operating results in a manner that is focused on the performance of its ongoing operations and excludes the impact of certain legacy items, such as asbestos adjustments. Additionally, management uses such non-GAAP financial measures for the same purposes. However, these non-GAAP financial measures are not prepared in accordance with US GAAP, may not be reported by all of the Company's competitors and may not be directly comparable to similarly titled measures of the Company's competitors due to potential differences in the exact method of calculation. For additional information regarding the non-GAAP financial measures presented in this Management's Analysis of Results, including a reconciliation of each non-GAAP financial measure to the equivalent US GAAP measure, see the section titled "Non-US GAAP Financial Measures." In addition, this Management's Analysis of Results includes financial measures and descriptions that are considered to not be in accordance with US GAAP, but which are consistent with financial measures reported by Australian companies. Since James Hardie prepares its consolidated financial statements in accordance with US GAAP, the Company provides investors with a table and definitions presenting cross-references between each US GAAP financial measure used in the Company's consolidated financial statements to the equivalent non-US GAAP financial measure used in this Management's Analysis of Results. See the section titled "Non-US GAAP Financial Measures."

These documents, along with an audio webcast of the Management Presentation on 22 May 2018, are available from the Investor Relations area of our website at *http://www.ir.jameshardie.com.au*

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**James Hardie Industries plc**
**Results for the 4th Quarter and Full Year Ended 31 March**

| US$ Millions | Three Months and Full Year Ended 31 March | | | | | |
|---|---|---|---|---|---|---|
| | Q4 FY18 | Q4 FY17 | Change % | FY18 | FY17 | Change % |
| **Net sales** | **$ 525.9** | **$ 494.3** | **6** | **$ 2,054.5** | **$ 1,921.6** | **7** |
| Cost of goods sold | (334.8) | (333.5) | — | (1,324.3) | (1,246.9) | (6) |
| **Gross profit** | **191.1** | **160.8** | **19** | **730.2** | **674.7** | **8** |
| | | | | | | |
| Selling, general and administrative expenses | (85.1) | (75.9) | (12) | (311.3) | (291.6) | (7) |
| Research and development expenses | (8.9) | (8.1) | (10) | (33.3) | (30.3) | (10) |
| Asbestos adjustments | (192.9) | 1.4 | | (156.4) | 40.4 | |
| **EBIT** | **(95.8)** | **78.2** | | **229.2** | **393.2** | **(42)** |
| | | | | | | |
| Net interest expense | (7.9) | (7.2) | (10) | (29.5) | (27.5) | (7) |
| Loss on early debt extinguishment[1] | — | — | | (26.1) | — | |
| Other income | 0.5 | 0.1 | | 0.7 | 1.3 | (46) |
| Operating (loss) profit before income taxes | (103.2) | 71.1 | | 174.3 | 367.0 | (53) |
| Income tax benefit (expense) | 45.6 | (26.6) | | (28.2) | (90.5) | 69 |
| **Net operating (loss) profit** | **$ (57.6)** | **$ 44.5** | | **$ 146.1** | **$ 276.5** | **(47)** |
| | | | | | | |
| Earnings per share - basic (US cents) | (13) | 10 | | 33 | 62 | |
| Earnings per share - diluted (US cents) | (13) | 10 | | 33 | 62 | |
| | | | | | | |
| Volume (mmsf) | 715.7 | 704.5 | 2 | 2,767.5 | 2,702.6 | 2 |

[1] In December 2017, we redeemed our 5.875% senior notes due 2023 and recorded a loss on early debt extinguishment in connection with this redemption. Readers are referred to Note 9 of our 31 March 2018 consolidated financial statements for further information related to long-term debt.

**Net sales** for the quarter and full year increased 6% and 7%, respectively, from the prior corresponding periods to US$525.9 million and US$2,054.5 million, respectively. For both periods, net sales were favorably impacted by a higher average net sales price and higher sales volumes in the North America Fiber Cement segment, as well as higher sales volumes in the International Fiber Cement segment.

**Gross profit** of US$191.1 million for the quarter and US$730.2 million for the full year increased 19% and 8%, respectively, when compared to the prior corresponding periods. Gross profit margin of 36.3% for the quarter and 35.5% for the full year increased 3.8 percentage points and 0.4 percentage points, respectively, when compared with the prior corresponding periods.

**Selling, general and administrative ("SG&A")** of US$85.1 million for the quarter and US$311.3 million for the full year increased 12% and 7%, respectively, when compared to the prior corresponding periods. For the quarter, the increase is primarily driven by acquisition costs and higher stock compensation expense. For the full year, the increase is primarily driven by acquisition costs and higher labor costs. Acquisition costs relate to our previously announced acquisition of Fermacell and its subsidiaries.

**Research and development ("R&D") expenses** for the quarter and full year increased 10% when compared to the prior corresponding periods, primarily due to an increase in R&D spend for the Other Businesses segment, as well as an increase in the overall number of projects undertaken by the R&D team.

**Asbestos adjustments** for the quarter and full year primarily reflects the unfavorable movement in the actuarial adjustment of US$195.8 million recorded at year end in line with KPMGA's actuarial report.

**Other income** for the quarter and full year reflects the gains and losses on interest rate swaps.

**Net operating (loss) profit** for the quarter moved to a loss compared to the prior corresponding period, primarily driven by the unfavorable movement in asbestos adjustments and acquisition costs, partially offset by an income tax benefit and the favorable underlying performance of the operating business units.

Net operating profit for the full year decreased compared to the prior corresponding period, primarily driven by the unfavorable movement in asbestos adjustments, the loss on early debt extinguishment and acquisition costs, partially offset by lower income tax expense and the favorable underlying performance of the operating business units.

## North America Fiber Cement Segment

Operating results for the North America Fiber Cement segment were as follows:

| US$ Millions | Three Months and Full Year Ended 31 March | | | | | |
|---|---|---|---|---|---|---|
| | Q4 FY18 | Q4 FY17 | Change | FY18 | FY17 | Change |
| Volume (mmsf) | 586.8 | 578.6 | 1% | 2,238.8 | 2,215.4 | 1% |
| Average net sales price per unit (per msf) | US$692 | US$662 | 5% | US$698 | US$665 | 5% |
| | | | | | | |
| Net sales | 410.1 | 387.7 | 6% | 1,578.1 | 1,493.4 | 6% |
| Gross profit | | | 23% | | | 8% |
| Gross margin (%) | | | 5.2 pts | | | 0.6 pts |
| EBIT | 103.4 | 76.1 | 36% | 381.9 | 343.9 | 11% |
| EBIT margin (%) | 25.2 | 19.6 | 5.6 pts | 24.2 | 23.0 | 1.2 pts |

Net sales for the quarter and full year were favorably impacted by a higher average net sales price and slightly higher volumes. The increase in average net sales price primarily reflects the annual change in our strategic pricing effective April 2017, as well as a favorable product mix. Additionally, the marginal growth in volume for the quarter and the full year, compared to the prior corresponding periods, was due to dampened demand driven by our capacity constraints in the prior fiscal year and first half of fiscal year 2018, as well as the discontinuation of an interior product line. Our exterior volume trend continues to improve and grew in line with our market index in the current quarter.

We note that there are a number of data sources that measure US housing market growth. At the time of filing our results for the period ended 31 March 2018, only US Census Bureau data was available. According to the US Census Bureau, single family housing starts for the quarter were 193,900, or 7% above the prior corresponding period. For the full year ended 31 March 2018, single family housing starts were 861,400, or 9% above the prior corresponding period.

While we have provided US Census Bureau data above, we note that this data can be different from other indices we use to measure US housing market growth, namely the McGraw-Hill Construction Residential Starts Data (also known as Dodge), the National Association of Home Builders and Fannie Mae.

The change in gross margin for the quarter and full year can be attributed to the following components:

| **For the Three Months Ended 31 March 2018:** | |
|---|---|
| Higher average net sales price | 2.1 pts |
| Lower start up costs | 0.9 pts |
| Lower production costs | 2.2 pts |
| Total percentage point change in gross margin | 5.2 pts |

| **For the Full Year Ended 31 March 2018:** | |
|---|---|
| Higher average net sales price | 2.9 pts |
| Lower start up costs | 0.2 pts |
| Higher production costs | (2.5 pts) |
| Total percentage point change in gross margin | 0.6 pts |

Gross margin for the quarter increased 5.2 percentage points compared to the prior corresponding period, primarily due to lower production costs, higher average net sales price and lower start up costs. The lower production costs compared to the prior corresponding period were primarily driven by favorable plant performance and lower freight costs, partially offset by higher input costs. Lower freight costs were driven by efficiencies in freight management as we were capacity constrained in the prior corresponding quarter, partially offset by higher market prices in the current quarter.

Gross margin for the full year increased 0.6 percentage points compared to the prior corresponding period, primarily driven by higher average net sales price, partially offset by higher production costs. The higher production costs for the full year were primarily driven by higher freight costs and higher input costs. While production costs were favorable for the second half of fiscal year 2018 as compared to the prior corresponding period, this favorability was more than offset by the unfavorable performance during the first half of fiscal year 2018. The higher production costs in the first half of fiscal year 2018 were driven by elevated spending in freight, labor and raw materials, as well as production inefficiencies across the manufacturing network.

EBIT for the quarter and full year increased 36% and 11%, respectively, compared to the prior corresponding periods, primarily driven by a 23% and 8% increase in gross profit, respectively.

EBIT margin for the quarter and full year increased 5.6 percentage points and 1.2 percentage points to 25.2% and 24.2%, respectively, when compared to the prior corresponding periods, driven primarily by the increase in gross margin as described above. In addition, as a percentage of sales, SG&A expenses decreased 0.4 percentage points and 0.6 percentage points for the quarter and full year, respectively, when compared to the prior corresponding periods.

## International Fiber Cement Segment

The International Fiber Cement Segment is comprised of the following businesses: (i) Australia Fiber Cement, (ii) New Zealand Fiber Cement, (iii) Philippines Fiber Cement, and (iv) Europe Fiber Cement.

Operating results for the International Fiber Cement segment in US dollars were as follows:

| **US$ Millions** | **Three Months and Full Year Ended 31 March** | | | | | |
|---|---|---|---|---|---|---|
| | **Q4 FY18** | **Q4 FY17** | **Change** | **FY18** | **FY17** | **Change** |
| Volume (mmsf) | 128.9 | 125.9 | 2% | 528.7 | 487.2 | 9% |
| Average net sales price per unit (per msf) | US$773 | US$757 | 2% | US$774 | US$775 | —% |
| | | | | | | |
| Net sales | 112.5 | 102.8 | 9% | 461.7 | 411.8 | 12% |
| Gross profit | | | 7% | | | 12% |
| Gross margin (%) | | | (0.7 pts) | | | (0.2 pts) |
| EBIT | 26.0 | 23.6 | 10% | 108.4 | 95.1 | 14% |
| EBIT margin (%) | 23.1 | 23.0 | 0.1 pts | 23.5 | 23.1 | 0.4 pts |

Volume for the quarter and full year increased 2% and 9%, respectively, compared to the prior corresponding periods. Volume for the quarter was primarily driven by volume growth in our Australian business, partially offset by a decrease in volume in Europe. Volume growth for the full year was primarily driven by strong growth in our Australian and Philippines businesses.

Net sales for the quarter and full year increased 9% and 12%, respectively, compared to the prior corresponding periods, primarily due to higher volume. Additionally, net sales for the quarter was also impacted by higher average net sales price in US dollars. The higher average net sales price was primarily driven by strategic pricing strategies and favorable product mix.

Gross profit for the quarter and full year increased 7% and 12%, respectively, compared to the prior corresponding periods. The increase for the quarter and full year was primarily driven by strong volume growth and higher average net sales price in our Australian business, partially offset by higher production costs in New Zealand. The higher production costs in New Zealand were primarily driven by unfavorable plant performance and higher input costs.

The change in gross margin for the quarter and full year can be attributed to the following components:

| **For the Three Months Ended 31 March 2018:** | |
|---|---|
| Higher average net sales price | 1.2 pts |
| Higher production costs | (1.9 pts) |
| Total percentage point change in gross margin | (0.7 pts) |

| **For the Full Year Ended 31 March 2018:** | |
|---|---|
| Lower average net sales price | (0.1 pts) |
| Higher production costs | (0.1 pts) |
| Total percentage point change in gross margin | ) (0.2 pts |

EBIT for the quarter and full year increased 10% and 14%, respectively, when compared to the prior corresponding periods, to US$ 26.0 million and US$108.4 million, respectively, due to the increase in gross profit described above, partially offset by higher SG&A expenses. The increase in SG&A expenses for the quarter and full year was primarily driven by an increase in labor related costs; however, as a percentage of sales, SG&A expense decreased 1.1 percentage points and 0.7 percentage points for the quarter and full year, respectively, when compared to the prior corresponding periods.

*Country Analysis*

Australia Fiber Cement

Net sales for the quarter and full year increased primarily due to a higher average net sales price and an increase in volume. The key driver of volume growth was continued market penetration, as we gained market share during the year.

EBIT for the quarter and full year increased 32% and 26%, respectively, when compared to the prior corresponding periods. The increase in EBIT is primarily driven by improved gross profit due to higher net sales, partially offset by higher SG&A expenses primarily from labor related costs.

According to Australian Bureau of Statistics data, approvals for detached houses, which are a key driver of the Australian business' sales volume, were 28,181 for the quarter, an increase of 6%, when compared to the prior corresponding quarter. For the full year, approvals for detached houses were 119,339, an increase of 2% compared to the prior corresponding period. The other key driver of our sales volume is the alterations and additions market, which increased 6% for the three months ended 31 March 2018 when compared to the prior corresponding period. For the full year ended 31 March 2018, the alterations and additions market increased 6% compared to the prior corresponding period.

New Zealand Fiber Cement

Net sales for the quarter decreased from the prior corresponding period, primarily driven by lower sales volumes. Net sales for the full year increased from the prior corresponding period, primarily driven by higher sales volumes from addressable markets and favorable product mix.

EBIT for the quarter and full year decreased compared to the prior corresponding periods, primarily driven by unfavorable plant performance, higher employment costs and higher freight costs.

Philippines Fiber Cement

Volume for the quarter and full year increased 9% and 19%, respectively, when compared to the prior corresponding periods, primarily as a result of our tactical pricing strategies in the current year, as well as lower volumes in the prior corresponding period due to the penetration of competitor imports within the Philippines market. EBIT for the quarter and full year was higher compared to the prior corresponding periods, driven by strong volume growth and lower production costs, partially offset by the impact of unfavorable foreign exchange rates on our US$ reported sales and a lower average net sales price due to tactical pricing strategies.

Europe Fiber Cement

Net sales for the quarter and the full year decreased from the prior corresponding periods, primarily driven by lower volume in certain regions and lower average net sales price due to unfavorable product mix. EBIT for the quarter and full year decreased when compared to the prior corresponding period, primarily driven by lower net sales and the impact of unfavorable foreign exchange rates.

## Other Businesses Segment

| US$ Millions | Three Months and Full Year Ended 31 March | | | | | |
|---|---|---|---|---|---|---|
| | Q4 FY18 | Q4 FY17 | Change | FY18 | FY17 | Change |
| Net sales | 3.3 | 3.8 | (13%) | 14.7 | 16.4 | (10%) |
| Gross profit | | | NM | | | NM |
| Gross profit margin (%) | | | (23.6 pts) | | | (12.6 pts) |
| EBIT | (2.8) | (2.0) | (40%) | (8.6) | (6.7) | (28%) |

We continue to invest in business development opportunities aligned with our long term strategy and continue to incur losses in our Other Businesses segment. EBIT loss for the quarter increased 40% to a loss of US$2.8 million, when compared to the prior corresponding period. EBIT loss for the full year increased 28% to a loss of US$8.6 million. We continue to invest in future growth through our commitment to building quality manufacturing, product development capabilities and organizational capability.

## Research and Development Segment

We record R&D expenses depending on whether they are core R&D projects that are designed to benefit all business units, which are recorded in our R&D segment; or commercialization projects for the benefit of a particular business unit, which are recorded in the individual business unit’s segment results.

The table below details the expenses of our R&D segment:

| US$ Millions | Three Months and Full Year Ended 31 March | | | | | |
|---|---|---|---|---|---|---|
| | Q4 FY18 | Q4 FY17 | Change % | FY18 | FY17 | Change % |
| Segment R&D expenses | $ (6.8) | $ (6.1) | (11) | $ (25.4) | $ (22.6) | (12) |
| Segment R&D SG&A expenses | (0.5) | (1.1) | 55 | (2.4) | (2.9) | 17 |
| Total R&D EBIT | $ (7.3) | $ (7.2) | (1) | $ (27.8) | $ (25.5) | (9) |

The increase in segment R&D expenses for the quarter and full year are a result of increased R&D spend for the Other Businesses segment, as well as, an increase in the number of core R&D projects being undertaken by the R&D team. The expense will fluctuate period to period depending on the nature and number of core R&D projects being worked on and the AUD/USD exchange rates during the period.

Other R&D expenses associated with commercialization projects in business units are recorded in the results of the respective business unit segment. Other R&D expenses associated with commercialization projects were US$2.1 million for the quarter and US$7.9 million for the full year, compared to US$2.0 million and US$7.7 million for the prior corresponding periods.

## General Corporate

Results for General Corporate were as follows:

| US$ Millions | Three Months and Full Year Ended 31 March | | | | | |
|---|---|---|---|---|---|---|
| | Q4 FY18 | Q4 FY17 | Change % | FY18 | FY17 | Change % |
| General Corporate SG&A expenses | $ (16.3) | $ (13.4) | (22) | $ (56.4) | $ (52.5) | (7) |
| Fermacell acquisition costs[1] | (5.3) | — | | (10.0) | — | |
| Asbestos: | | | | | | |
| Asbestos adjustments | (192.9) | 1.4 | | (156.4) | 40.4 | |
| AICF SG&A expenses[2] | (0.6) | (0.3) | | (1.9) | (1.5) | (27) |
| General Corporate EBIT | $ (215.1) | $ (12.3) | | $ (224.7) | $ (13.6) | |

[1]Relates to professional, legal and other fees incurred in conjunction with the acquisition of Fermacell and its subsidiaries.

[2]Relates to non-claims related operating costs incurred by AICF, which we consolidate into our financial results due to our pecuniary and contractual interests in AICF.

For the quarter, General Corporate SG&A expenses increased US$2.9 million, primarily due to higher stock compensation expenses.

For the full year, General Corporate SG&A expenses increased US$ 3.9 million, primarily due to foreign exchange gains in the prior year not occurring in the current year, as well as, higher stock compensation expenses, partially offset by a US$3.4 million gain on the sale of a storage building located near our Fontana facility.

Additionally, as part of our acquisition of Fermacell announced in the second quarter of fiscal year 2018, we have incurred acquisition costs of US$5.3 million and US$10.0 million for the quarter and full year, respectively. Readers are referred to Note 19 of our 31 March 2018 consolidated financial statements for further information related to the Fermacell acquisition.

Asbestos adjustments for both periods primarily reflect the unfavorable actuarial adjustment recorded at year end in line with KPMGA's actuarial report, as well as, the non-cash foreign exchange re-measurement impact on asbestos related balance sheet items, driven by the change in the AUD/USD spot exchange rate from the beginning balance sheet date to the ending balance sheet date, for each respective period.

The AUD/USD spot exchange rates are shown in the table below:

| FY18 | | FY17 | |
|---|---|---|---|
| 31 March 2017 | 0.7644 | 31 March 2016 | 0.7657 |
| 31 March 2018 | 0.7681 | 31 March 2017 | 0.7644 |
| Change ($) | 0.0037 | Change ($) | (0.0013) |
| Change (%) | — | Change (%) | — |

For fiscal years 2018 and 2017, the asbestos adjustments recorded by the Company were made up of the following components:

| | Full Year ended 31 March | |
|---|---|---|
| **US$ Millions** | **FY18** | **FY17** |
| (Increase) decrease in actuarial estimate | $ (151.4) | $ 38.6 |
| Effect of foreign exchange rate movements | (3.9) | 1.8 |
| Asbestos research and education contribution | (1.1) | — |
| Asbestos adjustments | $ (156.4) | $ 40.4 |

Per the KPMGA actuarial report, the undiscounted and uninflated central estimate net of insurance recoveries increased to A$1.443 billion at 31 March 2018 from A$1.386 billion at 31 March 2017. The change in the undiscounted and uninflated central estimate of A$57.0 million or 4% is primarily due to an increase in the projected number of mesothelioma claims, partially offset by the reduction in average claim size. In addition, the estimate was further offset by the AFFA amendment in December 2017 which removed the allowance previously included in the Asbestos Liability for legislation in Victoria enacted in the prior year which allowed compensation for gratuitous services costs.

During fiscal year 2018, mesothelioma claims reporting activity was above actuarial expectations and the prior corresponding period. One of the more significant assumptions is the estimated peak period of mesothelioma disease claims, which was assumed to have occurred in the period 2014/2015 to 2016/2017. However, as claim numbers continue to be elevated, KPMGA has formed the view that the increases in the mesothelioma claims reporting seen in recent years was a permanent effect, and therefore increased the projected number of future mesothelioma claims at 31 March 2018. Additionally, KPMGA has revised its modeling approach for mesothelioma claims to consider the claimant's age which resulted in a higher number of projected claims, partially offset by a reduction in projected average claim size. However, changes to the valuation assumptions may be necessary in future periods should mesothelioma claims reporting escalate or decline.

Potential variation in the estimated peak period of claims has an impact much greater than the other assumptions used to derive the discounted central estimate. In performing the sensitivity assessment of the estimated incidence pattern reporting for mesothelioma, if the pattern of incidence was shifted by two years, the central estimate could increase by approximately 18% on a discounted basis.

Asbestos gross cashflow expenditures of A$139.7 million for fiscal year 2018 were lower than the actuarial expectation of A$154.9 million, primarily as a result of favorable average claim settlement sizes of non-large mesothelioma claims, together with lower than expected expenditures on large claims in the year.

Readers are referred to Notes 2 and 11 of our 31 March 2018 consolidated financial statements for further information on asbestos adjustments.

## EBIT

The table below summarizes EBIT results as discussed above:

| US$ Millions | Three Months and Full Year Ended 31 March | | | | | |
|---|---|---|---|---|---|---|
| | Q4 FY18 | Q4 FY17 | Change % | FY18 | FY17 | Change % |
| North America Fiber Cement | $ 103.4 | $ 76.1 | 36 | $ 381.9 | $ 343.9 | 11 |
| International Fiber Cement | 26.0 | 23.6 | 10 | 108.4 | 95.1 | 14 |
| Other Businesses | (2.8) | (2.0) | (40) | (8.6) | (6.7) | (28) |
| Research and Development | (7.3) | (7.2) | (1) | (27.8) | (25.5) | (9) |
| General Corporate[1] | (16.3) | (13.4) | (22) | (56.4) | (52.5) | (7) |
| **Adjusted EBIT** | **103.0** | **77.1** | 34 | **397.5** | **354.3** | 12 |
| Asbestos: | | | | | | |
| Asbestos adjustments | (192.9) | 1.4 | | (156.4) | 40.4 | |
| AICF SG&A expenses | (0.6) | (0.3) | | (1.9) | (1.5) | (27) |
| Fermacell acquisition costs | (5.3) | — | | (10.0) | — | |
| **EBIT** | **$ (95.8)** | **$ 78.2** | | **$ 229.2** | **$ 393.2** | **(42)** |

[1] Excludes Asbestos-related expenses and adjustments and Fermacell acquisition costs

## Net Interest Expense

| US$ Millions | Three Months and Full Year Ended 31 March | | | | | |
|---|---|---|---|---|---|---|
| | Q4 FY18 | Q4 FY17 | Change % | FY18 | FY17 | Change % |
| Gross interest expense | $ (11.2) | $ (7.5) | (49) | $ (37.7) | $ (28.9) | (30) |
| Capitalized interest | 1.7 | 0.4 | | 4.8 | 2.0 | |
| Interest income | 0.7 | 0.2 | | 1.5 | 0.5 | |
| Net AICF interest income (expense) | 0.9 | (0.3) | | 1.9 | (1.1) | |
| **Net interest expense** | **$ (7.9)** | **$ (7.2)** | **(10)** | **$ (29.5)** | **$ (27.5)** | **(7)** |

Gross interest expense for the quarter and full year increased US$3.7 million and US$8.8 million, respectively, when compared to the prior corresponding periods, primarily due to the higher outstanding balance of our senior unsecured notes. Net AICF interest income for the quarter and full year was US$0.9 million and US$1.9 million, respectively, primarily due to interest income on deposits and a decrease in the balance of AICF's borrowings under its loan facility with New South Wales Government.

## Other Income

Other income for the quarter and full year increased US$0.4 million and decreased US$0.6 million, respectively, to US$ 0.5 million and US$0.7 million, respectively, compared to the prior corresponding periods. The movements in other income are primarily driven by the valuation of our interest rate swaps.

## Income Tax

| | Three Months and Full Year Ended 31 March | | | |
|---|---|---|---|---|
| | Q4 FY18 | Q4 FY17 | FY18 | FY17 |
| Income tax benefit (expense) (US$ Millions) | 45.6 | (26.6 ) | (28.2 ) | (90.5 ) |
| Effective tax rate (%) | 44.2 | 37.4 | 16.2 | 24.7 |
| | | | | |
| Adjusted income tax expense[1] (US$ Millions) | (13.6 ) | (15.7 ) | (75.5 ) | (80.6 ) |
| Adjusted effective tax rate[1] (%) | 14.4 | 22.3 | 20.6 | 24.5 |

[1]Adjusted income tax expense represents income tax on net operating profit excluding asbestos, loss on early debt extinguishment, Fermacell acquisition costs and other tax adjustments

Total income tax benefit for the quarter increased US$ 72.2 million and income tax expense for the full year decreased US$62.3 million, respectively, when compared to the prior corresponding periods. The increase in income tax benefit for the quarter and the decrease in income tax expense for the full year was primarily driven by the increase in the asbestos liability.

Total Adjusted income tax expense for the quarter and full year decreased US$2.1 million and US$5.1 million, respectively, when compared to the prior corresponding periods. The decrease for the quarter and full year was driven by the US amortization of certain intangible assets arising from an internal restructure undertaken during the quarter, partially offset by an increase in income.

US Tax Cuts and Jobs Act

As a result of the enactment of the US Tax Cuts and Jobs Act in December 2017, we recorded a provisional charge to income tax expense of an estimated US$4.2 million resulting from deemed repatriated earnings of certain subsidiaries and the revaluation of our US-based net deferred tax liability.

The impact of changes in US tax legislation on our future earnings is uncertain as it is subject to the potential effect of certain complex provisions, and the issuance of regulatory guidance or clarifications that may be issued in the future in respect of these provisions, including the base erosion and anti-abuse tax, global intangible low-taxed income, foreign derived intangible income and others, which we are currently reviewing. These provisions will be in effect for us beginning fiscal year 2019, and it is possible that any impact of these provisions could materially reduce the benefit of the reduction in the US federal corporate income tax rate. Due to the uncertain practical and technical application of many of these provisions, it is currently not possible to reliably estimate whether these provisions will apply and if so, how it will impact us.

Readers are referred to Note 14 of our 31 March 2018 consolidated financial statements for further information related to income tax.

## Net Operating Profit

| US$ Millions | Three Months and Full Year Ended 31 March | | | | | |
|---|---|---|---|---|---|---|
| | Q4 FY18 | Q4 FY17 | Change % | FY18 | FY17 | Change % |
| **EBIT** | **$ (95.8)** | **$ 78.2** | | **$ 229.2** | **$ 393.2** | (42) |
| | | | | | | |
| Net interest expense | (7.9) | (7.2) | (10) | (29.5) | (27.5) | (7) |
| Loss on early debt extinguishment[1] | — | — | | (26.1) | — | |
| Other income | 0.5 | 0.1 | | 0.7 | 1.3 | (46) |
| Income tax benefit (expense) | 45.6 | (26.6) | | (28.2) | (90.5) | 69 |
| **Net operating (loss) profit** | **(57.6)** | **44.5** | | **146.1** | **276.5** | **(47)** |
| | | | | | | |
| **Excluding:** | | | | | | |
| Asbestos: | | | | | | |
| Asbestos adjustments | 192.9 | (1.4) | | 156.4 | (40.4) | |
| AICF SG&A expenses | 0.6 | 0.3 | | 1.9 | 1.5 | 27 |
| AICF interest (income) expense, net | (0.9) | 0.3 | | (1.9) | 1.1 | |
| Loss on early debt extinguishment[1] | — | — | | 26.1 | — | |
| Fermacell acquisition costs | 5.3 | — | | 10.0 | — | |
| Tax adjustments[2] | (59.2) | 10.9 | | (47.3) | 9.9 | |
| **Adjusted net operating profit** | **81.1** | **54.6** | **49** | **291.3** | **248.6** | **17** |
| | | | | | | |
| Adjusted diluted earnings per share (US cents) | 18 | 12 | | 66 | 56 | |

[1] In December 2017, we redeemed our 5.875% senior notes due 2023 and recorded a loss on early debt extinguishment in connection with this redemption. Readers are referred to Note 9 of our 31 March 2018 consolidated financial statements for further information related to long-term debt.

[2] Includes tax adjustments related to Asbestos, loss on early debt extinguishment and other tax adjustments

Adjusted net operating profit of US$81.1 million for the quarter increased US$26.5 million, or 49%, compared to the prior corresponding period. The increase was primarily due to the underlying performance of the operating business units, as reflected in the US$25.9 million increase in Adjusted EBIT, and a lower Adjusted effective tax rate.

Adjusted net operating profit of US$291.3 million for the full year increased US$42.7 million, or 17%, compared to the prior corresponding period, primarily due to the underlying performance of the operating business units, as reflected in the US$43.2 million increase in Adjusted EBIT and a lower Adjusted effective tax rate.

## Cash Flow

*Operating Activities*

Cash provided by operating activities increased US$2.9 million to US$295.0 million. The modest increase in cash provided by operating activities was in-line with the modest increase in net income adjusted for non-cash items. The cash impact from movements in operating assets and liabilities was minimal and reflects the normal course of business.The most notable impact to operating cash flow was an unfavorable movement from the increase in our inventory balance as we built inventory ahead of the North America build season, as compared to the prior corresponding period when we were capacity constrained and inventory balances were lower.

*Investing Activities*

Cash used in investing activities increased US$91.6 million to US$200.6 million. The change in net cash used in investing activities was primarily driven by an increase in the purchase of property, plant and equipment of US$101.8 million compared to the prior corresponding period, primarily related to the greenfield expansion project on land adjacent to our Tacoma facility. This was partially offset by US$7.9 million in proceeds from the sale of a storage building near our Fontana facility.

*Financing Activities*

Cash provided by financing activities increased US$325.2 million to US$112.5 million. The increase in cash provided by financing activities was driven by the net proceeds from our senior unsecured notes in the current year of US$400.0 million, partially offset by the associated call redemption premium and debt issuance costs of US$35.2 million, as well as, net repayments of credit facilities of US$75.0 million. This was further offset by the repurchase of shares of common stock of US$99.8 million in the prior year, compared to nil in the current year.

## Capacity Expansion

We continually evaluate the capacity required to service the North American housing market to ensure we meet demand and achieve our market penetration objectives. During the current fiscal year we:

- Completed the start-up of the 3rd sheet machine at our Plant City facility, as well as recommissioned and completed the start-up of a 4th sheet machine at that facility;
- Commissioned our Summerville facility which continues to start-up as planned; and
- Started and nearly completed the construction of a greenfield expansion project on land adjacent to our existing Tacoma facility, which is expected to be commissioned in the first half of fiscal year 2019; and
- Continued the planning of our Prattville, Alabama facility, which is expected to be commissioned in the first half of fiscal year 2020. Additionally, today we announced that this greenfield expansion project will add an additional 600 mmsf to our manufacturing capacity at an estimated total cost of US$240.0 million.

In our International Fiber Cement segment, we are adding additional capacity in the Philippines with an estimated total cost of US$18.0 million, which is expected to be completed in the first quarter of fiscal year 2019. Additionally, we began the planning and design of a brownfield expansion project at our existing Carole Park facility in Australia with an estimated total cost of A$28.5 million. The new brownfield expansion project is expected to be commissioned by the first quarter of fiscal year 2021.

## Liquidity and Capital Allocation

Our cash position increased from US$78.9 million at 31 March 2017 to US$ 281.6 million at 31 March 2018.

At 31 March 2018, we held three forms of debt: an unsecured revolving credit facility; a 364-day term loan facility; and senior unsecured notes. The effective weighted average interest rate on our total debt was 4.7% and 4.8% at 31 March 2018 and 31 March 2017, respectively. The weighted average term of all debt, including undrawn facilities, was 6.9 years and 4.7 years at 31 March 2018 and 31 March 2017, respectively.

At 31 March 2018, we had US$500.0 million available in an unsecured revolving credit facility. At 31 March 2018, a total of US$100.0 million was drawn from the unsecured revolving facility, compared to US$175.0 million at 31 March 2017. The unsecured revolving credit facility's expiration date is December 2022 and the size of the facility may be increased by up to US$250.0 million.

In December 2017, we entered into a 364-day term loan facility available in either Euro or US dollars with a maximum of €525.0 million (US$646.4 million based on the exchange rate at 31 March 2018) if drawn in Euro or US$630 million if drawn in US dollars. At 31 March 2018, there were no amounts drawn under the 364-day term loan facility. Subsequent to fiscal year-end, on 3 April 2018, we drew €400.0 million (US$492.4 million based on the exchange rate at 3 April 2018) from the 364-day term loan facility, and used these funds to complete the Fermacell acquisition. No further drawdowns are permitted under this term loan facility.

In December 2017, we completed the sale of US$800.0 million aggregate principal amount of senior unsecured notes. The sale of the senior notes were issued at par with US$400.0 million 4.75% senior notes due 15 January 2025 and US$400.0 million 5.00% senior notes due 15 January 2028. The proceeds from the offering were used for general corporate purposes, including funding the redemption of our 5.875% senior notes due 2023, the repayment of outstanding borrowings under the unsecured revolving credit facility and capital expenditures. We also used part of the net proceeds from this offering to finance a portion of the Fermacell acquisition.

In connection with the redemption of 5.875% senior notes due 2023, we recorded a loss on early debt extinguishment of US$26.1 million during the year, which included US$19.5 million of call redemption premiums and US$6.6 million of unamortized financing costs associated with these notes.

Based on our existing cash balances, together with anticipated operating cash flows arising during the year and unutilized committed credit facilities, we anticipate that we will have sufficient funds to meet our planned working capital and other expected cash requirements for the next twelve months.

We have historically met our working capital needs and capital expenditure requirements from a combination of cash flows from operations and credit facilities. Seasonal fluctuations in working capital generally have not had a significant impact on our short or long term liquidity.

## Capital Management and Dividends

The following table summarizes the dividends declared or paid in respect of fiscal years 2018, 2017 and 2016:

| US$ Millions | US Cents/ Security | US$ Total Amount | Announcement Date | Record Date | Payment Date |
|---|---|---|---|---|---|
| FY 2018 second half dividend | 0.30 | 132.5 | 22 May 2018 | 7 June 2018 | 3 August 2018 |
| FY 2018 first half dividend | 0.10 | 46.2 | 9 November 2017 | 13 December 2017 | 23 February 2018 |
| FY 2017 second half dividend | 0.28 | 131.3 | 18 May 2017 | 8 June 2017 | 4 August 2017 |
| FY 2017 first half dividend | 0.10 | 46.6 | 17 November 2016 | 21 December 2016 | 24 February 2017 |
| FY 2016 second half dividend | 0.29 | 130.2 | 19 May 2016 | 9 June 2016 | 5 August 2016 |
| FY 2016 first half dividend | 0.09 | 39.7 | 19 November 2015 | 23 December 2015 | 26 February 2016 |
| FY 2015 special dividend | 0.22 | 92.8 | 21 May 2015 | 11 June 2015 | 7 August 2015 |
| FY 2015 second half dividend | 0.27 | 114.0 | 21 May 2015 | 11 June 2015 | 7 August 2015 |

We will continue to review our capital structure and capital allocation objectives and expect the following prioritization to remain:

- invest in R&D and capacity expansion to support organic growth;
- provide ordinary dividend payments within the payout ratio of 50-70% of net operating profit, excluding asbestos;
- maintain flexibility for accretive and strategic inorganic growth and/or flexibility to manage through market cycles; and
- consider other shareholder returns when appropriate.

## Other Asbestos Information

*Claims Data*

| | Three Months and Full Year Ended 31 March | | | | | |
|---|---|---|---|---|---|---|
| | Q4 FY18 | Q4 FY17 | Change % | FY18 | FY17 | Change % |
| Claims received | 129 | 129 | — | 562 | 557 | (1) |
| Actuarial estimate for the period | 144 | 156 | 8 | 576 | 625 | 8 |
| Difference in claims received to actuarial estimate | 15 | 27 | | 14 | 68 | |
| | | | | | | |
| Average claim settlement[1] (A$) | 231,000 | 258,000 | 10 | 253,000 | 224,000 | (13) |
| Actuarial estimate for the period[2] | 283,000 | 327,000 | 13 | 283,000 | 327,000 | 13 |
| Difference in claims paid to actuarial estimate | 52,000 | 69,000 | | 30,000 | 103,000 | |

[1] Average claim settlement is derived as the total amount paid divided by the number of non-nil claim settlements

[2] This actuarial estimate is a function of the assumed experience by disease type and the relative mix of settlements assumed by disease type. Any variances in the assumed mix of settlements by disease type will have an impact on the average claim settlement experience

For the quarter and full year ended 31 March 2018, we noted the following related to asbestos-related claims:

- Claims received were 10% and 2% below actuarial estimates for the quarter and full year, respectively;
- Claims received during the quarter and full year were flat and 1% higher than prior corresponding periods, respectively;

- Mesothelioma claims reported for the full year were 5% above actuarial expectations and the prior corresponding period;
- The average claim settlement for the quarter and full year were 18% and 11% below actuarial expectations, respectively;
- Average claim settlement sizes were lower for most disease types, including for mesothelioma and asbestosis, compared to actuarial expectations for fiscal year 2018; and
- The decrease in average claim settlement for the full year versus actuarial estimates was largely attributable to lower average claim settlement sizes for non-large mesothelioma claims, together with favorable large claims experience for the full year.

*AICF Funding*

On 3 July 2017, we made a payment of A$135.1 million (US$102.2 million) to AICF, representing 35% of our free cash flow for fiscal year 2017. Free cash flow, as defined in the AFFA, was equivalent to our fiscal year 2017 operating cash flows of US$292.1 million.

We anticipate that we will make a contribution of approximately US$103.0 million to AICF on 2 July 2018. This amount represents 35% of our free cash flow of US$294.2 million as defined by the AFFA. Our free cash flow, as defined by the AFFA, is our operating cash flow per US GAAP in effect during 2006. To reconcile our current year operating cash flow of US$ 295.0 million to 2006 US GAAP, a US$0.8 million adjustment is required.

From the time AICF was established in February 2007 through 22 May 2018, we have contributed approximately A$1,055.0 million to the fund.

Readers are referred to Notes 2 and 11 of our 31 March 2018 consolidated financial statements for further information on asbestos.

### Financial Measures - US GAAP equivalents

This document contains financial statement line item descriptions that are considered to be non-US GAAP, but are consistent with those used by Australian companies. Because we prepare our consolidated financial statements under US GAAP, the following table cross-references each non-US GAAP line item description, as used in Management's Analysis of Results and Media Release, to the equivalent US GAAP financial statement line item description used in our consolidated financial statements:

| Management's Analysis of Results and Media Release | Consolidated Statements of Operations and Other Comprehensive Income (Loss) (US GAAP) |
|---|---|
| Net sales | Net sales |
| Cost of goods sold | Cost of goods sold |
| Gross profit | Gross profit |
| | |
| Selling, general and administrative expenses | Selling, general and administrative expenses |
| Research and development expenses | Research and development expenses |
| Asbestos adjustments | Asbestos adjustments |
| EBIT* | Operating income (loss) |
| | |
| Net interest income (expense)* | Sum of interest expense and interest income |
| Other income (expense) | Other income (expense) |
| Operating profit (loss) before income taxes* | Income (loss) before income taxes |
| | |
| Income tax (expense) benefit | Income tax (expense) benefit |
| | |
| Net operating profit (loss)* | Net income (loss) |

*- Represents non-US GAAP descriptions used by Australian companies.

**EBIT** – Earnings before interest and tax.

**EBIT margin** – EBIT margin is defined as EBIT as a percentage of net sales.

**Sales Volume**

*mmsf* – million square feet, where a square foot is defined as a standard square foot of 5/16” thickness.

*msf* – thousand square feet, where a square foot is defined as a standard square foot of 5/16” thickness.

This Management's Analysis of Results includes certain financial information to supplement the Company's consolidated financial statements which are prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"). These financial measures are designed to provide investors with an alternative method for assessing our performance from on-going operations, capital efficiency and profit generation. Management uses these financial measure for the same purposes. These financial measures include:

- Adjusted EBIT;
- Adjusted EBIT margin;
- Adjusted net operating profit;
- Adjusted diluted earnings per share;
- Adjusted operating profit before income taxes;
- Adjusted income tax expense;
- Adjusted effective tax rate;
- Adjusted EBITDA;
- Adjusted EBITDA excluding Asbestos;
- Adjusted selling, general and administrative expenses ("Adjusted SG&A"); and
- Adjusted return on capital employed ("Adjusted ROCE").

These financial measures are or may be non-US GAAP financial measures as defined in the rules of the U.S. Securities and Exchange Commission and may exclude or include amounts that are included or excluded, as applicable, in the calculation of the most directly comparable financial measures calculated in accordance with US GAAP. These financial measures are not meant to be considered in isolation or as a substitute for comparable US GAAP financial measures and should be read only in conjunction with the Company's consolidated financial statements prepared in accordance with US GAAP. In evaluating these financial measures, investors should note that other companies reporting or describing similarly titled financial measures may calculate them differently and investors should exercise caution in comparing the Company's financial measures to similar titled measures by other companies.

## Non-financial Terms

**AFFA** – Amended and Restated Final Funding Agreement

**AICF** – Asbestos Injuries Compensation Fund Ltd

## Financial Measures - US GAAP equivalents

### Adjusted EBIT

| US$ Millions | Three Months and Full Year Ended 31 March | | | |
|---|---|---|---|---|
| | Q4 FY18 | Q4 FY17 | FY18 | FY17 |
| **EBIT** | **$ (95.8)** | **$ 78.2** | **$ 229.2** | **$ 393.2** |
| Asbestos: | | | | |
| Asbestos adjustments | 192.9 | (1.4) | 156.4 | (40.4) |
| AICF SG&A expenses | 0.6 | 0.3 | 1.9 | 1.5 |
| Fermacell acquisition costs | 5.3 | — | 10.0 | — |
| **Adjusted EBIT** | **$ 103.0** | **$ 77.1** | **$ 397.5** | **$ 354.3** |
| Net sales | 525.9 | 494.3 | 2,054.5 | 1,921.6 |
| **Adjusted EBIT margin** | **19.6%** | **15.6%** | **19.3%** | **18.4%** |

### Adjusted Net Operating Profit

| US$ Millions | Three Months and Full Year Ended 31 March | | | |
|---|---|---|---|---|
| | Q4 FY18 | Q4 FY17 | FY18 | FY17 |
| **Net operating (loss) profit** | **$ (57.6)** | **$ 44.5** | **$ 146.1** | **$ 276.5** |
| Asbestos: | | | | |
| Asbestos adjustments | 192.9 | (1.4) | 156.4 | (40.4) |
| AICF SG&A expenses | 0.6 | 0.3 | 1.9 | 1.5 |
| AICF interest (income) expense, net | (0.9) | 0.3 | (1.9) | 1.1 |
| Loss on early debt extinguishment | — | — | 26.1 | — |
| Fermacell acquisition costs | 5.3 | — | 10.0 | — |
| Tax adjustments[1] | (59.2) | 10.9 | (47.3) | 9.9 |
| **Adjusted net operating profit** | **$ 81.1** | **$ 54.6** | **$ 291.3** | **$ 248.6** |

[1] Includes tax adjustments related to Asbestos, loss on early debt extinguishment, and other tax adjustments

### Adjusted diluted earnings per share

| | Three Months and Full Year Ended 31 March | | | |
|---|---|---|---|---|
| | Q3 FY18 | Q4 FY17 | FY18 | FY17 |
| **Adjusted net operating profit (US$ millions)** | **$ 81.1** | **$ 54.6** | **$ 291.3** | **$ 248.6** |
| Weighted average common shares outstanding - Diluted (millions) | 443.0 | 441.4 | 442.3 | 443.9 |
| **Adjusted diluted earnings per share (US cents)** | **18** | **12** | **66** | **56** |

## Adjusted effective tax rate

| US$ Millions | Three Months and Full Year Ended 31 March | | | |
|---|---|---|---|---|
| | Q4 FY18 | Q4 FY17 | FY18 | FY17 |
| **Operating (loss) profit before income taxes** | **$ (103.2)** | **$ 71.1** | **$ 174.3** | **$ 367.0** |
| Asbestos: | | | | |
| Asbestos adjustments | 192.9 | (1.4) | 156.4 | (40.4) |
| AICF SG&A expenses | 0.6 | 0.3 | 1.9 | 1.5 |
| AICF interest (income) expense, net | (0.9) | 0.3 | (1.9) | 1.1 |
| Loss on early debt extinguishment | — | — | 26.1 | — |
| Fermacell acquisition costs | 5.3 | — | 10.0 | — |
| **Adjusted operating profit before income taxes** | **$ 94.7** | **$ 70.3** | **$ 366.8** | **$ 329.2** |
| | | | | |
| Income tax benefit (expense) | 45.6 | (26.6) | (28.2) | (90.5) |
| Tax adjustments[1] | (59.2) | 10.9 | (47.3) | 9.9 |
| **Adjusted income tax expense** | **$ (13.6)** | **$ (15.7)** | **$ (75.5)** | **$ (80.6)** |
| Effective tax rate | 44.2% | 37.4% | 16.2% | 24.7% |
| **Adjusted effective tax rate** | **14.4%** | **22.3%** | **20.6%** | **24.5%** |

[1] Includes tax adjustments related to Asbestos, loss on early debt extinguishment, and other tax adjustments

## Adjusted EBITDA excluding Asbestos

| US$ Millions | Three Months and Full Year Ended 31 March | | | |
|---|---|---|---|---|
| | Q4 FY18 | Q4 FY17 | FY18 | FY17 |
| **EBIT** | **$ (95.8)** | **78.2** | **$ 229.2** | **$ 393.2** |
| Depreciation and amortization | 23.4 | 20.7 | 92.0 | 83.2 |
| **Adjusted EBITDA** | **$ (72.4)** | **$ 98.9** | **$ 321.2** | **$ 476.4** |
| Asbestos: | | | | |
| Asbestos adjustments | 192.9 | (1.4) | 156.4 | (40.4) |
| AICF SG&A expenses | 0.6 | 0.3 | 1.9 | 1.5 |
| **Adjusted EBITDA excluding Asbestos** | **$ 121.1** | **$ 97.8** | **$ 479.5** | **$ 437.5** |

## Adjusted selling, general and administrative expenses ("Adjusted SG&A")

| US$ Millions | Three Months and Full Year Ended 31 March | | | |
|---|---|---|---|---|
| | Q4 FY18 | Q4 FY17 | FY18 | FY17 |
| **SG&A expenses** | **$ 85.1** | **$ 75.9** | **$ 311.3** | **$ 291.6** |
| Excluding: | | | | |
| AICF SG&A expenses | (0.6) | (0.3) | (1.9) | (1.5) |
| Fermacell acquisition costs | (5.3) | — | (10.0) | — |
| **Adjusted SG&A expenses** | **$ 79.2** | **$ 75.6** | **$ 299.4** | **$ 290.1** |
| Net sales | $ 525.9 | $ 494.3 | $ 2,054.5 | $ 1,921.6 |
| SG&A expenses as a percentage of net sales | 16.2% | 15.4% | 15.2% | 15.2% |
| **Adjusted SG&A expenses as a percentage of net sales** | **15.1%** | **15.3%** | **14.6%** | **15.1%** |

## Adjusted Return on Capital Employed ("Adjusted ROCE")

| US$ Millions | Full Year Ended 31 March[1] | |
|---|---|---|
| | FY18 | FY17 |
| **Numerator** | | |
| **Adjusted EBIT** | **$ 397.5** | **$ 354.3** |
| **Denominator** | | |
| Gross capital employed (GCE) | 1,272.0 | 1,107.6 |
| Adjustment to GCE | (24.3) | 50.3 |
| **Adjusted gross capital employed** | **1,247.7** | **$ 1,157.9** |
| **Adjusted Return on Capital Employed** | **31.9%** | **30.6%** |

*[1] Adjusted ROCE is used to assess annual financial results and therefore is not presented for the three months ended 31 March 2018*

As set forth in Note 11 of t he consolidated financial statements, the net AFFA liability, while recurring, is based on periodic actuarial determinations, claims experience and currency fluctuations. The company's management measures its financial position, operating performance and year-over-year changes in operating results with and without the effect of the net AFFA liability. Accordingly, management believes that the following non-GAAP information is useful to it and investors in evaluating the company's financial position and ongoing operating financial performance. The following non-GAAP table should be read in conjunction with the consolidated financial statements and related notes contained therein.

**James Hardie Industries plc**
**Supplementary Financial Information**
**31 March 2018**
**(Unaudited)**

| US$ Millions | Total Fiber Cement-Excluding Asbestos Compensation | Asbestos Compensation | As Reported (US GAAP) |
|---|---|---|---|
| Restricted cash and cash equivalents – Asbestos | $ — | $ 26.6 | **$ 26.6** |
| Restricted short term investments – Asbestos | — | 38.4 | **38.4** |
| Insurance receivable – Asbestos[1] | — | 57.9 | **57.9** |
| Workers compensation asset – Asbestos[1] | — | 30.9 | **30.9** |
| Deferred income taxes – Asbestos | — | 382.9 | **382.9** |
| Asbestos liability[1] | — | 1,215.1 | **1,215.1** |
| Workers compensation liability – Asbestos[1] | — | 30.9 | **30.9** |
| Income taxes payable[1] | 50.2 | (21.1) | **29.1** |
| Asbestos adjustments | — | (156.4) | **(156.4)** |
| Selling, general and administrative expenses | (309.4) | (1.9) | **(311.3)** |
| Net interest expense | (31.4) | 1.9 | **(29.5)** |
| Income tax expense | (75.3) | 47.1 | **(28.2)** |

[1] The amounts shown on these lines are a summation of both the current and non-current portion of the respective asset or liability as presented on our consolidated balance sheets.

This Management's Analysis of Results contains forward-looking statements. James Hardie Industries plc (the "Company") may from time to time make forward-looking statements in its periodic reports filed with or furnished to the Securities and Exchange Commission, on Forms 20-F and 6-K, in its annual reports to shareholders, in offering circulars, invitation memoranda and prospectuses, in media releases and other written materials and in oral statements made by the Company's officers, directors or employees to analysts, institutional investors, existing and potential lenders, representatives of the media and others. Statements that are not historical facts are forward-looking statements and such forward-looking statements are statements made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995.

Examples of forward-looking statements include:

- statements about the Company's future performance;
- projections of the Company's results of operations or financial condition;
- statements regarding the Company's plans, objectives or goals, including those relating to strategies, initiatives, competition, acquisitions, dispositions and/or its products;
- expectations concerning the costs associated with the suspension or closure of operations at any of the Company's plants and future plans with respect to any such plants;
- expectations concerning the costs associated with the significant capital expenditure projects at any of the Company's plants and future plans with respect to any such projects;
- expectations regarding the extension or renewal of the Company's credit facilities including changes to terms, covenants or ratios;
- expectations concerning dividend payments and share buy-backs;
- statements concerning the Company's corporate and tax domiciles and structures and potential changes to them, including potential tax charges;
- statements regarding tax liabilities and related audits, reviews and proceedings;
- statements regarding the possible consequences and/or potential outcome of legal proceedings brought against us and the potential liabilities, if any, associated with such proceedings;
- expectations about the timing and amount of contributions to AICF, a special purpose fund for the compensation of proven Australian asbestos-related personal injury and death claims;
- expectations concerning the adequacy of the Company's warranty provisions and estimates for future warranty-related costs;
- statements regarding the Company's ability to manage legal and regulatory matters (including but not limited to product liability, environmental, intellectual property and competition law matters) and to resolve any such pending legal and regulatory matters within current estimates and in anticipation of certain third-party recoveries; and
- statements about economic conditions, such as changes in the US economic or housing market conditions or changes in the market conditions in the Asia Pacific region, the levels of new home construction and home renovations, unemployment levels, changes in consumer income, changes or stability in housing values, the availability of mortgages and other financing, mortgage and other interest rates, housing affordability and supply, the levels of foreclosures and home resales, currency exchange rates, and builder and consumer confidence.

Words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "aim," "will," "should," "likely," "continue," "may," "objective," "outlook" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Readers are cautioned not to place undue reliance on these forward-looking statements and all such forward-looking statements are qualified in their entirety by reference to the following cautionary statements.

Forward-looking statements are based on the Company's current expectations, estimates and assumptions and because forward-looking statements address future results, events and conditions, they, by their very nature, involve inherent risks and uncertainties, many of which are unforeseeable and beyond the Company's control. Such known and unknown risks, uncertainties and other factors may cause actual results, performance or other achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. These factors, some of which are discussed under "Risk Factors" in Section 3 of the Form 20-F filed with the Securities and Exchange Commission on 22 May 2018, include, but are not limited to: all matters relating to or arising out of the prior manufacture of products that contained asbestos by current and former Company subsidiaries; required contributions to AICF, any shortfall in AICF and the effect of currency exchange rate movements on the amount recorded in the Company's financial statements as an asbestos liability; the continuation or termination of the governmental loan facility to AICF; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which the Company operates; the consequences of product failures or defects; exposure to environmental, asbestos, putative consumer class action or other legal proceedings; general economic and market conditions; the supply and cost of raw materials; possible increases in competition and the potential that competitors could copy the Company's products; reliance on a small number of customers; a customer's inability to pay; compliance with and changes in environmental and health and safety laws; risks of conducting business internationally; compliance with and changes in laws and regulations; currency exchange risks; dependence on customer preference and the concentration of the Company's customer base on large format retail customers, distributors and dealers; dependence on residential and commercial construction markets; the effect of adverse changes in climate or weather patterns; possible inability to renew credit facilities on terms favorable to the Company, or at all; acquisition or sale of businesses and business segments; changes in the Company's key management personnel; inherent limitations on internal controls; use of accounting estimates; the integration of Fermacell into our business; and all other risks identified in the Company's reports filed with Australian, Irish and US securities regulatory agencies and exchanges (as appropriate). The Company cautions you that the foregoing list of factors is not exhaustive and that other risks and uncertainties may cause actual results to differ materially from those referenced in the Company's forward-looking statements. Forward-looking statements speak only as of the date they are made and are statements of the Company's current expectations concerning future results, events and conditions. The Company assumes no obligation to update any forward-looking statements or information except as required by law.

Exhibit 99.4

James Hardie

# Q4 FY18 MANAGEMENT PRESENTATION

22 May 2018

# CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

This Management Presentation contains forward-looking statements. James Hardie Industries plc (the "Company") may from time to time make forward-looking statements in its periodic reports filed with or furnished to the Securities and Exchange Commission, on Forms 20-F and 6-K, in its annual reports to shareholders, in offering circulars, invitation memoranda and prospectuses, in media releases and other written materials and in oral statements made by the Company's officers, directors or employees to analysts, institutional investors, existing and potential lenders, representatives of the media and others. Statements that are not historical facts are forward-looking statements and such forward-looking statements are statements made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995.

Examples of forward-looking statements include:

- statements about the Company's future performance;
- projections of the Company's results of operations or financial condition;
- statements regarding the Company's plans, objectives or goals, including those relating to strategies, initiatives, competition, acquisitions, dispositions and/or its products;
- expectations concerning the costs associated with the suspension or closure of operations at any of the Company's plants and future plans with respect to any such plants;
- expectations concerning the costs associated with the significant capital expenditure projects at any of the Company's plants and future plans with respect to any such projects;
- expectations regarding the extension or renewal of the Company's credit facilities including changes to terms, covenants or ratios;
- expectations concerning dividend payments and share buy-backs;
- statements concerning the Company's corporate and tax domiciles and structures and potential changes to them, including potential tax charges;
- statements regarding tax liabilities and related audits, reviews and proceedings;
- statements regarding the possible consequences and/or potential outcome of legal proceedings brought against us and the potential liabilities, if any, associated with such proceedings;
- expectations about the timing and amount of contributions to Asbestos Injuries Compensation Fund (AICF), a special purpose fund for the compensation of proven Australian asbestos-related personal injury and death claims;
- expectations concerning the adequacy of the Company's warranty provisions and estimates for future warranty-related costs;
- statements regarding the Company's ability to manage legal and regulatory matters (including but not limited to product liability, environmental, intellectual property and competition law matters) and to resolve any such pending legal and regulatory matters within current estimates and in anticipation of certain third-party recoveries; and
- statements about economic conditions, such as changes in the US economic or housing recovery or changes in the market conditions in the Asia Pacific region, the levels of new home construction and home renovations, unemployment levels, changes in consumer income, changes or stability in housing values, the availability of mortgages and other financing, mortgage and other interest rates, housing affordability and supply, the levels of foreclosures and home resales, currency exchange rates, and builder and consumer confidence.

# CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS (continued)

Words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "aim," "will," "should," "likely," "continue," "may," "objective," "outlook" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Readers are cautioned not to place undue reliance on these forward-looking statements and all such forward-looking statements are qualified in their entirety by reference to the following cautionary statements.

Forward-looking statements are based on the Company's current expectations, estimates and assumptions and because forward-looking statements address future results, events and conditions, they, by their very nature, involve inherent risks and uncertainties, many of which are unforeseeable and beyond the Company's control. Such known and unknown risks, uncertainties and other factors may cause actual results, performance or other achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. These factors, some of which are discussed under "Risk Factors" in Section 3 of the Form 20-F filed with the Securities and Exchange Commission on 22 May 2018, include, but are not limited to: all matters relating to or arising out of the prior manufacture of products that contained asbestos by current and former Company subsidiaries; required contributions to AICF, any shortfall in AICF and the effect of currency exchange rate movements on the amount recorded in the Company's financial statements as an asbestos liability; the continuation or termination of the governmental loan facility to AICF; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which the Company operates; the consequences of product failures or defects; exposure to environmental, asbestos, putative consumer class action or other legal proceedings; general economic and market conditions; the supply and cost of raw materials; possible increases in competition and the potential that competitors could copy the Company's products; reliance on a small number of customers; a customer's inability to pay; compliance with and changes in environmental and health and safety laws; risks of conducting business internationally; compliance with and changes in laws and regulations; currency exchange risks; dependence on customer preference and the concentration of the Company's customer base on large format retail customers, distributors and dealers; dependence on residential and commercial construction markets; the effect of adverse changes in climate or weather patterns; possible inability to renew credit facilities on terms favorable to the Company, or at all; acquisition or sale of businesses and business segments; changes in the Company's key management personnel; inherent limitations on internal controls; use of accounting estimates; the integration of Fermacell into our business; and all other risks identified in the Company's reports filed with Australian, Irish and US securities regulatory agencies and exchanges (as appropriate). The Company cautions you that the foregoing list of factors is not exhaustive and that other risks and uncertainties may cause actual results to differ materially from those referenced in the Company's forward-looking statements. Forward-looking statements speak only as of the date they are made and are statements of the Company's current expectations concerning future results, events and conditions. The Company assumes no obligation to update any forward-looking statements or information except as required by law.

# USE OF NON-GAAP FINANCIAL INFORMATION; AUSTRALIAN EQUIVALENT TERMINOLOGY

This Management Presentation includes financial measures that are not considered a measure of financial performance under generally accepted accounting principles in the United States (US GAAP). These financial measures are designed to provide investors with an alternative method for assessing our performance from on-going operations, capital efficiency and profit generation. Management uses these financial measures for the same purposes. These financial measures include:

- Adjusted EBIT;
- Adjusted EBIT margin;
- Adjusted net operating profit;
- Adjusted diluted earnings per share;
- Adjusted operating profit before income taxes;
- Adjusted income tax expense;
- Adjusted effective tax rate;
- Adjusted EBITDA;
- Adjusted EBITDA excluding Asbestos;
- Adjusted selling, general and administrative expenses ("Adjusted SG&A"); and
- Adjusted Return on Capital Employed ("Adjusted ROCE").

These financial measures are or may be non-US GAAP financial measures as defined in the rules of the U.S. Securities and Exchange Commission and may exclude or include amounts that are included or excluded, as applicable, in the calculation of the most directly comparable financial measures calculated in accordance with US GAAP. These non-GAAP financial measures should not be considered to be more meaningful than the equivalent US GAAP measure. Management has included such measures to provide investors with an alternative method for assessing its operating results in a manner that is focused on the performance of its ongoing operations and excludes the impact of certain legacy items, such as asbestos adjustments. Additionally, management uses such non-GAAP financial measures for the same purposes. However, these non-GAAP financial measures are not prepared in accordance with US GAAP, may not be reported by all of the Company's competitors and may not be directly comparable to similarly titled measures of the Company's competitors due to potential differences in the exact method of calculation. For additional information regarding the non-GAAP financial measures presented in this Management Presentation , including a reconciliation of each non-GAAP financial measure to the equivalent US GAAP measure, see the slide titled "Non-US GAAP Financial Measures" included in the Appendix to this Management Presentation.

In addition, this Management Presentation includes financial measures and descriptions that are considered to not be in accordance with US GAAP, but which are consistent with financial measures reported by Australian companies, such as operating profit, EBIT and EBIT margin. Since the Company prepares its Consolidated Financial Statements in accordance with US GAAP, the Company provides investors with a table and definitions presenting cross-references between each US GAAP financial measure used in the Company's Condensed Consolidated Financial Statements to the equivalent non-US GAAP financial measure used in this Management Presentation. See the section titled "Non-US GAAP Financial Measures" included in the Appendix to this Management Presentation.

## AGENDA

- Overview and Operating Review – Louis Gries, CEO
- James Hardie Europe – Louis Gries, CEO
- Financial Review – Matt Marsh, EVP and CFO
- Questions and Answers

# OVERVIEW AND OPERATING REVIEW

Louis Gries, CEO

# GROUP OVERVIEW

| Metric | 4th Qtr | Change | Full Year | Change |
|---|---|---|---|---|
| Adjusted Net Operating Profit[1] | US$81.1M | ↑ 49% | US$291.3M | ↑ 17% |
| Adjusted Diluted EPS[1] | US18 cents | ↑ 50% | US66 cents | ↑ 18% |
| Adjusted EBIT [2] | US$103.0M | ↑ 34% | US$397.5M | ↑ 12% |
| Net Operating Cash Flow | | | US$295.0M | ↑ 1% |
| Adjusted EBIT Margin % [2] | 19.6% | ↑ 4.0 pts | 19.3% | ↑ 0.9 pts |

- Higher volumes and net sales in North America Fiber Cement and International Fiber Cement segments
- Higher average net sales price in North America Fiber Cement segment
- North America Fiber Cement: Full year EBIT margin of 24.2%; volume/PDG improving, manufacturing stable
- International Fiber Cement: Full year EBIT margin of 23.5%; strong performance
- Closed Fermacell acquisition on 3 April 2018

1 *Excludes Asbestos related expenses and adjustments, loss on early debt extinguishment, acquisition costs and tax adjustments*
2 *Excludes Asbestos related expenses and adjustments and acquisition costs*

# NORTH AMERICA FIBER CEMENT SUMMARY

| | Q4'18 | Full Year |
|---|---|---|
| Net Sales | **US$410.1**M ↑ 6% | **US$1,578.1**M ↑ 6% |
| Sales Volume | **586.8** mmsf ↑ 1% | **2,238.8** mmsf ↑ 1% |
| Average Price | **US$692** per msf ↑ 5% | **US$698** per msf ↑ 5% |
| EBIT | **US$103.4**M ↑ 36% | **US$381.9**M ↑ 11% |

**Volume**

- FY17 capacity constraint dampened 1H FY18 demand
- 2H FY18 exterior volume growth in line with market index

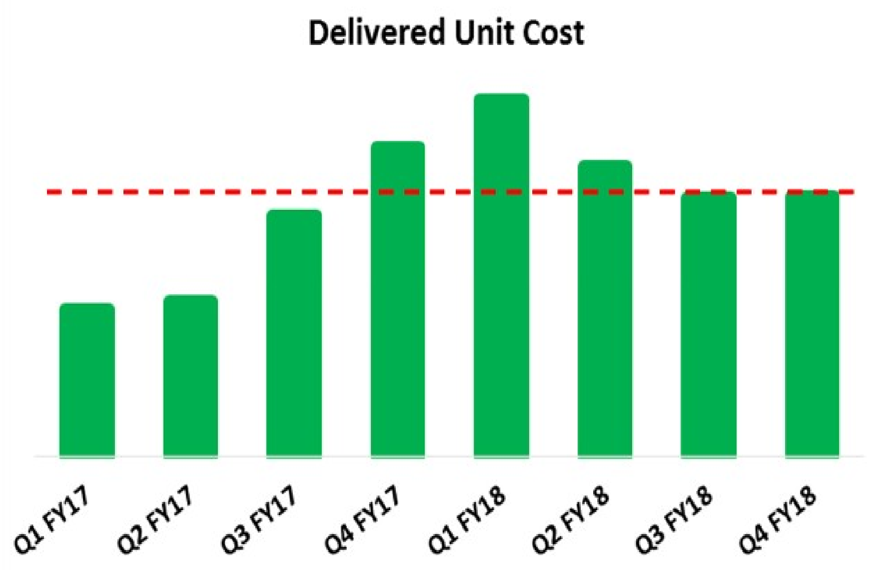
**Price**

- Favorably impacted by annual change in our strategic pricing effective April 2017 and product mix

**EBIT**

- EBIT for Q4'18 increased compared to pcp primarily due to:
  - Higher average net sales price, improved plant performance and lower freight costs, partially offset by higher input costs
- EBIT for FY'18 increased compared to pcp primarily due to:
  - Higher average net sales price, partially offset by higher freight and input costs

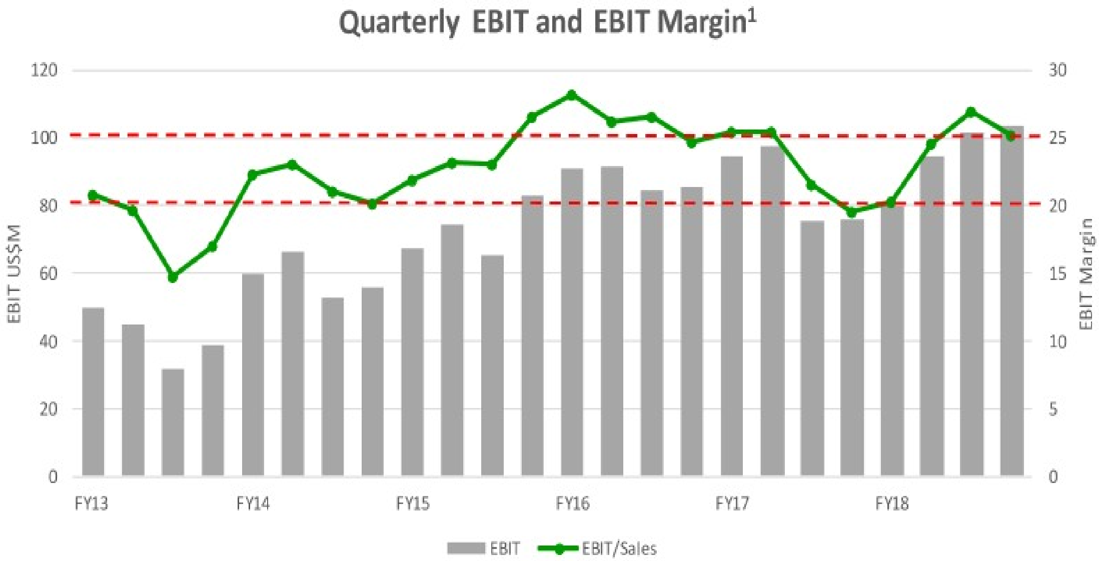
## NORTH AMERICA DELIVERED UNIT COST




**Delivered unit cost improved in 2H FY18**

- Manufacturing performance within expected performance band
- Continuing to experience higher input costs

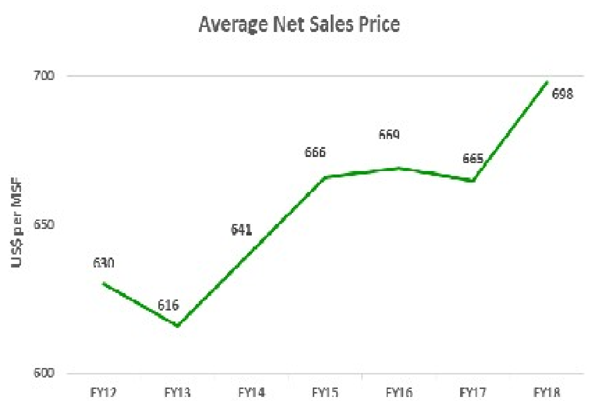
# NORTH AMERICA FIBER CEMENT

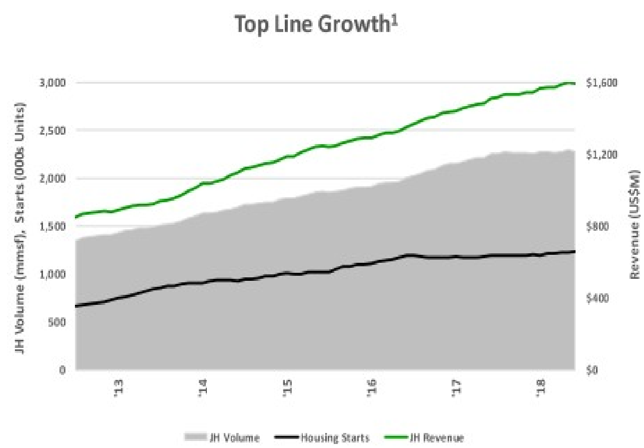



YTD EBIT Margin % up 120 bps to 24.2% compared to pcp

[1] *Excludes asset impairment charges of US$5.8 million in Q3 FY13 and US$11.1 million in Q4 FY13*

# NORTH AMERICA FIBER CEMENT




- FY18 strategic price increase effective April 2017
- Overall, satisfied with price positioning
- FY19 price increase implemented on 1 April 2018

- US housing conditions remain favorable
- New construction starts continue modest single-digit growth

[1] Rolling 12 month average of seasonally adjusted estimate of housing starts by US Census Bureau

## INTERNATIONAL FIBER CEMENT SUMMARY

| | Q4'18 | Full Year |
|---|---|---|
| Net Sales | **US$112.5**M ↑ 9% | **US$461.7**M ↑ 12% |
| Sales Volume | **128.9** mmsf ↑ 2% | **528.7** mmsf ↑ 9% |
| Average Price | **US$773** per msf ↑ 2% | **US$774** per msf FLAT |
| EBIT | **US$26.0**M ↑ 10% | **US$108.4**M ↑ 14% |

### Volume

- Growth primarily in our Australian and Philippines businesses

### Price

- Favorably impacted by modest annual changes in strategic pricing in Australia and product mix for the quarter
- Flat for the full year primarily due to strong average net sales price in Australia, offset by tactical pricing in the Philippines

### EBIT

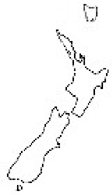
- Strong results in our Australian business driven by market penetration during the year
- Partially offset by higher production costs in our New Zealand business

# INTERNATIONAL FIBER CEMENT (USD)

| Q4'18 Australia | | | Full Year Australia | | |
|---|---|---|---|---|---|
| Volume | Net Sales | EBIT | Volume | Net Sales | EBIT |
| ↑ | ↑ | ↑ | ↑ | ↑ | ↑ |

## Australia

- Good market and strong PDG performance
- EBIT favorably impacted by volume and price



| Q4'18 New Zealand | | | Full Year New Zealand | | |
|---|---|---|---|---|---|
| Volume | Net Sales | EBIT | Volume | Net Sales | EBIT |
| ↓ | ↓ | ↓ | ↑ | ↑ | ↓ |

## New Zealand

- Higher net sales for the full year driven by higher volume and favorable product mix
- EBIT unfavorably impacted by plant performance and higher input costs

| Q4'18 Philippines | | | Full Year Philippines | | |
|---|---|---|---|---|---|
| Volume | Net Sales | EBIT | Volume | Net Sales | EBIT |
| ↑ | ↑ | ↑ | ↑ | ↑ | ↑ |

## Philippines

- Volume increase driven by tactical pricing
- EBIT favorably impacted by volume growth and lower production costs

| Q4'18 Europe | | | Full Year Europe | | |
|---|---|---|---|---|---|
| Volume | Net Sales | EBIT | Volume | Net Sales | EBIT |
| ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |

## Europe (excludes Fermacell)

- Lower net sales driven by lower volume in certain regions and lower average net sales price from unfavorable product mix
- EBIT unfavorably impacted by lower net sales and unfavorable foreign exchange rates

James Hardie

# James Hardie Europe

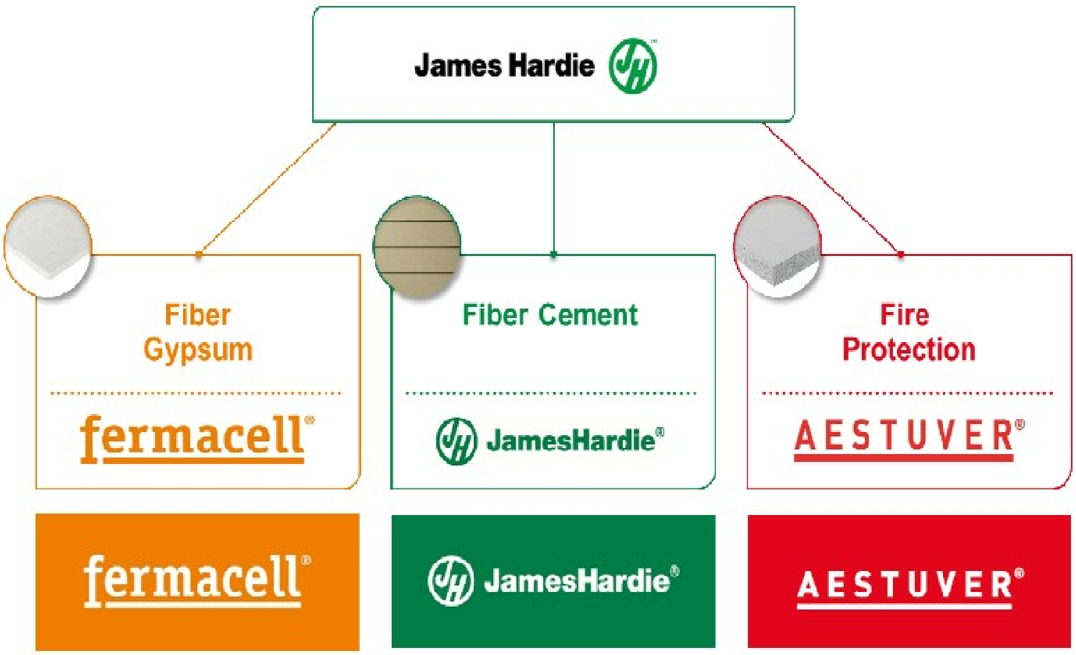
Louis Gries, CEO

# OVERVIEW

| | Before Acquisition | | Post Acquisition |
|---|---|---|---|
| **Workforce** | • 70 employees | ↔ | • 900+ employees |
| **Presence** | • UK, FR, DK, DE | ↔ | • 12+ countries |
| **Segments** | • Residential New Construction<br>• Repair and Renovation | ↔ | • Residential New Construction<br>• Repair and Renovation<br>• Commercial |
| **Products** | • Fiber Cement | ↔<br>↔ | • Fiber Cement<br>• Fiber Gypsum<br>• Cement Bonded |
| **Revenue[1]** | • € 31 M | ↔ | • ~ € 300 M |

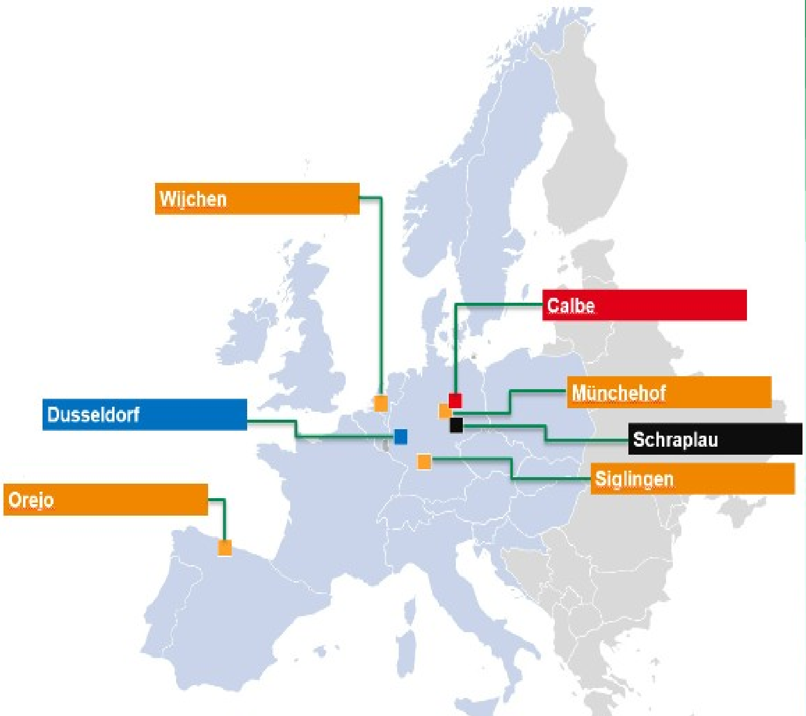
[1] *'Before Acquisition' revenue is based on unaudited James Hardie Europe financial records for 12 months ended 31 March 2018. 'Post Acquisition' revenue is a 12 month estimate based on unaudited James Hardie Europe financial records and unaudited Fermacell IFRS financial records for the 12 months ended 31 March 2018.*

# BRAND ARCHITECTURE



# KEY LOCATIONS AND ORGANIZATION

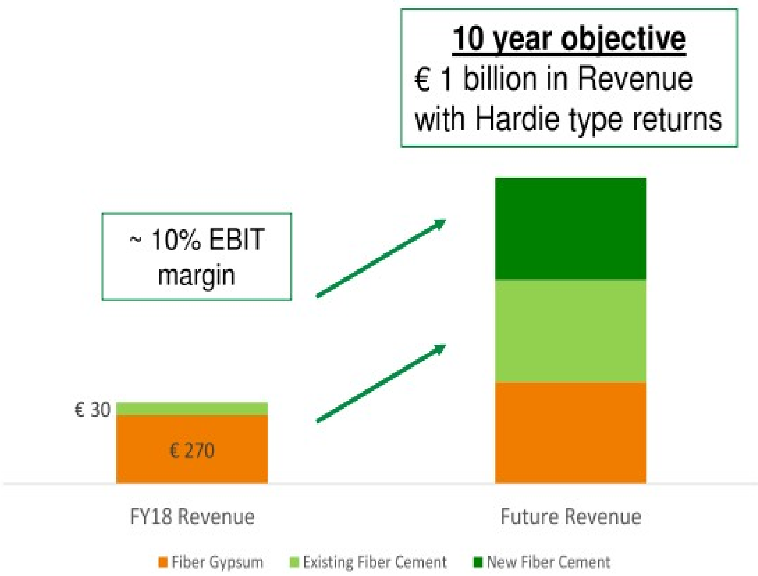
## Head Office and Manufacturing Footprint




## Organization

- Jack Truong - President, International
- Jörg Brinkmann JH Europe Managing Director
  - 7 years experience at Fermacell
  - 13 years industry experience
- 7 person management team
  - 5 from Fermacell
  - 2 from James Hardie Australia
- 900 total JH Europe employees
- 200 person technical sales force

# FINANCIALS AND FUTURE GROWTH




FY 18 Financials[1]

- JH Europe Revenue ~ € 300 million
- JH Europe EBIT margin ~10%

Future Growth

- Fiber Gypsum
- Existing Fiber Cement Products
- New Fiber Cement Product Development

Other Data

- Fermacell Historical revenue growth
  - 3 year CAGR ~5%
- Estimated integration costs in FY19
  - ~ € 20 million

[1] *FY18 financial estimates are based on unaudited James Hardie Europe financial records for the twelve months ended 31 March 2018 and unaudited Fermacell IFRS financial records for the 12 months ended 31 March 2018.*

# FINANCIAL REVIEW

Matt Marsh, EVP and CFO

# KEY FINANCIAL MESSAGES

- Strong 4th Quarter Results ; Adjusted EBIT up 34%
  - Good operational momentum in North America Fiber Cement, strong performance in Australia
- Solid full year cash flows
- Capacity expansion and capital allocation on track
- Second Half Dividend declared of 30 cents per share
- FY18 Adjusted NOPAT of US$291.3 million compared to guidance at 2 February 2018
  - Lower than anticipated Adjusted ETR of 20.6% ; approximate US$10 million favorable impact
  - Internal restructuring transaction during Q4 FY18

# RESULTS – 4th QUARTER FY18

| Three Months Ended 31 March | | | |
|---|---|---|---|
| **US$ Millions** | **Q4'18** | **Q4'17** | **% Change** |
| Net sales | 525.9 | 494.3 | 6 |
| Gross profit | 191.1 | 160.8 | 19 |
| EBIT | (95.8) | 78.2 | |
| Net operating (loss) profit | (57.6) | 44.5 | |
| | | | |
| Adjusted EBIT [1] | 103.0 | 77.1 | 34 |
| Adjusted net operating profit [2] | 81.1 | 54.6 | 49 |

### Net sales increased 6%

- Higher average net sales price and volume in the North America Fiber Cement segment and International Fiber Cement segment

### Gross profit increased 19%, gross margin % up 380 bps

### Adjusted net operating profit increased 49%

- North America Fiber Cement segment EBIT increased 36% versus pcp
- International Fiber Cement segment EBIT increased 10% versus pcp

*1 Excludes Asbestos related expenses and adjustments, and acquisition costs*

*2 Excludes Asbestos related expenses and adjustments, loss on early debt extinguishment, acquisition costs, and other tax adjustments*

## RESULTS – FULL YEAR FY18

| Full Year Ended 31 March | | | |
|---|---|---|---|
| **US$ Millions** | **FY18** | **FY17** | **% Change** |
| Net sales | 2,054.5 | 1,921.6 | 7 |
| Gross profit | 730.2 | 674.7 | 8 |
| EBIT | 229.2 | 393.2 | (42) |
| Net operating profit | 146.1 | 276.5 | (47) |
| | | | |
| Adjusted EBIT [1] | 397.5 | 354.3 | 12 |
| Adjusted net operating profit [2] | 291.3 | 248.6 | 17 |

### Net sales increased 7%

- Higher average net sales price in the North America Fiber Cement segment
- Strong volume growth in the International Fiber Cement segment

### Gross profit increased 8%, gross margin % up 40 bps

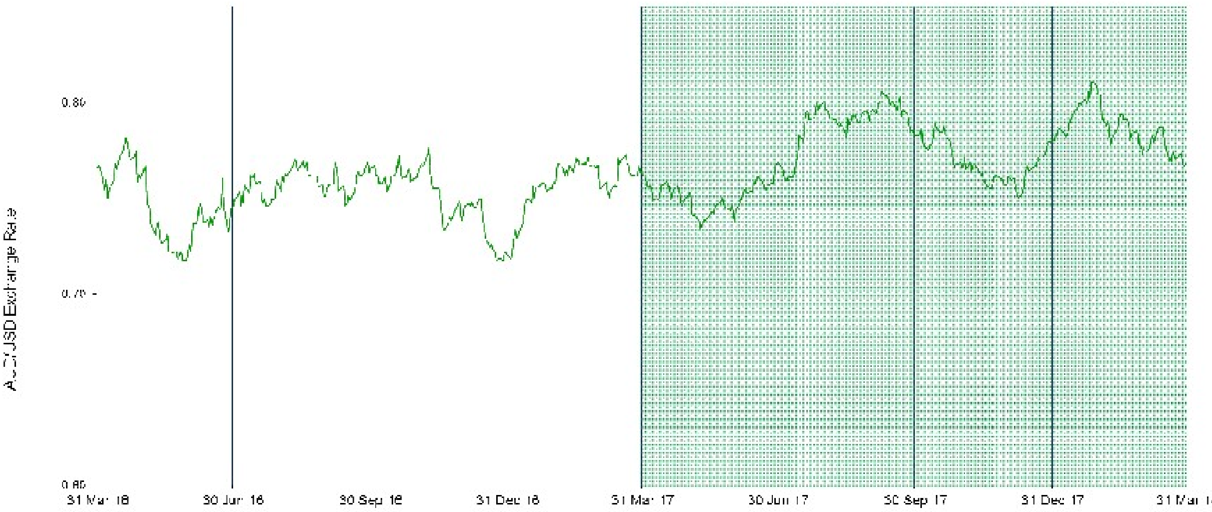
### Adjusted net operating profit increased 17%

- North America Fiber Cement segment EBIT increased 11% versus pcp
- International Fiber Cement segment EBIT increased 14% versus pcp

*1 Excludes Asbestos related expenses and adjustments, and acquisition costs*

*2 Excludes Asbestos related expenses and adjustments, loss on early debt extinguishment, acquisition costs, and other tax adjustments*

# CHANGES IN AUD vs. USD

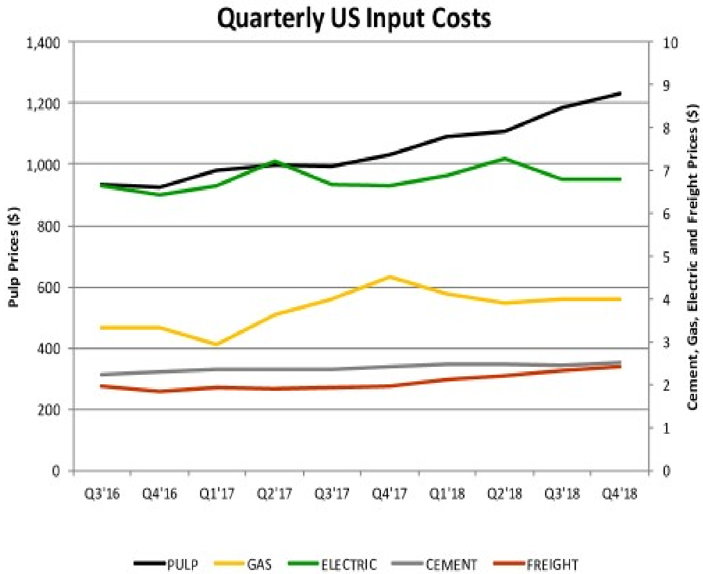



| | As Reported | | | Excluding Translation Impact [1] | | Translation Impact [2] | |
|---|---|---|---|---|---|---|---|
| **US$ Millions** | **FY18** | **FY17** | **% Change** | **FY18** | **% Change** | **$ Favorable (Unfavorable)** | **%** |
| Net Sales | $ 2,054.5 | 1,921.6 | ▲ 7% | $ 2,047.7 | ▲ 7% | 6.8 | - |
| Gross Profit | 730.2 | 674.7 | ▲ 8% | 727.4 | ▲ 8% | 2.8 | - |
| Adjusted EBIT | 397.5 | 354.3 | ▲ 12% | 395.8 | ▲ 12% | 1.7 | - |
| Adjusted net operating profit | $ 291.3 | 248.6 | ▲ 17% | $ 292.2 | ▲ 17% | (0.9) | - |

[1] *As Reported FY18 figures converted using FY17 weighted average exchange rates*

[2] *Reflects the difference between FY18 As Reported and FY18 using FY17 weighted average exchange rates*

# NORTH AMERICA INPUT COSTS

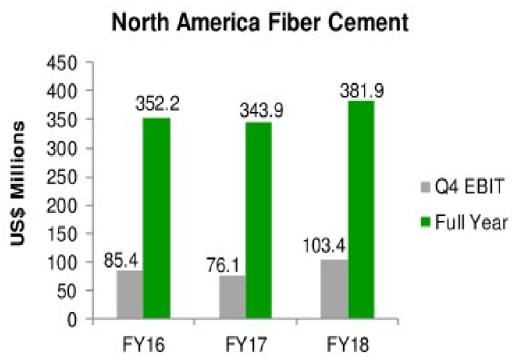



- Freight market prices ***up*** 23% compared to pcp
- The price of NBSK pulp ***up*** 19% compared to pcp
- Cement prices ***up*** 3% compared to pcp
- Electricity prices ***up*** 2% compared to pcp
- Gas prices are ***down*** 12% compared to pcp

*The information underlying the table above is sourced as follows:*

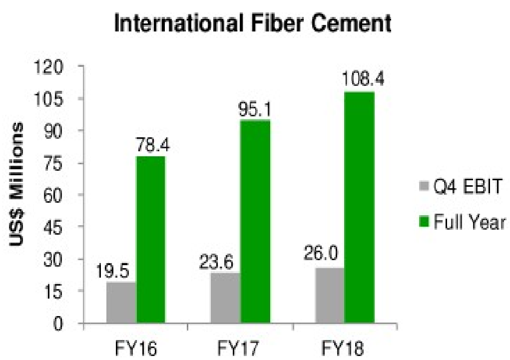
- *Pulp – Cost per ton – from RISI*
- *Gas – Cost per thousand cubic feet for industrial users – from US Energy Information Administration*
- *Electric – Cost per thousand kilowatt hour for industrial users – from US Energy Information Administration*
- *Cement – Relative index from the Bureau of Labor Statistics*
- *Freight – Cost per mile – from Dial-a-Truck Solutions*
- *Gas and Electric prices for current quarter are based on prior quarter actuals*

# SEGMENT EBIT – 4th QUARTER and FULL YEAR FY18




## North America Fiber Cement EBIT summary

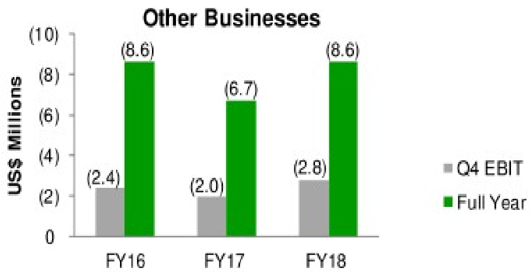
- Q4 EBIT increased 36% and full year EBIT increased 11% compared to pcp
- Quarter increase primarily driven by lower production costs and higher average net sales price
- Full year increase primarily driven by higher net sales price, partially offset by higher production costs

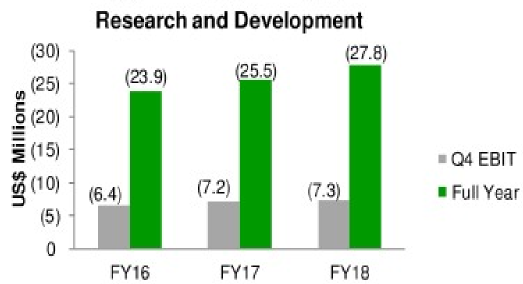


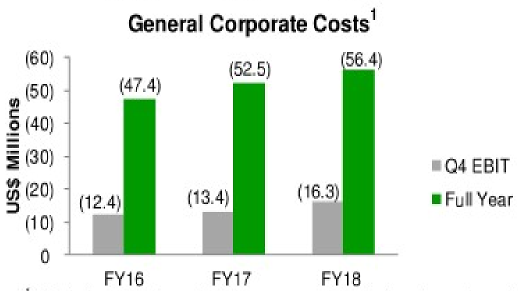

## International Fiber Cement EBIT summary

- Q4 EBIT increased 10% and full year EBIT increased 14% compared to pcp
- Strong volume growth in Australia and the Philippines during the year
- Increased market penetration in Australia during the year; gain in market share

# SEGMENT EBIT – 4th QUARTER and FULL YEAR FY18




[1] *Excludes Asbestos related expenses and adjustments, and acquisition costs*

## Other Businesses

- Continued investments in product development, manufacturing and organizational capabilities

## R&D

- On strategy to invest ~2-3% of net sales
- Increased spend for Other Businesses segment, and overall increase in number of projects

## General Corporate Costs

- Change in foreign exchange gains and losses and higher stock compensation expenses
- Partially offset by the gain on the sale of a storage building near our Fontana facility in Q1 FY18

# INCOME TAX

| Three Months and Full Year Ended 31 March | | | | |
|---|---|---|---|---|
| **US$ Millions** | **Q4'18** | **Q4'17** | **FY18** | **FY17** |
| Operating (loss) profit before taxes | (103.2) | 71.1 | 174.3 | 367.0 |
| Asbestos adjustments[1] | 192.6 | (0.8) | 156.4 | (37.8) |
| Loss on early debt extinguishment | - | - | 26.1 | - |
| Fermacell acqusition costs | 5.3 | - | 10.0 | - |
| **Adjusted operating profit before income taxes** | **94.7** | **70.3** | **366.8** | **329.2** |
| Adjusted income tax expense[2] | (13.6) | (15.7) | (75.5) | (80.6) |
| **Adjusted effective tax rate** | **14.4%** | **22.3%** | **20.6%** | **24.5%** |
| Income tax benefit (expense) | 45.6 | (26.6) | (28.2) | (90.5) |
| Income taxes paid | | | 49.1 | 51.5 |
| Income taxes payable | | | 29.1 | 1.9 |

**20.6% adjusted effective tax rate for the year**

- Full year Adjusted income tax expense decrease driven by US amortization of certain intangible assets arising from an internal restructure undertaken during the quarter, offset by an increase in income
- Income taxes are paid and payable in Ireland, the US, Canada, New Zealand and the Philippines
- Income taxes are not currently paid or payable in Europe (excluding Ireland) or Australia due to tax losses. Australian tax losses primarily result from deductions relating to contributions to AICF

*[1] Includes Asbestos adjustments, AICF SG&A expenses and net AICF interest (income) expense*
*[2] Excludes tax effects of Asbestos, loss on early debt extinguishment, acquisition costs and other tax adjustments*

# Income Taxes

- **In Q4 FY18, James Hardie undertook an internal restructuring transaction**
  - Aligned certain intangible assets with our US business
  - Resulted in the US amortization of those intangible assets
  - Favorable impact on Income Tax Expense and Adjusted ETR for FY18

- **How ETR is calculated under US GAAP is changing**
  - Effective 1 April 2018 for James Hardie; impacts our financial statements in FY19, no impact in FY18
  - Starting in Q1 FY19, we will be required to recognize a DTA arising from all previous intragroup transfers

- **Economic (cash taxes paid) impact of tax expected to remain constant or improve**
  - Future Adjusted ETR may be more volatile because of:
    - New US GAAP standards
    - Ongoing impacts of US Tax Reform

# CASHFLOW

| US$ Millions | FY18 | FY17 | Change (%) |
|---|---|---|---|
| **Net Income** | **146.1** | **276.5** | **(47)** |
| Adjustment for non-cash items | 220.6 | 90.1 | |
| Annual AICF contribution | (102.2) | (91.1) | (12) |
| Operating working capital[1] | (39.5) | 1.5 | |
| Other net operating activities | 70.0 | 15.1 | |
| **Cash Flow from Operations** | **295.0** | **292.1** | **1** |
| Purchases of property, plant and equipment[2] | (208.5) | (103.9) | |
| Proceeds from sale of property, plant and equipment | 7.9 | - | |
| Acquisition of assets | - | (5.1) | |
| **Free Cash Flow[3]** | **94.4** | **183.1** | **(48)** |
| Dividends paid | (177.5) | (176.8) | - |
| Net repayments of credit facilities | (75.0) | (15.0) | |
| Net proceeds from senior unsecured notes[4] | 384.3 | 75.6 | |
| Call redemption premium paid to note holders | (19.5) | - | |
| Share related activities | 0.2 | (96.5) | |
| **Free Cash Flow after Financing Activities** | **206.9** | **(29.6)** | |

## Modest increase in net operating cash flow

- Net income adjusted for non-cash items was flat compared to pcp
- Built inventory levels during FY18
- Increase in the payment to AICF
- Favorable change in other net operating activities from normal course of business

## Higher investing activities

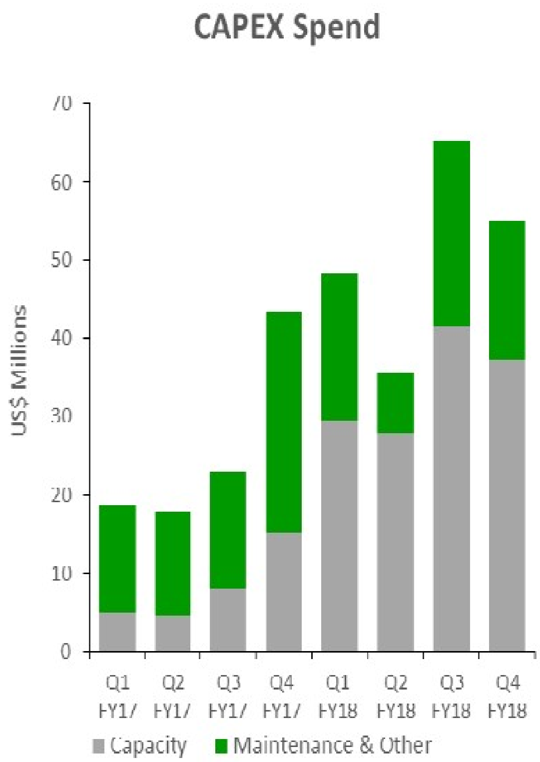
- Increase in capacity expansion related capital expenditures
- Includes proceeds from the sale of a storage building near our Fontana facility

## Cash provided by financing activities

- Driven by net proceeds of our senior unsecured notes
- Lower share buyback activity
- Net repayments of credit facilities, call redemption premium and debt issuance costs

1 *Excludes AP related to capital expenditures*
2 *Includes capitalized interest*
3 *Distinct from the term defined by the AFFA for purposes of calculating our annual contribution to AICF*
4 *Includes debt issuance costs*

# CAPITAL EXPENDITURES




**Full year CAPEX spend of US$203.7 million increased US$101.8 million compared to pcp**

- North America capacity projects:
  - Started up the 3rd sheet machine at Plant City facility; recommissioned and completed the start up of 4th sheet machine
  - Commissioned our Summerville facility which continues to start-up as planned
  - Near completion of our greenfield expansion in Tacoma, expected to be commissioned in 1H FY19
  - Continued the planning of US$240.0 million Prattville Alabama facility, expected to be commissioned in 1H FY20
- Continued to expand capacity at our Philippines facility, expected to be completed in Q1 FY19
- Began planning for a A$28.5 million brownfield expansion project at our Carole Park facility in Australia, expected to be commissioned by Q1 FY21

# FINANCIAL MANAGEMENT SUPPORTING GROWTH

## Strong Financial Management

- Strong margins and operating cash flows
- Strong governance and transparency
- Investment-grade financial management

| Moody's | S&P | Fitch |
|---|---|---|
| Ba1<br>affirmed Nov'17<br>outlook stable | BB<br>affirmed Nov'17<br>outlook stable | BBB-<br>affirmed Nov'17<br>outlook stable |

## Disciplined Capital Allocation

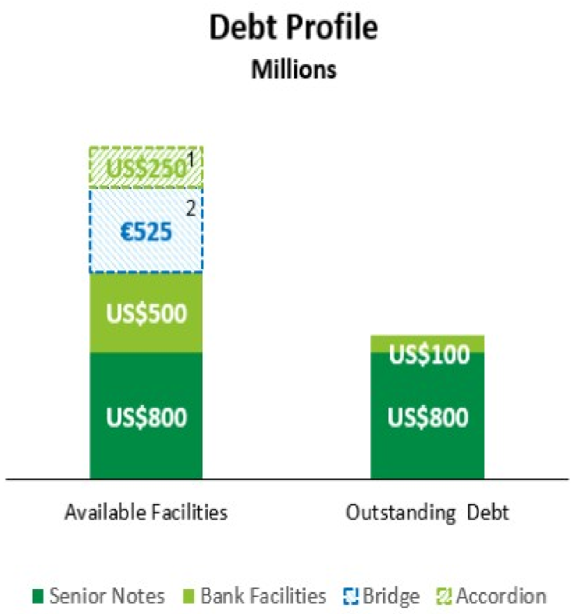
- Invest in R&D and capacity expansion to support organic growth
- Maintain ordinary dividends within the defined payout ratio
- Flexibility for:
  - Cyclical market volatility
  - Accretive and strategic inorganic opportunities
  - Further shareholder returns when appropriate

## Liquidity and Funding

- Conservative leveraging of balance sheet at a target within 1-2 times Adjusted EBITDA excluding asbestos.
  - US$500 million of unsecured revolving credit facility; US$800 million senior unsecured notes at Q4 FY18
  - Weighted average maturity of 4.7 years on bank debt; 6.9 years on total debt at Q4 FY18
  - On 3 April 2018, drew €400m on our bridge finance to fund the Fermacell acquisition

Financial management consistent with investment grade credit
Ability to withstand market cycles and other unanticipated events

# LIQUIDITY PROFILE AT 31 March 2018




[1] *Incremental liquidity of up to US$250 million may be accessed via an accordion feature, which is provided for under the terms of the syndicated revolving credit facility agreement, but not credit approved*

[2] *On 13 December 2017, a 364-day term loan bridge facility was executed to facilitate the Fermacell acquisition. The facility limit is €525 million or US$630m per the credit agreement. The single-draw facility was undrawn at 31 March 2018 and on 3 April 2018, €400 million was drawn down to fund the Fermacell acquisition.*

[3] *Includes debt issuance costs ($15.6 million)*

## Strong balance sheet

- US$281.6 million cash
- US$602.8 million net debt[3]
- 80% liquidity on bank debt

## Corporate debt structure

- US$400 million 4.75% senior unsecured notes maturing January 2025
- US$400 million 5.00% senior unsecured notes maturing January 2028
- US$500 million unsecured revolving credit facility, with a December 2022 maturity
- €525m bridge finance available[2]

## Leverage strategy

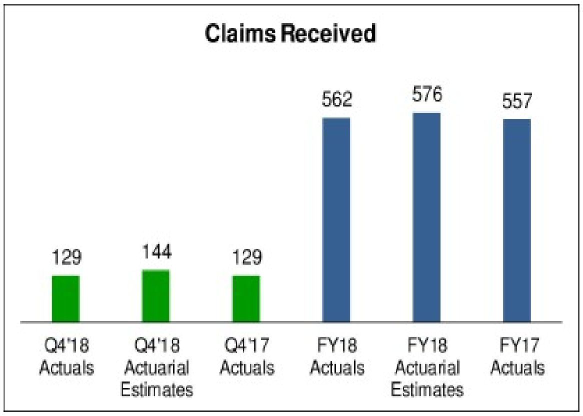
- 1.24x net debt to Adjusted EBITDA excluding asbestos; within the 1-2x leverage target range

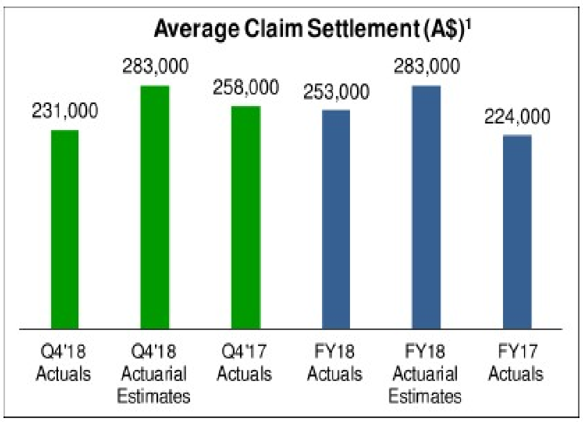
# ASBESTOS COMPENSATION

## KEY POINTS

- Updated actuarial report completed as at 31 March 2018
- Undiscounted and uninflated central estimate increased to A$1,443 million from A$1,386 million
- Increase of A$113 million in NPV of estimate to A$1,853 million, from A$1,740 million at 31 March 2017, reflecting:
  - Increase of A$269 million due to actuarial assumptions;
  - Decrease of A$83 million due to the payments made by AICF during the year and less discounting cashflows; and
  - Decrease of A$73 million due to AFFA amendment in December 2017 which removed the gratuitous service costs in Victoria
- Total contributions of US$102 million (A$135 million) were made to AICF during FY2018 from our FY2017 free cash flow
- From the time AICF was established in February 2007, we have contributed approximately A$1,055 million to the fund
- We anticipate we will make a further contribution of approximately US$103 million to AICF on 2 July 2018. This amount represents 35% of our free cash flow for financial year 2018, as defined by the AFFA

# ASBESTOS CLAIMS DATA




- Quarter and full year claims received were 10% and 2% below actuarial estimates, respectively
- Quarter and full year claims received were flat and 1% higher, respectively, compared to pcp
- Mesothelioma claims reported for the full year:
  - 5% above actuarial estimates
  - 5% higher than pcp
- Average claim settlement for the full year was 11% below actuarial estimates:
  - Lower average claim settlement sizes across most disease types
  - Favorable large claims experience

[1] *Average claim settlement is derived as the total amount paid divided by the number of non-nil claim*

# FY2019 KEY PLANNING ASSUMPTIONS

- The Company expects to see steady growth in the US housing market continue in fiscal year 2019
- US Residential Housing Starts forecasted to be between 1.2 and 1.3 million
- North America Fiber Cement Segment
  - EBIT margins expected to be in the top end of our stated target range of 20% to 25%
  - Expectation is based upon the Company continuing to deliver operating performance in our plants consistent with recent quarters, stable exchange rates and a moderate inflationary trend for input costs
- Australian business expected to trend in line with the average growth of the domestic repair and remodel and single detached housing markets in the eastern states of Australia
- Macroeconomic and housing market conditions in the European markets consistent with fiscal year 2018

## SUMMARY

| Adjusted Net Operating Profit[1] | | | | | |
|---|---|---|---|---|---|
| 4th Qtr | | | Full Year | | |
| US$81.1M | ↑ | 49% | US$291.3M | ↑ | 17% |

| Adjusted Diluted EPS[1] | | | | | |
|---|---|---|---|---|---|
| 4th Qtr | | | Full Year | | |
| US18 cents | ↑ | 50% | US66 cents | ↑ | 18% |

| Adjusted EBIT [2] | | | | | |
|---|---|---|---|---|---|
| 4th Qtr | | | Full Year | | |
| US$103.0M | ↑ | 34% | US$397.5M | ↑ | 12% |

| Net Operating Cash Flow | | |
|---|---|---|
| Full Year | | |
| US$295.0M | ↑ | 1% |

- Good operational momentum in North America Fiber Cement, strong performance in Australia
  - Higher net sales in North America Fiber Cement segment
  - Volume growth and market penetration in our International Fiber Cement segment
- Strong cash generation disciplined capital allocation:
  - Invested US$203.7 million on CAPEX to expand capacity and manufacturing footprint
  - US$177.5 million of capital returned to shareholders
  - Closed the acquisition of Fermacell on 3 April 2018

[1] *Excludes Asbestos related expenses and adjustments, loss on early debt extinguishment, acquisition costs and tax adjustments*
[2] *Excludes Asbestos related expenses and adjustments, and acquisition costs*

James Hardie

# QUESTIONS

James Hardie

# APPENDIX

## FINANCIAL SUMMARY

| US$ Millions | Q4'18 | Q4'17 | % Change | FY18 | FY17 | % Change |
|---|---|---|---|---|---|---|
| | Three Months and Full Year Ended 31 March | | | | | |
| **Net Sales** | | | | | | |
| North America Fiber Cement | $ 410.1 | $ 387.7 | 6 | $ 1,578.1 | $ 1,493.4 | 6 |
| International Fiber Cement | 112.5 | 102.8 | 9 | 461.7 | 411.8 | 12 |
| Other Businesses | 3.3 | 3.8 | (13) | 14.7 | 16.4 | (10) |
| **Total Net Sales** | **$ 525.9** | **$ 494.3** | **6** | **$ 2,054.5** | **$ 1,921.6** | **7** |
| **EBIT** | | | | | | |
| North America Fiber Cement | $ 103.4 | $ 76.1 | 36 | $ 381.9 | $ 343.9 | 11 |
| International Fiber Cement | 26.0 | 23.6 | 10 | 108.4 | 95.1 | 14 |
| Other Businesses | (2.8) | (2.0) | (40) | (8.6) | (6.7) | (28) |
| Research & Development | (7.3) | (7.2) | (1) | (27.8) | (25.5) | (9) |
| General Corporate[1] | (16.3) | (13.4) | (22) | (56.4) | (52.5) | (7) |
| **Adjusted EBIT** | **$ 103.0** | **$ 77.1** | **34** | **$ 397.5** | **$ 354.3** | **12** |
| Net interest expense[2] | (8.8) | (6.9) | (28) | (31.4) | (26.4) | (19) |
| Other income | 0.5 | 0.1 | | 0.7 | 1.3 | (46) |
| Adjusted income tax expense | (13.6) | (15.7) | 13 | (75.5) | (80.6) | 6 |
| **Adjusted net operating profit** | **$ 81.1** | **$ 54.6** | **49** | **$ 291.3** | **$ 248.6** | **17** |

*[1] Excludes Asbestos related expenses and adjustments, loss on debt extinguishment and acquisition costs*
*[2] Excludes AICF interest income/expense*

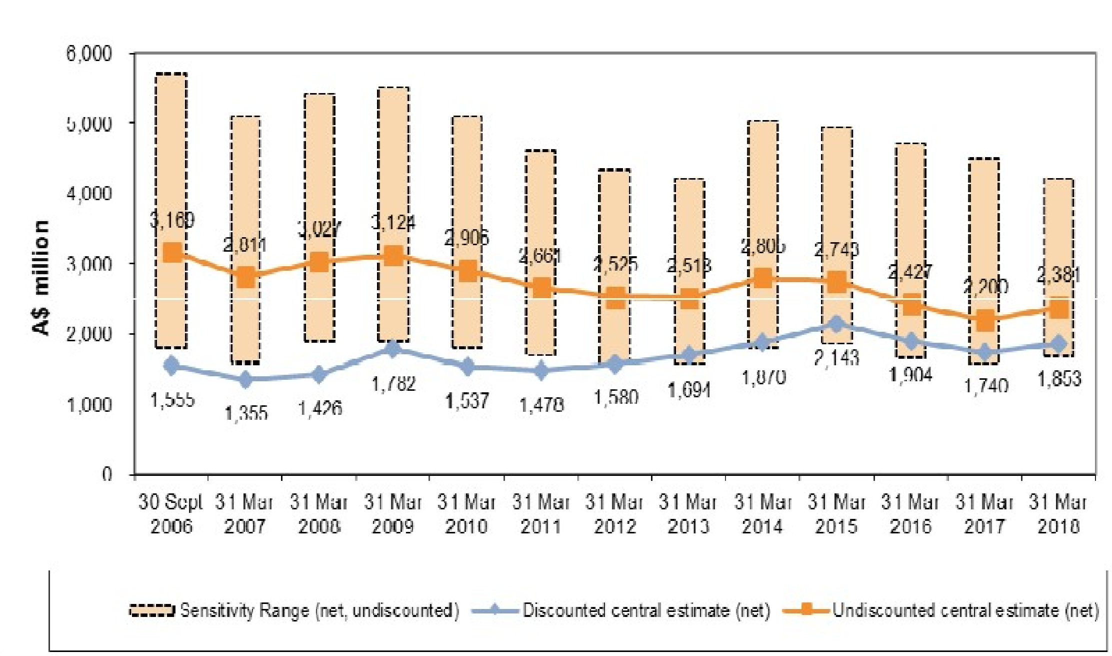
# NET POST-TAX UNFUNDED ASBESTOS LIABILITY

| A$ millions (except where stated) | FY18 | FY17 |
|---|---|---|
| Central Estimate - Undiscounted and Uninflated | $ 1,442.9 | $ 1,385.7 |
| Provision for claims handling costs of AICF | 30.1 | 29.4 |
| Cross claims and other | 33.8 | 18.8 |
| Net assets of AICF | (81.9) | (71.9) |
| Effect of tax | (526.0) | (488.6) |
| Net post-tax unfunded liability in A$ millions | $ 898.9 | $ 873.4 |
| Exchange rate US$ per A$1.00 | 0.7681 | 0.7644 |
| **Net post-tax unfunded liability in US$ millions** | **$ 690.4** | **$ 667.6** |

## ASBESTOS CASH MOVEMENTS FOR FULL YEAR ENDED 31 MARCH

| A$ millions | | |
|---|---|---|
| AICF cash and investments - 31 March 2017 | $ | 142.4 |
| Contributions to AFFA by James Hardie | | 135.1 |
| Insurance recoveries | | 9.5 |
| Loan drawdowns | | - |
| Loan repayments | | (68.5) |
| Interest income, net | | 2.5 |
| Claims paid | | (133.1) |
| Operating costs | | (4.0) |
| Other | | 0.7 |
| **AICF cash and investments - 31 March 2018** | **$** | **84.6** |

# UPDATED ACTUARIAL ESTIMATE



## DEPRECIATION AND AMORTIZATION

| US$ Millions | Three Months and Full Year Ended 31 March | | | |
|---|---|---|---|---|
| | Q4'18 | Q4'17 | FY18 | FY17 |
| **Depreciation and amortization** | | | | |
| North America Fiber Cement | $ 18.4 | $ 16.3 | $ 72.5 | $ 64.3 |
| International Fiber Cement | 3.1 | 2.9 | 12.6 | 11.8 |
| Other Businesses | 0.5 | 0.5 | 2.1 | 2.2 |
| Research and Development | 0.3 | 0.3 | 1.4 | 1.7 |
| General Corporate | 1.1 | 0.7 | 3.4 | 3.2 |
| **Total depreciation and amortization** | **$ 23.4** | **$ 20.7** | **$ 92.0** | **$ 83.2** |

# NON-US GAAP FINANCIAL MEASURES AND TERMS

This Management Presentation 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 the Management's Analysis of Results, Media Release and Consolidated Financial Statements

**Definitions**

**EBIT** – Earnings before interest and taxes

**EBIT margin** – EBIT margin is defined as EBIT as a percentage of net sales

**Sales Volumes**

**mmsf** – million square feet, where a square foot is defined as a standard square foot of 5/16" thickness

**msf** – thousand square feet, where a square foot is defined as a standard square foot of 5/16" thickness

**Non-financial Terms**

**AFFA** – Amended and Restated Final Funding Agreement

**AICF** – Asbestos Injuries Compensation Fund Ltd

# NON-US GAAP FINANCIAL MEASURES

**Financial Measures – US GAAP equivalents**

This document contains financial statement line item descriptions that are considered to be non-US GAAP, but are consistent with those used by Australian companies. Because the company prepares its Consolidated Financial Statements under US GAAP, the following table cross-references each non-US GAAP line item description, as used in Management's Analysis of Results and Media Release, to the equivalent US GAAP financial statement line item description used in the company's Consolidated Financial Statements:

| Management's Analysis of Results and Media Release | Consolidated Statements of Operations and Other Comprehensive Income (Loss) (US GAAP) |
|---|---|
| Net sales | Net sales |
| Cost of goods sold | Cost of goods sold |
| Gross profit | Gross profit |
| Selling, general and administrative expenses | Selling, general and administrative expenses |
| Research and development expenses | Research and development expenses |
| Asbestos adjustments | Asbestos adjustments |
| EBIT* | Operating income (loss) |
| Net interest income (expense)* | Sum of interest expense and interest income |
| Other income (expense) | Other income (expense) |
| Operating profit (loss) before income taxes* | Income (loss) before income taxes |
| Income tax (expense) benefit | Income tax (expense) benefit |
| Net operating profit (loss)* | Net income (loss) |

*- Represents non-US GAAP descriptions used by Australian companies.

# NON-US GAAP FINANCIAL MEASURES

## Financial Measures – US GAAP equivalents

### Adjusted EBIT

| US$ Millions | Three Months and Full Year Ended 31 March | | | |
|---|---|---|---|---|
| | Q4'18 | Q4'17 | FY18 | FY17 |
| **EBIT** | **$ (95.8)** | **$ 78.2** | **$ 229.2** | **$ 393.2** |
| Asbestos: | | | | |
| Asbestos adjustments | 192.9 | (1.4) | 156.4 | (40.4) |
| AICF SG&A expenses | 0.6 | 0.3 | 1.9 | 1.5 |
| Fermacell acquisition costs | 5.3 | - | 10.0 | - |
| **Adjusted EBIT** | **$ 103.0** | **$ 77.1** | **$ 397.5** | **$ 354.3** |
| Net sales | $ 525.9 | $ 494.3 | $ 2,054.5 | $ 1,921.6 |
| **Adjusted EBIT margin** | **19.6%** | **15.6%** | **19.3%** | **18.4%** |

### Adjusted net operating profit

| US$ Millions | Three Months and Full Year Ended 31 March | | | |
|---|---|---|---|---|
| | Q4'18 | Q4'17 | FY18 | FY17 |
| **Net operating (loss) profit** | **$ (57.6)** | **$ 44.5** | **$ 146.1** | **$ 276.5** |
| Asbestos: | | | | |
| Asbestos adjustments | 192.9 | (1.4) | 156.4 | (40.4) |
| AICF SG&A expenses | 0.6 | 0.3 | 1.9 | 1.5 |
| AICF interest (income) expense, net | (0.9) | 0.3 | (1.9) | 1.1 |
| Loss on early debt extinguishment | - | - | 26.1 | - |
| Fermacell acquisition costs | 5.3 | - | 10.0 | - |
| Tax adjustments[1] | (59.2) | 10.9 | (47.3) | 9.9 |
| **Adjusted net operating profit** | **$ 81.1** | **$ 54.6** | **$ 291.3** | **$ 248.6** |

[1] *Includes tax adjustments related to Asbestos, loss on early debt extinguishment and other tax adjustments*

# NON-US GAAP FINANCIAL MEASURES

## Adjusted diluted earnings per share

| | Three Months and Full Year Ended 31 March | | | |
|---|---|---|---|---|
| | Q4'18 | Q4'17 | FY18 | FY17 |
| **Adjusted net operating profit (US$ Millions)** | **$ 81.1** | **$ 54.6** | **$ 291.3** | **$ 248.6** |
| Weighted average common shares outstanding - Diluted (millions) | 443.0 | 441.4 | 442.3 | 443.9 |
| **Adjusted diluted earnings per share (US cents)** | **18** | **12** | **66** | **56** |

## Adjusted effective tax rate

| US$ Millions | Three Months and Full Year Ended 31 March | | | |
|---|---|---|---|---|
| | Q4'18 | Q4'17 | FY18 | FY17 |
| **Operating (loss) profit before income taxes** | **$ (103.2)** | **$ 71.1** | **$ 174.3** | **$ 367.0** |
| Asbestos: | | | | |
| Asbestos adjustments | 192.9 | (1.4) | 156.4 | (40.4) |
| AICF SG&A expenses | 0.6 | 0.3 | 1.9 | 1.5 |
| AICF interest (income) expense, net | (0.9) | 0.3 | (1.9) | 1.1 |
| Loss on early debt extinguishment | - | - | 26.1 | - |
| Fermacell acquisition costs | 5.3 | - | 10.0 | - |
| **Adjusted operating profit before income taxes** | **$ 94.7** | **$ 70.3** | **$ 366.8** | **$ 329.2** |
| | | | | |
| Income tax benefit (expense) | $ 45.6 | $ (26.6) | $ (28.2) | $ (90.5) |
| Tax adjustments[1] | (59.2) | 10.9 | (47.3) | 9.9 |
| **Adjusted income tax expense** | **$ (13.6)** | **$ (15.7)** | **$ (75.5)** | **$ (80.6)** |
| Effective tax rate | 44.2% | 37.4% | 16.2% | 24.7% |
| **Adjusted effective tax rate** | **14.4%** | **22.3%** | **20.6%** | **24.5%** |

[1] *Includes tax adjustments related to Asbestos, loss on early debt extinguishment and other tax adjustments*

# NON-US GAAP FINANCIAL MEASURES

**Adjusted EBITDA excluding Asbestos**

| US$ Millions | Three Months and Full Year Ended 31 March | | | |
|---|---|---|---|---|
| | Q4'18 | Q4'17 | FY18 | FY17 |
| **EBIT** | **$ (95.8)** | **$ 78.2** | **$ 229.2** | **$ 393.2** |
| Depreciation and amortization | 23.4 | 20.7 | 92.0 | 83.2 |
| **Adjusted EBITDA** | **$ (72.4)** | **$ 98.9** | **$ 321.2** | **$ 476.4** |
| Asbestos: | | | | |
| Asbestos adjustments | 192.9 | (1.4) | 156.4 | (40.4) |
| AICF SG&A expenses | 0.6 | 0.3 | 1.9 | 1.5 |
| **Adjusted EBITDA excluding Asbestos** | **$ 121.1** | **$ 97.8** | **$ 479.5** | **$ 437.5** |

**Adjusted selling, general and administrative expenses ("Adjusted SG&A")**

| US$ Millions | Three Months and Full Year Ended 31 March | | | |
|---|---|---|---|---|
| | Q4'18 | Q4'17 | FY18 | FY17 |
| **SG&A expenses** | **$ 85.1** | **$ 75.9** | **$ 311.3** | **$ 291.6** |
| Excluding: | | | | |
| AICF SG&A expenses | (0.6) | (0.3) | (1.9) | (1.5) |
| Fermacell acquisition costs | (5.3) | - | (10.0) | - |
| **Adjusted SG&A expenses** | **$ 79.2** | **$ 75.6** | **$ 299.4** | **$ 290.1** |
| Net sales | $ 525.9 | $ 494.3 | $ 2,054.5 | $ 1,921.6 |
| SG&A expenses as a percentage of net sales | 16.2% | 15.4% | 15.2% | 15.2% |
| **Adjusted SG&A expenses as a percentage of net sales** | **15.1%** | **15.3%** | **14.6%** | **15.1%** |

# NON-US GAAP FINANCIAL MEASURES

**Adjusted Return on Capital Employed ("Adjusted ROCE")**

| US$ Millions | Full Year Ended 31 March[1] | |
|---|---|---|
| | FY18 | FY17 |
| **Numerator** | | |
| **Adjusted EBIT** | **$ 397.5** | **$ 354.3** |
| Denominator | | |
| Gross capital employed (GCE) | 1,272.0 | 1,107.6 |
| Adjustment to GCE | (24.3) | 50.3 |
| **Adjusted gross capital employed** | **$ 1,247.7** | **$ 1,157.9** |
| **Adjusted Return on Captial Employed** | **31.9%** | **30.6%** |

*[1] Adjusted ROCE is used to assess annual financial results and therefore is not presented for the three months ended 31 March 2018*

James Hardie

# Q4 FY18 MANAGEMENT PRESENTATION

22 May 2018

# James Hardie Industries plc

## Consolidated Financial Statements
## as of and for the Year Ended 31 March 2018

## James Hardie Industries plc
## Index

## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of James Hardie Industries plc

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of James Hardie Industries plc (the Company) as of 31 March 2018 and 2017, the related consolidated statements of operations and comprehensive income, changes in shareholders' deficit, and cash flows for each of the three years in the period ended 31 March 2018, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at 31 March 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended 31 March 2018, in conformity with U.S. generally accepted accounting principles.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2008.
Irvine, California
22 May 2018

# James Hardie Industries plc
## Consolidated Balance Sheets

| (Millions of US dollars) | | **31 March 2018** | | 31 March 2017 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | **$** | **281.6** | $ | 78.9 |
| Restricted cash and cash equivalents | | **5.0** | | 5.0 |
| Restricted cash and cash equivalents - Asbestos | | **26.6** | | 108.9 |
| Restricted short-term investments - Asbestos | | **38.4** | | — |
| Accounts and other receivables, net of provision for doubtful trade debts of US$1.3 million and US$0.9 million as of 31 March 2018 and 31 March 2017 | | **202.7** | | 199.5 |
| Inventories | | **255.7** | | 202.9 |
| Prepaid expenses and other current assets | | **25.4** | | 28.3 |
| Insurance receivable - Asbestos | | **5.1** | | 5.7 |
| Workers' compensation - Asbestos | | **2.1** | | 2.9 |
| Total current assets | | **842.6** | | 632.1 |
| Property, plant and equipment, net | | **992.1** | | 879.0 |
| Insurance receivable - Asbestos | | **52.8** | | 58.1 |
| Workers' compensation - Asbestos | | **28.8** | | 40.4 |
| Deferred income taxes | | **29.9** | | 26.9 |
| Deferred income taxes - Asbestos | | **382.9** | | 356.6 |
| Other assets | | **21.9** | | 19.6 |
| Total assets | **$** | **2,351.0** | $ | 2,012.7 |
| **Liabilities and Shareholders' Deficit** | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | **$** | **193.3** | $ | 173.5 |
| Short-term debt - Asbestos | | **—** | | 52.4 |
| Accrued payroll and employee benefits | | **61.8** | | 60.5 |
| Accrued product warranties | | **7.3** | | 9.4 |
| Income taxes payable | | **3.2** | | 1.9 |
| Asbestos liability | | **114.1** | | 116.4 |
| Workers' compensation - Asbestos | | **2.1** | | 2.9 |
| Other liabilities | | **12.8** | | 11.8 |
| Total current liabilities | | **394.6** | | 428.8 |
| Long-term debt | | **884.4** | | 564.5 |
| Deferred income taxes | | **66.4** | | 94.8 |
| Accrued product warranties | | **45.5** | | 37.2 |
| Income taxes payable | | **25.9** | | — |
| Asbestos liability | | **1,101.0** | | 1,043.3 |
| Workers' compensation - Asbestos | | **28.8** | | 40.4 |
| Other liabilities | | **25.9** | | 15.9 |
| Total liabilities | | **2,572.5** | | 2,224.9 |
| Commitments and contingencies (Note 13) | | | | |
| Shareholders' deficit: | | | | |
| Common stock, Euro 0.59 par value, 2.0 billion shares authorized; 441,524,118 shares issued and outstanding at 31 March 2018 and 440,843,275 shares issued and outstanding at 31 March 2017 | | **229.5** | | 229.1 |
| Additional paid-in capital | | **185.6** | | 173.8 |
| Accumulated deficit | | **(635.3)** | | (612.9) |
| Accumulated other comprehensive loss | | **(1.3)** | | (2.2) |
| Total shareholders' deficit | | **(221.5)** | | (212.2) |
| Total liabilities and shareholders' deficit | **$** | **2,351.0** | $ | 2,012.7 |

The accompanying notes are an integral part of these consolidated financial statements.

# James Hardie Industries plc
## Consolidated Statements of Operations and Comprehensive Income

| | Years Ended 31 March | | |
|---|---|---|---|
| (Millions of US dollars, except per share data) | **2018** | 2017 | 2016 |
| Net sales | **$ 2,054.5** | $ 1,921.6 | $ 1,728.2 |
| Cost of goods sold | **(1,324.3)** | (1,246.9) | (1,096.0) |
| Gross profit | **730.2** | 674.7 | 632.2 |
| Selling, general and administrative expenses | **(311.3)** | (291.6) | (254.2) |
| Research and development expenses | **(33.3)** | (30.3) | (29.5) |
| Asbestos adjustments | **(156.4)** | 40.4 | 5.5 |
| Operating income | **229.2** | 393.2 | 354.0 |
| Interest expense, net of capitalized interest | **(32.9)** | (28.5) | (26.6) |
| Interest income | **3.4** | 1.0 | 1.0 |
| Loss on early debt extinguishment | **(26.1)** | — | — |
| Other income | **0.7** | 1.3 | 2.1 |
| Income before income taxes | **174.3** | 367.0 | 330.5 |
| Income tax expense | **(28.2)** | (90.5) | (86.1) |
| Net income | **$ 146.1** | $ 276.5 | $ 244.4 |
| Income per share: | | | |
| Basic | **$ 0.33** | $ 0.62 | $ 0.55 |
| Diluted | **$ 0.33** | $ 0.62 | $ 0.55 |
| Weighted average common shares outstanding (Millions): | | | |
| Basic | **441.2** | 442.7 | 445.3 |
| Diluted | **442.3** | 443.9 | 447.2 |
| Comprehensive income, net of tax: | | | |
| Net income | **$ 146.1** | $ 276.5 | $ 244.4 |
| Pension and post-retirement benefit adjustments | **—** | — | 0.3 |
| Currency translation adjustments | **0.9** | (3.0) | 0.9 |
| Comprehensive income | **$ 147.0** | $ 273.5 | $ 245.6 |

The accompanying notes are an integral part of these consolidated financial statements.

# James Hardie Industries plc
## Consolidated Statements of Cash Flows

| (Millions of US dollars) | Years Ended 31 March **2018** | 2017 | 2016 |
|---|---|---|---|
| **Cash Flows From Operating Activities** | | | |
| Net income | **$ 146.1** | $ 276.5 | $ 244.4 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | |
| Depreciation and amortization | **92.0** | 83.2 | 79.8 |
| Deferred income taxes | **(76.8)** | 26.0 | (0.1) |
| Stock-based compensation | **11.1** | 9.3 | 10.3 |
| Asbestos adjustments | **156.4** | (40.4) | (5.5) |
| Excess tax benefits from share-based awards | **(0.8)** | (3.0) | (0.4) |
| Loss on early debt extinguishment | **26.1** | — | — |
| Other, net | **12.6** | 15.0 | 14.8 |
| Changes in operating assets and liabilities: | | | |
| Restricted cash and cash equivalents - Asbestos | **95.2** | 0.9 | 100.3 |
| Payment to AICF | **(102.2)** | (91.1) | (62.8) |
| Accounts and other receivables | **(2.0)** | (28.4) | (39.9) |
| Inventories | **(51.7)** | (9.7) | 16.2 |
| Prepaid expenses and other assets | **(2.8)** | (2.1) | (3.9) |
| Insurance receivable - Asbestos | **7.3** | 93.3 | 17.2 |
| Accounts payable and accrued liabilities | **14.2** | 39.6 | (16.9) |
| Asbestos liability | **(104.4)** | (92.0) | (114.9) |
| Income taxes payable | **26.9** | (2.7) | 4.0 |
| Other accrued liabilities | **47.8** | 17.7 | 17.8 |
| **Net cash provided by operating activities** | **$ 295.0** | $ 292.1 | $ 260.4 |
| **Cash Flows From Investing Activities** | | | |
| Purchases of property, plant and equipment | **$ (203.7)** | $ (101.9) | $ (73.2) |
| Proceeds from sale of property, plant and equipment | **7.9** | — | 10.4 |
| Capitalized interest | **(4.8)** | (2.0) | (3.2) |
| Acquisition of assets | **—** | (5.1) | (0.6) |
| **Net cash used in investing activities** | **$ (200.6)** | $ (109.0) | $ (66.6) |
| **Cash Flows From Financing Activities** | | | |
| Proceeds from credit facilities | **$ 380.0** | $ 395.0 | $ 528.0 |
| Repayments of credit facilities | **(455.0)** | (410.0) | (413.0) |
| Proceeds from senior unsecured notes | **800.0** | 77.3 | — |
| Debt issuance costs | **(15.7)** | (1.7) | (3.1) |
| Repayment of senior unsecured notes | **(400.0)** | — | — |
| Call redemption premium paid to note holders | **(19.5)** | — | — |
| Proceeds from issuance of shares | **0.2** | 0.3 | 2.1 |
| Excess tax benefits from share-based awards | **—** | 3.0 | 0.4 |
| Common stock repurchased and retired | **—** | (99.8) | (22.3) |
| Dividends paid | **(177.5)** | (176.8) | (246.5) |
| **Net cash provided by (used in) financing activities** | **$ 112.5** | $ (212.7) | $ (154.4) |
| Effects of exchange rate changes on cash | **$ (4.2)** | $ 1.4 | $ 0.7 |
| Net increase (decrease) in cash and cash equivalents | **202.7** | (28.2) | 40.1 |
| Cash and cash equivalents at beginning of period | **78.9** | 107.1 | 67.0 |
| **Cash and cash equivalents at end of period** | **$ 281.6** | $ 78.9 | $ 107.1 |
| **Components of Cash and Cash Equivalents** | | | |
| Cash at bank | **$ 278.8** | $ 75.0 | $ 94.5 |
| Short-term deposits | **2.8** | 3.9 | 12.6 |
| Cash and cash equivalents at end of period | **$ 281.6** | $ 78.9 | $ 107.1 |
| **Supplemental Disclosure of Cash Flow Activities** | | | |
| Cash paid during the year for interest | **$ 26.3** | $ 26.2 | $ 20.5 |
| Cash paid during the year for income taxes, net | **$ 49.1** | $ 51.5 | $ 57.8 |

The accompanying notes are an integral part of these consolidated financial statements.

# James Hardie Industries plc
## Consolidated Statements of Changes in Shareholders' Deficit

| (Millions of US dollars) | Common Stock | Additional Paid-in Capital | Accumulated Deficit | Treasury Stock | Accumulated Other Comprehensive (loss) income | Total |
|---|---|---|---|---|---|---|
| **Balances as of 31 March 2015** | **$ 231.2** | **$ 153.2** | **$ (586.6)** | **$ —** | **$ (0.4)** | **$ (202.6)** |
| Net income | — | — | 244.4 | — | — | 244.4 |
| Other comprehensive income | — | — | — | — | 1.2 | 1.2 |
| Stock-based compensation | 0.8 | 9.5 | — | — | — | 10.3 |
| Tax benefit from stock options exercised | — | 0.4 | — | — | — | 0.4 |
| Equity awards exercised | 0.2 | 1.9 | — | — | — | 2.1 |
| Dividends declared | — | — | (258.7) | — | — | (258.7) |
| Treasury stock purchased | — | — | — | (22.3) | — | (22.3) |
| Treasury stock retired | (0.8) | (0.6) | (20.9) | 22.3 | — | — |
| **Balances as of 31 March 2016** | **$ 231.4** | **$ 164.4** | **$ (621.8)** | **$ —** | **$ 0.8** | **$ (225.2)** |
| Net income | — | — | 276.5 | — | — | 276.5 |
| Other comprehensive loss | — | — | — | — | (3.0) | (3.0) |
| Stock-based compensation | 0.9 | 8.4 | — | — | — | 9.3 |
| Tax benefit from stock options exercised | — | 3.0 | — | — | — | 3.0 |
| Equity awards exercised | — | 0.3 | — | — | — | 0.3 |
| Dividends declared | — | — | (173.3) | — | — | (173.3) |
| Treasury stock purchased | — | — | — | (99.8) | — | (99.8) |
| Treasury stock retired | (3.2) | (2.3) | (94.3) | 99.8 | — | — |
| **Balances as of 31 March 2017** | **$ 229.1** | **$ 173.8** | **$ (612.9)** | **$ —** | **$ (2.2)** | **$ (212.2)** |
| Net income | — | — | 146.1 | — | — | 146.1 |
| Other comprehensive income | — | — | — | — | 0.9 | 0.9 |
| Stock-based compensation | 0.4 | 11.6 | (0.9) | — | — | 11.1 |
| Equity awards exercised | — | 0.2 | — | — | — | 0.2 |
| Dividends declared | — | — | (167.6) | — | — | (167.6) |
| **Balances as of 31 March 2018** | **$ 229.5** | **$ 185.6** | **$ (635.3)** | **$ —** | **$ (1.3)** | **$ (221.5)** |

The accompanying notes are an integral part of these consolidated financial statements.

## 1. Background and Basis of Presentation

### Nature of Operations

James Hardie Industries plc ("JHI plc") manufactures and sells fiber cement building products for interior and exterior building construction applications, primarily in the United States, Canada, Australia, New Zealand, the Philippines and Europe.

### Basis of Presentation

The consolidated financial statements represent the financial position, results of operations and cash flows of JHI plc and its wholly-owned subsidiaries and variable interest entity ("VIE"). Unless the context indicates otherwise, JHI plc and its direct and indirect wholly-owned subsidiaries and VIE (as of the time relevant to the applicable reference) are collectively referred to as "James Hardie", the "James Hardie Group" or the "Company". The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The US dollar is used as the reporting currency.

## 2. Summary of Significant Accounting Policies

### Reclassifications

Within the operating activities section of the Consolidated Statement of Cash Flows for the years ended 31 March 2017 and 2016, the Company reclassified the change in the *Income Tax Payable* balance of US$2.7 million and US$4.0 million which was previously included within a change in *Other Accrued Liabilities*, and separated these costs in the change in *Income Tax Payable* line item, to conform to current year presentation.

### Principles of Consolidation

The consolidated financial statements of the Company include the accounts of JHI plc, its wholly-owned subsidiaries and VIE. All intercompany balances and transactions have been eliminated in consolidation.

A VIE is an entity that is evaluated for consolidation using more than a simple analysis of voting control. The analysis is based on (i) what party has the power to direct the most significant activities of the VIE that impact its economic performance, and (ii) what party has rights to receive benefits or is obligated to absorb losses that are significant to the VIE. The analysis of the party that consolidates a VIE is a continual assessment.

In February 2007, the Company's shareholders approved the Amended and Restated Final Funding Agreement (the "AFFA"), an agreement pursuant to which the Company provides long-term funding to Asbestos Injuries Compensation Fund ("AICF"), a special purpose fund that provides compensation for the Australian-related personal injuries for which certain former subsidiary companies of James Hardie in Australia (being Amaca Pty Ltd ("Amaca"), Amaba Pty Ltd ("Amaba") and ABN 60 Pty Limited ("ABN 60") (collectively, the "Former James Hardie Companies")) are found liable. JHI plc owns 100% of James Hardie 117 Pty Ltd (the "Performing Subsidiary"), which, under the terms of the AFFA, has an obligation to make payments to AICF on an annual basis subject to the provisions of the AFFA. JHI plc guarantees the Performing Subsidiary's obligation. Additionally, the Company appoints three AICF directors and the New South Wales ("NSW") Government appoints two AICF directors.

Although the Company has no ownership interest in AICF, for financial reporting purposes, the Company consolidates AICF which is a VIE as defined under US GAAP due to its pecuniary and contractual interests in AICF as a result of the funding arrangements outlined in the AFFA. The Company's consolidation of AICF results in AICF's assets and liabilities being recorded on its consolidated balance sheets and AICF's income and expense transactions being recorded in the consolidated statements of operations and comprehensive income. These items are Australian dollar-denominated and are subject to remeasurement into US dollars at each reporting date.

For the fiscal years ended 31 March 2018, 2017 and 2016, the Company did not provide financial or other support to AICF that it was not previously contractually required to provide.

**Use of Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Foreign Currency Translation/Remeasurement**

All assets and liabilities are translated or remeasured into US dollars at current exchange rates while revenues and expenses are translated or remeasured at average exchange rates in effect for the period. The effects of foreign currency translation adjustments are included directly in other comprehensive income in shareholders' deficit. Gains and losses arising from foreign currency transactions are recognized in income currently.

The Company has recorded on its balance sheet certain Australian assets and liabilities, including asbestos-related assets and liabilities under the terms of the AFFA, that are denominated in Australian dollars and subject to translation (Australian entities) or remeasurement (AICF entity) into US dollars at each reporting date. Unless otherwise noted, the Company converts Australian dollar denominated assets and liabilities into US dollars at the current spot rate at the end of the reporting period; while revenues and expenses are converted using an average exchange rate for the period.

**Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents generally relate to amounts subject to letters of credit with insurance companies, which restrict the cash from use for general corporate purposes.

**Inventories**

Inventories are valued at the lower of cost or net realizable value. Cost is generally determined under the first-in, first-out method, except that the cost of raw materials and supplies is determined using actual or average costs. Cost includes the costs of materials, labor and applied factory overhead. On a regular basis, the Company evaluates its inventory balances for excess quantities and obsolescence by analyzing demand, inventory on hand, sales levels and other information. Based on these evaluations, inventory costs are adjusted to net realizable value, if necessary.

**Property, Plant and Equipment**

Property, plant and equipment are stated at cost. Property, plant and equipment of businesses acquired are recorded at their estimated fair value at the date of acquisition. Depreciation of property, plant and equipment is computed using the straight-line method over the following estimated useful lives:

| | Years |
|---|---|
| Buildings | 10 to 40 |
| Buildings Improvements | 3 to 25 |
| Leasehold Improvements | 5 to 40 |
| Machinery and Equipment | 1 to 30 |

**Depreciation and Amortization**

The Company records depreciation and amortization under both *Cost of goods sold* and *Selling, general and administrative* expenses, depending on the asset's business use. All depreciation and amortization related to plant building, machinery and equipment is recorded in *Cost of goods sold*.

**Impairment of Long-Lived Assets**

Long-lived assets, such as property, plant and equipment, are evaluated each quarter for events or changes in circumstances that indicate that an asset might be impaired because the carrying amount of the asset may not be recoverable. These include, without limitation, a significant adverse change in the extent or manner in which a long-lived asset or asset group is being used, a current period operating or cash flow loss combined with a history of operating or cash flow losses, a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group and/or a current expectation that it is more likely than not that a long lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

When such indicators of potential impairment are identified, recoverability is tested by grouping long-lived assets that are used together and represent the lowest level for which cash flows are identifiable and distinct from the cash flows of other long-lived assets, which is typically at the production line or plant facility level, depending on the type of long-lived asset subject to an impairment review.

Recoverability is measured by a comparison of the carrying amount of the asset group to the estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount exceeds the estimated undiscounted future cash flows, an impairment charge is recognized at the amount by which the carrying amount exceeds the estimated fair value of the asset group.

The methodology used to estimate the fair value of the asset group is based on a discounted cash flow analysis that considers the asset group's highest and best use that would maximize the value of the asset group. In addition, the estimated fair value of an asset group also considers, to the extent practicable, a market participant's expectations and assumptions in estimating the fair value of the asset group. If the estimated fair value of the asset group is less than the carrying value, an impairment loss is recognized at an amount equal to the excess of the carrying value over the estimated fair value of the asset group.

See Note 7 for additional information.

**Accrued Product Warranties**

An accrual for estimated future warranty costs is recorded based on an analysis by the Company, which includes the historical relationship of warranty costs to installed product at an estimated remediation cost per standard foot. Based on this analysis and other factors, the adequacy of the Company’s warranty provisions is adjusted as necessary.

**Debt**

The Company’s debt consists of an unsecured revolving credit facility, a 364-day term loan facility and senior unsecured notes. Each of the Company's debt instruments is recorded at cost, net of any original issue discount or premium, where applicable. The related original issue discount, premium and debt issuance costs are amortized over the term of each respective borrowing using the effective interest method. Debt is presented as current if the liability is due to be settled within 12 months after the balance sheet date, unless the Company has the ability and intention to refinance on a long term basis in accordance with US GAAP. Readers are referred to the discussion later in this footnote under Fair Value Measurements and Note 9 for the Company’s fair value considerations.

In addition, the Company consolidates AICF which has a loan facility. Readers are referred to the discussion later in this footnote under Asbestos-related Accounting Policies.

**Revenue Recognition**

The Company recognizes revenue when the risks and obligations of ownership have been transferred to the customer, which generally occurs at the time of delivery to the customer. The Company records estimated reductions in sales for customer rebates and discounts including volume, promotional, cash and other discounts. Rebates and discounts are recorded based on management’s best estimate when products are sold. The estimates are based on historical experience for similar programs and products. Management reviews these rebates and discounts on an ongoing basis and the related accruals are adjusted, if necessary, as additional information becomes available.

A portion of the Company’s revenue is made through distributors under a Vendor Managed Inventory agreement whereby revenue is recognized upon the transfer of title and risk of loss to the distributors.

**Income Taxes**

The Company accounts for income taxes under the asset and liability method. Under this method, deferred income taxes are recognized by applying enacted statutory rates applicable to future years to differences between the tax bases and financial reporting amounts of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that all or some portion of deferred tax assets will not be realized. Interest and penalties related to uncertain tax positions are recognized in *Income tax expense* on the consolidated statements of operations and comprehensive income. Readers are referred to Note 14 for further discussion of income taxes.

**Financial Instruments**

The Company calculates the fair value of financial instruments and includes this additional information in the notes to the consolidated financial statements. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Periodically, interest rate swaps, commodity swaps and forward exchange contracts are used to manage market risks and reduce exposure resulting from fluctuations in interest rates, commodity prices and foreign currency exchange rates. Changes in the fair value that are not designated as hedges are recorded in earnings within *Other income* at each measurement date. The Company does not use derivatives for trading purposes. Readers are referred to Note 12 for further discussion on financial instruments.

**Fair Value Measurements**

Assets and liabilities of the Company that are carried or disclosed, at fair value are classified in one of the following three categories:

Level 1 Quoted market prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date;

Level 2 Observable market-based inputs or unobservable inputs that are corroborated by market data for the asset or liability at the measurement date;

Level 3 Unobservable inputs that are not corroborated by market data used when there is minimal market activity for the asset or liability at the measurement date.

Fair value measurements of assets and liabilities are assigned a level within the fair value hierarchy based on the lowest level of any input that is significant to the fair value measurement in its entirety.

The carrying amounts of Cash and Cash Equivalents, Restricted cash and cash equivalents, Trade receivables, Trade payables and Revolving Credit Facility approximates their respective fair values due to the short-term nature of these instruments.

**Stock-based Compensation**

Stock-based compensation expense represents the estimated fair value of equity-based and liability-classified awards granted to employees and is recognized as an expense over the vesting period. Stock-based compensation expense is included in the line item *Selling, general and administrative* expenses on the consolidated statements of operations and comprehensive income.

Equity awards with vesting based solely on a service condition are typically subject to graded vesting, in that the awards vest25% after the first year, 25% after the second year and 50% after the third year. For equity awards subject to graded vesting, the Company has elected to use the accelerated recognition method. Accordingly, each vesting tranche is valued separately, and the recognition of stock-based compensation expense is more heavily weighted earlier in the vesting period. Stock-based compensation expense for equity awards that are subject to performance or market vesting conditions are based upon an estimate of the number of awards that are expected to vest and typically recognized ratably over the vesting period. The Company issues new shares to award recipients upon exercise of stock options or when the vesting condition for restricted stock units ("RSU's") has been satisfied.

For RSU's subject to a service vesting condition, the fair value is equal to the market value of the Company's common stock on the date of grant, adjusted for the fair value of estimated dividends as the restricted stock holder is not entitled to dividends over the vesting period. For RSU's subject to a scorecard performance vesting condition, the fair value is adjusted for changes in JHI plc's common stock price at each balance sheet date until the end of the performance period. For RSU's subject to a market vesting condition, the fair value is estimated using a Monte Carlo Simulation.

Compensation expense recognized for liability-classified awards are based upon an estimate of the number of awards that are expected to vest and on the fair market value of JHI plc's common stock on the date of grant and recorded as a liability. The liability is adjusted for subsequent changes in JHI plc's common stock price at each balance sheet date.

**Earnings Per Share**

The Company discloses basic and diluted earnings per share ("EPS"). Basic EPS is calculated using net income divided by the weighted average number of common shares outstanding during the period. Diluted EPS is similar to basic EPS except that the weighted average number of common shares outstanding is increased to include the number of additional common shares calculated using the Treasury Method that would have been outstanding if the dilutive potential common shares, such as stock options and RSU's, had been issued.

Basic and dilutive common shares outstanding used in determining net income per share are as follows:

| | Years Ended 31 March | | |
|---|---|---|---|
| (Millions of shares) | **2018** | 2017 | 2016 |
| Basic common shares outstanding | **441.2** | **442.7** | 445.3 |
| Dilutive effect of stock awards | **1.1** | **1.2** | 1.9 |
| Diluted common shares outstanding | **442.3** | **443.9** | 447.2 |

| (US dollars) | **2018** | 2017 | 2016 |
|---|---|---|---|
| Net income per share - basic | **0.33** | **0.62** | 0.55 |
| Net income per share - diluted | **0.33** | **0.62** | 0.55 |

There were no potential common shares which would be considered anti-dilutive for the years ended 31 March 2018, 2017 and 2016.

Unless they are anti-dilutive, RSU's which vest solely based on continued employment are considered to be outstanding as of their issuance date for purposes of computing diluted EPS and are included in the calculation of diluted EPS using the Treasury Method. Once these RSU's vest, they are included in the basic EPS calculation on a weighted-average basis.

RSU's which vest based on performance or market conditions are considered contingent shares. At each reporting date prior to the end of the contingency period, the Company determines the number of contingently issuable shares to include in the diluted EPS calculation, as the number of shares that would be issuable under the terms of the RSU arrangement, if the end of the reporting period were the end of the contingency period. Once these RSU's vest, they are included in the basic EPS calculation on a weighted-average basis.

Potential common shares of 1.6 million, 1.8 million and 1.3 million for the years ended 31 March 2018, 2017 and 2016, respectively, have been excluded from the calculation of diluted common shares outstanding as they are considered contingent shares which are not expected to vest.

**Asbestos-related Accounting Policies**

Asbestos Liability

The amount of the asbestos liability has been recognized by reference to (but not exclusively based upon) the most recent actuarial estimate of projected future cash flows as calculated by KPMG Actuarial ("KPMGA"), who are engaged and appointed by AICF under the terms of the AFFA. Based on their assumptions, KPMGA arrived at a range of possible total future cash flows and calculated a central estimate, which is intended to reflect a probability-weighted expected outcome of those actuarially estimated future cash flows projected by KPMGA to occur through 2072.

The Company recognizes the asbestos liability in the consolidated financial statements by reference to (but not exclusively based upon) the undiscounted and uninflated central estimate. The Company considered discounting when determining the best estimate under US GAAP. The Company has recognized the asbestos liability by reference to (but not exclusively based upon) the central estimate as undiscounted on the basis that the timing and amounts of such cash flows are not fixed or readily determinable. The Company considered inflation when determining the best estimate under US GAAP. It is the Company's view that there are material uncertainties in estimating an appropriate rate of inflation over the extended period of the AFFA. The Company views the undiscounted and uninflated central estimate as the best estimate under US GAAP.

Adjustments in the asbestos liability due to changes in the actuarial estimate of projected future cash flows and changes in the estimate of future operating costs of AICF are reflected in the consolidated statements of operations and comprehensive income during the period in which they occur. Claims paid by AICF and claims-handling costs incurred by AICF are treated as reductions in the Asbestos liability balances.

Insurance Receivable

The insurance receivable recorded by the Company has been recognized by reference to (but not exclusively based upon) the most recent actuarial estimate of recoveries expected from insurance policies and insurance companies with exposure to the asbestos claims, as calculated by KPMGA. The assessment of recoveries is based on the expected pattern of claims against such policies less an allowance for credit risk based on credit agency ratings. The insurance receivable generally includes these cash flows as undiscounted and uninflated, however, where the timing of recoveries has been agreed with the insurer, the receivables are recorded on a discounted basis. The Company records insurance receivables that are deemed probable of being realized.

Adjustments in the insurance receivable due to changes in the actuarial estimate, or changes in the Company's assessment of recoverability are reflected in the consolidated statements of operations and comprehensive income during the period in which they occur. Insurance recoveries are treated as a reduction in the insurance receivable balance.

Workers' Compensation

An estimate of the liability related to workers' compensation claims is prepared by KPMGA as part of the annual actuarial assessment. This estimate contains two components, amounts that will be met by a workers' compensation scheme or policy, and amounts that will be met by the Former James Hardie Companies.

The estimated liability is included as part of the asbestos liability and adjustments to the estimate are reflected in the consolidated statements of operations and comprehensive income during the period in which they occur. Amounts that are expected to be paid by the workers' compensation schemes or policies are recorded as workers' compensation receivable. Adjustments to the workers' compensation liability result in an equal adjustment in the workers' compensation receivable recorded by the Company and have no effect on the consolidated statements of operations and comprehensive income.

Restricted Cash and Cash Equivalents

Cash and cash equivalents of AICF are reflected as restricted assets, as the use of these assets is restricted to the settlement of asbestos claims and payment of the operating costs of AICF. Since cash and cash equivalents are highly liquid, the Company classifies these amounts as a current asset on the consolidated balance sheets.

Restricted Short-Term Investments

Short-term investments of AICF consist of highly liquid investments held in the custody of major financial institutions. All short-term investments are classified as available for sale and are recorded in the financial statements at fair value. The fair value of restricted short-term investments is based on quoted market prices using the specific identification method. Unrealized gains and losses on the fair value of these investments are included as a separate component of *Accumulated other comprehensive loss*. Realized gains and losses on short-term investments are recognized in *Other income* on the consolidated statements of operations and comprehensive income.

Short-Term Debt

AICF has access to a secured loan facility (the "AICF Loan Facility") made available by the NSW Government, which can be used by AICF to fund the payment of asbestos claims and certain operating and legal costs of AICF and Former James Hardie Companies (together, the "Obligors").

Interest accrues daily on amounts outstanding, is calculated based on a 365-day year and is payable monthly. AICF may, at its discretion, elect to accrue interest payable on amounts outstanding under the AICF Loan Facility on the date interest becomes due and payable.

Deferred Income Taxes

The Performing Subsidiary is able to claim a tax deduction for its contributions to AICF over a five-year period commencing in the year the contribution is incurred. Consequently, a deferred tax asset has been recognized equivalent to the anticipated tax benefit over the life of the AFFA.

Adjustments are made to the deferred income tax asset as adjustments to the asbestos-related assets and liabilities are recorded.

Asbestos Adjustments

The *Asbestos adjustments* reflected in the consolidated statements of operations and comprehensive income reflect the net change in the actuarial estimate of the asbestos liability and insurance receivables and change in the estimate of AICF claims handling costs. Additionally, as the asbestos-related assets and liabilities are denominated in Australian dollars, the reported values of these asbestos-related assets and liabilities in the Company's consolidated balance sheets in US dollars are subject to adjustment depending on the closing exchange rate between the two currencies at the balance sheet dates, the effect of which is also included in *Asbestos adjustments* in the consolidated statements of operations and comprehensive income.

Asbestos Impact on Statement of Cash Flows

*Asbestos Adjustments*

The *Asbestos adjustments*, as recorded on the consolidated statements of operations and comprehensive income (as described above) is presented as a reconciling item from net income to cash flows from operating activities in the consolidated statements of cash flows.

*Operating assets and liabilities related to Asbestos*

Movements in the operating assets and liabilities related to asbestos (asbestos liability, insurance receivable, restricted cash and cash equivalents, restricted short-term investments) recorded on the consolidated balance sheets are reflected in the cash flows from operating activities section of the consolidated statements of cash flows as a change in operating assets and liabilities.

*Payment to AICF*

Payments made to AICF by the Performing Subsidiary under the terms of the AFFA are reflected in the consolidated statements of cash flows as a change in operating assets and liabilities.

*AICF Loan Facility*

Any drawings, repayments, or payments of accrued interest under the AICF Loan Facility, made by AICF, are offset against the movement in restricted cash in the cash flows from operating activities section of the consolidated statements of cash flows.

**Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, which provides guidance requiring companies to recognize revenue depicting the transfer of goods or services to customers in amounts that reflect the payment to which a company expects to be entitled in exchange for those goods or services. ASU No. 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU No. 2014-09 is effective for annual reporting periods beginning after 15 December 2017, and interim periods within those years, with early adoption permitted for annual reporting periods beginning after 15 December 2016. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU No. 2014-09. The Company will adopt ASU No. 2014-09 (and related clarifying guidance issued by the FASB) starting with the fiscal year beginning 1 April 2018 using a modified retrospective approach. The Company's evaluation of this guidance included performing a review of all revenue streams to identify any differences in the timing, measurement or presentation of revenue recognition. The Company completed this evaluation and does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, which provides guidance on the amount, timing, and uncertainty of cash flows arising from leases. The standard requires lessees to recognize lease assets and lease liabilities on the balance sheet and requires expanded disclosures about leasing arrangements. Lessor accounting will remain largely unchanged from current guidance, however ASU No. 2016-02 will provide improvements that are intended to align lessor accounting with the lessee model and with updated revenue recognition guidance. The amendments in ASU No. 2016-02 are effective for fiscal years and interim periods within those years, beginning after 15 December 2018, with early adoption permitted. The Company has begun its process for implementing this guidance, including performing a preliminary review of all active leases. The Company will adopt ASU No. 2016-02 starting with the fiscal year beginning 1 April 2019 and is currently evaluating the impact of the guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, which provides guidance to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in ASU No. 2016-09 were effective for fiscal years and interim periods within those years, beginning after 15 December 2016. Amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements, forfeitures, and intrinsic value shall be applied on a modified retrospective basis, wherein the beginning retained earnings in the period in which the guidance is adopted should include a cumulative-effect adjustment to reflect the effects of applying the new guidance. Amendments related to the presentation of employee taxes paid on the statements of cash flows shall be applied retrospectively. Amendments requiring recognition of excess tax benefits and tax deficiencies in the consolidated statements of operations and comprehensive income and the practical expedient for estimating term shall be applied prospectively. An entity may elect to apply the amendments related to the presentation of excess tax benefits on the statements of cash flows using either a prospective transition method or a retrospective transition method. The Company adopted ASU No. 2016-09 starting with the fiscal year beginning 1 April 2017. Upon adoption, the Company began recognizing forfeitures as they occurred and applied the change in classification of cash flows resulting from excess tax benefits or deficiencies on a prospective basis. The adoption of this standard did not have a material impact on its consolidated financial statements, and prior periods have not been adjusted as a result of this standard.

In October 2016, the FASB issued ASU No. 2016-16, which requires entities to recognize the income tax consequences of intra-entity transfers of assets other than inventory when the transfer occurs. The amendments in ASU No. 2016-16 are effective for fiscal years and interim periods within those years, beginning after 15 December 2017, with early adoption permitted. The amendments in ASU No. 2016-16 shall be applied on a modified retrospective basis, wherein the beginning retained earnings in the period in which the guidance is adopted should include a cumulative-effect adjustment to reflect the effects of applying the new guidance. During the year ended 31 March 2018, the Company undertook an internal restructuring to align certain intangible assets with its US business. These intangible assets are subject to US tax amortization. As required by ASC 740, the Company did not recognize the related amortizable deferred tax asset from these intangible assets in the year ended 31 March, 2018. The Company will adopt ASU No. 2016-16 starting with the fiscal year beginning 1 April 2018 and expects to record an increase in gross deferred income tax assets of approximately US$1,390.0 million net of a valuation allowance of US$150.0 million, and a corresponding cumulative retained earnings adjustment ofUS$1,240.0 million on 1 April 2018, resulting from all internal restructuring transactions undertaken in prior years, including the internal restructuring transaction implemented during the year ended 31 March 2018.

In November 2016, the FASB issued ASU No. 2016-18, which requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendments in ASU No. 2016-18 are effective for fiscal years and interim periods within those years, beginning after 15 December 2017, with early adoption permitted. The amendments in ASU No. 2016-18 shall be applied on a retrospective basis for each period presented. The Company will adopt ASU No. 2016-18 starting with the fiscal year beginning 1 April 2018 and is currently evaluating the impact of the new guidance on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of either assets or of businesses. The amendments in ASU No. 2017-01 are effective for fiscal years and interim periods within those years, beginning after 15 December 2017, on a prospective basis. Early application of the amendments in ASU No. 2017-01 is allowable for transactions in which the acquisition date, the date of the deconsolidation of a subsidiary or the date a group of assets is derecognized occurs before the report issuance date. The Company will adopt ASU No. 2017-01 starting with the fiscal year beginning 1 April 2018 and does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

In March 2018, the FASB issued ASU No. 2018-05, which provides the U.S. Securities and Exchange Commission Staff's guidance when preparing the initial accounting for the income tax effects of the US Tax Cuts and Jobs Act ("TCJ Act"), which was enacted on 22 December 2017. The staff guidance addresses the specific situation in which the initial accounting for certain income tax effects of the TCJ Act will not be complete at the time that financial statements are issued. ASU No. 2018-05 is effective for financial statements that include the reporting period in which the TCJ Act was enacted. Therefore, the Company implemented the guidance in ASU No. 2018-05 in its financial statements for the fiscal year ending 31 March 2018. Upon adoption, the Company ensured that both the tax effects recorded and disclosures required as result of the TCJ Act are in accordance with ASU No. 2018-05. The Company has completed or provisionally estimated all of the effects of the TCJ Act. The final impact of the TCJ Act may differ from these provisionally estimated tax effects, including the effects of, among other things, the estimate of available foreign tax credits and additional guidance or regulations that may be issued including state tax conformity impacts. Refer to Note 14 for further details.

#### 3. Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in banks and cash invested temporarily in various highly liquid financial instruments with original maturities of three months or less when acquired.

#### 4. Restricted Cash and Cash Equivalents

Included in restricted cash and cash equivalents is US $5.0 million related to an insurance policy at 31 March 2018 and 2017, which restricts the cash from use for general corporate purposes.

### 5. Accounts and Other Receivables

*Accounts and other receivables* consist of the following components:

| | 31 March | |
|---|---|---|
| (Millions of US dollars) | **2018** | 2017 |
| Trade receivables | **$ 196.9** | $ 194.5 |
| Other receivables and advances | **7.1** | 5.9 |
| Provision for doubtful trade debts | **(1.3)** | (0.9) |
| Total accounts and other receivables | **$ 202.7** | $ 199.5 |

The collectability of accounts receivable, consisting mainly of trade receivables, is reviewed on an ongoing basis. A provision for doubtful trade debts is provided for known and estimated bad debts by analyzing specific customer accounts and assessing the risk of uncollectability based on insolvency, disputes or other collection issues.

The following are changes in the provision for doubtful trade debts:

| | 31 March | | |
|---|---|---|---|
| (Millions of US dollars) | **2018** | 2017 | 2016 |
| Balance at beginning of period | **$ 0.9** | $ 1.1 | $ 0.8 |
| Adjustment to provision | **0.6** | (0.1) | 0.5 |
| Write-offs, net of recoveries | **(0.2)** | (0.1) | (0.2) |
| Balance at end of period | **$ 1.3** | $ 0.9 | $ 1.1 |

## 6. Inventories

Inventories consist of the following components:

| | 31 March | |
|---|---|---|
| (Millions of US dollars) | **2018** | 2017 |
| Finished goods | **$ 190.3** | $ 146.7 |
| Work-in-process | **8.1** | 6.5 |
| Raw materials and supplies | **65.3** | 57.5 |
| Provision for obsolete finished goods and raw materials | **(8.0)** | (7.8) |
| Total inventories | **$ 255.7** | $ 202.9 |

As of 31 March 2018 and 2017, US$30.2 million and US$29.8 million, respectively, of the Company's finished goods inventory balance was held at vendor managed inventory locations.

## 7. Property, Plant and Equipment

Property, plant and equipment consist of the following components:

| (Millions of US dollars) **Cost or valuation:** | Land | Buildings | Machinery and Equipment | Construction in Progress [1] | Total |
|---|---|---|---|---|---|
| At 31 March 2016 | $ 70.1 | $ 266.0 | $ 1,062.4 | $ 143.5 | $ 1,542.0 |
| Additions [2] | 1.3 | 2.3 | 27.8 | 81.8 | 113.2 |
| Transfers | 1.9 | 23.1 | 112.3 | (137.3) | — |
| Disposals | — | (1.4) | (55.5) | (0.5) | (57.4) |
| Other [3] | — | (12.5) | — | 6.4 | (6.1) |
| Exchange differences | (0.4) | (0.8) | (2.4) | (0.1) | (3.7) |
| Adjustment [4] | (3.4) | 67.8 | 31.1 | (37.2) | 58.3 |
| At 31 March 2017 | $ 69.5 | $ 344.5 | $ 1,175.7 | $ 56.6 | $ 1,646.3 |
| Additions [2] | — | 7.9 | 83.8 | 126.1 | 217.8 |
| Disposals [5] | (1.4) | (5.6) | (24.3) | (3.6) | (34.9) |
| Exchange differences | 0.1 | — | 0.9 | (0.2) | 0.8 |
| At 31 March 2018 | $ 68.2 | $ 346.8 | $ 1,236.1 | $ 178.9 | $ 1,830.0 |
| | | | | | |
| **Accumulated depreciation:** | | | | | |
| At 31 March 2016 | $ — | $ (98.2) | $ (576.8) | $ — | $ (675.0) |
| Charge for the year | — | (10.2) | (70.1) | — | (80.3) |
| Disposals | — | 1.3 | 41.1 | — | 42.4 |
| Other [3] | — | 1.6 | — | — | 1.6 |
| Exchange differences | — | 0.3 | 2.0 | — | 2.3 |
| Adjustment [4] | — | (22.8) | (35.5) | — | (58.3) |
| At 31 March 2017 | $ — | $ (128.0) | $ (639.3) | $ — | $ (767.3) |
| Charge for the year | — | (11.3) | (77.6) | — | (88.9) |
| Disposals [5] | — | 1.9 | 16.6 | — | 18.5 |
| Exchange differences | — | — | (0.2) | — | (0.2) |
| At 31 March 2018 | $ — | $ (137.4) | $ (700.5) | $ — | $ (837.9) |
| **Net book amount:** | | | | | |
| At 31 March 2017 | $ 69.5 | $ 216.5 | $ 536.4 | $ 56.6 | $ 879.0 |
| At 31 March 2018 | $ 68.2 | $ 209.4 | $ 535.6 | $ 178.9 | $ 992.1 |

1 Construction in progress is presented net of assets transferred into service.

2 Additions include US$4.8 million and US$2.0 million of capitalized interest for the years ended 31 March 2018 and 2017, respectively.

3 Other includes the transfer of the Fontana building to Prepaid and other current assets on the consolidated balance sheet. The Fontana building met the held for sale criteria as of 31 March 2017 and has a net book value of US$4.5 million. In fiscal year 2018, the Fontana building was sold for US$7.9 million resulting in a gain of US$3.4 million, which is included in *Selling, general and administrative* expense on the consolidated statements of operation and comprehensive income.

4 The adjustments in the prior year correct immaterial errors identified by management whereby certain amounts were misclassified by asset category and certain fully depreciated items were excluded from the balances. The correction had no impact on the consolidated balance sheets, statements of operations and comprehensive income, and cash flows for any of the periods presented.

5 The US$16.4 million net book value of disposals in fiscal year 2018 includes US$13.9 million of usage of replacement parts and US$0.7 million of impairment charges on individual assets. The remaining net book value of disposals of US$1.8 million is related to the disposal of assets no longer in use, and do not represent a sale of assets.

Depreciation expense for the years ended 31 March 2018, 2017 and 2016 was US$88.9 million, US$80.3 million and US$76.3 million, respectively.

Impairment of Long-Lived Assets

The Company performs an asset impairment review on a quarterly basis in connection with its assessment of production capabilities and the Company's ability to meet market demand.

During the years ended 31 March 2018, 2017 and 2016, the Company recorded US$0.7 million, US$0.5 million and US$3.5 million of impairment charges related to individual assets which is included in *Cost of goods sold* on the consolidated statements of operations and comprehensive income.

## 8. Accounts Payable and Accrued Liabilities

*Accounts payable and accrued liabilities* consist of the following components:

| | 31 March | |
|---|---|---|
| (Millions of US dollars) | **2018** | 2017 |
| Trade creditors | **$ 111.8** | $ 108.4 |
| Accrued interest | **12.5** | 4.8 |
| Other creditors and accruals | **69.0** | 60.3 |
| Total accounts payable and accrued liabilities | **$ 193.3** | $ 173.5 |

## 9. Long-Term Debt

At 31 March 2018, the Company had three forms of debt: an unsecured revolving credit facility; a 364-day term loan facility; and senior notes due 2025 and 2028. At 31 March 2017, the Company held two forms of debt: an unsecured revolving credit facility and senior unsecured notes due 2023. The effective weighted average interest rate on the Company's total debt was 4.7% and 4.8% at 31 March 2018 and 31 March 2017, respectively. The weighted average term of the unsecured revolving credit facility and senior notes, including undrawn facilities, was 6.9 years and 4.7 years at 31 March 2018 and 2017, respectively.

Unsecured Revolving Credit Facility

In December 2015, James Hardie International Finance Designated Activity Company ("JHIF") and James Hardie Building Products Inc. ("JHBP"), each a wholly-owned subsidiary of JHI plc, entered into a US$500.0 million unsecured revolving credit facility (the "Revolving Credit Facility") with certain commercial banks and HSBC Bank USA, National Association, as administrative agent. The Revolving Credit Facility was initially set to expire in December 2020, however, in December 2017, the Revolving Credit Facility was amended, to among things, extend the maturity date to December 2022. The size of the Revolving Credit Facility may be increased by up to US$250.0 million through the exercise of an accordion option.

Debt issuance costs in connection with the Revolving Credit Facility are recorded as an offset to *Long-Term Debt* in the Company's consolidated balance sheets and are being amortized as interest expense using the effective interest method over the stated term of 5 years. At 31 March 2018 and 2017, the Company's total debt issuance costs have an unamortized balance of US$3.3 million and US$3.1 million, respectively.

The amount drawn under the Revolving Credit Facility was US$100.0 million and US$175.0 million at 31 March 2018 and 2017, respectively.

The effective weighted average interest rate on the Company's total outstanding Revolving Credit Facility was 3.2% and 2.5% at 31 March 2018 and 2017, respectively.

Borrowings under the Revolving Credit Facility bear interest at per annum rates equal to, at the borrower's option, either: (i) the London Interbank Offered Rate ("LIBOR") plus an applicable margin for LIBOR loans; or (ii) a base rate plus an applicable margin for base rate loans. The base rate is calculated as the highest of (x) the rate that the administrative agent announces from time to time as its prime lending rate, as in effect from time to time, (y) 1/2 of 1% in excess of the overnight Federal Funds Rate, and (z) LIBOR for an interest period of one month plus 1.00%. The applicable margin is calculated based on a pricing grid that in each case is linked to our consolidated net leverage ratio. For LIBOR Loans, the applicable margin ranges from 1.25% to 2.00%, and for base rate loans it ranges from 0.25% to 1.00%. The Company also pays a commitment fee of between 0.20% and 0.35% on the actual daily amount of the unutilized revolving loans. The applicable commitment fee percentage is based on a pricing grid linked to the Company's consolidated net leverage ratio.

In the event that JHIF's or James Hardie International Group Limited's ("JHIGL"), as applicable, long-term senior unsecured non-credit enhanced rating from each of Standard & Poor's Ratings Services ("S&P"), and Moody's Investors Service, Inc. ("Moody's") is at least BBB- from S&P, and at least Baa3 from Moody's, at JHIF's election, for new borrowings under the Revolving Credit Facility, an alternate applicable rate may be applied with respect to the commitment fee of 0.25% per annum and an alternative margin may be applied with respect to: (a) LIBOR Loans, 1.50%; and (b) base rate loans, 0.50%.

The Revolving Credit Facility is guaranteed by each of JHIGL and James Hardie Technology Limited ("JHTL"), each of which are wholly-owned subsidiaries of JHI plc.

The Revolving Credit Facility agreement contains certain covenants that, among other things, restrict JHIGL and its restricted subsidiaries' ability to incur indebtedness and grant liens other than certain types of permitted indebtedness and permitted liens, make certain restricted payments, and undertake certain types of mergers or consolidations actions. In addition, the Company: (i) must not exceed a maximum ratio of net debt to earnings before interest, tax, depreciation and amortization, excluding all asbestos-related liabilities, assets, income, gains, losses and charges other than AICF payments, all AICF selling, general and administrative ("SG&A") expenses, all Australian Securities and Investment Commission ("ASIC")-related expenses, all recoveries and asset impairments, and all New Zealand product liability expenses and (ii) must meet or exceed a minimum ratio of earnings before interest, tax, depreciation and amortization to interest charges, excluding all income, expense and other profit and loss statement impacts of asbestos income, gains, losses and charges, all AICF SG&A expenses, all ASIC-related expenses, all recoveries and asset impairments, and all New Zealand product liability expenses. At 31 March 2018, the Company was in compliance with all covenants contained in the Revolving Credit Facility agreement.

<u>364-Day Term Loan Facility</u>

In December 2017, JHIF and JHBP entered into a 364-day term loan facility (the "Term Loan Facility") with certain commercial banks and HSBC Bank USA, National Association, as administrative agent. The Term Loan Facility was available for a single draw available in either Euro or US dollars with a maximum of €525.0 million (US$646.4 million based on the exchange rate at 31 March 2018) if drawn in Euro and US$630.0 million if drawn in US dollars.

At 31 March 2018, the amount drawn under the Term Loan Facility was nil. Subsequent to the Company's fiscal year end, on 3 April 2018, the Company drew €400.0 million (US$492.4 million based on the exchange rate at 3 April 2018) on this Term Loan Facility, and used these funds to complete the Fermacell acquisition. Refer to Note 19 for further details on the Fermacell acquisition. Pursuant to its terms, the Term Loan Facility provides for a single drawing, and any undrawn amounts are no longer available. Further, amounts drawn under the Term Loan Facility may not be re-borrowed once repaid or prepaid.

Borrowings under the Term Loan Facility will bear interest at per annum rates equal to, at borrower's option, either: (i) the LIBOR plus an applicable margin for LIBOR loans; or (ii) a base rate plus an applicable margin for base rate loans. The base rate is calculated as the highest of (x) the rate that the administrative agent announces from time to time as its prime lending rate, as in effect from time to time, (y) 1/2 of 1% in excess of the overnight Federal Funds Rate, and (z) LIBOR for an interest period of one month plus 1.00%. The applicable margin is calculated based on a pricing grid that in each case is linked to our consolidated net leverage ratio. For LIBOR loans, the applicable margin ranges from 1.25% to 2.00%, and for base rate loans it ranges from 0.25% to 1.00%.

The Term Loan Facility is guaranteed by each of JHIGL and JHTL, each of which are wholly-owned subsidiaries of JHI plc.

The Term Loan Facility agreement contains certain covenants that, among other things, restrict JHIGL and its restricted subsidiaries' ability to incur indebtedness and grant liens other than certain types of permitted indebtedness and permitted liens, make certain restricted payments, and undertake certain types of mergers or consolidations actions. In addition, the Company: (i) must not exceed a maximum of net debt to earnings before interest, tax, depreciation and amortization, excluding all asbestos-related liabilities, assets, income, gains, losses and charges other than AICF payments, all AICF SG&A expenses, all ASIC-related expenses, all recoveries and asset impairments, and all New Zealand product liability expenses and (ii) must meet or exceed a minimum ratio of earnings before interest, tax, depreciation and amortization to interest charges, excluding all income, expense and other profit and loss statement impacts of asbestos income, gains, losses and charges, all AICF SG&A expenses, all ASIC-related expenses, all recoveries and asset impairments, and all New Zealand product liability expenses. At 31 March 2018, the Company was in compliance with all covenants contained in the Term Loan Facility agreement.

2023 Senior Notes

In February 2015, JHIF completed the sale of US$325.0 million aggregate principal amount of 5.875% senior unsecured notes due 15 February 2023.

In July 2016, JHIF completed the re-offering and sale of an additional US$75.0 million aggregate principal amount of its 5.875% senior notes due 2023. Following the completion of this re-offering, the aggregate principal amount of senior notes due in 2023 was US$400.0 million.

The US$325.0 million 5.875% senior notes due 2023 were sold at an offering price of 99.213% of par value, and incurred debt issuance costs in connection with the offering, which were recorded as an offset to *Long-Term Debt* on the Company's consolidated balance sheets. The discount and debt issuance costs had an unamortized balance of US$1.9 million and US$6.0 million at 31 March 2017, respectively.

The US$75.0 million re-offering of the 5.875% senior notes due 2023 were sold at an offering price of 103.0% of par value, and incurred debt issuance costs in connection with the re-offering were recorded as an offset to *Long-Term Debt* on the Company's consolidated balance sheets. The premium and the debt issuance costs had an unamortized balance of US$2.0 million and US$1.5 million at 31 March 2017, respectively.

In December 2017, JHIF redeemed all US$400.0 million aggregate principal amount of its 5.875% senior notes due 2023. In connection with this redemption, the Company recorded a loss on early debt extinguishment of US$26.1 million, which included US$19.5 million of call redemption premiums and US$6.6 million of unamortized financing costs associated with these notes.

2025 and 2028 Senior Notes

In December 2017, JHIF completed the sale of US$800.0 million aggregate principal amount of senior unsecured notes. The sale of the senior notes were issued at par with US$400.0 million due 15 January 2025 (the “2025 Notes”) and the remaining US$400.0 million due 15 January 2028 (the “2028 Notes”).

The proceeds from the offering were used for general corporate purposes, including funding the redemption of all US$400.0 million aggregate principal amount of its 2023 senior unsecured notes and the payment of related transaction fees and expenses, the repayment of outstanding borrowings under the Revolving Credit Facility and capital expenditures. The Company also used part of the net proceeds from this offering to finance a portion of the Fermacell acquisition. Refer to Note 19 for further details on the Fermacell acquisition.

Debt issuance costs in connection with the 2025 and 2028 Notes are recorded as an offset to *Long-Term Debt* on the Company’s consolidated balance sheets.

Debt issuance costs in connection with the 2025 Notes have an unamortized balance of US$6.1 million at 31 March 2018. The debt issuance costs are being amortized as interest expense using the effective interest method over the stated term of 7 years. Interest is payable semi-annually in arrears on 15 January and 15 July of each year at a rate of 4.75% with first payment due on 15 July 2018.

Debt issuance costs in connection with the 2028 Notes have an unamortized balance of US$6.2 million at 31 March 2018. The debt issuance costs are being amortized as interest expense using the effective interest method over the stated term of 10 years. Interest is payable semi-annually in arrears on 15 January and 15 July of each year at a rate of 5.00% with first payment due on 15 July 2018.

The 2025 and 2028 Notes are guaranteed by JHIGL, JHBP and JHTL, each of which are wholly-owned subsidiaries of JHI plc.

The indenture governing the 2025 and 2028 Notes contains covenants that, among other things, limit the ability of the guarantors and their restricted subsidiaries to incur liens on assets, make certain restricted payments, engage in certain sale and leaseback transactions and merge or consolidate with or into other companies. These covenants are subject to certain exceptions and qualifications as described in the indenture. At 31 March 2018, the Company was in compliance with all of its requirements under the indenture related to the 2025 and 2028 Notes.

The Company’s 2025 and 2028 Notes have an estimated fair value of US$787.5 million at 31 March 2018, based on the trading price observed in the market at or near the balance sheet date and are categorized as Level 1 within the fair value hierarchy.

Global Exchange Market Listing

On 25 April 2018, the 2025 and 2028 Notes of US$800.0 million were admitted to listing on the Global Exchange Market (“GEM”) which is operated by the Euronext Dublin. Interest paid on the senior notes quoted on the GEM is not subject to Irish withholding tax. On 19 January 2018, the 5.875% senior notes due 2023 (issued on 10 February 2015 and redeemed in December 2017) were delisted from the GEM.

## 10. Product Warranties

The Company offers various warranties on its products, including a 30-year limited warranty on certain of its fiber cement siding products in the United States. A typical warranty program requires the Company to replace defective products within a specified time period from the date of sale. It is possible that future warranty costs could differ from those estimates.

The following are the changes in the product warranty provision:

| | 31 March | | |
|---|---|---|---|
| (Millions of US dollars) | **2018** | 2017 | 2016 |
| Balance at beginning of period | **$ 46.6** | $ 45.3 | $ 35.2 |
| Accruals for product warranties | **13.1** | 17.0 | 28.0 |
| Settlements made in cash or in kind | **(6.9)** | (15.7) | (17.9) |
| Balance at end of period | **$ 52.8** | $ 46.6 | $ 45.3 |

## 11. Asbestos

The AFFA was approved by shareholders in February 2007 to provide long-term funding to AICF. For a discussion of the AFFA and the accounting policies utilized by the Company related to the AFFA and AICF, see Note 2.

*Asbestos Adjustments*

The *Asbestos adjustments* included in the consolidated statements of operations and comprehensive income comprise the following:

| | Years Ended 31 March | | |
|---|---|---|---|
| (Millions of US dollars) | **2018** | 2017 | 2016 |
| Change in estimates: | | | |
| Change in actuarial estimate - asbestos liability | **$ (152.1)** | $ 44.7 | $ 2.4 |
| Change in actuarial estimate - insurance receivable | **1.2** | (8.2) | 4.5 |
| Change in estimate - AICF claims-handling costs | **(0.5)** | 2.1 | 1.2 |
| Subtotal - Change in estimates | **(151.4)** | 38.6 | 8.1 |
| (Loss) gain on foreign currency exchange | **(3.9)** | 1.8 | (2.6) |
| Asbestos research and education contribution | **(1.1)** | — | — |
| **Total Asbestos Adjustments** | **$ (156.4)** | $ 40.4 | $ 5.5 |

In December 2017, the Company, AICF and the New South Wales Government executed an AFFA Amending Deed which in effect excludes the recovery of gratuitous services costs (colloquially referred to as Sullivan v Gordon damages) that arose following the promulgation of the Wrongs (Part VB) (Dust and Tobacco-Related Claims) Regulation 2016 by the State of Victoria. As a result of the amendment, AICF reduced the Asbestos liability by A$56.8 million (US$43.6 million based upon the exchange rate at 31 March 2018) in the third quarter of fiscal year 2018. This adjustment is reflected in *Asbestos adjustments* in the consolidated statements of operations and comprehensive income.

*Actuarial Study; Claims Estimate*

AICF commissioned an updated actuarial study of potential asbestos-related liabilities as of 31 March 2018. Based on KPMGA's assumptions, KPMGA arrived at a range of possible total cash flows and calculated a central estimate, which is intended to reflect a probability-weighted expected outcome of those actuarially estimated future cash flows.

The following table sets forth the central estimates, net of insurance recoveries, calculated by KPMGA as of 31 March 2018:

| | Year Ended 31 March 2018 | |
|---|---|---|
| (Millions of US and Australian dollars, respectively) | **US$** | **A$** |
| Central Estimate – Discounted and Inflated | 1,423.1 | 1,852.9 |
| Central Estimate – Undiscounted but Inflated | 1,828.6 | 2,380.9 |
| Central Estimate – Undiscounted and Uninflated | 1,108.2 | 1,442.9 |

The asbestos liability has been revised to reflect the most recent undiscounted and uninflated actuarial estimate prepared by KPMGA as of 31 March 2018.

In estimating the potential financial exposure, KPMGA has made a number of assumptions, including, but not limited to, assumptions related to the total number of claims that are reasonably estimated to be asserted through 2072, the typical cost of settlement (which is sensitive to, among other factors, the industry in which a plaintiff claims exposure, the alleged disease type, the age of the claimant and the jurisdiction in which the action is brought), the legal costs incurred in the litigation of such claims, the rate of receipt of claims, the settlement strategy in dealing with outstanding claims and the timing of settlements.

Due to inherent uncertainties in the legal and medical environment, the number and timing of future claim notifications and settlements, the recoverability of claims against insurance contracts, and estimates of future trends in average claim awards, as well as the extent to which the above named entities will contribute to the overall settlements, the actual liability could differ materially from that which is currently recorded.

The potential range of costs as estimated by KPMGA is affected by a number of variables such as nil settlement rates, peak year of claims, past history of claims numbers, average settlement rates, past history of Australian asbestos-related medical injuries, current number of claims, average defense and plaintiff legal costs, base wage inflation and superimposed inflation. The potential range of losses disclosed includes both asserted and unasserted claims.

A sensitivity analysis performed by KPMGA to determine how the actuarial estimates would change if certain assumptions (i.e., the rate of inflation and superimposed inflation, the average costs of claims and legal fees, and the projected numbers of claims) were different from the assumptions used to determine the central estimates. The sensitivity analysis performed in the actuarial report is specifically in regards to the discounted but inflated central estimate and the undiscounted but inflated central estimate. This analysis shows that the discounted (but inflated) central estimates could be in a range of A$1.3 billion (US$1.0 billion) to A$3.1 billion (US$2.4 billion). The undiscounted (but inflated) estimates could be in a range of A$1.7 billion (US$1.3 billion) to A$4.2 billion (US$3.2 billion) as of 31 March 2018. The actual cost of the liabilities could be outside of that range depending on the results of actual experience relative to the assumptions made.

During fiscal year 2018, mesothelioma claims reporting activity was above actuarial expectations and the prior corresponding period. One of the more significant assumptions is the estimated peak period of mesothelioma disease claims, which was assumed to have occurred in the period 2014/2015 to 2016/2017.

However, as claim numbers continue to be elevated, KPMGA has formed the view that the increases in the mesothelioma claims reporting seen in recent years was a permanent effect, and therefore increased the projected number of future mesothelioma claims at 31 March 2018. Additionally, KPMGA has revised its modeling approach for mesothelioma claims to consider the claimant's age which resulted in a higher number of projected claims, partially offset by a reduction in projected average claim size. However, changes to the valuation assumptions may be necessary in future periods should mesothelioma claims reporting escalate or decline.

Potential variation in the estimated peak period of claims has an impact much greater than the other assumptions used to derive the discounted central estimate. In performing the sensitivity assessment of the estimated incidence pattern reporting for mesothelioma, if the pattern of incidence was shifted by two years, the central estimate could increase by approximately 18% on a discounted basis.

*Claims Data*

The following table shows the activity related to the numbers of open claims, new claims and closed claims during each of the past five years and the average settlement per settled claim and case closed:

| | For the Years Ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2018** | 2017 | 2016 | 2015 | 2014 |
| Number of open claims at beginning of period | **352** | 426 | 494 | 466 | 462 |
| Number of new claims | **562** | 557 | 577 | 665 | 608 |
| Number of closed claims | **578** | 631 | 645 | 637 | 604 |
| Number of open claims at end of period | **336** | 352 | 426 | 494 | 466 |
| Average settlement amount per settled claim | **A$253,431** | A$223,535 | A$248,138 | A$254,209 | A$253,185 |
| Average settlement amount per case closed | **A$217,038** | A$167,563 | A$218,900 | A$217,495 | A$212,944 |
| | | | | | |
| Average settlement amount per settled claim | **US$196,093** | US$168,300 | US$182,763 | US$222,619 | US$236,268 |
| Average settlement amount per case closed | **US$167,934** | US$126,158 | US$161,229 | US$190,468 | US$198,716 |

Under the terms of the AFFA, the Company has rights of access to actuarial information produced for AICF by the actuary appointed by AICF, which is currently KPMGA. The Company's disclosures with respect to claims statistics are subject to it obtaining such information, however, the AFFA does not provide the Company an express right to audit or otherwise require independent verification of such information or the methodologies to be adopted by the approved actuary. As such, the Company relies on the accuracy and completeness of the information provided by AICF to the approved actuary and the resulting information and analysis of the approved actuary when making disclosures with respect to claims statistics.

Asbestos-Related Assets and Liabilities

The Company has included on its consolidated balance sheets the asbestos-related assets and liabilities of AICF under the terms of the AFFA. These amounts are detailed in the table below, and the net total of these asbestos-related assets and liabilities is referred to by the Company as the "Net AFFA Liability."

| | 31 March | |
|---|---|---|
| (Millions of US dollars) | **2018** | 2017 |
| Asbestos liability – current | **$ (114.1)** | $ (116.4) |
| Asbestos liability – non-current | **(1,101.0)** | (1,043.3) |
| Asbestos liability – Total | **(1,215.1)** | (1,159.7) |
| Insurance receivable – current | **5.1** | 5.7 |
| Insurance receivable – non-current | **52.8** | 58.1 |
| Insurance receivable – Total | **57.9** | 63.8 |
| Workers' compensation asset – current | **2.1** | 2.9 |
| Workers' compensation asset – non-current | **28.8** | 40.4 |
| Workers' compensation liability – current | **(2.1)** | (2.9) |
| Workers' compensation liability – non-current | **(28.8)** | (40.4) |
| Workers' compensation – Total | **—** | — |
| Loan facility | **—** | (52.4) |
| Other net liabilities | **(2.2)** | (1.6) |
| Restricted cash and cash equivalents of AICF | **26.6** | 108.9 |
| Restricted short-term investments of AICF | **38.4** | — |
| **Net Unfunded AFFA liability** | **$ (1,094.4)** | $ (1,041.0) |
| Deferred income taxes – non-current | **382.9** | 356.6 |
| Income tax payable | **21.1** | 16.8 |
| **Net Unfunded AFFA liability, net of tax** | **$ (690.4)** | $ (667.6) |

The following is a detailed rollforward of the Net Unfunded AFFA liability, net of tax, for the year ended 31 March 2018:

| (Millions of US dollars) | Asbestos Liability | Insurance Receivables | Other Loan Facilities | Restricted Cash and Investments | Other Assets and Liabilities | Net Unfunded AFFA Liability | Deferred Tax Assets | Income Tax Payable | Net Unfunded AFFA Liability, net of tax |
|---|---|---|---|---|---|---|---|---|---|
| Opening Balance - 31 March 2017 | $ (1,159.7) | $ 63.8 | $ (52.4) | $ 108.9 | $ (1.6) | $ (1,041.0) | $ 356.6 | $ 16.8 | $ (667.6) |
| Asbestos claims paid[1] | 103.1 | — | — | (103.1) | — | — | — | — | — |
| Payment received in accordance with AFFA[2] | — | — | — | 102.2 | — | 102.2 | — | — | 102.2 |
| AICF claims-handling costs incurred (paid) | 1.2 | — | — | (1.2) | — | — | — | — | — |
| AICF operating costs paid - non claims-handling | — | — | — | (1.9) | — | (1.9) | — | — | (1.9) |
| Change in actuarial estimate | (152.1) | (3.3) | — | — | — | (155.4) | — | — | (155.4) |
| Change in claims handling cost estimate | (0.5) | — | — | — | — | (0.5) | — | — | (0.5) |
| Impact on deferred income tax due to change in actuarial estimate | — | — | — | — | — | — | 47.0 | — | 47.0 |
| Insurance recoveries | — | (2.8) | — | 7.3 | — | 4.5 | — | — | 4.5 |
| Movement in income tax payable | — | — | — | — | — | — | (21.3) | 4.8 | (16.5) |
| Funds repaid to NSW under loan agreement | — | — | 51.9 | (51.9) | — | — | — | — | — |
| Other movements | — | — | 0.1 | 3.7 | (0.6) | 3.2 | — | (0.1) | 3.1 |
| Effect of foreign exchange | (7.1) | 0.2 | 0.4 | 1.0 | — | (5.5) | 0.6 | (0.4) | (5.3) |
| **Closing Balance - 31 March 2018** | **$ (1,215.1)** | **$ 57.9** | **$ —** | **$ 65.0** | **$ (2.2)** | **$ (1,094.4)** | **$ 382.9** | **$ 21.1** | **$ (690.4)** |

1 Claims paid of US$103.1 million reflects A$133.2 million converted at the average exchange rate for the period based on the assumption that these transactions occurred evenly throughout the period.

2 The payment received in accordance with AFFA of US$102.2 million reflects the US dollar equivalent of the A$135.1 million payment, translated at the exchange rate set five days before the day of payment.

*AICF Funding*

We anticipate that we will make a contribution of approximately US$103.0 million to AICF on 2 July 2018. This amount represents 35% of our free cash flow which is equivalent to our operating cash flows of US$295.0 million less an adjustment of US$0.8 million, resulting in free cash flow of US$294.2 million for fiscal year 2018, as defined by the AFFA.

The following table summarizes the AICF contributions during the fiscal years 2018, 2017 and 2016:

| Payment Date | Payment Amount A$ Millions | Payment Amount US$ Millions | Operating Cash flow US$ Millions | Free Cash Flow US$ Millions |
|---|---|---|---|---|
| 3 July 2017 | 135.1 | 102.2 | 292.1 | 292.1 |
| 1 July 2016 | 120.7 | 91.1 | 260.4 | 260.4 |
| 1 July 2015 | 81.1 | 62.8 | 179.5 | 179.5 |

*Restricted Short-Term Investments*

In July 2017, AICF invested A$100.0 million (US$76.8 million, based on the exchange rate at 31 March 2018) of its excess cash in time deposits. During the three months ended 31 March 2018, A$50.0 million of these time deposits matured and were reclassified in Restricted cash and cash equivalents - asbestos on the consolidated balance sheet. The remaining time deposits of A$50.0 million (US$38.4 million) bear a fixed interest rate of 2.32% and mature 29 June 2018. These time deposits are reflected within restricted short-term investments on the Company's consolidated balance sheet as of 31 March 2018 and have been classified as available-for-sale. At 31 March 2018, the Company revalued AICF's short-term investments available-for-sale resulting in a mark-to-market fair value adjustment of nil.

*AICF – NSW Government Secured Loan Facility*

AICF may borrow, subject to certain conditions, up to an aggregate amount of A$320.0 million (US$245.8 million, based on the exchange rate at 31 March 2018). The AICF Loan Facility is available to be drawn for the payment of claims through 1 November 2030, at which point, all outstanding borrowings must be repaid. Borrowings made under the AICF Loan Facility are classified as current, as AICF intends to repay the debt within one year.

At 31 March 2018 and 2017, AICF had an outstanding balance under the AICF Loan Facility of nil and US$52.4 million, respectively.

To the extent the NSW Government sources funding for the AICF Loan Facility from the Commonwealth of Australia (the "Commonwealth"), the interest rate on the AICF Loan Facility is calculated by reference to the cost of NSW's borrowings from the Commonwealth for that purpose, being calculated with reference to the Commonwealth Treasury fixed coupon bond rate for a period determined as appropriate by the Commonwealth.

To the extent that NSW's source of funding is not from the Commonwealth, the interest rate on drawings under the AICF Loan Facility is calculated as (i) during the period to (but excluding) 1 May 2020, a yield percent per annum calculated at the time of the first drawdown of the AICF Loan Facility by reference to the NSW Treasury Corporation's 6% 1/05/2020 Benchmark Bonds, (ii) during the period after 1 May 2020, a yield percent per annum calculated by reference to NSW Treasury Corporation bonds on issue at that time and maturing in 2030, or (iii) in any case, if the relevant bonds are not on issue, a yield percent per annum in respect of such other source of funding for the AICF Loan Facility determined by the NSW Government in good faith to be used to replace those bonds, including any guarantee fee payable to the Commonwealth in respect of the bonds (where the bonds are guaranteed by the Commonwealth) or other source of funding.

Under the AICF Loan Facility, the Former James Hardie Companies each guarantee the payment of amounts owed by AICF and AICF's performance of its obligations under the AICF Loan Facility. Each Obligor has granted the NSW Government a security interest in certain property including cash accounts, proceeds from insurance claims, payments remitted by the Company to AICF and contractual rights under certain documents including the AFFA. Each Obligor may not deal with the secured property until all amounts outstanding under the AICF Loan Facility are paid, except as permitted under the terms of the security interest.

Under the terms of the AICF Loan Facility, each Obligor must, upon receipt of proceeds from insurance claims and payments remitted by the Company under the AFFA, apply all of such proceeds in repayment of amounts owing under the AICF Loan Facility. NSW may, at its sole discretion, waive or postpone (in such manner and for such period as it determines) the requirement for the Obligors to apply proceeds of insurance claims and payments remitted by the Company to repay amounts owed under the AICF Loan Facility to ensure AICF has sufficient liquidity to meet its future cash flow needs.

The Obligors are subject to certain operating covenants under the AICF Loan Facility and the terms of the security interest, including, without limitation, (i) positive covenants relating to providing corporate reporting documents, providing particular notifications and complying with the terms of the AFFA, and (ii) negative covenants restricting them from voiding, cancelling, settling, or adversely affecting existing insurance policies, disposing of assets and granting security to secure any other financial indebtedness, other than in accordance with the terms and conditions of the AICF Loan Facility.

Upon an event of default, NSW may cancel the commitment and declare all amounts outstanding as immediately due and payable. The events of default include, without limitation, failure to pay or repay amounts due in accordance with the AICF Loan Facility, breach of covenants, misrepresentation, cross default by an Obligor and an adverse judgment (other than a personal asbestos or Marlew claim) against an Obligor.

## 12. Derivative Instruments

Interest Rate Swaps

The fair value of interest rate swap contracts is calculated based on the fixed rate, notional principal, settlement date and present value of the future cash inflows and outflows based on the terms of the agreement and the future floating interest rates as determined by a future interest rate yield curve. The model used to value the interest rate swap contracts is based upon well recognized financial principles, and interest rate yield curves can be validated through readily observable data by external sources. Although readily observable data is used in the valuations, different valuation methodologies could have an effect on the estimated fair value. Accordingly, the interest rate swap contracts are categorized as Level 2.

For interest rate swap contracts, the Company has agreed to pay fixed interest rates while receiving a floating interest rate. At 31 March 2018 and 2017, the Company had interest rate swap contracts with total notional principal of US$100.0 million.

At 31 March 2018, the weighted average fixed interest rate of these contracts is 2.1% and the weighted average remaining life is 1.4 years. These contracts have a fair value of US$0.4 million receivable at 31 March 2018, which is included in *Accounts receivable* and US$1.1 million payable at 31 March 2017, which is included in *Accounts payable*. For the years ended 31 March 2018, 2017 and 2016, the Company included in *Other income* an unrealized gain of US$1.5 million, an unrealized gain of US$2.6 million and an unrealized loss of US$0.6 million, respectively, on interest rate swap contracts. Also included in *Other income* for the years ended 31 March 2018 and 2017 was a realized loss on interest rate swap contracts of US$0.8 million and US$1.3 million, respectively. Included in *Interest expense* is a realized loss on interest rate swap contracts of US$1.9 million for the year ended 31 March 2016.

Foreign Currency Forward Contracts

The Company's foreign currency forward contracts are valued using models that maximize the use of market observable inputs including interest rate curves and both forward and spot prices for currencies and are categorized as Level 2 within the fair value hierarchy. At 31 March 2018, the Company had foreign currency forward contracts of US$0.8 million.

For the years ended 31 March 2018 and 2017, the forward contracts not designated as a cash flow hedging arrangement had an unrealized gain of nil.

The notional amount of interest rate swap contracts and foreign currency forward contracts represents the basis upon which payments are calculated and are reported on a net basis when a legal and enforceable right of set-off exists. The following table sets forth the total outstanding notional amount and the fair value of the Company's derivative instruments held at 31 March 2018 and 2017.

| | | | Fair Value as of | | | |
|---|---|---|---|---|---|---|
| (Millions of US dollars) | Notional Amount | | 31 March 2018 | | 31 March 2017 | |
| | 31 March 2018 | 31 March 2017 | Assets | Liabilities | Assets | Liabilities |
| **Derivatives not accounted for as hedges** | | | | | | |
| Interest rate swap contracts | $ 100.0 | $ 100.0 | $ 0.4 | $ — | $ — | $ 1.1 |
| Foreign currency forward contracts | 0.8 | — | — | — | — | — |
| **Total** | **$ 100.8** | **$ 100.0** | **$ 0.4** | **$ —** | **$ —** | **$ 1.1** |

## 13. Commitments and Contingencies

The Company is involved from time to time in various legal proceedings and administrative actions related to the normal conduct of its business, including general liability claims, putative class action lawsuits and litigation concerning its products.

Although it is impossible to predict the outcome of any pending legal proceeding, management believes that such proceedings and actions should not, individually or in the aggregate, have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows, except as they relate to asbestos and New Zealand product liability claims as described in these consolidated financial statements.

New Zealand Weathertightness Claims

Since fiscal year 2002, the Company's New Zealand subsidiaries have been and continue to be joined in a number of weathertightness claims in New Zealand that relate to residential buildings (single dwellings and apartment complexes) and a small number of non-residential buildings, primarily constructed from 1998 to 2004. The claims often involve multiple parties and allege that losses were incurred due to excessive moisture penetration of the buildings' structures. The claims typically include allegations of poor building design, inadequate certification of plans, inadequate construction review and compliance certification and deficient work by sub-contractors.

The Company recognizes a liability for both asserted and unasserted New Zealand weathertightness claims in the period in which the loss becomes probable and estimable. The amount of reasonably possible loss is dependent on a number of factors including, without limitation, the specific facts and circumstances unique to each claim brought against the Company's New Zealand subsidiaries, the existence of any co-defendants involved in defending the claim, the solvency of such co-defendants (including the ability of such co-defendants to remain solvent until the related claim is ultimately resolved), the availability of claimant compensation under a government compensation scheme, the amount of loss estimated to be allocable to the Company's New Zealand subsidiaries and the extent to which the co-defendants and the Company's New Zealand subsidiaries have access to third-party recoveries to cover a portion of the costs incurred in defending and resolving such actions. In addition to the above limitations, the total loss incurred is also dependent on the manner and extent to which statutory limitation periods will apply to any received claims.

Historically, the Company's New Zealand subsidiaries have been joined to these claims as one of several co-defendants, including local government entities responsible for enforcing building codes and practices, resulting in the Company's New Zealand subsidiaries becoming liable for only a portion of each claim. In addition, the Company's New Zealand subsidiaries have had access to third-party recoveries to defray a portion of the costs incurred in resolving such claims. However, in 2015 the Company's New Zealand subsidiaries were named as the sole defendants in four claims on behalf of multiple defendants, each of which allege that the subsidiaries' products were inherently defective.

The Company has established a provision for asserted and unasserted New Zealand weathertightness claims within the current portion of *Other liabilities*, with a corresponding estimated receivable for third-party recoveries being recognized within*Accounts and other receivables*. At 31 March 2018 and 2017, the amount of the provision for New Zealand weathertightness claims, net of estimated third-party recoveries, was US$0.9 million and US$1.1 million, respectively.

The estimated loss for these matters, net of estimated third-party recoveries, incorporates assumptions that are subject to the foregoing uncertainties and are principally derived from, but not exclusively based on, historical claims experience together with facts and circumstances unique to each claim. If the nature and extent of the resolution of claims in future periods differ from the historical claims experience, then the actual amount of loss may be materially higher or lower than estimated losses accrued at 31 March 2018.

Environmental and Legal

The operations of the Company, like those of other companies engaged in similar businesses, are subject to a number of laws and regulations on air and water quality, waste handling and disposal. The Company's policy is to accrue for environmental costs when it is determined that it is probable that an obligation exists and the amount can be reasonably estimated.

Operating Leases

As the lessee, the Company principally enters into property, building and equipment leases. The following are future lease payments for non-cancellable operating leases having a remaining term in excess of one year at 31 March 2018:

| Years ending 31 March (Millions of US dollars): | | |
|---|---|---|
| 2019 | $ | 16.4 |
| 2020 | | 14.1 |
| 2021 | | 10.8 |
| 2022 | | 8.3 |
| 2023 | | 6.2 |
| Thereafter | | 10.8 |
| **Total** | **$** | **66.6** |

Rental expense amounted to US$20.6 million, US$18.4 million and US$16.9 million for the years ended 31 March 2018, 2017 and 2016, respectively.

Capital Commitments

Commitments for the acquisition of plant and equipment and other purchase obligations contracted for but not recognized as liabilities and generally payable within one year, were nil at 31 March 2018.

## 14. Income Taxes

Income tax expense includes income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities. Income tax expense consists of the following components:

| | Years Ended 31 March | | |
|---|---|---|---|
| (Millions of US dollars) | **2018** | 2017 | 2016 |
| Income before income taxes: | | | |
| Domestic | **$ 155.1** | $ 172.2 | $ 150.1 |
| Foreign | **19.2** | 194.8 | 180.4 |
| Income before income taxes: | **$ 174.3** | $ 367.0 | $ 330.5 |
| Income tax expense: | | | |
| Current: | | | |
| Domestic | **$ (14.8)** | $ (15.2) | $ (12.6) |
| Foreign | **(69.4)** | (36.0) | (59.2) |
| Current income tax expense | **(84.2)** | (51.2) | (71.8) |
| Deferred: | | | |
| Domestic | **(1.8)** | (4.0) | (5.6) |
| Foreign | **57.8** | (35.3) | (8.7) |
| Deferred income tax benefit (expense) | **56.0** | (39.3) | (14.3) |
| Total income tax expense | **$ (28.2)** | $ (90.5) | $ (86.1) |

Income tax expense computed at the statutory rates represents taxes on income applicable to all jurisdictions in which the Company conducts business, calculated at the statutory income tax rate in each jurisdiction multiplied by the pre-tax income attributable to that jurisdiction.

Income tax expense is reconciled to the tax at the statutory rates as follows:

| | Years Ended 31 March | | |
|---|---|---|---|
| (Millions of US dollars) | **2018** | 2017 | 2016 |
| Income tax expense computed at the statutory tax rates | **$ (24.6)** | $ (84.4) | $ (79.1) |
| US state income taxes, net of the federal benefit | **(4.3)** | (3.0) | (3.6) |
| Asbestos - effect of foreign exchange | **(1.8)** | 0.8 | (0.8) |
| Expenses not deductible | **(4.7)** | (2.5) | (2.0) |
| US manufacturing deduction | **2.5** | 2.2 | 4.1 |
| Foreign taxes on domestic income | **(34.2)** | (2.1) | (5.7) |
| Amortization of intangibles | **12.4** | 2.8 | 2.9 |
| Taxes on foreign income | **(3.0)** | (5.4) | (7.4) |
| Net deferred tax liability revaluation | **27.7** | — | — |
| Other items | **1.8** | 1.1 | 5.5 |
| Total income tax expense | **$ (28.2)** | $ (90.5) | $ (86.1) |
| Effective tax rate | **16.2%** | 24.7% | 26.1% |

Deferred tax balances consist of the following components:

| (Millions of US dollars) | 31 March **2018** | 2017 |
|---|---|---|
| Deferred tax assets: | | |
| Asbestos liability | **$ 382.9** | $ 356.6 |
| Other provisions and accruals | **37.7** | 52.8 |
| Net operating loss carryforwards | **25.5** | 24.2 |
| Foreign tax credit carryforwards | **126.1** | 107.5 |
| Total deferred tax assets | **572.2** | 541.1 |
| Valuation allowance | **(129.6)** | (110.4) |
| Total deferred tax assets net of valuation allowance | **442.6** | 430.7 |
| Deferred tax liabilities: | | |
| Depreciable and amortizable assets | **(81.6)** | (130.0) |
| Other | **(14.6)** | (12.0) |
| Total deferred tax liabilities | **(96.2)** | (142.0) |
| Total deferred taxes, net | **$ 346.4** | $ 288.7 |

Deferred income taxes include European and Australian net operating loss carry-forwards. At 31 March 2018, the Company had European tax loss carry-forwards of approximately US$6.7 million and Australian tax loss carry-forwards of approximately US$18.8 million that are available to offset future taxable income in the respective jurisdiction. The Company establishes a valuation allowance against a deferred tax asset if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The European tax loss carry-forwards relate to losses incurred in prior years during the establishment of the European business. At 31 March 2018, the Company had a valuation allowance against a portion of the European tax loss carry-forwards in respect of which realization is not more likely than not. At 31 March 2018, the Company had European tax loss carry-forwards of approximately US$3.2 million which will never expire. Carry-forwards of US$3.5 million will expire in fiscal years 2019 through 2026.

The Australian tax loss carry-forwards primarily result from current and prior year tax deductions for contributions to AICF. James Hardie 117 Pty Limited, the performing subsidiary under the AFFA, is able to claim a tax deduction for its contributions to AICF over a five-year period commencing in the year the contribution is incurred. At 31 March 2018, the Company recognized a tax deduction of US$70.7 million (A$91.4 million) for the current year relating to total contributions to AICF of US$369.1 million (A$456.8 million) incurred in tax years 2014 through 2018.

At 31 March 2018, the Company had foreign tax credit carry-forwards of US$126.1 million that are available to offset future taxes payable. At 31 March 2018, the Company had a 100% valuation allowance against the foreign tax credit carry-forwards.

In determining the need for and the amount of a valuation allowance in respect of the Company’s asbestos related deferred tax asset, management reviewed the relevant empirical evidence, including the current and past core earnings of the Australian business and forecast earnings of the Australian business considering current trends. Although realization of the deferred tax asset will occur over the life of the AFFA, which extends beyond the forecast period for the Australian business, Australia provides an unlimited carry-forward period for tax losses. Based upon managements’ review, the Company believes that it is more likely than not that the Company will realize its asbestos related deferred tax asset and that no valuation allowance is necessary as of 31 March 2018. In the future, based on review of the empirical evidence by management at that time, if management determines that realization of its asbestos related deferred tax asset is not more likely than not, the Company may need to provide a valuation allowance to reduce the carrying value of the asbestos related deferred tax asset to its realizable value.

Income taxes payable represents taxes currently payable which are computed at statutory income tax rates applicable to taxable income derived in each jurisdiction in which the Company conducts business.

At 31 March 2018, the Company had income taxes payable of US$29.1 million, after taking into account total income tax and withholding tax paid, net of refunds received, during the year ended 31 March 2018 of US$49.1 million. Income taxes were paid in Canada, Ireland, New Zealand, the Philippines and the United States. Withholding taxes were paid in Australia, Canada, New Zealand and the Philippines.

Due to the size and nature of its business, the Company is subject to ongoing reviews by taxing jurisdictions on various tax matters. The Company accrues for tax contingencies based upon its best estimate of the taxes ultimately expected to be paid, which it updates over time as more information becomes available. Such amounts are included in taxes payable or other non-current liabilities, as appropriate. If the Company ultimately determines that payment of these amounts is unnecessary, the Company reverses the liability and recognizes a tax benefit during the period in which the Company determines that the liability is no longer necessary. The Company records additional tax expense in the period in which it determines that the recorded tax liability is less than the ultimate assessment it expects.

The Company or its subsidiaries files income tax returns in various jurisdictions including Ireland, the United States, Australia, New Zealand and the Philippines. The Company is no longer subject to US federal examinations by US Internal Revenue Service (“IRS”) for tax years prior to tax year 2015 and Australian federal examinations by the Australian Taxation Office (“ATO”) for tax years prior to tax year 2014.

Taxing authorities from various jurisdictions in which the Company operates are in the process of reviewing and auditing the Company’s respective jurisdictional tax returns for various ranges of years. The Company accrues tax liabilities in connection with ongoing audits and reviews based on knowledge of all relevant facts and circumstances, taking into account existing tax laws, its experience with previous audits and settlements, the status of current tax examinations and how the tax authorities view certain issues.

Unrecognized Tax Benefits

A reconciliation of the beginning and ending amount of unrecognized tax benefits and interest and penalties are as follows:

| (Millions of US Dollars) | Unrecognized tax benefits | Interest and Penalties |
|---|---|---|
| **Balance at 31 March 2015** | **$ 4.9** | **$ 0.3** |
| Additions for tax positions of the current year | 0.2 | — |
| Reductions in tax positions of prior year | (4.1 ) | (0.3 ) |
| Settlements paid during the current period | (0.3 ) | — |
| **Balance at 31 March 2016** | **$ 0.7** | **$ —** |
| Additions for tax positions of the current year | 0.1 | — |
| Reductions in tax positions of prior year | (0.1 ) | — |
| **Balance at 31 March 2017** | **$ 0.7** | **$ —** |
| Additions for tax positions of the current year | — | — |
| Reductions in tax positions of prior year | — | — |
| **Balance at 31 March 2018** | **$ 0.7** | **$ —** |

At 31 March 2018, the total amount of unrecognized tax benefits and the total amount of interest and penalties accrued by the Company related to unrecognized tax benefits that, if recognized, would affect the tax expense is US$0.7 million and nil, respectively.

The Company recognizes penalties and interest accrued related to unrecognized tax benefits in income tax expense. During the years ended 31 March 2018, 2017 and 2016, income of nil, nil and US$0.3 million, respectively, relating to interest and penalties was recognized within income tax expense arising from movements in unrecognized tax benefits.

The liabilities associated with uncertain tax benefits are included in *Other liabilities* on the Company's consolidated balance sheets.

A number of years may elapse before an uncertain tax position is audited or ultimately resolved. It is difficult to predict the ultimate outcome or the timing of resolution for uncertain tax positions. It is reasonably possible that the amount of unrecognized tax benefits could significantly increase or decrease within the next twelve months. These changes could result from the completion of ongoing examinations, the expiration of the statute of limitations, or other circumstances. At this time, an estimate of the range of the reasonably possible change cannot be made.

US Tax Cuts and Jobs Act

The TCJ Act significantly revises the US corporate income tax by, among other things, lowering the US federal corporate income tax rate from 35.0% to 21.0%, resulting in a blended rate of 31.5% for the fiscal year ended 31 March 2018 and implementing a territorial tax system that imposed a tax on unrepatriated earnings of certain subsidiaries of our US subsidiaries.

During the year ended 31 March 2018, the Company recorded a charge to income tax expense ofUS$4.2 million in respect of income taxes of an estimated US$31.9 million imposed on deemed repatriated earnings of certain subsidiaries of our US subsidiaries, partially offset by an estimated reduction in the value of the US-based net deferred tax liability of US$27.7 million. Income taxes due from the deemed repatriation will be paid over an 8 year period. As such, the Company recorded current and non-current income taxes payable in its 31 March 2018 consolidated balance sheet.

The impact of the tax legislation on the Company's future earnings is uncertain. The impact is subject to the potential effect of certain complex provisions in the TCJ Act, and the issuance of regulatory guidance or clarifications that may be issued in the future in respect of these provisions, including the base erosion and anti-abuse tax, global intangible low-taxed income, foreign derived intangible income and others, which the Company is currently reviewing. These provisions will be in effect for the Company beginning in its fiscal year 2019 and it is possible that any impact of these provisions could materially reduce the benefit of the reduction in the US federal corporate income tax rate. Due to the uncertain practical and technical application of many of these provisions, it is currently not possible to reliably estimate whether these provisions will apply and if so, how it would impact the Company.

## 15. Stock-Based Compensation

Total stock-based compensation expense consists of the following:

| | Years Ended 31 March | | |
|---|---|---|---|
| (Millions of US dollars) | **2018** | 2017 | 2016 |
| Liability Awards Expense | **$ 5.6** | $ 5.4 | $ 4.8 |
| Equity Awards Expense | **11.1** | 9.3 | 10.3 |
| **Total stock-based compensation expense** | **$ 16.7** | $ 14.7 | $ 15.1 |

As of 31 March 2018, the unrecorded future stock-based compensation expense related to outstanding equity awards was US$19.0 million and will be recognized over an estimated weighted average amortization period of 2.2 years.

<u>2001 Equity Incentive Plan</u>

Under the Company’s 2001 Equity Incentive Plan (the “2001 Plan”), the Company can grant equity awards in the form of nonqualified stock options, performance awards, restricted stock grants, stock appreciation rights, dividend equivalent rights, phantom stock or other stock-based benefits such as restricted stock units. The 2001 Plan was first approved by the Company’s shareholders in 2001 and was reapproved to continue until September 2021 at the 2011 annual general meeting. The Company is authorized to issue 45,077,100 shares under the 2001 Plan.

Under the 2001 Plan, grants have been made at fair market value to management and other employees of the Company. Each grant confers the right to subscribe for one ordinary share in the capital of JHI plc. The grants may be exercised as follows: 25% after the first year; 25% after the second year; and 50% after the third year. All unexercised grants expire 10 years from the date of issue or 90 days after the employee ceases to be employed by the Company.

Restricted stock units may not be sold, transferred, assigned, pledged or otherwise encumbered so long as such units remain restricted. The Company determines the conditions or restrictions of any restricted stock units, which include requirements of continued employment. At 31 March 2018, there were 620,544 restricted stock units outstanding under this plan.

Long-Term Incentive Plan 2006

At the 2006 Annual General Meeting, the Company's shareholders approved the establishment of a Long-Term Incentive Plan 2006 (the "LTIP") to provide incentives to certain members of senior management ("Executives"). The shareholders also approved, in accordance with certain LTIP rules, the issue of options in the Company to executives of the Company. At the Company's 2008 Annual General Meeting, the shareholders amended the LTIP to also allow restricted stock units to be granted under the LTIP. The LTIP was re-approved by the Company's shareholders with certain amendments at each of the 2008, 2012 and 2015 Annual General Meetings.

As of 31 March 2018, the Company had granted 12,475,138 restricted stock units under the LTIP. These restricted stock units may not be sold, transferred, assigned, pledged or otherwise encumbered so long as such units remain restricted. The Company determines the conditions or restrictions of any restricted stock awards, which may include requirements of continued employment, individual performance or the Company's financial performance or other criteria. Restricted stock units either vest or expire as set out in the grant documents or LTIP rules. At 31 March 2018, there were 3,517,048 restricted stock units outstanding under the LTIP.

The following table summarizes the Company's shares available for grant as options, restricted stock units or other equity instruments under the LTIP and 2001 Plan at 31 March 2018, 2017 and 2016:

| | Shares Available for Grant |
|---|---|
| **Balance at 31 March 2016** | **28,418,808** |
| Granted | (1,179,994) |
| **Balance at 31 March 2017** | **27,238,814** |
| Granted | (1,779,904) |
| **Balance at 31 March 2018** | **25,458,910** |

Stock Options

There were no stock options granted during the years ended 31 March 2018 and 2017. The following table summarizes the Company's stock options activity during the noted period:

| | Outstanding Options | |
|---|---|---|
| | Number | Weighted Average Exercise Price (A$) |
| **Balance at 31 March 2016** | **104,027** | **7.22** |
| Exercised | (55,131) | 7.97 |
| **Balance at 31 March 2017** | **48,896** | **6.38** |
| Exercised | (48,896) | 6.38 |
| **Balance at 31 March 2018** | — | |

The total intrinsic value of stock options exercised was A$0.8 million for the years ended 31 March 2018 and 2017.

Windfall tax benefits realized in the United States from stock options exercised and included in cash flows from financing activities in the consolidated statements of cash flows were nil, US$3.0 million and US$0.4 million for the years ended 31 March 2018, 2017 and 2016, respectively.

Restricted Stock Units

The Company estimates the fair value of restricted stock units on the date of grant and recognizes this estimated fair value as compensation expense over the periods in which the restricted stock vests.

The following table summarizes the Company's restricted stock unit activity during the noted period:

| | Restricted Stock Units | Weighted Average Fair Value at Grant Date (A$) |
|---|---|---|
| **Non-vested at 31 March 2016** | **4,049,454** | **11.00** |
| Granted | 1,179,994 | 18.54 |
| Vested | (1,314,825) | 8.60 |
| Forfeited | (574,378) | 9.10 |
| **Non-vested at 31 March 2017** | **3,340,245** | **14.80** |
| Granted | 1,779,904 | 14.04 |
| Vested | (615,334) | 12.05 |
| Forfeited | (367,223) | 14.12 |
| **Non-vested at 31 March 2018** | **4,137,592** | **14.63** |

*Restricted Stock Units – service vesting*

During fiscal year 2018, 332,262 restricted stock units (service vesting) were granted to employees under the 2001 Plan. During fiscal year 2017, 315,636 restricted stock units (service vesting) were granted to employees under the 2001 Plan. The fair value of each restricted stock unit (service vesting) is equal to the market value of the Company's common stock on the date of the grant, adjusted for the fair value of estimated dividends as the restricted stock unit holder is not entitled to dividends over the vesting period.

During fiscal year 2018, 237,480 restricted stock units (service vesting) that were previously granted as part of the 2001 Plan became fully vested and the underlying common stock was issued. During fiscal year 2017, 304,470 restricted stock units (service vesting) that were previously granted as part of the 2001 Plan became fully vested and the underlying common stock was issued.

*Restricted Stock Units – performance vesting*

The Company granted 515,249 and 407,539 restricted stock units with a performance vesting condition under the LTIP to senior executives and managers of the Company on 21 August 2017 and 16 September 2016, respectively. The vesting of the restricted stock units is subject to a return on capital employed ("ROCE") performance hurdle being met and subject to negative discretion by the Board. The Board's discretion will reflect the Board's judgment of the quality of the returns balanced against management's delivery of market share growth and a scorecard of key qualitative and quantitative performance objectives. During fiscal year 2018, after exercise of negative discretion by the Board, 221,042 restricted stock units (performance vesting) that were granted on 16 September 2014 as part of the fiscal year 2015 long-term incentive award became fully vested and the underlying common stock was issued. The remaining 165,040 unvested restricted stock units from this grant were cancelled on 18 September 2017.

When the Board reviews the awards and determines whether any negative discretion should be applied at the vesting date, the award recipients may receive all, some, or none of their awards. The Board may only exercise negative discretion and may not enhance the maximum award that was originally granted to the award recipient.

The fair value of each restricted stock unit (performance vesting) is adjusted for changes in JHI plc's common stock price at each balance sheet date and for the fair value of estimated dividends as the restricted stock unit holder is not entitled to dividends over the vesting period until the performance conditions are applied at the vesting date.

*Restricted Stock Units – market condition*

Under the terms of the LTIP, the Company granted 932,393 and 456,819 restricted stock units (market condition) to senior executives and managers of the Company on 21 August 2017 and 16 September 2016, respectively. The vesting of these restricted stock units is subject to a market condition as outlined in the relevant notice of meeting.

The fair value of each of these restricted stock units (market condition) granted under the LTIP is estimated using a binomial lattice model that incorporates a Monte Carlo simulation (the "Monte Carlo" method). The following table includes the assumptions used for restricted stock grants (market condition) valued during the year ended 31 March 2018 and 2017, respectively:

| **Vesting Condition:** | **Market** | **Market** |
|---|---|---|
| | FY18 | FY17 |
| Date of grant | 21 Aug 2017 | 16 Sep 2016 |
| Dividend yield (per annum) | 3.0 % | 2.3 % |
| Expected volatility | 30.1 % | 31.5 % |
| Risk free interest rate | 1.5 % | 1.1 % |
| Expected life in years | 3.3 | 3.0 |
| JHX stock price at grant date (A$) | 17.91 | 20.82 |
| Number of restricted stock units | 932,393 | 456,819 |

During fiscal year 2018, 156,812 restricted stock units (market condition) that were previously granted became fully vested and the underlying common stock was issued. During fiscal year 2017, 728,887 restricted stock units (market condition) that were previously granted became fully vested and the underlying common stock was issued.

*Scorecard LTI – cash settled units*

Under the terms of the LTIP, the Company granted awards equivalent to 1,545,750 and 458,484 Scorecard LTI units on 21 August 2017 and 16 September 2016, respectively. These awards provide recipients a cash incentive based on an average 20 trading-day closing price of JHI plc's common stock price and each executive's scorecard rating. The vesting of awards is measured on individual performance conditions based on certain performance measures. Compensation expense recognized for awards are based on the fair market value of JHI plc's common stock on the date of grant and recorded as a liability. The expense is recognized ratably over the vesting period and the liability is adjusted for subsequent changes in JHI plc's common stock price at each balance sheet date adjusted for the fair value of estimated dividends as the restricted stock unit holder is not entitled to dividends over the vesting period.

On 18 September 2017, 197,800 of the 454,179 Scorecard LTI units that were previously granted on 16 September 2014 as part of the FY2015 long-term incentive award became fully vested and the balance cancelled as a result of the Board's determination of management's performance against the FY2015-17 Scorecard. The cash amount paid to award recipients was based on an average 20 trading-day closing price of JHI plc's common stock price.

On 16 September 2016, 316,841 of the 518,647 Scorecard LTI units that were previously granted on 16 September 2013 as part of the FY2014 long-term incentive award became fully vested and the balance cancelled as a result of the Board's determination of management's performance against the FY2014-16 Scorecard. The cash amount paid to award recipients was based on an average 20 trading-day closing price of JHI plc's common stock price.

## 16. Capital Management and Dividends

The following table summarizes the dividends paid during the fiscal years 2018, 2017 and 2016:

| (Millions of US dollars) | US Cents/Security | US$ Millions Total Amount | Announcement Date | Record Date | Payment Date |
|---|---|---|---|---|---|
| FY 2018 first half dividend | 0.10 | 46.2 | 9 November 2017 | 13 December 2017 | 23 February 2018 |
| FY 2017 second half dividend | 0.28 | 131.3 | 18 May 2017 | 8 June 2017 | 4 August 2017 |
| FY 2017 first half dividend | 0.10 | 46.6 | 17 November 2016 | 21 December 2016 | 24 February 2017 |
| FY 2016 second half dividend | 0.29 | 130.2 | 19 May 2016 | 9 June 2016 | 5 August 2016 |
| FY 2016 first half dividend | 0.09 | 39.7 | 19 November 2015 | 23 December 2015 | 26 February 2016 |
| FY 2015 special dividend | 0.22 | 92.8 | 21 May 2015 | 11 June 2015 | 7 August 2015 |
| FY 2015 second half dividend | 0.27 | 114.0 | 21 May 2015 | 11 June 2015 | 7 August 2015 |

During fiscal year 2017, the Company announced a share buyback program (the "fiscal 2017 program") to acquire up to US$100.0 million of its issued capital in the twelve months through May 2017. Under this program, the Company repurchased and cancelled 6,090,133 shares of its common stock during the second quarter of fiscal year 2017. The aggregate cost of the shares repurchased and cancelled was A$131.4 million (US$99.8 million), at an average market price of A$21.58 (US$16.40).

Subsequent to 31 March 2018, the Company announced an ordinary dividend of US30.0 cents per security, with a record date of 7 June 2018 and a payment date of 3 August 2018.

## 17. Operating Segment Information and Concentrations of Risk

The Company has reported its operating segment information in the format that the operating segment information is available to and evaluated by the CODM. The North America Fiber Cement segment manufactures fiber cement interior linings, exterior siding products and related accessories in the United States; these products are sold in the United States and Canada. The International Fiber Cement segment includes all fiber cement products manufactured in Australia, New Zealand and the Philippines, and sold in Australia, New Zealand, Asia, the Middle East and various Pacific Islands. This segment also includes product manufactured in the United States that is sold in Europe. The Other Businesses segment includes certain non-fiber cement manufacturing and sales activities in North America, including fiberglass windows. The Research and Development segment represents the cost incurred by the research and development centers. General Corporate costs primarily consist of *Asbestos adjustments*, officer and employee compensation and related benefits, professional and legal fees, administrative costs and rental expense, net of rental income, on the Company's corporate offices.

### Operating Segments

The following is the Company's operating segment information:

| (Millions of US dollars) | Net Sales to Customers Years Ended 31 March 2018 | 2017 | 2016 |
|---|---|---|---|
| North America Fiber Cement | **$ 1,578.1** | $ 1,493.4 | $ 1,335.0 |
| International Fiber Cement | **461.7** | 411.8 | 379.4 |
| Other Businesses | **14.7** | 16.4 | 13.8 |
| Worldwide total | **$ 2,054.5** | $ 1,921.6 | $ 1,728.2 |

| (Millions of US dollars) | Income Before Income Taxes Years Ended 31 March 2018 | 2017 | 2016 |
|---|---|---|---|
| North America Fiber Cement[1,8] | **$ 381.9** | $ 343.9 | $ 352.2 |
| International Fiber Cement[1,6,7] | **108.4** | 95.1 | 77.9 |
| Other Businesses | **(8.6)** | (6.7) | (8.6) |
| Research and Development[1] | **(27.8)** | (25.5) | (23.9) |
| Segments total | **453.9** | 406.8 | 397.6 |
| General Corporate[2] | **(224.7)** | (13.6) | (43.6) |
| Total operating income | **229.2** | 393.2 | 354.0 |
| Net interest expense[3] | **(29.5)** | (27.5) | (25.6) |
| Loss on early debt extinguishment | **(26.1)** | — | — |
| Other income | **0.7** | 1.3 | 2.1 |
| Worldwide total | **$ 174.3** | $ 367.0 | $ 330.5 |

| (Millions of US dollars) | Total Identifiable Assets 31 March 2018 | 2017 |
|---|---|---|
| North America Fiber Cement | **$ 1,070.7** | $ 917.4 |
| International Fiber Cement | **351.6** | 335.7 |
| Other Businesses | **30.1** | 28.4 |
| Research and Development | **7.5** | 12.3 |
| Segments total | **1,459.9** | 1,293.8 |
| General Corporate[4,5] | **891.1** | 718.9 |
| Worldwide total | **$ 2,351.0** | $ 2,012.7 |

The following is the Company's geographical information:

| (Millions of US dollars) | Net Sales to Customers Years Ended 31 March 2018 | 2017 | 2016 |
|---|---|---|---|
| North America | **$ 1,592.8** | $ 1,509.9 | $ 1,348.8 |
| Australia | **301.1** | 252.5 | 228.4 |
| New Zealand | **76.8** | 73.3 | 61.4 |
| Other Countries | **83.8** | 85.9 | 89.6 |
| Worldwide total | **$ 2,054.5** | $ 1,921.6 | $ 1,728.2 |

| (Millions of US dollars) | Total Identifiable Assets 31 March 2018 | 2017 |
|---|---|---|
| North America | **$ 1,103.6** | $ 953.1 |
| Australia | **242.6** | 237.0 |
| New Zealand | **34.8** | 31.8 |
| Other Countries | **78.9** | 71.9 |
| Segments total | **1,459.9** | 1,293.8 |
| General Corporate[4,5] | **891.1** | 718.9 |
| Worldwide total | **$ 2,351.0** | $ 2,012.7 |

1 Research and development expenditures are expensed as incurred and are summarized by segment in the following table:

| (Millions of US dollars) | Years Ended 31 March 2018 | 2017 | 2016 |
|---|---|---|---|
| North America Fiber Cement | **$ 6.1** | $ 6.2 | $ 6.6 |
| International Fiber Cement | **1.8** | 1.5 | 1.2 |
| Research and Development[a] | **25.4** | 22.6 | 21.7 |
| | **$ 33.3** | $ 30.3 | $ 29.5 |

a The Research and Development segment also included *Selling, general and administrative* expenses of US$2.4 million, US$2.9 million and US$2.2 million in fiscal years 2018, 2017 and 2016, respectively.

2 The principal components of General Corporate costs are officer and employee compensation and related benefits, professional and legal fees, administrative costs, and rental expense on the Company's corporate offices. Also included in General Corporate costs are the following:

| (Millions of US dollars) | Years Ended 31 March 2018 | 2017 | 2016 |
|---|---|---|---|
| Asbestos adjustments | **$ (156.4 )** | $ 40.4 | $ 5.5 |
| AICF SG&A expenses | **$ (1.9 )** | $ (1.5 ) | $ (1.7 ) |

3 The Company does not report net interest expense for each operating segment as operating segments are not held directly accountable for interest expense. Included in net interest expense is net AICF interest (income) expense of US$(1.9) million, US$1.1 million and US$0.3 million in fiscal years 2018, 2017 and 2016, respectively.

4 The Company does not report deferred tax assets and liabilities for each operating segment as operating segments are not held directly accountable for deferred income taxes. All deferred income taxes are included in General Corporate costs.

5 Asbestos-related assets at 31 March 2018 and 2017 are US$537.7 million and US$573.8 million, respectively, and are included in the General Corporate costs.

6 Included in the International Fiber Cement segment for the year ended 31 March 2016 was a gain on the sale of the Australian Pipes business of US$1.7 million.

7 Included in the International Fiber Cement segment are adjustments to the provision for New Zealand weathertightness claims.

| (Millions of US dollars) | Years Ended 31 March 2018 | 2017 | 2016 |
|---|---|---|---|
| New Zealand weathertightness claims expense | $ — | $ — | $ (0.5) |

8 Included in the North America Fiber Cement segment for the year ended 31 March 2018 was a gain on the sale of the Fontana Building of US$3.4 million.

### Concentrations of Risk

The distribution channels for the Company's fiber cement products are concentrated. If the Company were to lose one or more of its major customers, there can be no assurance that the Company will be able to find a replacement. Therefore, the loss of one or more customers could have a material adverse effect on the Company's consolidated financial position, results of operations and cash flows.

We have one customer who contributes greater than 10% of our net sales in each of the past three fiscal years.

This customer's accounts receivable represented 9.0% and 9.1% of the Company's accounts receivable at 31 March 2018 and 2017, respectively. The following is net sales generated by this customer, which is from the North America Fiber Cement segment:

| | **Years Ended 31 March** | | | | | |
|---|---|---|---|---|---|---|
| (Millions of US dollars) | **2018** | | 2017 | | 2016 | |
| Customer A | **$ 246.9** | **12.0%** | $ 226.0 | 10.3% | $ 197.0 | 10.1% |

Approximately 22%, 21% and 22% of the Company's net sales in fiscal year 2018, 2017 and 2016, respectively, were from outside the United States. Consequently, changes in the value of foreign currencies could significantly affect the consolidated financial position, results of operations and cash flows of the Company's non-US operations on translation into US dollars.

## 18. Accumulated Other Comprehensive Loss

During the year ended 31 March 2018 there were no reclassifications out of *Accumulated other comprehensive loss:*

| (Millions of US dollars) | Cash Flow Hedges | Foreign Currency Translation Adjustments | Total |
|---|---|---|---|
| Balance at 31 March 2017 | $ 0.3 | $ (2.5) | $ (2.2) |
| Other comprehensive income | — | 0.9 | 0.9 |
| **Balance at 31 March 2018** | **$ 0.3** | **$ (1.6)** | **$ (1.3)** |

### 19. Subsequent Event

Acquisition

On 3 April 2018, the Company completed its acquisition of German-based XI (DL) Holdings GmbH and its subsidiaries (including, but not limited to, Fermacell GmbH) (collectively, "Fermacell") under the terms of the previously announced Sale and Purchase Agreement with Xella International S.A. Fermacell manufactures and sells gypsum fiber and cement-bonded board primarily in continental Europe.

On 7 November 2017, the Company had entered into the Sales and Purchase Agreement with Xella International S.A., whereby the Company agreed to purchase the stock of Fermacell based on an enterprise value of €473.0 million, resulting in 100% ownership of Fermacell. At the closing of the acquisition, the Company funded the closing payment and related fees and expenses with a combination of cash on-hand and a €400.0 million (US$492.4 million based on exchange rate at 3 April 2018) drawdown from the Term Loan Facility. Refer to Note 9 for further details on the Term Loan Facility.

The final determination of the purchase price allocation is expected to be completed as soon as practicable after consummation of the acquisition. Due to the limited time between the acquisition date and the filing of this report, it is not practicable for the Company to disclose: (i) the allocation of purchase price to assets acquired and liabilities assumed as of the date of close, and (ii) pro forma revenues and earnings of the combined company for the period ended 31 March 2018.

Beginning with the first quarter fiscal year 2019 results, the Company intends to include a European Building Products segment in its report of quarterly results. This new segment will include the on-going James Hardie European Fiber Cement business and the newly acquired Fermacell business. The current International Fiber Cement segment will be renamed Asia Pacific Fiber Cement segment and will include our Australia, New Zealand and Philippines businesses.

Exhibit 99.6

KPMG

# Valuation of Asbestos-Related Disease Liabilities of former James Hardie entities ("the Liable Entites") to be met by the AICF Trust

Prepared for Asbestos Injuries Compensation Fund Limited ("AICFL")

As at 31 March 2018

22 May 2018

**KPMG Actuarial**
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22 May 2018

Narreda Grimley
General Manager
Asbestos Injuries Compensation Fund Limited
Suite 1, Level 6, 56 Clarence Street
Sydney NSW 2000

Cc Matthew Marsh, Chief Financial Officer, James Hardie Industries plc
Karen Smith, Deputy Secretary, Legal, Department of Premier and Cabinet, The State of New South Wales
The Board of Directors, Asbestos Injuries Compensation Fund Limited

Dear Narreda

# Valuation of Asbestos-Related Disease Liabilities of former James Hardie entities ("The Liable Entities") to be met by the AICF Trust

We are pleased to provide you with our Annual Actuarial Report relating to the asbestos-related disease liabilities of the Liable Entities which are to be met by the AICF Trust.

The report is effective as at 31 March 2018 and has taken into account claims data and information provided to us by AICFL as at 31 March 2018.

If you have any questions with respect to the contents of this report, please do not hesitate to contact us.

Yours sincerely

N Donlevy

Neil Donlevy MA FIA FIAA
Executive, KPMG Financial Services Consulting Pty Ltd
Fellow of the Institute of Actuaries (London)
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Jefferson Gibbs BSc FIA FIAA
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# Executive Summary

## Important Note: Basis of Report

This valuation report ("the Report") has been prepared by KPMG Actuarial, a division of KPMG Financial Services Consulting Pty Ltd (ABN 91 144 686 046) (hereafter collectively referred to as "KPMG" or "KPMG Actuarial") in accordance with an "Amended and Restated Final Funding Agreement in respect of the provision of long-term funding for compensation arrangements for certain victims of Asbestos-related diseases in Australia" (hereafter referred to as the "the Amended Final Funding Agreement") between James Hardie Industries NV (now known as James Hardie Industries plc) (hereafter referred to as "James Hardie"), James Hardie 117 Pty Limited, the State of New South Wales and Asbestos Injuries Compensation Fund Limited ("AICFL") which was signed on 21 November 2006.

This Report is intended to meet the requirements of the Amended Final Funding Agreement and values the asbestos-related disease liabilities of the Liable Entities to be met by the AICF Trust.

This Report is not intended to be used for any other purpose and may not be suitable, and should not be used, for any other purpose. Opinions and estimates contained in the Report constitute our judgment as of the date of the Report.

The information contained in this Report is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever as, advice and is not intended to influence a person in making a decision in relation to any financial product or an interest in a financial product. No one should act on the information contained in this Report without obtaining appropriate professional advice after a thorough examination of the accuracy and appropriateness of the information contained in this Report having regard to their objectives, financial situation and needs.

In preparing the Report, KPMG has relied on information supplied to it from various sources and has assumed that the information is accurate and complete in all material respects. KPMG has not independently verified the accuracy or completeness of the data and information used for this Report.

Except insofar as liability under statute cannot be excluded, KPMG, its executives, directors, employees and agents will not be held liable for any loss or damage of any kind arising as a consequence of any use of the Report or purported reliance on the Report including any errors in, or omissions from, the valuation models.

The Report must be read in its entirety. Individual sections of the Report, including the Executive Summary, could be misleading if considered in isolation. In particular, the opinions expressed in the Report are based on a number of assumptions and qualifications which are set out in the full Report.

## Introduction

The Amended Final Funding Agreement requires the completion of an Annual Actuarial Report evaluating the potential asbestos-related disease liabilities of the Liable Entities to be met by the AICF Trust. KPMG has been retained by AICFL to provide this Annual Actuarial Report as required under the Amended Final Funding Agreement and this is detailed in our Engagement Letter dated 16 November 2017.

The Liable Entities are defined as being the following entities:

- Amaca Pty Ltd (formerly James Hardie & Coy);
- Amaba Pty Ltd (formerly Jsekarb, James Hardie Brakes and Better Brakes); and
- ABN60 Pty Ltd (formerly James Hardie Industries Ltd).

In addition, the liability for Baryulgil claims is deemed to be a liability of Amaca by virtue of the James Hardie (Civil Liability) Act 2005 (NSW). Under Part 4 of that Act, Amaca is liable for the "Marlew Asbestos Claims" or "Marlew Contribution Claims" as defined in that Act.

Our valuation is on a central estimate basis and is intended to be effective as at 31 March 2018. It has been based on claims data and information as at 31 March 2018 provided to us by AICFL.

## Overview of Recent Claims Experience and comparison with previous valuation projections

In this section we compare the actual experience in 2017/18 (referred to in the following tables as "FY18 Actual") with the projections for 2017/18 that were contained within our previous valuation report at 31 March 2017. We will refer to these projections for 2017/18 as "FY18 Expected" in the tables that follow.

### Claim numbers

There have been 392 mesothelioma claims reported in 2017/18, a 5% increase compared to the 374 mesothelioma claims reported in 2016/17 and 5% above expectations for 2017/18 (372 claims).

For non-mesothelioma claims (excluding workers compensation claims), there have been 150 claims reported in 2017/18, a 6% decrease compared to 159 claims reported in 2016/17.

The following table shows the comparison of actual experience with that which had been forecast at the previous valuation.

Table E.1. Comparison of claim numbers

| | FY18 Actual | FY18 Expected | Ratio of Actual to Expected (%) | FY17 Actual |
|---|---|---|---|---|
| Mesothelioma | 392 | 372 | 105% | 374 |
| Asbestosis | 85 | 108 | 79% | 97 |
| Lung Cancer | 26 | 21 | 124% | 19 |
| ARPD & Other | 31 | 33 | 94% | 32 |
| Wharf | 8 | 12 | 67% | 11 |
| Workers | 20 | 30 | 67% | 24 |
| Total | 562 | 576 | 98% | 557 |

### Average Claim Awards

Average claims awards in 2017/18 have been lower than expectations across all disease types with the exception of workers compensation.

There has been one large mesothelioma claim settlement (being claims in excess of $1m in 2006/07 money terms) in 2017/18. This is significantly lower than our expectations. Total claims expenditure on large claims has been 85% below expectations, reflecting the low number of large claims reported and settled in 2017/18.

The following table shows the comparison of actual experience with that which had been forecast at the previous valuation.

Table E.2. Comparison of average claim size of non-nil claims

| | FY18 Actual ($) | FY18 Expected ($) | Ratio of Actual to Expected (%) | FY17 Actual ($) |
|---|---|---|---|---|
| Mesothelioma | 300,491 | 364,000 | 83% | 286,271 |
| Asbestosis | 104,786 | 118,200 | 89% | 81,625 |
| Lung Cancer | 117,067 | 131,900 | 89% | 42,336 |
| ARPD & Other | 66,285 | 105,500 | 63% | 75,972 |
| Wharf | 78,668 | 116,100 | 68% | 38,373 |
| Workers | 241,667 | 137,200 | 176% | 0 |
| Mesothelioma Large Claims (settled) | | | | |
| Number | 1 | 5.6 | 18% | 2 |
| Average claim size | 2,000,000 | 2,331,600 | 86% | 1,703,000 |
| Large claim expenditure | 2,000,000 | 13,056,960 | 15% | 3,406,000 |

*Note: FY17 Actuals have been inflated (by 4%) to mid 2017/18 values*

### Cashflow expenditure: gross and net

Gross cashflow expenditure, at $139.7m, was 10% below expectations.

Net cashflow expenditure, at $123.7m, was 16% below expectations.

Table E.3. Comparison of cashflow

| | FY18 Actual ($M) | FY18 Expected ($M) | Ratio of Actual to Expected (%) | FY17 Actual ($M) |
|---|---|---|---|---|
| Gross Cashflow | 139.7 | 154.9 | 90% | 125.0 |
| Insurance and Other Recoveries | (11.4) | (8.2) | 139% | (22.3) |
| Insurance recoveries from HIH and from commutations | (4.6) | 0.0 | n/a | (105.0) |
| Net Cashflow | 123.7 | 146.7 | 84% | (2.3) |

Gross cashflow was lower than expectations primarily due to the lower average claim size of non-large mesothelioma claims together with lower expenditure on large mesothelioma claims, partially offset by higher numbers of mesothelioma claims settlements in 2017/18.

### Liability Assessment

At 31 March 2018, our projected central estimate of the liabilities of the Liable Entities (the Discounted Central Estimate) to be met by the AICF Trust is $1,852.9m (March 2017: $1,740.1m). We have not allowed for the future Operating Expenses of the AICF Trust or the Liable Entities in the liability assessment.

Table E.4. Comparison of central estimate of liabilities

| | 31 March 2018 $m | | | 31 March 2017 $m |
|---|---|---|---|---|
| | Gross of insurance recoveries | Insurance recoveries | Net of insurance recoveries | Net of insurance recoveries |
| Total uninflated and undiscounted cash-flows | 1,517.3 | 74.4 | 1,442.9 | 1,385.7 |
| Inflation allowance | 972.7 | 34.7 | 938.0 | 814.0 |
| Total inflated and undiscounted cash-flows | 2,490.0 | 109.1 | 2,380.9 | 2,199.7 |
| Discounting allowance | (551.8) | (23.7) | (528.0) | (459.6) |
| Net present value liabilities | 1,938.2 | 85.4 | 1,852.9 | 1,740.1 |

### Comparison with previous valuation

In the absence of any change to the claim projection assumptions from our 31 March 2017 valuation, other than allowing for the changes in the discount rate, we would have projected a Discounted Central Estimate liability of $1,657.1m as at 31 March 2018.

This is a decrease of $83.0m relative to the valuation result at 31 March 2017, and this is due to:

- A reduction of $119.9m, being the net impact of expected claims payments (which reduce the liability) and the "unwind of discount" (to reflect the fact that cashflows are now one year nearer).
- An increase of $36.9m resulting from changes to the yield curve between 31 March 2017 and 31 March 2018.

Our liability assessment at 31 March 2018 of $1,852.9m represents an increase of $195.8m, which arises from changes to the actuarial assumptions. The increase is principally a consequence of:

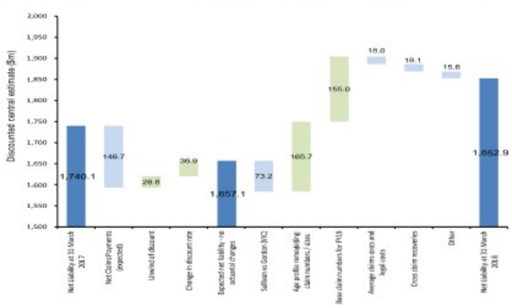
- The revised modelling approach for mesothelioma which has allowed for higher numbers of claims after 2025 partially offset by reductions in average sizes by allowing for the impact of claimant age; and
- An increase to the base level of mesothelioma claims for 2018/19 and the consequential impact this has on the number of claims in all future years;

offset by

- Removal of the allowance for *Sullivan vs Gordon* in Victoria (see Section 1.3.3 of this Report);
- Increased allowance for cross-claim recoveries; and
- Reductions for average claim sizes and defence legal costs for other disease types.

The following chart shows an analysis of the change in our liability assessments from 31 March 2017 to 31 March 2018 on a discounted basis.

Figure E.1. Analysis of change in central estimate liability (discounted basis)




*Note: Green bars signal that this factor has given rise to an increase in the liability whilst light blue bars signal that this factor has given rise to a reduction in the liability.*

### Amended Final Funding Agreement calculations

The Amended Final Funding Agreement sets out the basis on which payments will be made to the AICF Trust.

Additionally, there are a number of other figures specified within the Amended Final Funding Agreement that we are required to calculate. These are:

- Discounted Central Estimate;
- Term Central Estimate; and
- Period Actuarial Estimate.

Table E.5. Amended Final Funding Agreement calculations

| | $m | |
|---|---|---|
| Discounted Central Estimate (net of cross-claim recoveries, Insurance and Other Recoveries) | 1,852.9 | |
| Period Actuarial Estimate (net of cross-claim recoveries, gross of Insurance and Other Recoveries) comprising: | 462.7 | |
| Discounted value of cashflow in 2018/19 | | 147.1 |
| Discounted value of cashflow in 2019/20 | | 159.4 |
| Discounted value of cashflow in 2020/21 | | 156.2 |
| Term Central Estimate (net of cross-claim recoveries, Insurance and Other Recoveries) | 1,835.5 | |

The actual funding amount due at a particular date will depend upon a number of factors, including:

- the net asset position of the AICF Trust at that time;
- the free cash flow amount of the James Hardie Group in the preceding financial year; and
- the Period Actuarial Estimate in the latest Annual Actuarial Report.

### Uncertainty

Estimates of asbestos-related disease liabilities are subject to considerable uncertainty, significantly more than personal injury liabilities in relation to other causes, such as CTP or Workers Compensation claims.

It should therefore be expected that the actual emergence of the liabilities will vary from any estimate. As indicated in Figure E.2, depending on the actual out-turn of experience relative to that currently forecast, the variation could potentially be substantial.

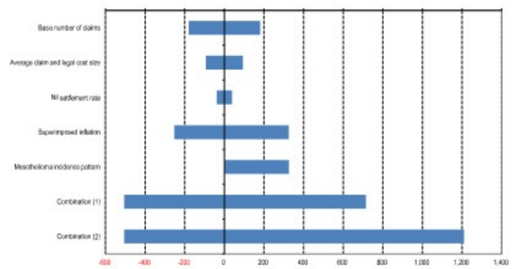
Thus, no assurance can be given that the actual liabilities of the Liable Entities to be met by the AICF Trust will not ultimately exceed the estimates contained in this Report. Any such variation may be significant.

We have performed sensitivity testing to identify the impact of different assumptions upon the size of the liabilities. The different scenarios selected are documented at Section 11.2 of this report.

We have not included a sensitivity test for the impact of changes in discount rates although, as noted in this Report, changes in discount rates can introduce significant volatility to the Discounted Central Estimate result reported at each year-end.

We note that these sensitivity test ranges are not intended to correspond to a specified probability of sufficiency, nor are they intended to indicate an upper bound or a lower bound of all possible outcomes.

Figure E.2. Sensitivity testing results – Impact around the Discounted Central Estimate (in $m)




The single most sensitive assumption shown in the chart is the peak period of claims reporting against the Liable Entities. Shifting the pattern of incidence by 2 years could add approximately $325m (18%) on a discounted basis to our valuation (as shown in the above chart by the scenario labelled "mesothelioma incidence pattern").

Table E.6. Summary results of sensitivity analysis ($m)

| | Undiscounted | Discounted |
|---|---|---|
| Central estimate | 2,380.9 | 1,852.9 |
| Low Scenario | 1,681.3 | 1,347.2 |
| High Scenario | 4,209.8 | 3,062.0 |

Whilst the table above indicates a range around the discounted central estimate of liabilities of -$506m to +$1,209m, the actual cost of liabilities could fall outside that range depending on the actual experience.

### Executive Summary Not Report

Please note that this executive summary is intended as a brief overview of our Report. To properly understand our analysis and the basis of our liability assessment requires examination of our Report in full.

# Contents



# Appendices

# 1. Scope and Purpose

## 1.1 Introduction

The Amended Final Funding Agreement requires the completion of an Annual Actuarial Report evaluating the potential asbestos-related disease liabilities of the Liable Entities to be met by the AICF Trust.

### 1.1.1 Liable Entities

The Liable Entities are defined as being the following entities:

- Amaca Pty Ltd (formerly James Hardie & Coy);
- Amaba Pty Ltd (formerly Jsekarb, James Hardie Brakes and Better Brakes); and
- ABN60 Pty Ltd (formerly James Hardie Industries Ltd).

In addition, the liability for Baryulgil claims is deemed to be a liability of Amaca by virtue of the James Hardie (Civil Liability) Act 2005 (NSW). Under Part 4 of that Act, Amaca is liable for "Marlew Asbestos Claims" or "Marlew Contribution Claims" as defined in that Act.

### 1.1.2 Personal asbestos claims

Under the Amended Final Funding Agreement, the liabilities to be met by the AICF Trust relate to personal asbestos-related disease liabilities of the Liable Entities.

Such claims must relate to exposure which took place in Australia and which have been brought in a Court in Australia.

The precise scope of the liabilities is documented in Section 1.2 and in Appendix D of this Report.

### 1.1.3 Purpose of report

KPMG has been retained by AICFL to provide an Annual Actuarial Report as required under the Amended Final Funding Agreement and this is detailed in our Engagement Letter dated 16 November 2017.

The prior written consent of KPMG is required for any other use of this Report or the information contained in it.

Our valuation is effective as at 31 March 2018 and has been based on claims data and information as at 31 March 2018 provided to us by AICFL.

## 1.2 Scope of report

We have been requested to provide an actuarial assessment as at 31 March 2018 of the asbestos-related disease liabilities of the Liable Entities to be met by the AICF Trust, consistent with the terms of the Amended Final Funding Agreement.

The assessment is on a central estimate basis and is based on the claims experience as at 31 March 2018.

A "central estimate" liability assessment is an estimate of the expected value of the range of potential future liability outcomes. In other words, if all the possible values of the liabilities are expressed as a statistical distribution, the central estimate is an estimate of the mean of that distribution.

It is of note that our liability assessment:

- Relates to the Liable Entities and Marlew (in relation to Marlew Claims arising from asbestos mining activities at Baryulgil).
- Is intended to cover:
  - The amount of settlements, judgments or awards for all Personal Asbestos Claims.
  - Claims Legal Costs incurred by the AICF Trust in connection with the settlement of Personal Asbestos Claims.
- Is not intended to cover:
  - Personal injury or death claims arising from exposure to asbestos which took place outside Australia.
  - Personal injury or death claims, arising from exposure to Asbestos, which are brought in Courts outside Australia.
  - Claims for economic loss, other than any economic loss forming part of an award for damages for personal injury and/or death.
  - Claims for loss of property, including those relating to land remediation.
  - The costs of asbestos or asbestos product removal relating to asbestos or asbestos products manufactured or used by or on behalf of the Liable Entities.
- Includes an allowance for:
  - Compensation to the NSW Dust Diseases Board or a Workers Compensation Scheme by way of a claim by such parties for contribution or reimbursement from the Liable Entities, but only to the extent that the cost of such claims is within the limits of funding for such claims as outlined within the Amended Final Funding Agreement.
  - Workers Compensation claims, being claims from former employees of the Liable Entities, but only to the extent that such liabilities are not met by a Workers Compensation Scheme or Policy (see section 1.2.1).
- Assumes that the product and public liability insurance policies of the Liable Entities will continue to respond to claims as and when they fall due. We have not made any

allowance for the impact of any disputation concerning Insurance Recoveries, nor for any legal costs that may be incurred in resolving such disputes.

- Makes no allowance for:
  - Insurance Recoveries from insurance policies placed from 1986 onwards which were placed on a "claims made" basis.
  - the future Operating Expenses of the Liable Entities or the AICF Trust. Separate allowance for future Operating Expenses should be considered by the management of AICFL.
  - the inherent uncertainty of the liability assessment. That is, no additional provision (or risk margin) has been included in excess of a central estimate.

Readers of this Report may refer to our previous reports which are available at www.ir.jameshardie.com.au and www.aicf.org.au.

### 1.2.1 Workers Compensation

Workers Compensation claims are claims made by former employees of the Liable Entities. Such past, current and future reported claims were insured with, amongst others, Allianz Australia Limited, QBE and the various State-based Workers Compensation Schemes.

Under the Amended Final Funding Agreement, the part of a future Workers Compensation claim that is met by a Workers Compensation Scheme or Policy of the Liable Entities is outside of the AICF Trust. The AICF Trust is, however, to provide for any part of a claim not covered by a Workers Compensation Scheme or Policy (e.g. as a result of the existence of limits of indemnity and policy deductibles on those policies of insurance).

On this basis our liability assessment in relation to Workers Compensation claims and which relates to the AICF Trust, includes only the amount borne by the Liable Entities in excess of the anticipated recoveries due from a Workers Compensation Scheme or Policy.

In making our assessment we have assumed that the Workers Compensation insurance programme will continue to respond to claims by former employees of the Liable Entities as and when they fall due. To the extent that they were not to respond owing to (say) insurer insolvency, Insurer Guarantee Funds may be available to meet such obligations.

### 1.2.2 Dust Disease Board and Other Reimbursements

There exists a right under Section 8E (Reimbursement Provisions) of the Dust Diseases Act 1942 for the NSW Dust Diseases Board ("DDB") to recover certain costs from common law defendants, excluding the employer of the claimant.

This component of cost is implicitly included within our liability assessment as the claims awards made in recent periods and in recent settlements contain allowance for DDB reimbursement where applicable. Furthermore, currently reported open claims have an allowance within their case estimates for the costs of DDB reimbursement where relevant and applicable.

The Amended Final Funding Agreement indicates that the AICF Trust is intended to meet Personal Asbestos Claims and that claims by the DDB or a Workers Compensation Scheme for reimbursement will only be met up to a certain specified limit (aggregated across the DDB and Workers Compensation Schemes), being:

- In the first financial year (2006/07) a limit of $750,000 applied;
- In respect of each financial year thereafter, that limit is indexed annually in line with the Consumer Price Index. At 31 March 2018, the annual limit is $985,738;
- There is an overall unindexed aggregate cap of $30m;
- At 31 March 2018, AICFL has paid out $9,495,875 to the DDB. Additionally, there are approximately $2.7m of unpaid claims at 31 March 2018; the pace of payment of which would be subject to the impact of the annual limit.

The cashflow and liability figures contained within this Report have already removed that component of any reimbursements that will not be met by the AICF Trust owing to the application of these limits and caps.

### 1.2.3 Baryulgil ("Marlew Claims")

"Marlew Asbestos Claims" and "Marlew Contribution Claims" are deemed to be liabilities of Amaca. These claims specifically include:

- Claims made against Amaca Pty Ltd or ABN60 resulting from their past ownership of the mine; and, in the case of Amaca, includes claims made in relation to the joint venture (Asbestos Mines Pty Ltd) established with Wunderlich in 1944 to begin mining at Baryulgil.
- Claims made against the subsequent owner of the mine (following its sale by James Hardie Industries to Woodsreef in 1976), being Marlew Mining Pty Ltd ("Marlew") which is in liquidation, are to be met by the AICF Trust except where such claims are Excluded Marlew Claims, which are recoverable by the Claimant from other sources.

These claims are discussed further in Section 5.8.

### 1.2.4 Risk Margins

Australian-licensed insurance companies are required to hold, and many non-insurance companies elect to hold, insurance and self-insurance claims provisions at a level above the central estimate basis to reflect the uncertainty attaching to the liability assessment and to include an allowance in respect of that uncertainty.

A risk margin is an additional amount held, above the central estimate, so as to increase the likelihood of adequacy of the provisions to meet the ultimate cost of settlement of those liabilities.

We note that the Amended Final Funding Agreement envisages the ongoing financing of the AICF Trust is to be based on a "central estimate" approach and that the Annual Actuarial Report should provide a Discounted Central Estimate valuation.

Accordingly, we have made no allowance for any risk margins within this Report.

### 1.2.5 Discounting

We have determined a Discounted Central Estimate in this Report by discounting (to 31 March 2018) the projected future cashflows using yields on Commonwealth Government Bonds.

Conceptually, the Discounted Central Estimate at 31 March 2018 would normally represent an amount of money which, if fully provided in advance (i.e. as of 31 March 2018) and invested in risk-free assets (such as Commonwealth Government Bonds) of term and currency appropriate to the liabilities, would generate the necessary investment income such that (together with the capital value of those assets) it would be expected to be sufficient to pay for the liabilities as they fall due.

To the extent that the actual investments are:

- of different terms; and/or
- in different currencies; and/or
- provide different expected rates of return

investment profits or losses would emerge.

One of the uncertainties in our valuation is the fact that fixed interest Commonwealth Government Bonds do not exist at most of the durations of our cashflow projection.

This means we need to take a long-term view on bond yields that is not measured by market-observable rates of return.

We note that the actual funding mechanism under the Amended Final Funding Agreement only provides for up to three years' worth of projected Claims and Claims Legal Costs expenditure and one year's worth of Operating Expenses at any one time.

## 1.3 Areas of potential exposure

As identified in Section 1.2, there are other potential sources of claims exposure beyond those directly considered within this Report. However, in a number of cases they are unquantifiable even if they have the potential to generate claims. This is especially the case for those sources of future claim where there has been no evidence of claims to date.

### 1.3.1 General areas of potential exposure

Areas of potential changes in claims exposure we have not explicitly allowed for in our valuation include, but are not limited to:

- Future significant individual landmark and precedent-setting judicial decisions;
- Significant medical advancements;
- Unimpaired claims, i.e. claims for fear, stress, pure nervous shock or psychological illness;
- A change in the basis of compensation for asymptomatic pleural plaques for which no associated physical impairment is exhibited;
- A proliferation (compared to past and current levels of activity) of "third-wave" claims, i.e. claims arising as a result of indirect exposure such as home renovation, washing

clothes of family members that worked with asbestos, or from workers involved in the removal of asbestos or the demolition of buildings containing asbestos;

- Changes in legislation, especially those relating to tort reform for asbestos sufferers. Examples include the current consultation by the Law Reform Commission in Western Australia in relation to damages for gratuitous services and provisional damages;
- Introduction of new, or elimination of existing, heads of damage;
- Exemplary and aggravated or punitive damages (being damages awarded for personal injuries caused as a result of negligence or reckless conduct);
- Changes in the basis of apportionment of awards for asbestos-related diseases for claimants who have smoked (we note the decisions in *Amaca v Ellis* [2010] HCA 5 and *Evans v Queanbeyan City Council* [2010] NSWDDT 7 which we understand are consistent with the previous decision in *Judd v Amaca* [2002] NSWDDT 25);
- Changes to taxation; and
- Future bankruptcies of other asbestos claim defendants (i.e. other liable manufacturers or distributors).

Nonetheless, implicit allowance is made in respect of some of these items in the allowance for superimposed inflation included in our liability assessment. Furthermore, to the extent that some of these have emerged in past claims experience, they are reflected in our projections.

### 1.3.2 New Zealand and other overseas exposures

We have made no allowance for the risk of further development in relation to New Zealand exposures and the rights of claims from New Zealand claimants in Australian courts (as per *Frost v Amaca* (2005), NSWDDT 36 although this decision was successfully appealed by Amaca in August 2006) nor for the risk of additional exposures from overseas.

This is because, as noted in Section 1.2, the AICF Trust is not required to meet the cost of these claims as they are Excluded Claims.

In relation to claimants where exposures have involved more than one country (e.g. UK and Australia), we have assumed that the AICF Trust will only meet that part of the cost which is attributable to the Australian-related exposure.

### 1.3.3 Victorian amendments to the Wrongs Act

In 2015, the State of Victoria implemented amendments to the Wrongs Act (the Wrongs Amendment Act 2015) to incorporate the payment of *Sullivan vs Gordon* awards (or more formally, Section 281D). These amendments came into force on 19 November 2015.

The Department of Justice and Regulation of Victoria made amendments to the Regulations that apply to Dust Diseases, namely the Wrongs (Part VB) (Dust and Tobacco-Related Claims) Regulations 2006.

The effect of the various amendments is that from 10 May 2016, the AICF Trust was required to pay for *Sullivan vs Gordon* awards (to the extent applicable) in relation to claims brought against the Liable Entities in Victoria.

Our liability assessment at 31 March 2017 therefore included an allowance for these as they were Payable Liabilities under the Amended Final Funding Agreement.

Our valuation at 31 March 2017 included the following amounts:

- $56.8m on an uninflated & undiscounted basis.
- $94.2m on an inflated & undiscounted basis.
- $73.2m on an inflated & discounted basis.

A Deed of Amendment to the Amended Final Funding Agreement was made on 19 December 2017 to insert a new clause (13.4A). The effect of these amendments is that *Sullivan vs Gordon* awards (Section 281D damages) cannot be paid by AICF and the Liable Entities with effect from 1 January 2018.

Accordingly, our valuation at 31 March 2018 has removed the allowance previously made within our 31 March 2017 valuation for these awards.

#### 1.3.4 Third-wave claims

We have made allowance for so-called "third-wave" claims. These are defined as claims for personal injury and / or death arising from asbestos exposure during home renovations by individuals or to builders involved in such renovations. Such claims are allowed for within the projections to the extent to which they have arisen to date and to the extent our exposure model factors in these exposures in its projection.

We have not allowed for a significant additional surge in third-wave claims (over and above current levels of activity) in the future arising from renovations, but conversely we have not allowed for a tempering of those third-wave claims already included within our projection as a result of improved education of individuals as to the risks of such home renovations, or of any local Councils or State Governments passing laws in this regard.

It should be noted that claims for the cost of asbestos or asbestos product removal from homes and properties or any claims for economic loss arising from asbestos or asbestos products being within such homes and properties is not required to be met by the AICF Trust.

### 1.4 Data reliances and limitations

KPMG has relied upon the accuracy and completeness of the data with which it has been provided. KPMG has not verified the accuracy or completeness of the data, although we have undertaken steps to test its consistency with data previously received. However, KPMG has placed reliance on the data previously received, and currently provided, as being accurate and complete in all material respects.

### 1.5 Uncertainty

It must be understood that estimates of asbestos-related disease liabilities are subject to considerable uncertainty.

This is due to the fact that the ultimate disposition of future claims will be subject to the outcome of events that have not yet occurred. Examples of these events, as noted in Section 1.3, include jury decisions, court interpretations, legislative changes, epidemiological developments, medical advancements, public attitudes, potential additional third-wave exposures and social and economic conditions such as inflation.

Therefore, it should be expected that the actual emergence of the liabilities will vary, perhaps materially, from any estimate. Thus, no assurance can be given that the actual liabilities of the Liable Entities to be met by the AICF Trust will not ultimately exceed the estimates contained herein. Any such variation may be significant.

## 1.6 Distribution and use

The purpose of this Report is as stated in Section 1.1.

This Report should not be used for any purpose other than those specified.

This Report will be provided to the Board and management of AICFL. This Report will also be provided to the Board and management of James Hardie, the NSW Government and to EY in their capacity as auditors to both James Hardie and AICFL.

We understand that this Report will be filed with the ASX and placed on James Hardie's website in its entirety.

We understand that this Report will also be placed on AICFL's website in its entirety.

KPMG consents to this Report being made available to the above-mentioned parties and for the Report to be distributed in the manner described above.

To the extent permitted by law, neither KPMG nor its Executives, directors or employees will be responsible to any third parties for the consequences of any actions they take based upon the opinions expressed with this Report, including any use of or purported reliance upon this Report not contemplated in Section 1.2. Any reliance placed is that party's sole responsibility.

Where distribution of this Report is permitted by KPMG, the Report may only be distributed in its entirety and judgements about the conclusions and comments drawn from this Report should only be made after considering the Report in its entirety and with necessary consultation with KPMG.

Readers are also advised to refer to the "Important Note: Basis of Report" section at the front of the Executive Summary of this Report.

## 1.7 Date labelling convention used in this Report

In our analyses throughout this Report (unless otherwise stated), the "year" we refer to aligns with the financial year of AICFL and James Hardie and runs from 1 April to 31 March.

A "2008" notified claim would be a claim notified in the period 1 April 2008 to 31 March 2009. This might also be referred to as "2008/09" or "FY09".

Similarly, a "2017" claim settlement would be a claim settled in the period 1 April 2017 to 31 March 2018. This might also be referred to as "2017/18" or "FY18".

## 1.8 Author of the report

This Report is authored by Neil Donlevy, an Executive of KPMG Financial Services Consulting Pty Ltd, a Fellow of the Institute of Actuaries (London) and a Fellow of the Institute of Actuaries of Australia.

This Report is co-authored by Jefferson Gibbs, an Executive of KPMG Financial Services Consulting Pty Ltd, a Fellow of the Institute of Actuaries (London) and a Fellow of the Institute of Actuaries of Australia.

In relation to this Report, the primary regulator for both Neil Donlevy and Jefferson Gibbs is the Institute of Actuaries of Australia.

## 1.9 Professional standards and compliance

This Report details a valuation of the outstanding claims liabilities of entities which hold liabilities with features similar to general insurance liabilities.

In preparing this Report, we have complied with the Professional Standard 300 of the Institute of Actuaries of Australia ("PS300"), "Valuation of General Insurance Claims".

However, as we note in Section 1.2, this Report does not include an allowance for the future Operating Expenses of the AICF Trust (which are estimated by AICFL) and nor does it include any allowance for a risk margin to reflect the inherent uncertainty in the liability assessment.

## 1.10 Control processes and review

This valuation report and the underlying analyses have been subject to technical review and internal peer review.

The technical review focuses on ensuring that the valuation models and supporting claims experience analyses that are carried out are performed correctly and that the calculations are being correctly applied. The technical review also focuses on ensuring that the data that is being used has been reconciled insofar as possible.

Internal peer review involves a review of the approach, the methods, the assumptions selected and the professional judgments applied.

Both the technical review and internal peer review processes are applied to the Report as well as the valuation models.

## 1.11 Basis of preparation of Report

We have been advised by the management of AICFL to prepare the Report on a "going concern" basis (i.e. we should assume that AICFL will be able to meet any shortfall in the cost of the liabilities of the Liable Entities as they fall due).

The cashflow estimates contained in this Report assume that claims against the Liable Entities will continue to be paid in full as and when they fall due.

# 2. Data

## 2.1 Data provided to KPMG

We have been provided with the following data by AICFL:

- Claims dataset at 31 March 2018 with individual claims listings;
- Accounting transactions dataset at 31 March 2018 (which includes individual claims payment details); and
- Detailed insurance bordereaux information (being a listing of claims filed with the insurers of the Liable Entities) as at 31 March 2018.

We have allowed for the benefits of the product and public liability insurance policies of the Liable Entities based on information provided to us by AICFL relating to the insurance programme's structure, coverage and layers.

We have also considered the claims data listings which formed the basis of our previous valuation assessments. The data structures provided for the claims and accounting datasets are consistent with those provided at previous valuations.

## 2.2 Data limitations

We have tested the consistency of the various data sets provided to us at different valuation dates. Section 2.3 outlines the nature of the testing undertaken.

However, we have not otherwise verified the data and have instead relied on the data provided as being complete and accurate in all material respects.

We have relied upon the robustness of AICFL's internal administration and systems as to the completeness of the data provided.

Consequently, should there be material errors or incompleteness in the data, our assessment could also be affected materially.

## 2.3 Data reconciliation and testing

We have performed a reconciliation of the data provided at 31 March 2018 with the data provided at 31 March 2017.

We have undertaken a number of tests and reconciliations to test the accuracy of the data to the extent possible, noting the limitations outlined above.

### 2.3.1 Reconciliation with previous valuation's data

We have performed a reconciliation of the claims database as at 31 March 2018 with that provided at 31 March 2017.

Our findings are:

- Claims notifications: There were no new claims reported that had a report date prior to 31 March 2017. No claims (that already had a notification date) changed notification date between the two databases.
- Portfolio category: Seven claims changed category. Five of these related to claims reported in 2016/17.
- Settlement date: There have been two claims with a settlement date prior to 31 March 2017 that changed settlement dates.

Changing and developing data is not unexpected or to be considered as adverse. Indeed, changing data is common to all claims administration systems. We do not consider the number or extent of the changes noted above to be unreasonable, nor do we consider the changes to be material to the valuation.

### 2.3.2 Reconciliation of claims settlement amounts between claims and accounting databases

We have mapped the financial data between the claims and accounting databases into standardised groupings as follows:

Table 2.1: Grouping of financial data from claims and accounting databases

| | CLAIMS DATABASE | ACCOUNTING DATABASE |
|---|---|---|
| Award | Damages (gross of cross-claims) plus DDB reimbursement plus Medicare (from Accounting Database) | Damages plus DDB reimbursements plus Medicare |
| Costs / Other | Costs plus Other less Medicare (from accounting database) | Costs plus Consulting |
| Defence legal costs | Defence legal costs | Defence legal costs |

*Note: Recovery amounts are available from the accounting database*

We have compared the payment records between the claims database and the accounting database from the earliest date to the current file position.

The table below shows the results of this reconciliation for all claim transactions to date.

Table 2.2: Comparison of amounts from claims and accounting databases ($m)

| CLAIMS DATABASE | | ACCOUNTING DATABASE | |
|---|---|---|---|
| Damages (gross of recoveries, excluding medicare) | 1,605.9 | Damages (gross of recoveries) | 1,608.4 |
| Costs | 47.4 | Costs | 47.8 |
| DDB | 14.6 | DDB | 14.7 |
| Other (inc Medicare) | 5.4 | Consulting | 2.2 |
| | | Medicare | 3.2 |
| | | Interest | 0.1 |
| Defence legal costs | 184.8 | Defence legal costs | 185.6 |
| Total Value | 1,858.0 | Total Value | 1,862.0 |
| Standardisation | | | |
| Award plus Medicare plus DDB | 1,623.7 | Award plus Medicare plus DDB | 1,626.3 |
| Costs / Other | 49.5 | Costs / Other | 50.1 |
| Defence legal costs | 184.8 | Defence legal costs | 185.6 |
| Total Value | 1,858.0 | Total Value | 1,862.0 |

The standardisation is the most relevant comparison because the two database extracts allocate the information (particularly in relation to Medicare) in slightly different ways.

Once the standardisation has been undertaken, the two datasets reconcile closely – with reconciliation differences for claim awards totalling approximately $2.6m or 0.2% (31 March 2017: $10.3m). The reduction in the difference in the past 12 months reflects work undertaken by AICFL during 2017/18 to further enhance the quality and consistency of the various data sources.

Our approach for each claim record has been to take the maximum value of the two databases for each claim record. This results in the following overall totals being used in our analysis:

- $1,627.0m for the claims award component;
- $50.5m for the costs / other component; and
- $185.6m for the defence legal costs component.

This approach, of taking the maximum value for each claims record, may result in some minor prudence in our overall analysis although the amount of prudence is not considered to be significant in the context of the size of the potential liabilities and the underlying uncertainty in any valuation estimating future claims costs over the next 40 years or more.

## 2.4 Data conclusion

We have not verified the underlying data nor have we undertaken "auditing at source". No material data issues have been identified and notified to us by the Approved Auditor of AICFL (EY) during their testing.

We have tested the data for internal consistency with the data provided at the previous valuation (31 March 2017).

Based on that testing and reconciliation, and subject to the limitations described in Section 1.4, we have formed the view that:

- Generally, the data is consistent between valuations, with any differences in the data being readily explainable;
- The financial data appears to reconcile reasonably between the two data sources (the claims dataset and the accounting transactions datasets);
- Any data issues that have emerged are not significant in relation to the size of the liabilities; and
- The data is appropriate for use for the purpose of this Report.

# 3. Valuation Methodology and Approach

## 3.1 Valuation methodology changes

We have, in broad terms, maintained the core valuation methodology adopted at our previous valuation.

The key methodology change at this valuation is that we have sub-divided the mesothelioma segment into four age groups, based on the age of the claimant at the time the claim was notified.

These age groups are:

- Under 60 years of age;
- 60 to 70 years of age;
- 70 to 80 years of age; and
- 80 years of age or over.

We have sub-divided the mesothelioma segment into these age groups to reflect the fact that the mix of claims has changed materially over time.

We have observed that average claim sizes of non-nil, non-large claims; the incidence rate of large claims; and the latency of mesothelioma claims varies between each of these age groups.

By modelling these age groups separately and deriving separate assumptions for each age group, it allows us to respond more directly to the change in mix of claims that has occurred over time and which is projected to continue to occur in future periods.

As a consequence of the change in approach, there are changes to the overall future pattern of incidence, and projected future number, of mesothelioma claims being assumed as well as changes in average claim sizes assumed in future periods.

We have not changed the methodology in relation to the other disease types and for those disease types we have continued to adopt the incidence patterns that were assumed in our 31 March 2017 valuation.

## 3.2 Overview of current methodology

The methodology involves assessing the liabilities in two separate components, being:

- Allowance for the cost of settling claims which have already been reported but have not yet been settled ("pending claims"); and
- Allowance for the cost of settling claims which have not yet been reported ("Incurred But Not Reported" or "IBNR" claims).

For pending claims, we have used the case estimates (where available) with some adjustments to reflect the extent to which the case estimates (on average) tend to overstate the ultimate cost. For IBNR claims we have used what can best be described as an "average cost per claim method".

In brief, the overall methodology may be summarised as follows:

- Project the future number of claims expected to be reported in each future year by disease type (for product and public liability) and for Workers Compensation and wharf claims taking into account the expected future incidence of mesothelioma and other diseases and also the past rate of co-joining of the Liable Entities;
- Analyse past average attritional claim costs of non-nil claims in mid 2017/18 money terms. We have defined attritional claims to be claims which are less than $1m in 2006/07 money terms. We estimate a baseline attritional non-nil average claim cost in mid 2017/18 money terms. This represents the Liable Entities' share of a claim rather than the total claim settlement;
- Analyse past historical average plaintiff/other and defendant legal costs for non-nil claim settlements;
- Analyse past historical average defendant legal costs for nil claim settlements;
- Estimate a "large claims loading" for mesothelioma claims by estimating the frequency, or incidence rate, and average claim size and legal cost sizes of such claims (being claims which are in excess of $1m in 2006/07 money terms);
- Project the pattern and incidence of future claims settlements from the claims reporting profile projected. This is done by using a settlement pattern derived from consideration of past experience of the pattern of delay between claim reporting and claim settlement for each disease type;
- Estimate the proportion of claims which will be settled with no liability against the Liable Entities by reference to past proportions of claims settled for nil claim cost (we refer to this as the "nil settlement rate");
- Inflate average claim, plaintiff/other and defence legal costs and large claim costs to the date of settlement of claims allowing for base inflation and (where applicable) superimposed inflation;
- Multiply the claims numbers which are expected to be settled for non-nil amounts in a period by the inflated average non-nil claim costs (including the "large claims loading") and plaintiff/other and defence legal costs for that period;

- Make allowance in defence legal costs for that proportion of settled claims which are expected to be settled for no liability but for which defence costs will be incurred;
- Inflate average defence legal costs of nil claims to the date of settlement of claims allowing for base inflation;
- Multiply the claims numbers which are expected to be settled for nil amounts in a period by the inflated average defence legal costs for nil claims for that period;
- Add the expected claims costs and legal payments relating to pending claims (after allowance for the potential savings on case estimates) after making allowance for the assumed settlement pattern of pending claims;
- This gives the projected future gross cashflow for each future financial year;
- Adjust the projected gross cashflow for the impact of the annual and aggregate caps on DDB reimbursements;
- Estimate the recoveries resulting from cross-claims made by the Liable Entities against other parties ("cross-claim recoveries");
- Project Insurance Recoveries to establish the net cashflows;
- Discount the cashflows using a yield curve derived from yields on Commonwealth Government Fixed Interest Bonds at the valuation date to arrive at our present value liability assessment.

It should be noted that this description is an outline and is not intended to be exhaustive in consideration of all the stages we consider or all investigations we undertake. Those other stages are outlined in more detail elsewhere in this Report and readers are advised to refer to those sections for a more detailed understanding of the process undertaken.

As discussed elsewhere, the liabilities are established on a central estimate basis.

## 3.3 Disease type and class subdivision

### 3.3.1 Claims records excluded from our analysis

We have excluded records that relate to cross-claims brought by the Liable Entities against other defendants. Where the cross-claim is brought as part of the main proceedings the claim is automatically counted in our analysis of the number of claims. However, where the cross-claim by the Liable Entities is severed from the main proceedings, the existence of a separate record in the claims dataset does not indicate an additional claim (or liability) against the Liable Entities. In these circumstances such claims records are not counted in our analysis.

We have also excluded "insurance recovery" claims records. This is because the insurance recovery record is a separate record that exists for claims records where an insurance recovery is due. In other words, the claim against the Liable Entity has already been included in our analysis and the insurance recovery record exists for operational purposes only.

### 3.3.2 Categories of claim

We have sub-divided the remaining claims into the following groups:

- Product and Public Liability;
- Workers Compensation, being claims by former employees of the Liable Entities; and
- Wharf claims, being claims by individuals whose occupations involved working on the docks or wharves, or where part of their exposure related to wharves.

### 3.3.3 Categories of disease

For product and public liability claims, we have separately analysed the individual disease types.

We have split the data by disease type for these claims, because there is sufficient volume of claims to do so, because different disease types display substantially different average claim sizes, and because the incidence pattern of future notifications is expected to vary between the different disease types.

We have not divided the Workers Compensation or wharf claims data by disease type, given their low financial significance and the reduced credibility of the data if sub-divided by disease type (given the low number of claims).

For the purposes of our analysis, we have allocated each claim once and therefore to one disease only. We have selected the following order of priority, based on the relative severity of the disease:

- Mesothelioma;
- Lung cancer / Other cancer;
- Asbestosis; and then
- Asbestos-Related Pleural Disease and Other ("ARPD & Other").

This means that if a product or public liability claim has mesothelioma as one of its listed diseases, it is counted as a mesothelioma claim. If a product or public liability claim has lung cancer or other cancer as one of its listed diseases (but not mesothelioma), it is counted as a lung cancer claim. If a product or public liability claim has asbestosis as one of its listed diseases, it is only counted as asbestosis if it has no reference to mesothelioma, lung cancer or other cancer as one of its diseases.

## 3.4 Numbers of future claims notifications: mesothelioma

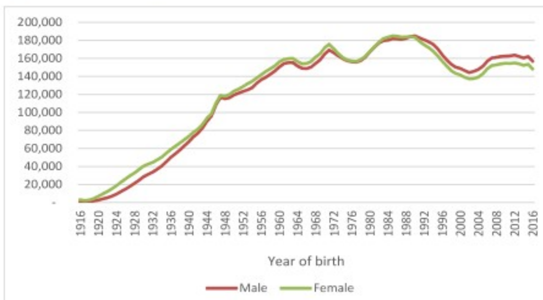
To project the pattern of incidence of claims against the Liable Entities, we have constructed a revised model which utilises the following inputs:

- The current Australian population by year of birth / current age and gender;
- Standard mortality rates by age and gender. This is used to project the population by year of birth / age at each future year;
- The relative risk-exposure (or incidence rates) between males and females;
- The relative risk-exposure by age of person at time of exposure;
- The exposure to asbestos in Australia;
- The statistical distribution of the latency period from average exposure for each disease type and by age of claimant, together with the underlying parameters (the mean and the standard deviation) of the latency model.

### 3.4.1 Population data

The chart below shows the current population of Australia by year of birth and split between males and females. The most recent data was effective as at December 2016.

Figure 3.1: Australian population at December 2016

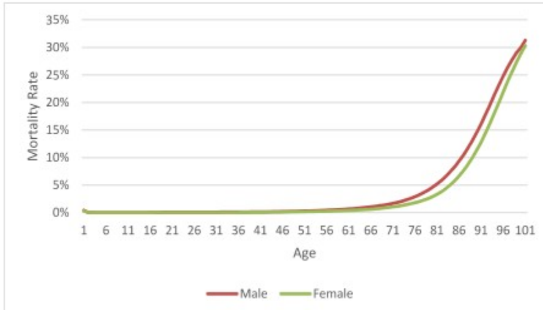



*Source: Australian Bureau of Statistics*

### 3.4.2 Mortality rates by age

We have used mortality rates from Australian Life Tables 2010-2012 which show mortality rates separately by age and gender.

Figure 3.2: Mortality rates: Australia Life Tables 2010-2012




*Source: Australian Government Actuary*

### 3.4.3 Risk-weighting adjustment: males to females

Data available from numerous literature indicates that the incidence of mesothelioma is significantly higher for males than females. Data from the Australian Mesothelioma Registry, for example, shows the following table.

Table 3.1: Number of people in Australia diagnosed with mesothelioma: 2011 to 2016

| Year | Male | Female | Female: Male ratio |
|---|---|---|---|
| 2011 | 595 | 106 | 18% |
| 2012 | 609 | 126 | 21% |
| 2013 | 574 | 131 | 23% |
| 2014 | 614 | 142 | 23% |
| 2015 | 554 | 156 | 28% |
| 2016 | 559 | 141 | 25% |
| **Total** | **3,505** | **802** | **23%** |

*Source: Mesothelioma in Australia 2016: 6th Annual Report, prepared by the Australian Mesothelioma Registry*

The same report also notes that for 2016, age-standardised incidence rates were 4.2 per 100,000 males and 0.9 per 100,000 females.

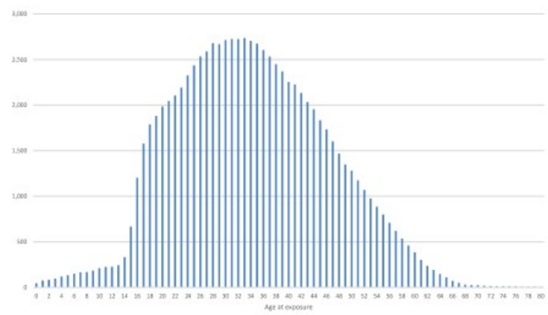
We have therefore, when using the population as a proxy for incidence/exposure, applied a 25% factor to the female population statistics to reflect the lower rate of incidence of mesothelioma for females relative to males. This means that 80% of claims arise from males (for the same number of males and females within a population).

### 3.4.4 Risk-weighting adjustment: age of person at time of exposure

The following analysis shows how the relative risk of exposure reflects the age at the time of exposure. This is used to adjust the exposure measure (see Section 3.4.5) based on the age of the person at the time of potential exposure.

The chart has aggregated all years of exposure and all years of claim and is based on the claims and exposure data provided by AICFL.

Figure 3.3: Exposure (in exposure person-years) by age at time of exposure




The chart shows that most of the claims have emerged from exposure between the ages of 20 and 50. The absence of exposure at older ages reflects the fact that exposure at older ages do not tend to manifest in claims owing to natural mortality from other factors before the possibility of emergence of the disease, given the latency is typically around 35 to 40 years.

In particular, it can be observed that (in broad terms):

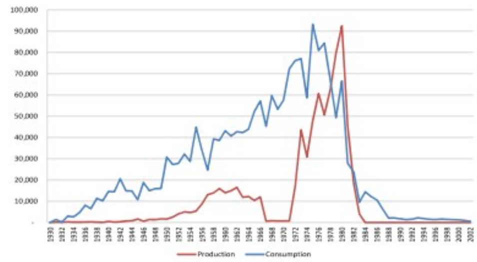
- 3% of the exposure has arisen under the age of 15 years.
- 8% of the exposure has arisen between the ages of 15 and 19.
- 76% of the exposure has arisen between the ages of 20 and 49.
- 10% of the exposure has arisen between the ages of 50 and 59.
- 3% of the exposure has arisen at ages 60 or older.

### 3.4.5 Exposure model

We have constructed a proxy for exposure by reference to statistics showing the levels of Australian usage of asbestos. We do not have detailed individual exposure information for the Liable Entities, its products or where the products were used and how many people were exposed to those products.

However, given the market share of James Hardie over the years (through to 1987) and its relative stability, we have used a national pattern of usage as a reasonable proxy for the Liable Entities' exposure.

Figure 3.4: Consumption and production indices – Australia 1930-2002




*Source: World Mineral Statistics Dataset, British Geological Survey, www.mineralsuk.com*

*R Virta, USGS Website Annual Yearbook*

*Table of figures are shown in Appendix C*

There is an implicit assumption within the use of the consumption to derive the level of future claim notifications that:

- the consumption of asbestos is directly correlated with, and is a suitable proxy for, the number (and extent of exposure) of people exposed to asbestos in any year; and
- the rate of incidence of individuals developing an asbestos-related disease arising from exposure to asbestos is the same for each exposure year and is independent of the type of asbestos used.

### 3.4.6 Latency model

Our assumption is that the latency pattern (from the average date of exposure) is statistically distributed with a normal distribution.

The parameters for the mean (40 years) and for the standard deviation (9 years) of the latency period have been set taking into account the claims experience of the Liable Entities to date and epidemiological studies.

The analysis supporting the selection of these parameters is summarised in Section 6.1.

### 3.4.7 Calibrating the curve index to current reporting experience

We take the claim curve index and then calibrate the number of notifications in each future year by reference to the recent levels of claims reporting and the number of claims we have assumed for the 2018/19 financial year. This approach implicitly assumes that:

- The future rate of incidence of asbestos-related diseases manifesting as a result of a past exposure to asbestos will remain stable;
- The pattern of diagnosis and the delay between diagnosis and reporting remain stable;
- The "propensity to claim" by individuals will remain stable; and
- The rate of co-joining the Liable Entities in common law claims will remain stable.

Changes to any of these factors over time will result in changes to the actual pattern of incidence of claims reporting.

The claim curve index also provides us with the proportions of the total number of claims reported in each future year that relate to each of the four age groups for mesothelioma.

Our assumptions for the base number of claims projected to be reported in 2018/19 are summarised in Section 4.4 and Section 5.7.

## 3.5 Incidence of claim settlements from future claim notifications

We derive a settlement pattern by analysing triangulations of the numbers of settlements and claims payments by delay from the year of notification.

From these settlement pattern analyses, we have estimated the pace at which claims notified in the future will settle, and used this to project the future number, and monetary amount, of settlements in each financial year for each disease type.

Our analysis and assumptions selected are summarised in Section 9.5.

## 3.6 Average claim costs of IBNR claims

### 3.6.1 Attritional claims

We define a large claim as one for which the award is greater than or equal to $1m in 2006/07 money terms (which equates to approximately $1.54m in mid 2017/18 money terms).

We define an attritional claim as a non-nil, non-large claim. We define a nil claim as one for which the award payable by the relevant Liable Entity is zero.

We have estimated the following five components to the average cost assessment:

- Average award (sometimes including plaintiff legal costs) of a non-nil "attritional" claim.
- Average plaintiff legal / other costs of a non-nil "attritional" claim.
- Average defence legal costs of a non-nil "attritional" claim.
- Average defence legal costs of a nil claim.
- Large claim awards and legal cost allowances.

All of our analyses have been constructed using past average awards, which have been inflated to mid 2017/18 money terms using a historical base inflation index (of 4% per annum). This allows for basic inflation effects when identifying trends in historical average settlements. We then determine a prospective average cost in mid 2017/18 money terms.

Our analysis and assumptions are summarised in Section 7.

### 3.6.2 Large claims loading

We analyse the historical incidence rate of large claims (being measured as the ratio of the number of large claims to the total number of non-nil claims), and the average claim size and legal costs of these claims.

We use these to arrive at a "per claim" loading (being the average large claim cost multiplied by the large claim incidence rate per claim), being the additional amount we need to add to our attritional average claim size to allow for large claims.

We have derived separate incidence rate and average claim size assumptions for each of the four age groups for mesothelioma.

Our analysis and assumptions are summarised in Section 7.8.

#### 3.6.3 Future inflation of average claim sizes

Allowance for future claim cost inflation is made. This is modelled as a combination of base inflation plus superimposed inflation. This enables us to project future average settlement costs in each future year, which can then be applied to the IBNR claims numbers as they settle in each future year.

Our analysis and assumptions in relation to claims inflation are summarised in Section 9.2.

### 3.7 Proportion of claims settled for nil amounts

We apply a "nil settlement rate" to the overall number of settlements to estimate the number of claims which will be settled for nil claim cost (i.e. other than in relation to defence legal costs) and those which will be settled for a non-nil claim cost.

The prospective nil settlement rate is estimated by reference to the analysis of past trends in the rate of nil settlements.

Our analysis and assumptions selected are summarised in Section 8.

## 3.8 Pending claims

### 3.8.1 Definition of pending claims

At 31 March 2018, there were 377 claims (31 March 2017: 393) for which claim awards have not yet been fully settled by the Liable Entities.

Additionally, there are a number of other claims for which defence legal costs have not yet been settled, even though the awards have been settled.

We have adopted three definitions of settlement status:

- Where there is a closure date, there are not expected to be any further award or legal costs incurred.
- Where there is no closure date but the claim has a settlement date, there is the possibility of further emerging defendant legal costs, even though the claim award has been settled.
- Where there is no settlement date, there is the possibility of award, plaintiff legal costs and defendant legal costs being incurred.

### 3.8.2 Evaluating the liability for pending claims

The excess amount of the liability for pending claims, over the case estimates held, is what the insurance industry terms Incurred But Not Enough Reported ("IBNER").

Depending on the case estimation procedure of a company and the nature of the liabilities, IBNER can be either positive or negative, with a negative IBNER implying that the ultimate cost of settling claims will be less than case estimates, i.e. that there is some degree of redundancy in case estimates.

### 3.8.3 Findings

The table below shows that there has been no deterioration compared to the estimates we previously adopted and are currently adopting (both of which have already made allowance for a 25% saving on case estimates).

Table 3.2: Change in cost of claims during 2017/18 financial year ($m) – claim award component only

| Figures in $ millions | Current year reported claims | Prior year reported claims | Total |
|---|---|---|---|
| Estimates for pending claims at 31 March 2017 (undiscounted) | 0.0 | 72.3 | 72.3 |
| Paid in the year to 31 March 2018 | 72.8 | 52.6 | 125.4 |
| Estimates for pending claims at 31 March 2018 (undiscounted) | 54.3 | 11.3 | 65.6 |
| Incurred Cost in the financial year | 127.1 | (8.4) | 118.7 |

The table above shows that there has been a saving of $8.4m in the case estimates for claims that were reported prior to 31 March 2017.

We have maintained our assumption for the level of redundancy in case estimates on currently reported claims at 25% at this valuation (March 2017: 25%). This assumption is only applied to the case estimates for the claim award, i.e. it is not applied to plaintiff/other costs or defence costs.

## 3.9 Insurance Recoveries

Insurance Recoveries are defined as proceeds which are estimated to be recoverable under the product and public liability insurance policies of the Liable Entities, and therefore exclude any such proceeds from a Workers Compensation Scheme or Policy in which the Liable Entities participate or which the Liable Entities hold.

In applying the insurance programme we therefore consider only the projected gross cashflows relating to product and public liability claims.

Historical analysis of the claims data suggests that approximately 97.5% of all liability claims by cost have been product liability claims.

### 3.9.1 Programme overview

Until 31 May 1986, the Liable Entities had in place product and public liability insurance policies that were placed on a claims occurring basis.

Product liability claims were insured under these insurance policies on an "in the aggregate" basis whilst public liability claims were insured on an "each and every loss" basis.

From 31 May 1986, the insurance policies were placed on a claims made basis in relation to asbestos-related product and public liability cover.

In summary, the insurance policies were placed as follows:

- For the period up to June 1976, the insurance policies were written on a claims occurring basis. The insurance was provided by QBE but the cover provided by these policies was commuted in June 2000 for a consideration of $3.1m per annum for the following 15 years (through to 30 June 2014). Therefore we have assumed no future insurance recoveries from these policies.
- For the period from June 1976 to 31 May 1986, the insurance policies were written on a claims occurring basis; insured by Lloyds' of London, London Market insurers, Australian insurers and HIH entities.
- For the period 31 May 1986 to 31 March 1997, the insurance policies were written on a claims-made basis. For the purpose of this Report, we have made no allowance for any Insurance Recoveries arising from these policies.

### 3.9.2 Modelling insurance recoveries on the claims occurring programme

Our methodology for projecting the future insurance recoveries to be collected by AICFL involves the following steps:

- Identify the current contract positions for each insurance policy year. This assumes that all monies due have been collected, and does not allow for the impact of commutations that have taken place.
- Allocate the projected future gross cashflows to individual insurance policy years using an allocation basis that has been determined by reference to the exposure methodology used to project future claim numbers and also using a "period of exposure" and "time on risk" allocation.

- This gives a projection of how the insurance programme is utilised over time.

This method allows us to:

- evaluate the total insurance recoveries due by payment year;
- determine how the insurance recoveries due will be assigned to each layer and therefore to each insurer; and
- identify and allow for when the individual layers are projected to be fully exhausted.

We then make an additional adjustment to the projected recoveries to exclude those projected future insurance recoveries that are assigned to the participations of insurers who have already commuted their coverage with AICFL and the Liable Entities or insurers who have settled their coverage by way of a Scheme of Arrangement.

### 3.9.3 Commutations, HIH and Schemes of Arrangement

Other commutations have been entered into by AICFL in previous years and these commutations have typically (other than QBE) involved the payment of a lump sum amount.

In these circumstances, we have assumed that the insurance liabilities of that company to the Liable Entities have been fully discharged and no further recoveries will fall due.

We have assumed that all monies have been paid in relation to insurance recoveries for the claims occurring period from HIH. Any future insurance proceeds from HIH are not expected to be material.

For the claims occurring period, where a claim filed against a company under a Scheme of Arrangement has been accepted and payment made, we have assumed that the insurance liabilities of that company to the Liable Entities have been fully discharged and no further recoveries will fall due.

We have made no allowance or adjustment in our valuation for any potential future commutations.

### 3.9.4 Unpaid insurance recoveries

We have not included within our liability estimate any allowance for insurance recoveries under the claims occurring period that are due but have not yet been collected.

We are advised that such monies amount to approximately $1m at 31 March 2018.

These amounts are more appropriately dealt with as being debtors of AICFL.

### 3.9.5 Bad and doubtful debt allowance on Insurance Recoveries

We have made allowance for bad and doubtful debts on future Insurance Recoveries within our valuation by use of the default rates as shown in the table below.

Table 3.3: Credit rating default rates by duration

| Rating | Yr. 1 | Yr. 2 | Yr. 3 | Yr. 4 | Yr. 5 | Yr. 6 | Yr. 7 | Yr. 8 | Yr. 9 | Yr. 10 | Yr. 11 | Yr. 12 | Yr. 13 | Yr. 14 | Yr. 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| AAA | 0.00% | 0.03% | 0.13% | 0.24% | 0.35% | 0.46% | 0.52% | 0.60% | 0.66% | 0.72% | 0.75% | 0.78% | 0.81% | 0.88% | 0.94% |
| AA+ | 0.00% | 0.05% | 0.05% | 0.11% | 0.16% | 0.22% | 0.28% | 0.33% | 0.40% | 0.46% | 0.52% | 0.59% | 0.65% | 0.72% | 0.79% |
| AA | 0.02% | 0.03% | 0.09% | 0.22% | 0.37% | 0.49% | 0.62% | 0.73% | 0.83% | 0.93% | 1.01% | 1.08% | 1.19% | 1.26% | 1.33% |
| AA- | 0.03% | 0.09% | 0.18% | 0.26% | 0.35% | 0.47% | 0.54% | 0.60% | 0.66% | 0.72% | 0.78% | 0.85% | 0.88% | 0.93% | 0.98% |
| A+ | 0.05% | 0.10% | 0.21% | 0.35% | 0.47% | 0.57% | 0.69% | 0.82% | 0.97% | 1.12% | 1.27% | 1.43% | 1.61% | 1.83% | 2.02% |
| A | 0.06% | 0.16% | 0.25% | 0.37% | 0.51% | 0.71% | 0.90% | 1.06% | 1.29% | 1.53% | 1.73% | 1.89% | 2.03% | 2.13% | 2.32% |
| A- | 0.07% | 0.18% | 0.29% | 0.42% | 0.60% | 0.78% | 1.04% | 1.23% | 1.38% | 1.51% | 1.63% | 1.79% | 1.94% | 2.08% | 2.19% |
| BBB+ | 0.12% | 0.32% | 0.56% | 0.82% | 1.08% | 1.39% | 1.63% | 1.88% | 2.16% | 2.44% | 2.72% | 2.92% | 3.18% | 3.51% | 3.88% |
| NR | 3.83% | 7.48% | 10.63% | 13.20% | 15.29% | 17.01% | 18.45% | 19.65% | 20.71% | 21.67% | 22.47% | 23.13% | 23.73% | 24.27% | 24.80% |
| R | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

*Source: Standard & Poors' 2016 Annual Global Corporate Default Study and Rating Transitions, 13 April 2017.*
*NR relates to companies which are Not Rated*
*R relates to companies which have been subject to Regulatory Action regarding solvency.*

We have considered the credit rating of the insurers (and/or their parent companies) of the Liable Entities as at March 2018 and applied the relevant credit rating default rates to the expected future cashflows by year, treaty and insurer.

## 3.10 Cross-claim recoveries

A cross-claim can be brought by, or against, one or more Liable Entities. Cross-claims brought against a Liable Entity ("Contribution Claims") are included in our analysis of the claims experience.

Cross-claims brought by a Liable Entity relate to circumstances where the Liable Entity seeks to join (as a cross-defendant) another party to the claim in which the Liable Entity is already joined.

Our approach in the valuation has been to separately value the rate of recovery ("cross-claims recovery rate") as a percentage of the gross award based on historical experience of such recoveries.

Our analysis and assumptions selected are summarised in Section 9.4.

## 3.11 Discounting cashflows

Cashflows are discounted on the basis of yields available at the valuation date on Commonwealth of Australia fixed interest Government Bonds ("Commonwealth Government Bonds") of varying coupon rates and durations to maturity.

Our approach to the determination of the discount rates is unchanged from the approach adopted at 31 March 2017, and is:

- For years 1 to 16, zero coupon spot rates were determined by reference to the prices, coupons and durations of Commonwealth Government Bonds;
- For years 19 and onwards, we have selected a uniform long-term discount rate of 5.50% per annum; and
- For years 17 and 18, we have selected spot rates that "linearly interpolate" between the year-16 rate and the year-19 rate (of 5.50%).

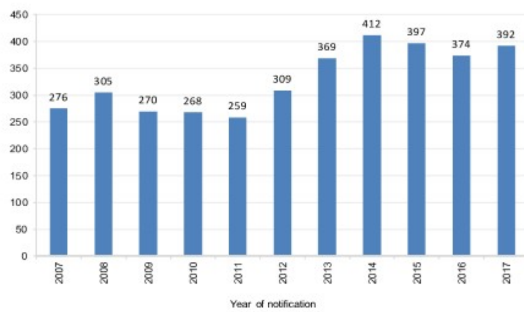
Our selected assumptions are summarised in Section 9.3.

# 4. Claims Experience: Mesothelioma Claim Numbers

## 4.1 Overview

The following chart shows the number of mesothelioma claims reported by year of notification.

Figure 4.1: Number of mesothelioma claims reported annually




*Note: Throughout Sections 4 to 9, the date convention used in tables and charts is that (for example) 2008/09 indicates the financial year running from 1 April 2008 to 31 March 2009. Furthermore, unless clearly identifying a calendar year, the label "2008" in charts or tables would indicate the financial year running from 1 April 2008 to 31 March 2009.*

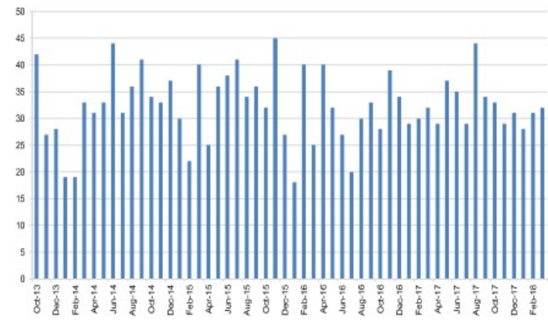
Three successive years of increases in claims reporting after 2011/12 through to 2014/15 were followed by two years of reductions in claims reporting activity through to 2016/17.

For 2017/18, there were 392 mesothelioma claims reported. This represented a 5% increase relative to the prior year.

### 4.1.1 Monthly analysis of notifications

We have examined the number of mesothelioma claims reported on a monthly basis to better understand the nature of the claims experience observed on an annual basis.

Figure 4.2: Monthly notifications of mesothelioma claims



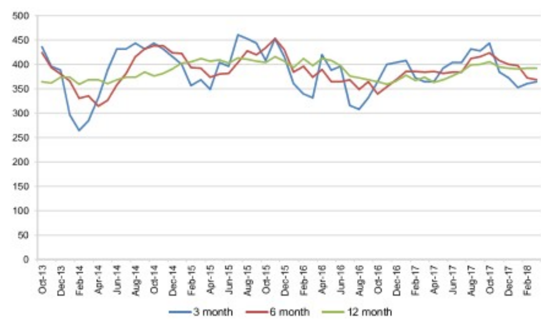

It is observed that:

- August 2017 represented the highest claims reporting activity in the 2017/18 year, with 44 claims reported in that month.
- In 2017/18, four months of the year had 30 or fewer claims reported.

### 4.1.2 Rolling averages

We have reviewed the number of mesothelioma claims reported on a monthly basis and reviewed the rolling 3-month, 6-month and 12-month averages in recent periods.

Figure 4.3: Rolling annualised averages of mesothelioma claim notifications

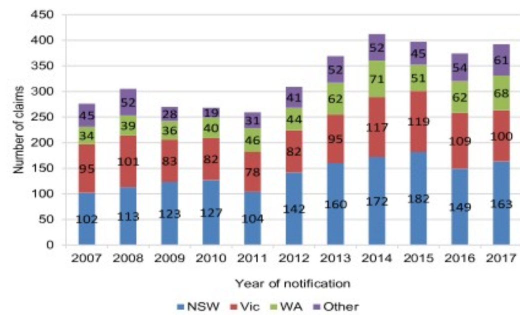


## 4.2 Profile of mesothelioma claims

### 4.2.1 Claims by State

We have analysed the number of mesothelioma claim notifications by the State in which the claim is filed.

Figure 4.4: Number of mesothelioma claims by State

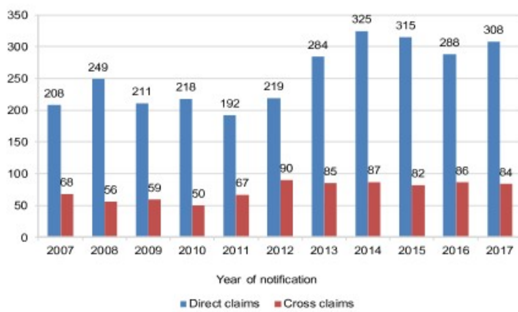



NSW is the largest State in terms of claims reporting activity for mesothelioma claims. Typically NSW represents between 40% and 45% of all mesothelioma claims.

### 4.2.2 Direct claims and cross-claims

The following chart shows the number of claims notified by year of notification and separately as between claims brought by claimants (which we refer to as 'direct claims') and claims brought by other defendants, some of which are brought a number of years after the claim was first notified (these claims we refer to as 'cross claims').

Figure 4.5: Number of mesothelioma claims by type of claim



The increase in claim numbers arising from cross-claims that was observed in 2012/13 has continued with the number of cross claims reported in the last five financial years remaining at a similar level to 2012/13.

NSW is currently the primary source of cross claims (making up approximately 65% of the total number of cross claims in 2017/18).

In 2017/18, the increase in the number of direct claims was primarily attributable to higher claims reporting in WA and SA.

### 4.2.3 Source of claims

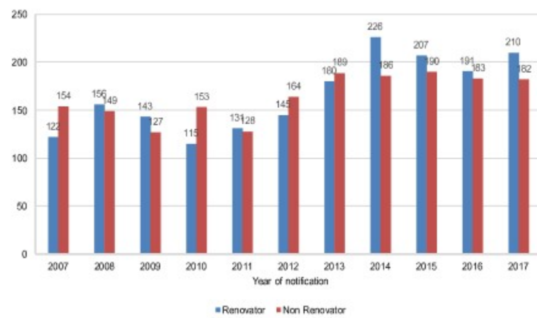
We have analysed the number of mesothelioma claims according to whether they involve renovation activity or not.

It should be noted that these claims can involve both short periods and long periods of exposure and that the definition used in the chart below also includes other family and home exposures (e.g. family members involved in washing clothes of people who were using asbestos products).

The number of non-renovator claims has been broadly stable over the five years from 2013/14 to 2017/18.

The chart shows that the number of renovator claims showed a significant increase from 2011/12 to 2014/15 but has since moderated, albeit remaining at levels higher than previously observed.

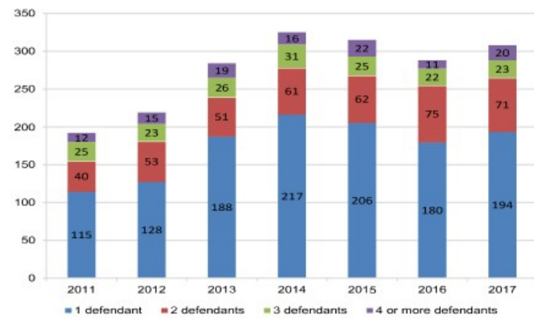
Figure 4.6: Number of mesothelioma claims by source of claim



### 4.2.4 Number of defendants

The following chart shows the number of claims notified by year of notification and by number of defendants.

Figure 4.7: Number of mesothelioma claims by number of defendants (direct claims only)




The number of claims reported involving only the Liable Entities (i.e. single-defendant claims) showed considerable increases between 2011/12 and 2014/15.

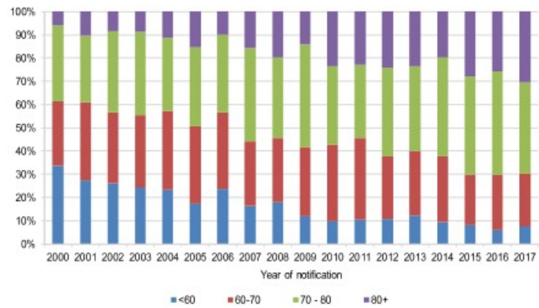
Claims in which the Liable Entities are the only defendants to the claim are typically associated with higher average claim sizes whilst claims involving multiple defendants typically involve the Liable Entities paying 60% or less of the total settlement (see Section 7.2).

This feature is a contributor to the trends in average claim sizes experienced in the last four years.

### 4.2.5 Age profile of claimants

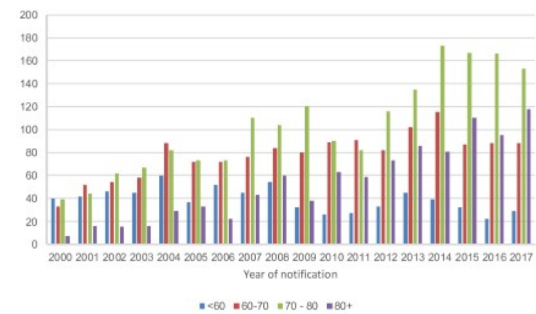
The following charts show the numbers and proportions of claims reported for each of the four age groups of claimants.

Figure 4.8: Proportion of mesothelioma claims by age of claimant




The proportion of claims reported involving claimants over the age of 70 has gradually increased, evident by the downwards trends in the chart from left to right.

Figure 4.9: Number of mesothelioma claims by age of claimant




In absolute terms, the number of claims arising from claimants aged 70 years or older rose by 43% from 189 in 2012/13 to 271 in 2017/18.

By contrast, the number of claims arising from claimants aged less than 70 years has remained relatively unchanged (115 in 2012/13 compared to 117 in 2017/18).

There are currently 4 claims notified in 2017/18 where the age of claimant is not yet known to the Liable Entities.

The growth in overall mesothelioma claim numbers in recent years has therefore primarily arisen from claimants aged 70 or older.

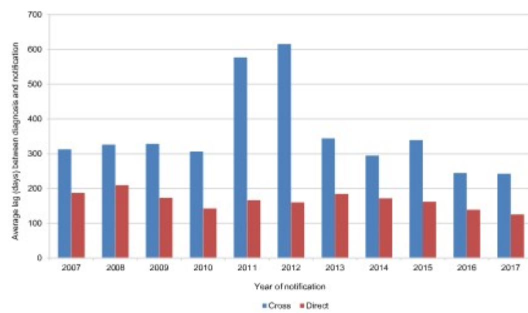
The higher proportion (and number) of claims involving claimants over 70 years of age has been a contributor to the trends in average claim sizes experienced in the last ten years (thereby acting to offset other claims inflation drivers) and in particular the reductions in average claim sizes experienced in the last five years.

#### 4.2.6 Delay from diagnosis to notification

The chart below measures the time-lag (in days) from diagnosis of mesothelioma to notification of a claim against the Liable Entities. The chart shows that direct claims are reported more quickly than cross-claims.

Direct claims have typically taken between 5 months and 7 months to be reported after diagnosis of mesothelioma.

Figure 4.10: Delay from diagnosis of mesothelioma to notification of claim against the Liable Entities




There has been a significant speed up in claims reporting for direct claims in 2016/17 and 2017/18.

The average time between diagnosis to notification reduced to approximately 4 months in 2017/18, and this represents the lowest level observed by AICF since its formation.

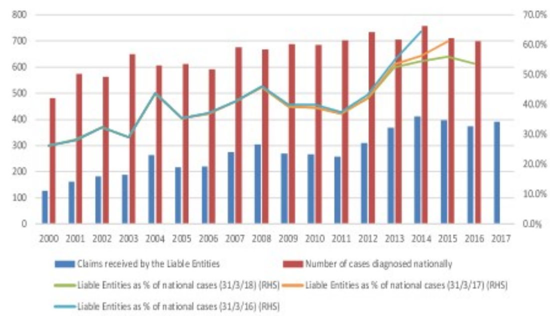
## 4.3 External statistics on mesothelioma claims incidence

The following chart compares the total number of mesothelioma cases reported (diagnosed) nationally to the number of mesothelioma claims received by the Liable Entities.

It should be noted that the two sets of data correspond to different definitions of year and so are not directly comparable and some caution should be exercised.

The "year" is calendar year for the national cases (i.e. 2012 is the year running from 1 January 2012 to 31 December 2012); whilst for the Liable Entities it is the financial year (i.e. 2012 is the year running from 1 April 2012 to 31 March 2013).

Figure 4.11: Number of mesothelioma cases reported nationally compared to the number of claims received by the Liable Entities




*Sources: Australian Cancer Incidence and Mortality book for Mesothelioma, Australian Institute of Health and Welfare, updated February 2017 for 2000-2013*

*Annual Report of the Australian Mesothelioma Registry for 2014 and onwards*

The annual number of mesothelioma cases diagnosed nationally was relatively stable for the period 2007 to 2011 varying between 667 and 701 cases.

In calendar year 2016, the number of cases diagnosed nationally (as currently reported) fell to 700. It should be noted there may be a considerable degree of under-reporting in the 2016 year and, to a lesser extent, the 2015 year, noting that:

- The 2013 year was initially reported as 575, and this increased to 676 (as reported in the 2014 Australian Mesothelioma Registry Report) and is 705 (as reported in the 2016 Australian Mesothelioma Registry Report); and
- The 2014 year was first reported as 641 and this increased to 732 (as reported in the 2015 Australian Mesothelioma Registry Report) and to 756 (as reported in the 2016 Australian Mesothelioma Registry Report).

These increases in national statistics lead to a lower ratio for the number of Liable Entity claims as a percentage of the number of national cases of mesothelioma. As a consequence the currently estimated 54% for 2016/17 may be over-stated and (if previous experience of initial under-reporting of the number of national cases were to recur) may be more in the order of 50%.

It should be noted that not all cases of mesothelioma result in a claim being brought in Common Law. Furthermore, even if a claim is brought, not all claims will involve the Liable Entities.

In relation to NSW, we have additional information from the Dust Diseases Tribunal (NSW) that indicates what proportion of common law claims the Liable Entities are joined in for NSW.

For the DDB/DDA data, the "year" is financial year (i.e. 2012 is the year running from 1 July 2012 to 30 June 2013). In contrast, in the DDT data, "year" is defined as a calendar year (i.e. 2012 is the year running from 1 January 2012 to 31 December 2012). It should be noted that the four sets of data correspond to different definitions of year and so are not directly comparable and some caution should be exercised.

Figure 4.12: Number of mesothelioma cases reported in NSW


*Sources: NSW Central Cancer Registry Reporting Module, 2012 for 2007-2012.*
*Australian Mesothelioma Registry for 2013-2016.*
*Insurance and Care NSW Annual Report 2016-17.*
*DDT statistics provided by the State of New South Wales*

The chart shows that whilst the number of NSW cases of mesothelioma has been relatively stable, other than the 12% increase in 2016, and that the DDB/DDA has shown a similar trend, the number of common law DDT cases has risen by more than 45% between 2007 and 2017. The Liable Entities have experienced a broadly similar rate of growth.

The data would appear to indicate that the Liable Entities are not being increasingly joined in common law claims in NSW, nor that there is necessarily an increasing prevalence of mesothelioma in NSW, but rather that the proportion of people being diagnosed who then bring a common law claim is the primary factor leading to the increases in claim numbers that have been observed in the last ten years (i.e. there has been an increase in the propensity to claim).

The chart below shows the mix of national cases by age. The data shows a broadly similar pattern to AICF's own experience (see Figure 4.8), with the proportion of cases relating to people under 70 years of age trending down and currently comprising around 30% of all cases.

Figure 4.13: Age profile of mesothelioma cases nationally


*Sources: Australian Institute of Health and Welfare; Australian Mesothelioma Registry Report*

## 4.4 Base valuation assumption for number of mesothelioma claims

The actual claims reporting experience in 2017/18 has been adverse compared to expectations for 2017/18 in relation to overall mesothelioma claim numbers.

As a consequence of this, we have increased our valuation assumption for 2018/19 from 353 claims (as previously assumed for 2018/19, based on an assumption of 372 claims for 2017/18) to 390 claims.

The assumption for 2018/19 has been set having regard to the average of the last three years of claims reporting.

There remain material uncertainties in relation to the base level of claims reporting and it is possible that claims activity could increase next year, or fall next year.

There also remain material uncertainties as to the pace at which future claims reporting will reduce ("the decay rate") as well as the rate of co-joining of the Liable Entities in common law claims.

Depending on the outcome of future experience, further changes to the valuation assumptions and therefore to the valuation results may be necessary in future periods. Such changes could be material.

As a consequence of the above noted uncertainties, further volatility in relation to the valuation result should be anticipated.

Given the application of the new method, the proportion of claims emerging in each of the four age groups is also a key factor in relation to the valuation of the liabilities at future valuation periods.

# 5. Claims Experience: Claim numbers (non-mesothelioma)

## 5.1 Overview

The table below shows the number of claims reported by year of notification and by disease category.

Table 5.1: Number of claims by disease type

| Year of notification | Asbestosis | Lung Cancer | ARPD & Other | Wharf | Workers |
|---|---|---|---|---|---|
| 2007 | 171 | 28 | 43 | 8 | 46 |
| 2008 | 163 | 40 | 44 | 11 | 59 |
| 2009 | 120 | 40 | 43 | 3 | 61 |
| 2010 | 140 | 13 | 36 | 9 | 30 |
| 2011 | 110 | 15 | 36 | 6 | 30 |
| 2012 | 128 | 33 | 38 | 7 | 27 |
| 2013 | 117 | 26 | 49 | 15 | 32 |
| 2014 | 144 | 25 | 39 | 11 | 34 |
| 2015 | 90 | 19 | 31 | 11 | 29 |
| 2016 | 97 | 19 | 32 | 11 | 24 |
| 2017 | 85 | 26 | 31 | 8 | 20 |
| 2007-2017 | 1,365 | 284 | 422 | 100 | 392 |
| All Years | 2,378 | 633 | 791 | 230 | 1,405 |

## 5.2 Asbestosis claims

For asbestosis, the most recent three years of claims reporting have seen claims reporting below 100 claims for each year.

This is in contrast to the previous three years which averaged 130 claims.

In selecting our assumption for 2018/19, we have (in broad terms) taken the average of the last three years as a base level.

We have assumed 96 asbestosis claims will be reported in 2018/19.

## 5.3 Lung cancer claims

The number of lung cancer claims reported has typically been between 25 and 40 claims per annum.

In 2015/16, the number of claims reported fell to 19 and in 2016/17 it remained at 19 claims. In 2017/18, there was an increase to 26 claims.

We have assumed 24 lung cancer claims will be reported in 2018/19.

## 5.4 ARPD & Other claims

The number of ARPD & Other claims has averaged 31 claims over the last three years. This is in contrast to the previous three years which averaged 42 claims.

In selecting our assumption for 2018/19, we have (in broad terms) taken the average of the last three years as a base level.

We have assumed 30 ARPD & Other claims will be reported in 2018/19.

## 5.5 Workers Compensation claims

The number of Workers Compensation claims, including those met in full by the Liable Entities' Workers Compensation insurers, has historically exhibited some degree of volatility. However claims reporting activity has been relatively stable for the last eight years, albeit showing a reduction to 20 claims in 2017/18.

We have assumed 24 Workers Compensation claims will be reported in 2018/19.

It should be noted that the financial impact of this source of claim is not substantial to the Liable Entities given the proportion of claims which are settled for nil liability against the Liable Entities (typically above 90%), which results from the insurance arrangements in place.

## 5.6 Wharf claims

For Wharf claims, there were 8 claims reported in 2017/18 and 11 claims were reported in each of the previous three years.

We have assumed 12 claims will be notified in 2018/19.

Again, the financial impact of this source of claim is not currently significant.

## 5.7 Summary of base claims numbers assumptions (including mesothelioma)

As outlined in Sections 4 and 5, our assumptions as to the number of claims to be reported in 2018/19 are as follows:

Table 5.2: Claim numbers experience and assumptions for 2018/19

| | FY17 actual | FY18 actual | FY18 expected | FY19 Assumption |
|---|---|---|---|---|
| Mesothelioma | 374 | 392 | 372 | 390 |
| Asbestosis | 97 | 85 | 108 | 96 |
| Lung Cancer | 19 | 26 | 21 | 24 |
| ARPD & Other | 32 | 31 | 33 | 30 |
| Wharf | 11 | 8 | 12 | 12 |
| Worker | 24 | 20 | 30 | 24 |
| Total | 557 | 562 | 576 | 576 |

*FY18 Expected is the assumption selected for 2017/18 in our previous valuation report.*

## 5.8 Baryulgil

Almost half of the claims settled which relate to asbestos mining activities at Baryulgil (as discussed previously in Section 1.2.3) have been settled with no liability against the Liable Entities; and for the remaining settled claims, the Liable Entities have typically borne one-third to one-half of the settlement amount, reflecting the contribution by other defendants to the overall settlement (including those which have since been placed in liquidation).

For the purposes of our valuation, we have estimated there to be 10 future claims reported, comprising 7 mesothelioma claims and 3 non-mesothelioma claims.

We have assumed average claims and legal costs broadly in line with those described in Section 7.

Our projected liability assessment at 31 March 2018 of the additional provision (for claims not yet reported) that could potentially be required is an undiscounted liability of $2.9m and a discounted liability of $2.5m, all of which is deemed to be a liability of Amaca.

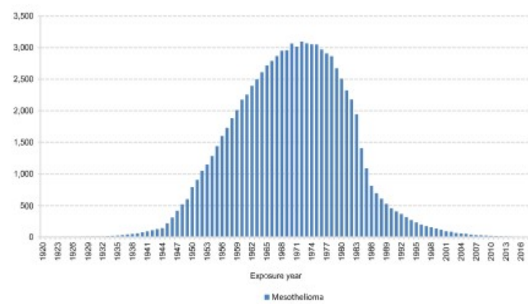
# 6. Exposure and Latency Experience and Incidence Pattern Assumptions

## 6.1 Mesothelioma claims experience

### 6.1.1 Exposure information from claims notified to date

We have reviewed the actual exposure information available for claims notified to date. This has been conducted by using the exposure dates stored in the claims database at an individual claim level and identifying the number of person-years of exposure in each exposure year.

Figure 6.1: Exposure (person-years) of all Liable Entities' mesothelioma claimants to date




The chart shows that, currently, the peak year of exposure for claims reported to date is in 1972.

It should be recognised that there is a degree of bias in this analysis in that the claims notified to date will tend to have arisen from the earlier periods of exposure.

Over time, we expect the right-hand side of this curve to develop and the peak year of exposure to trend towards the early-1970s to mid-1970s, and an increase in the absolute level at all periods of exposure as more claims are notified and the associated exposures from these are included in the analysis.

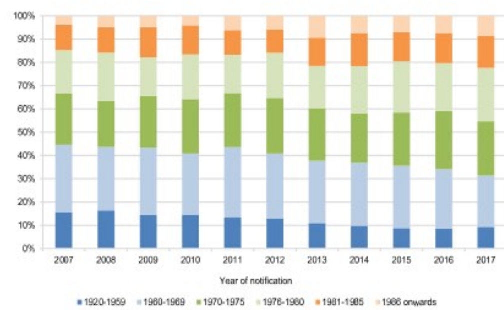
The relatively low level of exposure from 1987 onwards (about 5% of the total) is not unexpected given that all asbestos products ceased being manufactured by the Liable Entities by 1987. The exposure after that date likely results from usage of products already produced and sold before that date.

The chart above is a cumulative chart of the position to date and does not show temporal trends in the allocation of claims to exposure years.

For example, one would expect that more recently reported claims should be associated with, on average, later exposures; and that claims reported in future years would continue that trend towards later exposure periods.

To understand better these temporal trends, we have modelled claimants' exposures for each past claim report year.

Figure 6.2: Exposure (person years) of all mesothelioma claimants to date by report year and exposure period




As can be seen in the chart above, there has been a general increasing shift towards the exposure period after 1970, evident by the downwards trends in the chart from left to right indicating that an increasing proportion of the claimants' exposure relates to more recent exposure periods.

For example, pre-1970 exposures made up approximately 45% of mesothelioma claims exposures in 2007/08 but less than 32% of claims exposures in 2017/18.

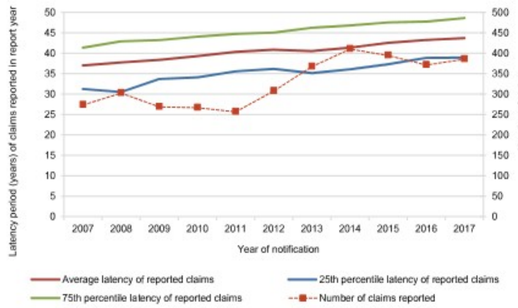
We would expect that such a trend should continue for some time to come and that an increasing proportion of the exposure (in relation to future reported claims) will relate to the period 1981/82 to 1985/86.

### 6.1.2 Latency period of reported claims

We have analysed the actual latency period of the reported claims of the Liable Entities. In the charts that follow, we have measured the average actual latency period from the average date of exposure to the date of notification of a claim.

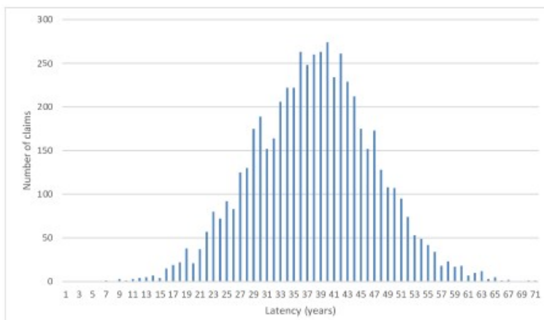
The chart below shows the average latency observed for mesothelioma claims and the 25th percentile and 75th percentile observations.

Figure 6.3: Latency of mesothelioma claims




The above chart indicates that the observed average latency period from the average exposure is currently approximately 44 years for mesothelioma, and has shown an increase over time.

Figure 6.4: Latency distribution of mesothelioma claims (all years)




Our latency model assumes a "normal distribution" and the chart above seems to (in broad terms) support that assumption at this time, with both the mean latency to date and the median latency to date being 38 years and the mode of the latency being 40 years.

Over the past ten years, the observed average latency of mesothelioma claims reported in a report year has increased from 38 years to 44 years, increasing at a rate of about 0.6 years with every year that passes.

The observed average latency of claims reported in future report years should also be expected to show a further upward trend in the coming years.

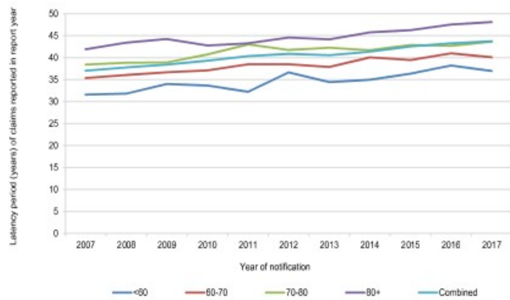
The currently observed standard deviation of the latency period is 8 years.

Some of the increase in average reported latencies over time has been a consequence of the changing mix of claims by age of claimant. Older claimants are typically associated with longer latencies.

As discussed elsewhere in this report, the proportion of claims arising from older age groups has been increasing.

The following chart shows how the average reported latencies vary between each of the age groups.

Figure 6.5: Latency of mesothelioma claims by age of claimant




The claims experience to date and the assumptions selected seem to broadly accord with epidemiological research in relation to mesothelioma, once the relevant adjustments to standardise onto a consistent terminology are made.

Our revised latency model for mesothelioma from first exposure assumes a mean latency of 40 years and a standard deviation of 9 years.

An indication of how different assumptions would affect the incidence curve and therefore the number of IBNR claims is as follows:

- A higher mean latency period would increase the peak period of claims reporting and would give rise to a higher number of IBNR claims.
- A lower standard deviation would lead to a faster decay in the number of claims being reported after the peak period of claims reporting and would give rise to a lower number of IBNR claims.

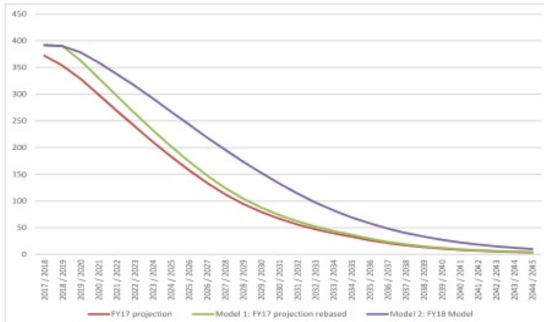
The increase in the overall mean latencies that we have adopted at this valuation gives rise to more claims by number at older ages and also gives rise to a slower rate of decay of the numbers of claims in future reporting periods, most notable in the years after 2025.

## 6.2 Mesothelioma incidence patterns

### 6.2.1 Overall future incidence pattern and IBNR claim numbers

The following chart shows the pattern of future notifications which have resulted from the application of our revised methodology (labelled "Model 2"). It also shows how the projections under the previous valuation approach compare, including both last year's valuation (labelled "FY17 projection") and what that would have become by simply applying the revised view of 2018/19 (labelled "Model 1: FY17 projection rebased").

Figure 6.6: Projected future claim notifications for mesothelioma




The table below summarises the number of future claims projected to be reported for mesothelioma under the current valuation approach and also compares with the previous adopted approach.

Table 6.1: Projected future claim notifications for mesothelioma

| Claim Number Projections | FY2017 Valuation | FY2017 Valuation with new base value | Current Valuation | Impact of Modelling Change | Impact of Modelling Change (%) |
|---|---|---|---|---|---|
| FY2018 | 372 | 392 | 392 | 0 | 0% |
| FY2019 | 353 | 390 | 390 | 0 | 0% |
| FY2020 | 329 | 363 | 378 | 16 | 4% |
| FY21 - FY25 | 1,202 | 1,327 | 1,573 | 246 | 19% |
| FY26 - FY30 | 578 | 638 | 984 | 346 | 54% |
| FY31 - FY40 | 332 | 366 | 703 | 337 | 92% |
| FY41 - FY45 | 29 | 32 | 78 | 46 | 142% |
| 1 April 2045 onwards | 11 | 12 | 30 | 18 | 157% |
| **Total** | **3,207** | **3,520** | **4,528** | **1,008** | **29%** |
| **FY2018 to FY2025** | **2,256** | **2,471** | **2,733** | **262** | **11%** |
| **FY2026 onwards** | **950** | **1,049** | **1,795** | **746** | **71%** |

*Note: Figures may not add "on sight" due to rounding.*

The table shows that the previous valuation approach assumed approximately 3,200 claims to be reported from 1 April 2017 onwards.

Taking into account the higher level of claims now being assumed for FY19 and applying that proportionate increase across all future years would have given rise to an estimate of 3,520 claims to be reported from 1 April 2017 onwards.

The new approach (which allows for longer latencies and does not assume that recent experience was one-off in nature) projects a total future number of claims of approximately 4,530.

It can be observed that this additional 29% increase is not a uniform increase across all years but is weighted towards periods after 31 March 2025.

In part, some of this represents the fact that the previous valuation approach had only partly taken into account the recent high level of claims reporting through to 2025 and no adjustment thereafter (this short-term and medium-term adjustment was discussed in detail in our 31 March 2014 valuation report).

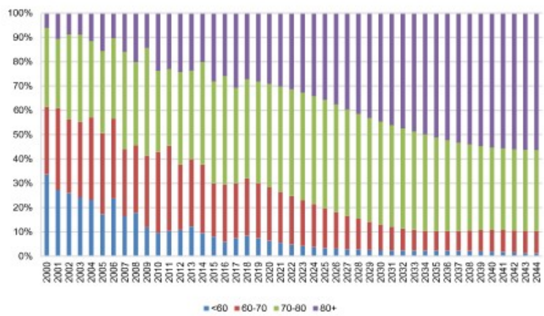
### 6.2.2 Assumed change in future mix of claims by claimant age

Based on the actual mix of claims by claimant age, we have assumed a mix of claims by claimant age for 2018/19 as follows:

- 8.5% for ages less than 60,
- 23.5% for ages 60-70,
- 41% for ages 70-80, and
- 27% for ages over 80.

The following chart shows the change in mix of claims by claimant age over time both historically and projected into the future periods that arises from our revised approach.

Figure 6.7: Mix of claims by claimant age for mesothelioma




### 6.2.3 Inherent uncertainty in future mesothelioma claims reporting

Should mesothelioma claims reporting escalate in future periods, further valuation responses in future years may be necessary.

Additionally, should the mix of claims by claimant age change relative to that assumed, the overall average claim sizes emerging would differ from expected and this might lead to further valuation responses.

## 6.3 Non-mesothelioma experience

### 6.3.1 Latency period of reported claims

The trend in latency periods for other disease types is shown in the following charts.

Figure 6.8: Latency of asbestosis claims

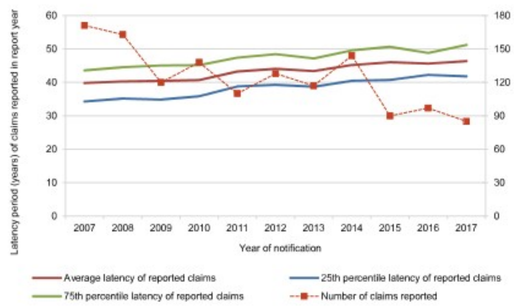



Figure 6.9: Latency of lung cancer claims

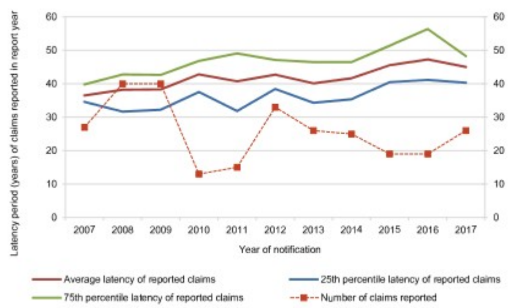
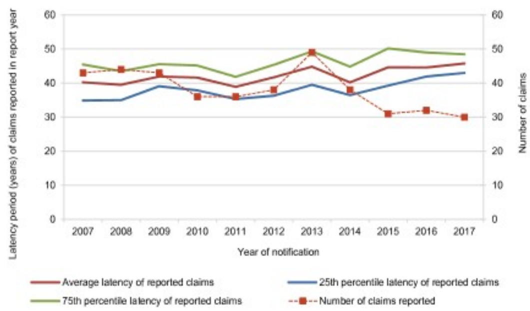


Figure 6.10: Latency of ARPD & Other claims




The average observed latency periods for the other disease types show a more surprising trend, appearing to be longer than epidemiological literature has tended to suggest.

A summary of our underlying latency assumptions by disease type are shown below. The mean and standard deviation values quoted are applied to a normal distribution model for the latency period.

Table 6.2: Assumed underlying latency distribution parameters from average date of exposure to date of notification

| | Mean latency (years) | Standard deviation of latency (years) |
|---|---|---|
| Asbestosis | 35 | 8 |
| Lung Cancer | 35 | 10 |
| ARPD & Other | 32 | 10 |
| Wharf | n/a | n/a |
| Workers compensation | n/a | n/a |

These assumptions are unchanged from the previous valuation.

### 6.3.2 Modelled assumptions for peak year of claim incidence

Based on the application of our exposure model and our latency model, and the assumptions contained explicitly or implicitly within those models, the peak year of notification of claims reporting against the Liable Entities for each disease type (excluding mesothelioma) is modelled to be as follows:

Table 6.3: Modelled peak year of claim notifications

| | Current valuation | Previous valuation |
|---|---|---|
| Asbestosis | 2008/09 | 2008/09 |
| Lung Cancer | 2010/11 | 2010/11 |
| ARPD & Other | 2007/08 | 2007/08 |
| Wharf | 2008/09 | 2008/09 |
| Workers Compensation | 2007/08 | 2007/08 |

These modelled assumptions are unchanged and reflect no changes to the exposure data and no changes to the latency model assumptions at this time.

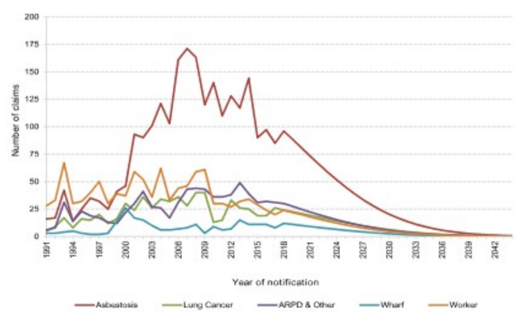
We note that whilst the "modelled peak" derived from our model is as shown above, this does not automatically translate to, nor does it imply that, the "highest claims reporting year" will be those years. This is because variation from year to year is expected due to normal 'statistical variation' in claim numbers.

### 6.3.3 Projected incidence patterns

We have projected the future number of claim notifications from the curve we have derived using our exposure model and our latency model. We have applied this curve to the base number of claims we have estimated for each disease type for 2018/19 as summarised in Section 5.7.

The following chart shows the pattern of future notifications which have resulted from the application of our exposure and latency model and the recalibration of the curve to our revised expectations of claims reporting activity for 2018/19.

Figure 6.11: Projected future claim notifications for other disease types



# 7. Claims Experience: Average Claims and Legal Costs

## 7.1 Overview

We have analysed the average claim awards, average plaintiff/other costs and average defendant legal costs by disease type in arriving at our valuation assumptions.

The table below shows how the average settlement cost for non-nil attritional claims has varied by client settlement year. All data have been converted into mid 2017/18 money terms using a historical base inflation index of 4% per annum.

We refer to these amounts as "inflated average attritional awards" in the charts and tables that follow.

The average amounts shown hereafter relate to the average amount of the contribution made by the Liable Entities, and does not reflect the total award payable to the plaintiff unless this is clearly stated to be the case.

In particular, for Workers Compensation the average award reflects the average contribution by the Liable Entities for claims in which they are joined but relates only to that amount of the award determined against the Liable Entities which is not met by a Workers Compensation Scheme or Policy.

Table 7.1: Average attritional non-nil claim award (inflated to mid 2017/18 money terms)

| Client Settlement Year | Mesothelioma | Asbestosis | Lung Cancer | ARPD & Other | Wharf | Workers Compensation |
|---|---|---|---|---|---|---|
| 2007 | 332,306 | 115,837 | 162,493 | 69,844 | 70,024 | 386,978 |
| 2008 | 379,230 | 122,034 | 120,131 | 127,412 | 205,892 | 78,282 |
| 2009 | 338,488 | 137,082 | 138,929 | 120,787 | 80,585 | 137,496 |
| 2010 | 344,130 | 112,308 | 180,601 | 94,991 | 51,928 | 0 |
| 2011 | 361,953 | 138,162 | 158,219 | 123,516 | 96,278 | 1,138,787 |
| 2012 | 356,435 | 149,077 | 142,303 | 105,662 | 42,808 | 103,415 |
| 2013 | 364,926 | 115,576 | 121,337 | 113,837 | 121,450 | 23,397 |
| 2014 | 339,107 | 111,724 | 151,027 | 80,423 | 90,016 | 78,740 |
| 2015 | 319,559 | 108,753 | 125,831 | 111,538 | 145,772 | 0 |
| 2016 | 286,271 | 81,625 | 42,336 | 75,972 | 38,373 | 0 |
| 2017 | 300,491 | 104,786 | 117,067 | 66,285 | 78,688 | 241,667 |

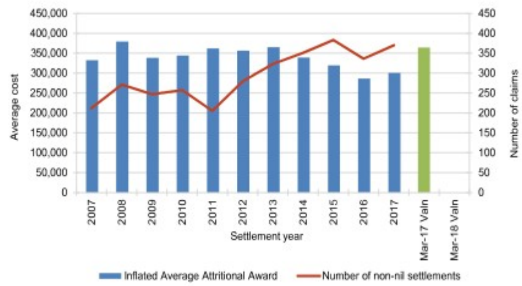
## 7.2 Mesothelioma claims

### 7.2.1 Overall average claim sizes

The chart below shows the average claim size for non-nil, non-large claims inflated to mid 2017/18 money terms.

As discussed earlier in this report, our previous valuation had a single average claim size assumption for all age groups (being $364,000 in mid 2017/18 money terms). However, at this valuation, we have derived separate assumptions for four age groups.

Figure 7.1: Average attritional awards (inflated to mid 2017/18 money terms) and number of non-nil claims settlements for mesothelioma claims (excluding large claims)




The chart shows the historical variability in average claim sizes for mesothelioma, i.e. from $285,000 to $380,000 in mid 2017/18 money terms.

The experience in 2017/18 was 17% below expectations.

It is worth noting the variation between the cost of direct claims and cross claims and also the variation in claim sizes based on the number of defendants in a "direct claim".

Figure 7.2: Average attritional awards (inflated to mid 2017/18 money terms) split between direct claims and cross claims

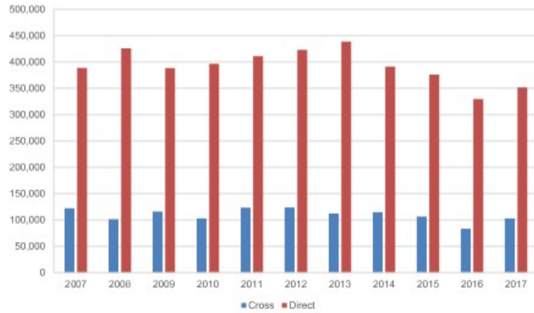
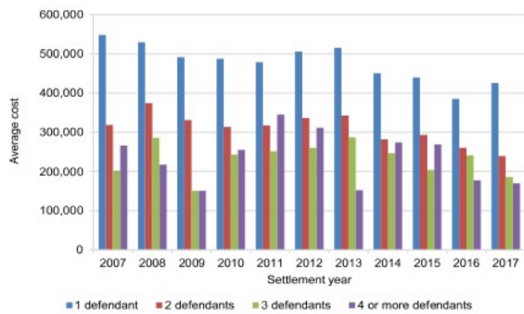



Figure 7.3: Average attritional awards (inflated to mid 2017/18 money terms) by number of defendants for direct claims




It can be seen from the above charts that average mesothelioma claim sizes payable by the Liable Entities have fallen in the last three years for multi-defendant cases (where the Liable Entities are on average paying around 60% of the total amount awarded to the claimant).

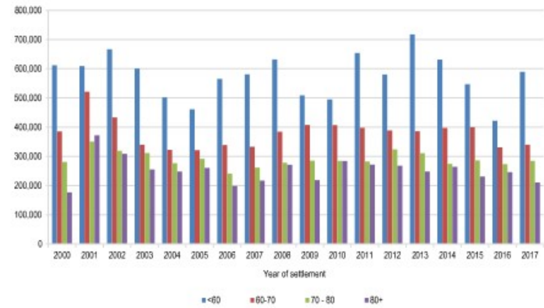
A similar trend has been observed over the last five years for single-defendant cases (where the Liable Entities pay 100% of the award).

The claims experience for single-defendant claims in 2016/17 appeared to be unusually low. The claims experience in 2017/18 appears to have reverted to previous norms.

### 7.2.2 Claim sizes by age of claimant

The following chart shows that there is a significant difference between the average costs of claims for different age groups.

Figure 7.4: Average attritional awards (inflated to mid 2017/18 money terms) by age of claimant




The key factor that has led to claim sizes reducing (as shown in Figure 7.1) has been the increasing proportion of claims that have emerged from claimants over the age of 80 and the reduction in the proportion of claims emerging from claimants under the age of 60.

The sharp fall in overall average claim sizes in 2016/17 appears to be primarily a result of fewer claims over $500,000; claims of this size primarily come from claimants under the age of 70 years old.

Given the smaller number of claims involved in relation to claimants under the age of 70, it is possible that the 2016/17 experience was more a function of random variability and specific characteristics relating to the small number of claimants. As such, we have not given significant credibility to the 2016/17 experience in setting the valuation assumptions at this valuation.

### 7.2.3 Claim size assumptions by age of claimant

For claimants under the age of 60:

- The last three years have averaged \$534,000; the last four years have averaged \$563,000; the last five years have averaged \$605,000.
- The three-year and four-year averages are particularly impacted by the favourable experience in 2016/17.
- The average size for 2017/18 was \$590,000.
- We have taken a longer-term view noting the smaller numbers of claims in this age group and because it currently appears that 2016/17 was unusually low.
- We have therefore selected an assumption of \$600,000.

For claimants aged 60-70:

- The last three years have averaged \$360,000; the last four years have averaged \$370,000; the last five years have averaged \$373,000.
- The most recent two years have been particularly favourable relative to the preceding seven years and it is currently unclear why this is the case.
- The average size for 2017/18 was \$339,000.
- We have taken a longer-term view noting the smaller numbers of claims in this age group and because it is currently unclear what has given rise to the favourable experience in 2016/17 and 2017/18.
- We have therefore selected an assumption of \$375,000.

For claimants aged 70-80:

- The last three years have averaged \$281,000; the last four years have averaged \$280,000; the last five years have averaged \$285,000.
- The average size for 2017/18 was \$285,000.
- We have therefore selected an assumption of \$285,000.

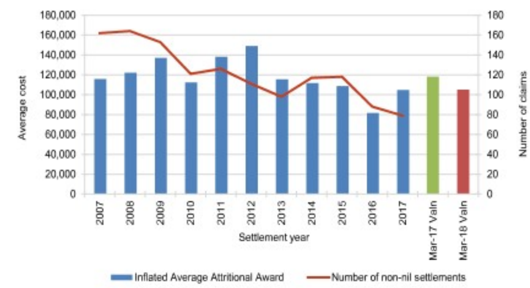
For claimants aged 80+:

- The last three years have averaged \$229,000; the last four years have averaged \$235,000; the last five years have averaged \$237,000.
- The average size for 2017/18 was \$210,000. It is currently unclear what has given rise to this materially favourable experience.
- We have therefore selected an assumption of \$235,000.

## 7.3 Asbestosis claims

For asbestosis, it can be seen from Table 7.1 that the period since 2007/08 has had volatile average claim size experience, with average claim sizes ranging from $82,000 to $149,000 (in mid 2017/18 money terms).

Figure 7.5: Average awards (inflated to mid 2017/18 money terms) and number of non-nil claims settlements for asbestosis claims




The average of the past three years is $99,000; the average of the past four years is $103,000 and the average of the past five years is $105,000.

In setting an assumption, we also note there has been one asbestosis claim settled for more than $1.6m in 2016/17 money terms (i.e. it is a "large claim" and is not shown in the above analysis).

Taking all of the above factors into consideration, we have adopted a valuation assumption of $105,000 for asbestosis claims in mid 2017/18 money terms. This assumption represents an 11% decrease in inflation-adjusted terms.

Table 7.2: Average asbestosis claims assumptions

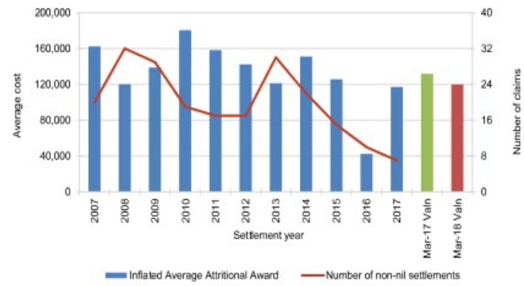
| | Claim settlement year | |
|---|---|---|
| Valuation Report | 2016/17 | 2017/18 |
| 31-Mar-17 | 112,000 | 118,200 |
| 31-Mar-18 | n/a | 105,000 |

*Note: 2016/17 settlements are in 2016/17 dollars whilst 2017/18 settlements are in 2017/18 dollars.*

## 7.4 Lung cancer claims

The average award for lung cancer claims has exhibited some volatility in the past five years, although this is not unexpected given the small volume of claim settlements (approximately 10 to 30 claims per annum).

Figure 7.6: Average awards (inflated to mid 2017/18 money terms) and number of non-nil claims settlements for lung cancer claims




The average of the past three years is $98,000; the average of the past four years is $119,000 and the average of the past five years is $120,000.

Taking all of the above factors into consideration, we have adopted a valuation assumption of $120,000. This assumption represents a decrease of 9% in inflation-adjusted terms from our previous assumption.

Table 7.3: Average lung cancer claims assumptions

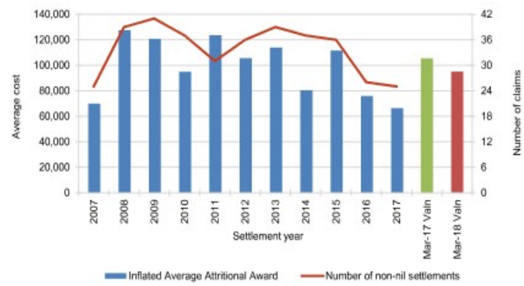
| | Claim settlement year | |
|---|---|---|
| Valuation Report | 2016/17 | 2017/18 |
| 31-Mar-17 | 125,000 | 131,900 |
| 31-Mar-18 | n/a | 120,000 |

*Note: 2016/17 settlements are in 2016/17 dollars whilst 2017/18 settlements are in 2017/18 dollars.*

## 7.5 ARPD & Other claims

The average award size has shown considerable volatility and three of the last four years have seen some of the lowest average claim sizes historically observed.

Figure 7.7: Average awards (inflated to mid 2017/18 money terms) and number of non-nil claims settlements for ARPD & Other claims




For ARPD & Other claims, the average of the past three years is $88,000; the average of the past four years is $86,000 and the average of the past five years is $92,000.

Taking all of the above factors into consideration, we have adopted a valuation assumption of $95,000 for ARPD & Other claims in mid 2017/18 money terms. This assumption represents a decrease of 10% in inflation-adjusted terms from our previous assumption.

Table 7.4: Average ARPD & Other claims assumptions

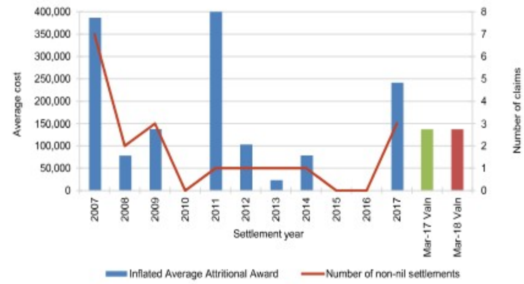
| | Claim settlement year | |
|---|---|---|
| Valuation Report | 2016/17 | 2017/18 |
| 31-Mar-17 | 100,000 | 105,500 |
| 31-Mar-18 | n/a | 95,000 |

*Note: 2016/17 settlements are in 2016/17 dollars whilst 2017/18 settlements are in 2017/18 dollars.*

## 7.6 Workers Compensation claims

The average award for non-nil Workers Compensation claims has shown a large degree of volatility, reflecting the small number of non-nil claims.

Figure 7.8: Average awards (inflated to mid 2017/18 money terms) and number of non-nil claims settlements for Workers Compensation claims




It should be noted that the high average claim size in 2011/12 is due to one claim of $900,000 (in 2011/12 values). Furthermore, we understand that this claim payment was able to be recovered from the workers compensation insurer at a later date.

At this valuation, we have adopted an average award size of $137,000. This represents no material change in inflation-adjusted terms from our previous assumption.

This assumption is not material to the overall liability given the high proportion of claims (in excess of 90%) which are settled with no retained liability against the Liable Entities.

Table 7.5: Average Workers Compensation claims assumptions

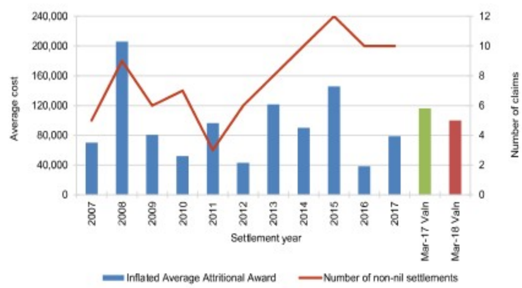
| | Claim settlement year | |
|---|---|---|
| Valuation Report | 2016/17 | 2017/18 |
| 31-Mar-17 | 130,000 | 137,200 |
| 31-Mar-18 | n/a | 137,000 |

*Note: 2016/17 settlements are in 2016/17 dollars whilst 2017/18 settlements are in 2017/18 dollars.*

## 7.7 Wharf claims

For wharf claims, the average of the past three years has been $91,000; the average of the past four years has been $91,000 and the average of the past five years has been $96,000.

Figure 7.9: Average awards (inflated to mid 2017/18 money terms) and number of non-nil claims settlements for wharf claims




The experience in 2008/09 was impacted by one large claim of almost $600,000 (in 2008/09 values).

At this valuation, we have adopted a valuation assumption of $100,000 in mid 2017/18 money terms. This assumption represents a 14% decrease compared to our previous valuation in inflation-adjusted terms.

Given the small volume of wharf claims, this assumption is not financially significant to the overall results.

Table 7.6: Average wharf claims assumptions

| | Claim settlement year | |
|---|---|---|
| Valuation Report | 2016/17 | 2017/18 |
| 31-Mar-17 | 110,000 | 116,100 |
| 31-Mar-18 | n/a | 100,000 |

*Note: 2016/17 settlements are in 2016/17 dollars whilst 2017/18 settlements are in 2017/18 dollars.*

## 7.8 Mesothelioma large claim size and incidence rates

There have been 66 mesothelioma claims settled with awards in excess of $1m in 2006/07 money terms. All of these claims are product and public liability claims.

In aggregate these claims have been settled at an average cost of approximately $2.29m. There have been two claims of more than $5.0m each in mid 2017/18 money terms.

In selecting a large claim incidence rate, or expected annual number of large claims, we have analysed the number of large claims by year of notification, separately for each of the four age groups.

We have also shown the incidence rate of large claims for each of the age groups.

Figure 7.10: Number of large claims by year of notification

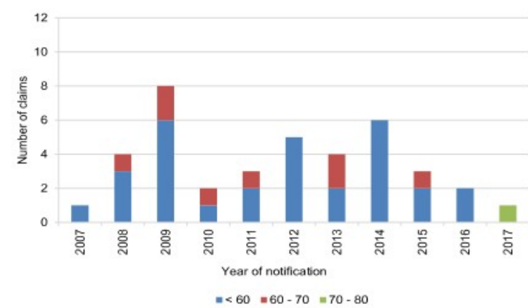
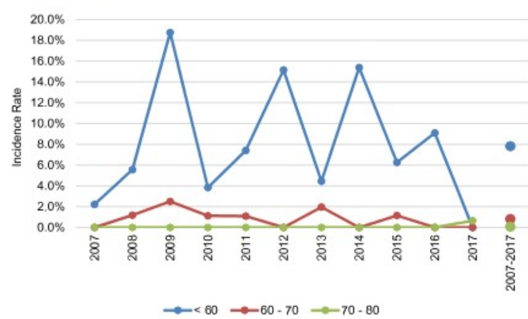



Figure 7.11: Large claims incidence rate by age of claimant




There have been no large claims for claimants over the age of 80.

We have assumed a future large claim incidence rate of 9.00% for claimants under 60 years of age, 1.00% for claimants between 60 and 70 years of age, and 0.10% for claimants between 70 and 80 years of age. These assumptions produce an overall number of large claims of 4 claims assumed for 2018/19.

For the average large claim size, we have adopted a valuation assumption of $2.23m in mid 2017/18 money terms and we have adopted the same average claim size for all age groups. This is based on analysis that shows minimal variation between claimants under 60 and those between 60 and 70 years of age; noting the small number of large claims in the 60-70 age group.

In relation to legal costs, we have made an additional allowance for plaintiff legal costs to allow for those instances where such costs are made additional to, rather than included with, the claims award and also for defence costs.

The actual incidence of, and settlement of, large claims is not readily predictable and therefore deviations will occur from year to year due to random fluctuations because of the small numbers of large claims (between 1 and 8 large claims per annum).

For other disease types, we observe that there has been (in 2014/15) one asbestosis claim which exceeds the "large claims threshold". We have made implicit allowance for this claim in setting our attritional claim size assumption for that disease type.

## 7.9 Summary average claim cost assumptions

The following table provides a summary of our average claim cost assumptions at this valuation, and those assumed at the previous valuation.

Table 7.7: Summary average claim cost assumptions

| | Current Valuation | Previous Valuation |
|---|---|---|
| Mesothelioma: <60 | 600,000 | 364,000 |
| Mesothelioma: 60-70 | 375,000 | |
| Mesothelioma: 70-80 | 285,000 | |
| Mesothelioma: 80+ | 235,000 | |
| Asbestosis | 105,000 | 118,200 |
| Lung Cancer | 120,000 | 131,900 |
| ARPD & Other | 95,000 | 105,500 |
| Wharf | 100,000 | 116,100 |
| Workers Compensation | 137,000 | 137,200 |
| Mesothelioma Large Claims (award only) | Average Size: $2.23m. Frequency: 9.00% (<60), 1.00% (60-70),0.1% (70-80) | Average Size: $2.332m. Frequency: 1.50% |

*Note: Both the current valuation assumption and the previous valuation assumption are expressed in mid 2017/18 money terms.*

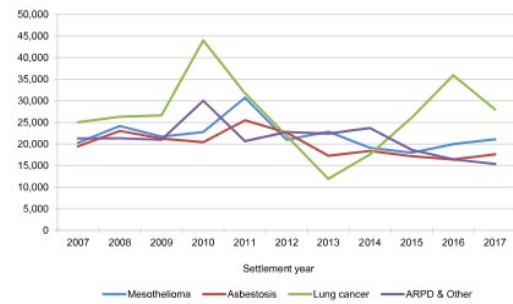
## 7.10 Defence legal costs

### 7.10.1 Non-nil claims

The average defence legal costs for non-nil claims by settlement year have been relatively stable over the last ten years for mesothelioma, asbestosis and ARPD & Other.

The average defence costs for lung cancer have shown a greater degree of variability, although this is not unexpected given the small volume of claim settlements (approximately 10 to 30 claims per annum).

Figure 7.12: Average defence legal costs (inflated to mid 2017/18 money terms) for non-nil claims settlements by settlement year




*Note: The chart does not include average defence costs for Wharf and Worker claims due to the smaller number of claims involved and the variability that exists as a consequence.*

### 7.10.2 Large claims

The average defence legal costs across all 66 large claims has been $157,000 although this has generally been trending downwards over time.

We have allowed for defence legal costs of $100,000 per large claim having regard to more recent experience.

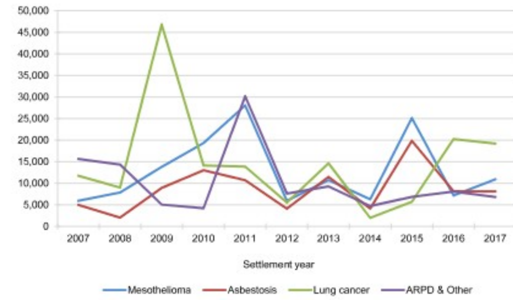
### 7.10.3 Nil claims

The average defence legal costs for nil claims by settlement year has been volatile for all disease types.

For mesothelioma, the volatility is a consequence of low nil settlement rate, meaning that there may be 20 to 30 nil claims in any year.

For the other disease types, the number of nil claims might typically be of the order of 10 claims per annum for each disease type.

Figure 7.13: Average defence legal costs (inflated to mid 2017/18 money terms) for nil claims settlements by settlement year




*Note: The chart does not include average defence costs for Wharf and Worker claims due to the smaller number of claims involved and the variability that exists as a consequence.*

## 7.11 Summary average defendant legal costs assumptions

The following table provides a summary of our defendant legal costs assumptions at this valuation, and those assumed at the previous valuation.

We have adopted different legal cost assumptions for mesothelioma for the four age groups, based on analysis which indicates there is variation (which in part will be related to the average size of claims in each age group).

Table 7.8: Summary average defendant legal costs assumptions

| | Current Valuation | | Previous Valuation | |
|---|---|---|---|---|
| | Non Nil Claims | Nil Claims | Non Nil Claims | Nil Claims |
| Mesothelioma: <60 | 32,000 | 30,000 | 18,600 | 18,600 |
| Mesothelioma: 60-70 | 22,000 | 11,000 | | |
| Mesothelioma: 70-80 | 19,000 | 11,000 | | |
| Mesothelioma: 80+ | 17,000 | 11,000 | | |
| Asbestosis | 17,500 | 9,000 | 18,100 | 10,400 |
| Lung Cancer | 25,000 | 15,000 | 25,900 | 8,800 |
| ARPD & Other | 18,000 | 8,000 | 20,700 | 12,900 |
| Wharf | 15,000 | 5,000 | 20,700 | 2,600 |
| Workers Compensation | 15,000 | 1,000 | 16,000 | 1,600 |
| Mesothelioma Large | 100,000 | | 96,300 | |

*Note: Both the current valuation assumption and the previous valuation assumption are expressed in mid 2017/18 money terms.*

# 8. Claims Experience: Nil Settlement Rates

## 8.1 Overview

We have analysed the nil settlement rates, being the number of nil settlements expressed as a percentage of the total number of settlements (nil and non-nil).

The table below shows the observed nil settlement rates by disease type and by settlement year.

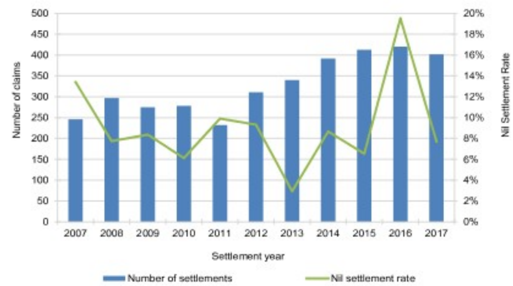
Table 8.1: Nil settlement rates

| Client Settlement Year | Mesothelioma | Asbestosis | Lung Cancer | ARPD & Other | Wharf | Workers Compensation |
|---|---|---|---|---|---|---|
| 2007 | 13% | 9% | 31% | 19% | 72% | 85% |
| 2008 | 8% | 9% | 24% | 13% | 0% | 95% |
| 2009 | 8% | 8% | 29% | 2% | 14% | 83% |
| 2010 | 6% | 6% | 41% | 14% | 0% | 100% |
| 2011 | 10% | 7% | 32% | 11% | 0% | 67% |
| 2012 | 9% | 16% | 23% | 20% | 40% | 99% |
| 2013 | 3% | 8% | 3% | 13% | 20% | 99% |
| 2014 | 9% | 11% | 12% | 8% | 9% | 97% |
| 2015 | 7% | 6% | 25% | 8% | 8% | 100% |
| 2016 | 20% | 13% | 58% | 16% | 9% | 100% |
| 2017 | 8% | 18% | 59% | 7% | 9% | 88% |

## 8.2 Mesothelioma claims

The following chart shows the number of claims settled for nil cost, the total number of claims settled and the implied nil settlement rate for each settlement year.

Figure 8.1: Mesothelioma nil claims experience




In considering the future nil settlement rate assumption, we note the following:

- The nil settlement rate for the past three years has averaged 11%, for the past four years has averaged 11% and for the past five years has averaged 9%. Each of these is significantly impacted by the 20% rate observed in 2016/17.
- The nil settlement rate for the 2016/17 year of 20% was due to 54 Queensland statutory recovery claims being closed at nil cost in December 2016.
- Excluding the 54 Queensland Statutory nil claims, the nil settlement rate for 2016/17 was 7.9%.
- The nil settlement rate for 2017/18 was 7.7% compared to our assumption of 7.0%.

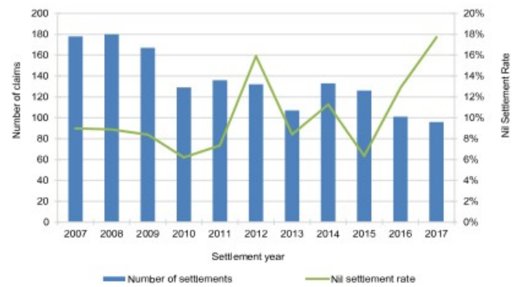
Taking all of these factors into consideration, we have assumed a future nil settlement rate of 7.0%, unchanged from our previous valuation.

We have applied this assumption to all age groups. We have done this because analysis by age group did not seem to indicate materially different nil settlement rates for the four age groups over time, and because the number of nil claims annually (typically around 25 across all ages) is quite small, meaning that sub-division of experience into four age groups results in reduced credibility and greater volatility.

## 8.3 Asbestosis claims

As with mesothelioma, the historical asbestosis nil settlement rate has been volatile.

Figure 8.2: Asbestosis nil claims experience




In considering the future nil settlement rate assumption, we note the following:

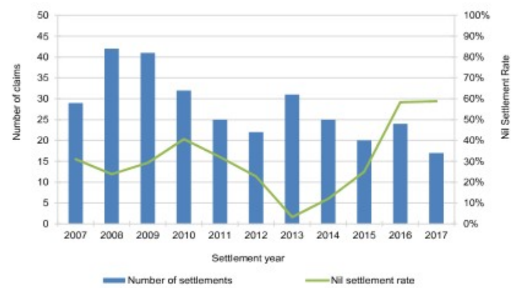
- The nil settlement rate for the past three years has averaged 12%, for the past four years has averaged 12% and for the past five years has averaged 11%.
- The nil settlement rate for 2016/17 was 13%. Excluding 2 Queensland Statutory nil claims, the nil settlement rate was 11%.
- The nil settlement rate for 2017/18 was 18%.

Taking all of these factors into consideration, we have assumed a future nil settlement rate of 11.0%, an increase from our previous valuation assumption of 9.0%.

## 8.4 Lung cancer claims

Given the small volumes of claims, volatility in the nil settlement rate for lung cancer claims is to be expected.

Figure 8.3: Lung cancer nil claims experience




In considering the future nil settlement rate assumption, we note the following:

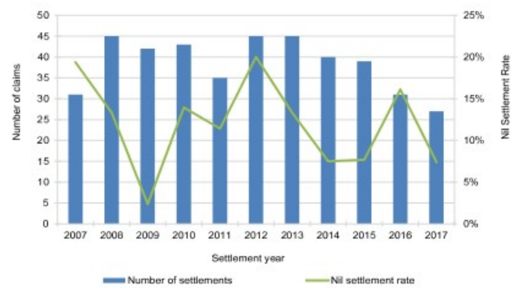
- The nil settlement rate for the past three years has averaged 48%, for the past four years has averaged 37% and for the past five years has averaged 28%.
- The nil settlement rate for 2017/18 was 59%, the highest nil settlement rate observed historically, and this compares with our assumption (at 31 March 2017) of 23%.

Taking all of these factors into consideration, we have assumed a future nil settlement rate of 25%, an increase from our previous assumption of 23%.

## 8.5 ARPD & Other claims

As with other disease types, there has been significant volatility in the historical nil settlement rate, given the low numbers of claims for this disease.

Figure 8.4: ARPD & Other nil claims experience




The nil settlement rate for the past three years has averaged 10%, for the past four years has averaged 10% and for the past five years has averaged 10%.

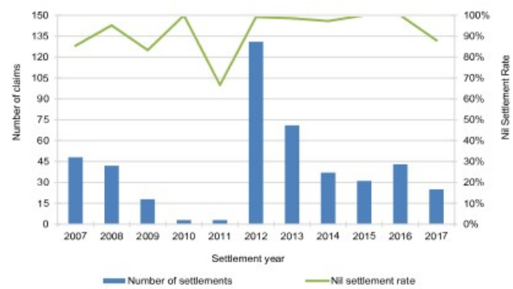
We have selected 10% as our nil settlement rate assumption, a decrease from our previous assumption of 13%.

## 8.6 Workers Compensation claims

The nil settlement rates for Workers Compensation claims have been high and reflect the portion of claims whose costs are fully met by a Workers Compensation Scheme or Policy. The proportion of such claims which are fully met by insurance has been relatively stable since 1997/98, typically varying between 80% and 100%.

The nil settlement rate has been in excess of 90% for seven of the past ten years, and it has been above 80% for nine out of the past ten years.

Figure 8.5: Workers Compensation nil claims experience




We have selected 97% as our nil settlement rate assumption, unchanged from our previous valuation.

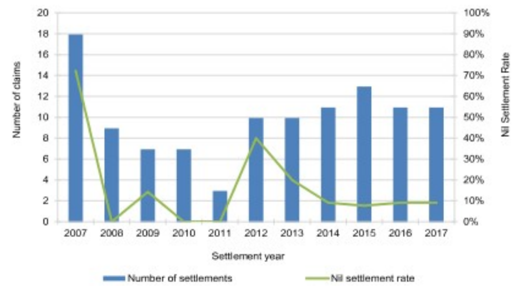
The overall financial impact of this assumption is not material.

## 8.7 Wharf claims

During the past eight years, the nil settlement rate has exhibited considerably volatility for wharf claims, varying between 0% and 40%.

The nil settlement rate for the past three years has averaged 9%, for the past four years it has averaged 9% and for the past five years it has averaged 11%.

Figure 8.6: Wharf nil claims experience




We have selected a nil settlement rate assumption of 10%, a decrease from our previous valuation assumption of 15%.

Given the low volume of claims activity for wharf claims, this assumption is highly subjective but is also not material to the overall liability assessment.

## 8.8 Summary assumptions

The following table provides a summary of our nil settlement rate assumptions at this valuation, and those assumed at the previous valuation.

Table 8.2: Summary nil settlement rate assumptions

| | Current Valuation | Previous Valuation |
|---|---|---|
| Mesothelioma | 7.0% | 7.0% |
| Asbestosis | 11.0% | 9.0% |
| Lung Cancer | 25.0% | 23.0% |
| ARPD & Other | 10.0% | 13.0% |
| Wharf | 10.0% | 15.0% |
| Workers Compensation | 97.0% | 97.0% |

# 9. Economic and Other Assumptions

## 9.1 Overview

The two main economic assumptions required for our valuation are:

- The underlying claims inflation assumptions adopted to project the future claims settlement amounts and related costs.
- The discount rate adopted for the present value determinations.

We also discuss the basis of derivation of other valuation assumptions, being:

- The cross-claim recovery rate; and
- The pattern of settlement of future reported claims and pending claims.

## 9.2 Claims inflation

We are required to make assumptions about the future rate of inflation of claims costs.

We have adopted a standard Australian actuarial claims inflation model for liabilities of the type considered in this report that is based on:

- An underlying, or base, rate of general economic inflation relevant to the liabilities, in this case based on wage/salary (earnings) inflation; and
- A rate of superimposed inflation, i.e. the rate at which claims costs inflation exceeds base inflation.

### 9.2.1 Base inflation

We have adopted a long-term base (wage) inflation assumption of 4.00% per annum. This is unchanged from the previous valuation assumption.

With the current prevailing economic conditions, including lower yields and implied lower outlook for inflation measures, we consider it appropriate to select lower short term assumptions for base inflation.

In the short to medium term, we have adopted 3.75% as the base assumption for 2018/19 and 4.00% for 2019/20. We have assumed that the long-term rates of base inflation (4.00% per annum) will apply from 2020/21 onwards.

The following table summarizes the base inflation assumptions we have selected for the current and previous valuations.

Table 9.1: Base inflation assumptions

| | Current Valuation | Previous Valuation |
|---|---|---|
| 2017/18 | n/a | 3.50% |
| 2018/19 | 3.75% | 3.75% |
| 2019/20 | 4.00% | 4.00% |
| Long-term | 4.00% | 4.00% |

These assumptions apply both to claims awards and legal costs.

### 9.2.2 Superimposed inflation

Superimposed inflation is a term commonly used by Australian actuaries to measure the rate at which average claims costs escalate in excess of a base (usually wage) inflation measure.

As a result, superimposed inflation is a "catch-all" for a range of potential factors affecting claims costs, including (but not limited to):

- Courts making compensation payments in relation to new heads of damage;
- Courts changing the levels of compensation paid for existing heads of damage;
- Advancements in medical treatments – for example, this could lead to higher medical treatment costs (e.g. the cost of the use of new drug treatments);
- Allowance for medical costs to rise faster than wages because of the use of enhanced medical technologies;
- Changes in life expectancy;
- Changes in retirement age – this would have the potential to increase future economic loss awards;
- Changes in the relative share of the liability to be borne by the Liable Entities' (which we refer to as "the contribution rate") and which might result from changes in the number of defendants joined in claims;
- Changes in the mix of claims costs by different heads of damage; and
- Changes in the mix of claimants by age of claimant.

Additionally, superimposed inflation also captures those characteristics of claims experience which might have different relative claim sizes but which are currently modelled in aggregate (rather than explicitly and separately modelled). This includes factors such as:

- Changes in the mix of claims between direct and cross claims;
- Changes in the mix of claims between renovator and non-renovator claims; and
- Changes in the mix of claims by the numbers of defendants to each claim.

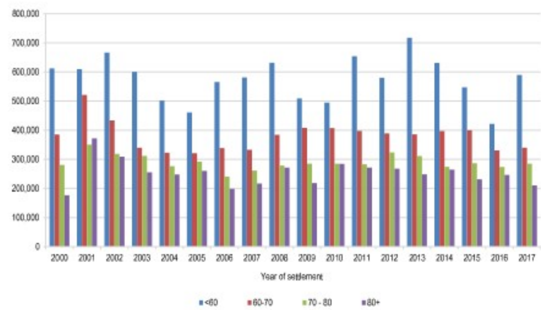
Whilst the future rate of superimposed inflation is uncertain, and not predictable from one year to the next, it is of note that the average claim costs appear to have been relatively stable in recent years (after adjusting for wage inflation) and that, if anything, average claim sizes have trended downwards in recent years. As discussed elsewhere in this report, this reflects the changing mix of claimants by claimant age (shifting towards older claimants).

Furthermore, the emergence of new or expanding heads of damage does not tend to proceed smoothly but progresses in "steps", depending on the outcome of legislative and other developments.

We have reviewed the rate of inflation of claims costs by settlement year for the past 18 years for mesothelioma claims. We have assessed this by analysing inflated claim costs and therefore the following chart measures the trend in the rate of superimposed inflation.

We have separately considered each of the four age groups to detect whether superimposed inflation is emerging in some or all of the age groups.

Figure 9.1: Average mesothelioma awards of the Liable Entities (inflated to mid 2017/18 money terms) by age of claimant




For claimants under 60 years of age, the rate of superimposed inflation:

- Averaged (0.2)% per annum for 2000/01 to 2017/18;
- Averaged (0.8)% per annum for 2002/03 to 2017/18;
- Averaged 1.2% per annum for 2004/05 to 2017/18;
- Averaged 0.1% per annum for 2007/08 to 2017/18.

For claimants 60-70 years of age, the rate of superimposed inflation:

- Averaged (0.7)% per annum for 2000/01 to 2017/18;
- Averaged (1.6)% per annum for 2002/03 to 2017/18;
- Averaged 0.4% per annum for 2004/05 to 2017/18;
- Averaged 0.2% per annum for 2007/08 to 2017/18.

For claimants 70-80 years of age, the rate of superimposed inflation:

- Averaged 0.1% per annum for 2000/01 to 2017/18;
- Averaged (0.8)% per annum for 2002/03 to 2017/18;
- Averaged 0.2% per annum for 2004/05 to 2017/18;
- Averaged 0.9% per annum for 2007/08 to 2017/18.

For claimants 80+ years of age, the rate of superimposed inflation:

- Averaged 1.0% per annum for 2000/01 to 2017/18;
- Averaged (2.5)% per annum for 2002/03 to 2017/18;
- Averaged (1.3)% per annum for 2004/05 to 2017/18;
- Averaged (0.3)% per annum for 2007/08 to 2017/18.

The actuarial approach for this report is to take an average view for superimposed inflation to be applied over the long-term, noting that there will necessarily be deviations from this average on an annual basis and that cashflows are projected for the next 50 or more years.

Weighing all of the evidence together, and in particular recognising that the period since 2000/01 has generally been benign, we have adopted an assumed long-term rate of future superimposed inflation of claims awards of 2.00% per annum.

This assumption is applied to the claim awards for each of the four age groups for mesothelioma and is also applied to the claim awards for other disease types.

There is no superimposed inflation applied to legal costs.

The assumption for superimposed inflation is unchanged from the previous valuation.

The outcome of this assumption is a "superimposed inflation allowance" of approximately $250m on a discounted central estimate basis and approximately $380m on an inflated and undiscounted central estimate basis.

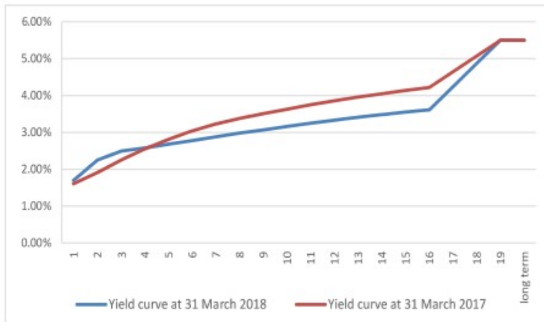
## 9.3 Discount rates: Commonwealth bond zero coupon yields

We have calculated the zero coupon yield curve at 31 March 2018 underlying the prices, coupons and durations of Commonwealth Government Bonds for the purpose of discounting the liabilities for this report.

The use of such discount rates is consistent with standard Australian actuarial practice for such liabilities, is in accordance with the Institute of Actuaries of Australia's Professional Standard PS300 and is also consistent with our understanding of the Australian accounting standards.

The chart below shows the assumptions for the current valuation and the previous valuation.

Figure 9.2: Zero coupon yield curve by duration




We observe that the long-term discount rate assumption that we have adopted (5.50% per annum) does not materially affect the overall Discounted Central Estimate. This is because the vast majority of the future cashflows (more than 85%) are projected to be paid over the next 18 years.

By way of illustration, if we selected a long-term discount rate of 5.00% per annum, the Discounted Central Estimate would increase by approximately $4m (0.2%).

The long-term discount rate we have selected (5.50% per annum) has been set to be broadly consistent with our selected long-term wage inflation assumption (4.00% per annum)

## 9.4 Cross-claim recovery rates

The following chart shows how the experience of cross-claim recoveries has varied over the last seven years, both in monetary terms and expressed as a percentage of gross payments.

Figure 9.3: Cross-claim recovery experience


Cross claim recoveries reduced year on year from 2012/13 to 2015/16, both in absolute terms and as a percentage of gross payments. In 2016/17, there was a material increase in the level of cross-claim recoveries. There was a further increase in 2017/18.

Over the seven-year period, cross claim recoveries have been approximately 3.0% of claims awards.

In light of the additional year of experience, we have now increased our assumption for cross-claim recoveries to be 2.5% of claims awards (31 March 2017: 1.5%).

## 9.5 Settlement Patterns

Triangulation methods are used to derive the past pattern of settlement of claims and are used in forming a view on future settlement patterns.

The following triangles provide an illustrative example of how we perform this:

Figure 9.4: Settlement pattern derivation for mesothelioma claims: paid as % of ultimate cost

| Yr of Notification | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2003 | 59.2% | 93.8% | 95.8% | 96.4% | 98.4% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| 2004 | 52.7% | 93.9% | 97.5% | 95.8% | 98.7% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| 2005 | 57.9% | 92.3% | 97.5% | 97.5% | 97.9% | 98.4% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| 2006 | 61.6% | 93.6% | 97.5% | 99.9% | 98.9% | 99.9% | 99.9% | 99.9% | 99.9% | 99.9% | 99.9% | 99.9% | |
| 2007 | 53.1% | 97.1% | 99.4% | 99.8% | 98.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | | |
| 2008 | 67.1% | 96.2% | 97.4% | 99.9% | 99.6% | 99.7% | 99.7% | 99.7% | 99.7% | 99.7% | | | |
| 2009 | 57.6% | 88.2% | 92.8% | 99.1% | 98.2% | 99.7% | 99.9% | 99.9% | 99.9% | | | | |
| 2010 | 71.7% | 96.4% | 99.8% | 99.9% | 100.0% | 100.0% | 100.0% | 100.0% | | | | | |
| 2011 | 57.1% | 96.9% | 99.1% | 99.7% | 100.0% | 100.0% | 100.0% | | | | | | |
| 2012 | 55.7% | 97.7% | 99.7% | 100.0% | 100.0% | 100.0% | | | | | | | |
| 2013 | 69.4% | 94.9% | 99.6% | 99.8% | 100.0% | | | | | | | | |
| 2014 | 66.0% | 96.7% | 98.8% | 99.7% | | | | | | | | | |
| 2015 | 69.3% | 96.0% | 99.1% | | | | | | | | | | |
| 2016 | 55.9% | 96.0% | | | | | | | | | | | |
| 2017 | 68.1% | | | | | | | | | | | | |

Figure 9.5: Settlement pattern derivation for non-mesothelioma claims: paid as % of ultimate cost

| Yr of Notification | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2003 | 17.4% | 68.5% | 86.4% | 92.2% | 95.5% | 98.0% | 99.3% | 99.3% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| 2004 | 17.5% | 58.9% | 83.4% | 92.9% | 96.3% | 99.9% | 99.0% | 98.0% | 98.8% | 100.0% | 100.0% | 100.0% | 100.0% |
| 2005 | 18.5% | 81.3% | 94.5% | 98.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| 2006 | 22.6% | 72.0% | 91.4% | 94.6% | 98.2% | 99.0% | 98.9% | 99.0% | 99.8% | 98.9% | 99.0% | 99.8% | |
| 2007 | 28.6% | 83.1% | 92.9% | 98.5% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | | |
| 2008 | 25.8% | 83.5% | 94.5% | 98.1% | 98.6% | 98.9% | 98.9% | 98.8% | 95.8% | 98.9% | | | |
| 2009 | 38.7% | 76.3% | 92.5% | 94.2% | 94.4% | 95.0% | 98.2% | 98.2% | 95.2% | | | | |
| 2010 | 28.0% | 84.3% | 95.3% | 97.0% | 98.6% | 98.6% | 98.6% | 99.8% | | | | | |
| 2011 | 38.8% | 90.1% | 98.8% | 100.0% | 100.0% | 100.0% | 100.0% | | | | | | |
| 2012 | 38.7% | 86.1% | 98.4% | 98.9% | 98.9% | 100.0% | | | | | | | |
| 2013 | 28.4% | 84.5% | 98.0% | 98.1% | 99.3% | | | | | | | | |
| 2014 | 32.3% | 88.9% | 95.4% | 98.0% | | | | | | | | | |
| 2015 | 44.3% | 84.9% | 98.7% | | | | | | | | | | |
| 2016 | 22.6% | 74.1% | | | | | | | | | | | |
| 2017 | 26.1% | | | | | | | | | | | | |

We have estimated the settlement pattern for future claim reporting as follows:

Table 9.2: Settlement pattern of claims awards by delay from claim reporting

| Delay (years) | Mesothelioma | Non-mesothelioma |
|---|---|---|
| 0 | 60.0% | 33.0% |
| 1 | 35.0% | 50.0% |
| 2 | 3.0% | 9.0% |
| 3 | 1.0% | 5.0% |
| 4 | 0.5% | 1.0% |
| 5 | 0.3% | 0.5% |
| 6 | 0.2% | 0.5% |
| 7 | 0.0% | 0.5% |
| 8 | 0.0% | 0.5% |
| 9 | 0.0% | 0.0% |

These assumed settlements patterns have been modified slightly since our previous valuation, resulting in an assumption of a slight speeding-up for both mesothelioma claim and non-mesothelioma claim settlements.

For mesothelioma, we have adopted one pattern (for all four age groups) because analysis of the average time to settlement for each of the four age groups was not materially different to the overall average time to settlement aggregated across all age groups (there was less than one month's variation).

# 10. Valuation Results

## 10.1 Central estimate liability

At 31 March 2018, our projected central estimate of the liabilities of the Liable Entities (the Discounted Central Estimate) to be met by the AICF Trust is $1,852.9m (March 2017: $1,740.1m).

We have not allowed for the future Operating Expenses of the AICF Trust or the Liable Entities in the liability assessment.

The following table shows a summary of our central estimate liability assessment and compares the current assessment with our previous valuation.

Table 10.1: Comparison of central estimate of liabilities

| | 31 March 2018 $m | | | 31 March 2017 $m |
|---|---|---|---|---|
| | Gross of insurance recoveries | Insurance recoveries | Net of insurance recoveries | Net of insurance recoveries |
| Total uninflated and undiscounted cash-flows | 1,517.3 | 74.4 | 1,442.9 | 1,385.7 |
| Inflation allowance | 972.7 | 34.7 | 938.0 | 814.0 |
| Total inflated and undiscounted cash-flows | 2,490.0 | 109.1 | 2,380.9 | 2,199.7 |
| Discounting allowance | (551.8) | (23.7) | (528.0) | (459.6) |
| Net present value liabilities | 1,938.2 | 85.4 | 1,852.9 | 1,740.1 |

## 10.2 Comparison with previous valuation

In the absence of any change to the claim projection assumptions from our 31 March 2017 valuation, other than allowing for the changes in the discount rate, we would have projected a Discounted Central Estimate liability of $1,657.1m as at 31 March 2018.

This is a decrease of $83.0m relative to the valuation result at 31 March 2017, and this is due to:

- A reduction of $119.9m, being the net impact of expected claims payments (which reduce the liability) and the "unwind of discount" (to reflect the fact that cashflows are now one year nearer).
- An increase of $36.9m resulting from changes to the yield curve between 31 March 2017 and 31 March 2018.

Our liability assessment at 31 March 2018 of $1,852.9m represents an increase of $195.8m, which arises from changes to the actuarial assumptions. The increase is principally a consequence of:

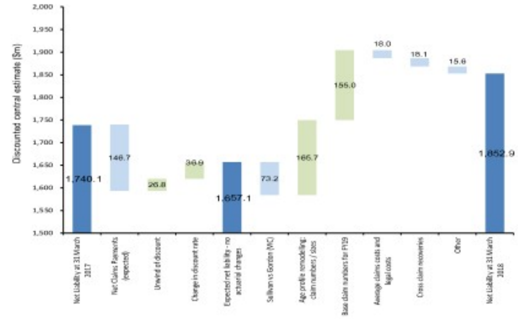
- The revised modelling approach for mesothelioma which has allowed for higher numbers of claims after 2025 partially offset by reductions in average sizes by allowing for the impact of claimant age; and
- An increase to the base level of mesothelioma claims for 2018/19 and the consequential impact this has on the number of claims in all future years;

offset by

- Removal of the allowance for Sullivan vs Gordon in Victoria (see Section 1.3.3 of this Report);
- Increased allowance for cross-claim recoveries; and
- Reductions for average claim sizes and defence legal costs for other disease types.

The following chart shows an analysis of the change in our liability assessments from 31 March 2017 to 31 March 2018 on a discounted basis.

Figure 10.1: Analysis of change in central estimate liability (discounted basis)




*Note: Green bars signal that this factor has given rise to an increase in the liability whilst light blue bars signal that this factor has given rise to a reduction in the liability.*

## 10.3 Comparison of valuation results since 30 September 2006

We have analysed how our valuation results have changed since the Initial Report (as defined in the Amended Final Funding Agreement) at 30 September 2006.

The table below shows the results over time.

We have used the inflated and undiscounted results as the comparison. We consider this to be the most appropriate assessment as it removes the impacts of changes in discount rates and the "unwind of the discount".

Table 10.2: Comparison of valuation results since 30 September 2006

| | FY2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY2017 | FY2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Valuation result at end of previous financial year | 3,169 | 2,811 | 3,027 | 3,124 | 2,906 | 2,661 | 2,525 | 2,513 | 2,805 | 2,743 | 2,427 | 2,200 |
| Net payments made (actual) | -32 | -55 | -93 | -86 | -76 | -76 | -86 | -113 | -121 | -129 | 2 | -124 |
| Expected valuation result (no actuarial changes) | 3,137 | 2,756 | 2,934 | 3,038 | 2,830 | 2,585 | 2,439 | 2,400 | 2,684 | 2,614 | 2,429 | 2,076 |
| Actual valuation at end of financial year | 2,811 | 3,027 | 3,124 | 2,906 | 2,661 | 2,525 | 2,513 | 2,805 | 2,743 | 2,427 | 2,200 | 2,381 |
| Impact of actuarial valuation changes | -326 | 271 | 190 | -132 | -169 | -60 | 74 | 405 | 59 | -187 | -229 | 305 |
| Cumulative changes since 30 September 2006 | -326 | -55 | 136 | 3 | -166 | -226 | -152 | 253 | 312 | 125 | -104 | 201 |

*Note: For FY2007, the starting valuation ($3,169m) is the valuation at 30 September 2006, not the valuation at 31 March 2006.*

The table shows that whilst there have been some years where there have been increases and some years where there have been decreases arising from changes to actuarial valuation assumptions, over the period from 30 September 2006 to 31 March 2018 the valuation has increased by approximately $200m (6% of the valuation contained in the Initial Report).

In terms of net cashflows, actual net payments of $989m have been made since 30 September 2006. This compares with an estimate of $1,203m projected for the same period (1 October 2006 to 31 March 2018) in the valuation at 30 September 2006.

After allowing for removal of the beneficial impact of HIH, Equitas and other commutations ($183m), actual net cashflows have been approximately $31m (2.6%) below those projected in the valuation at 30 September 2006.

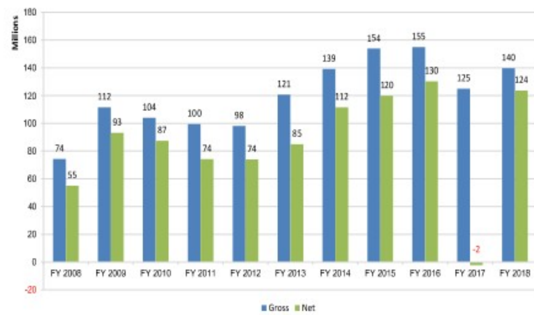
Gross cashflows over the same period have been $32m (2.3%) below those projected in the valuation at 30 September 2006 ($1,364m vs $1,396m).

## 10.4 Cashflow projections

### 10.4.1 Historical cashflow expenditure

The following chart shows the historical expenditure by the Liable Entities relating to asbestos-related claim settlements since the formation of AICFL.

Figure 10.2: Historical claim-related expenditure of the Liable Entities




Gross cashflow payments in the 12 months to 31 March 2018 were $139.7m (FY17: $125.0m).

Gross cashflow was lower than expectations by $15m, primarily due to the lower average claim size of mesothelioma claims which were 17% below expectations, together with lower expenditure on large mesothelioma claims, which were $11m favourable to expectations, partially offset by higher numbers of claims settlements compared with expectations.

Actual net cashflow in 2017/18 was $23m lower than the net cashflow projected for 2017/18 ($146.7m) in our 31 March 2017 valuation report.

### 10.4.2 Key changes in cashflow projections by period of cashflow

The following table summarises how the projected cashflows compare between the current and previous valuation.

Table 10.3: Comparison of projected cashflows by period

| Figures in $m | Previous Valuation | Current Valuation | Valuation change | Valuation change (%) |
|---|---|---|---|---|
| FY2018 | 147 | 124 | -23 | -16% |
| FY2019 | 164 | 143 | -21 | -13% |
| FY2020 | 164 | 158 | -7 | -4% |
| FY21 - FY25 | 720 | 743 | 23 | 3% |
| FY26 - FY30 | 490 | 586 | 96 | 20% |
| FY31 - FY40 | 421 | 590 | 168 | 40% |
| FY41 - FY45 | 61 | 102 | 41 | 67% |
| 1 April 2045 onwards | 33 | 59 | 27 | 81% |
| **Total** | **2,200** | **2,505** | **305** | **14%** |
| **FY2018 to FY2025** | **1,194** | **1,167** | **-27** | **-2%** |
| **FY2026 onwards** | **1,005** | **1,337** | **332** | **33%** |

*Note: Figures may not add "on sight" due to rounding.*

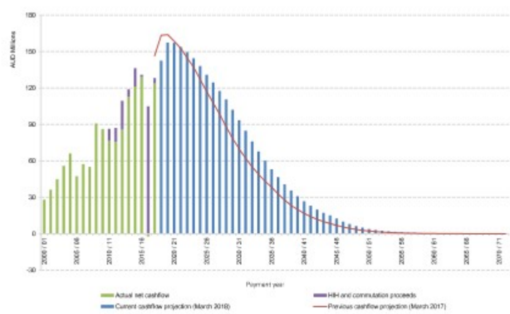
It can be seen that the impact of the revised valuation modelling approach has most substantially impacted the period from 1 April 2025 and onwards. By way of illustration:

- Projected cashflows for the period 1 April 2017 to 31 March 2025 have decreased by $27m (2.5% of the previous valuation cashflows).
- Projected cashflows for the period from 1 April 2025 onwards have increased by $332m (33% of the previous valuation cashflows).

### 10.4.3 Future cashflow projections

The following chart shows the projected net cashflows underlying our current valuation and the projected net cashflow projection underlying our previous valuation at 31 March 2017.

Figure 10.3: Annual cashflow projections – inflated and undiscounted ($m)




Given the extremely long-tailed nature of asbestos-related liabilities, a small change in an individual assumption can have a significant impact upon the cashflow profile of the liabilities.

## 10.5 Amended Final Funding Agreement calculations

The Amended Final Funding Agreement sets out the basis on which payments will be made to the AICF Trust.

Additionally, there are a number of other figures specified within the Amended Final Funding Agreement that we are required to calculate. These are:

- Discounted Central Estimate;
- Term Central Estimate; and
- Period Actuarial Estimate.

Table 10.4: Amended Final Funding Agreement calculations

| | $m | |
|---|---|---|
| Discounted Central Estimate (net of cross-claim recoveries, Insurance and Other Recoveries) | 1,852.9 | |
| Period Actuarial Estimate (net of cross-claim recoveries, gross of Insurance and Other Recoveries) comprising: | 462.7 | |
| Discounted value of cashflow in 2018/19 | | 147.1 |
| Discounted value of cashflow in 2019/20 | | 159.4 |
| Discounted value of cashflow in 2020/21 | | 156.2 |
| Term Central Estimate (net of cross-claim recoveries, Insurance and Other Recoveries) | 1,835.5 | |

The actual funding amount due at a particular date will depend upon a number of factors, including:

- the net asset position of the AICF Trust at that time;
- the free cash flow amount of the James Hardie Group in the preceding financial year; and
- the Period Actuarial Estimate in the latest Annual Actuarial Report.

## 10.6 Insurance Recoveries

Our liability valuation has made allowance for a discounted central estimate of Insurance Recoveries of $85.4m.

This estimate is comprised as follows:

Table 10.5: Insurance recoveries at 31 March 2018

| $m | Undiscounted central estimate | Discounted central estimate |
|---|---|---|
| Gross liability | 2,490.0 | 1,938.2 |
| Product liability recoveries | 100.0 | 78.5 |
| Bad and doubtful debt allowance (product) | (1.5) | (1.1) |
| Public liability recoveries | 10.8 | 8.0 |
| Bad and doubtful debt allowance (public) | (0.1) | (0.1) |
| Insurance recovery asset | 109.1 | 85.4 |
| Net liability | 2,380.9 | 1,852.9 |
| Insurance recovery rate | 4.4% | 4.5% |
| Bad and doubtful debt rate | 1.5% | 1.3% |
| Value of Insurance Policies per Facility Agreement | | 77.5 |

The combined bad and doubtful debt rate is 1.3% on a discounted basis (2017: 2.5%).

The AICF Facility Agreement requires the Approved Actuary to calculate the discounted central estimate value of certain Insurance Policies, being those specified in Schedule 5 of the AICF Facility Agreement.

At 31 March 2018 the discounted central estimate of the Insurance Policies, as specified in Schedule 5 of the AICF Facility Agreement, is $77.5m (March 2017: $82.3m).

# 11. Uncertainty

## 11.1 Overview

There is uncertainty involved in any valuation of the liabilities of an insurance company or a self-insurer. The sources of such uncertainty include, but are not limited to:

- Parameter error – this is the risk that the parameters and assumptions chosen ultimately prove not to be reflective of future experience.
- Model error – this is the risk that the model selected for the valuation of the liabilities ultimately proves not to be adequate for the projection of the liabilities.
- Legal and social developments – this is the risk that the legal environment in which claims are settled changes relative to its current and historical position thereby causing significantly different awards.
- Future actual rates of inflation being different from that assumed.
- The general economic environment being different from that assumed.
- Potential sources of exposure – this is the risk that there exist sources of exposure which are as yet unknown or unquantifiable, or for which no liabilities have yet been observed, but which may trigger future claims.

In the case of asbestos liabilities, these uncertainties are exacerbated by the extremely long latency period from exposure to onset of disease and notification of a claim. Asbestos-related claims often take in excess of 40 years from original exposure to become notified and then settled, compared with an average delay from exposure to settlement of 4-5 years for many other compensation-type liabilities such as Comprehensive Third-Party injury liabilities or other Workers Compensation liabilities.

Specific forms of uncertainty relating to asbestos-related disease liabilities include:

- The difficulty in quantifying the extent and pattern of past asbestos exposures and the number and incidence of the ultimate number of lives that may be affected by asbestos related diseases arising from such past asbestos exposures;
- The timing of the peak level and future pattern of incidence of claims reporting for mesothelioma;
- The propensity of individuals affected by diseases arising from such exposure to file common law claims against defendants;
- The extent to which the Liable Entities will be joined in such future common law claims;
- The mix of claimants by age, in particular noting the shift towards older claimants and which has had a downwards effect on average claim sizes in recent years;

- The fact that the ultimate severity of the impact of the disease and the quantum of the claims that will be awarded will be subject to the outcome of events that have not yet occurred, including:
  - medical and epidemiological developments, including those relating to life expectancy in general;
  - court interpretations;
  - legislative changes;
  - changes to the form and range of benefits for which compensation may be awarded ("heads of damage");
  - public attitudes to claiming;
  - the potential for future procedural reforms in NSW and other States affecting the legal costs incurred in managing and settling claims;
  - potential third-wave exposures; and
  - social and economic conditions such as inflation.

## 11.2 Sensitivity testing

As we have noted above, there are many sources of uncertainty. Actuaries often perform "sensitivity testing" to identify the impact of different assumptions on future experience, thereby providing an indication of the degree of parameter error risk to which the valuation assessment is exposed.

Sensitivity testing may be considered as being a mechanism for testing "what will the liabilities be if instead of choosing [x] for assumption [a] we choose [y]?" It is also a mechanism for identifying how the result will change if experience turns out different in a particular way relative to that which underlies the central estimate expectations. As such, it provides an indication of the level of variability inherent in the valuation.

We have performed some sensitivity tests of the results of our central estimate valuation. We have sensitivity tested the following factors:

- **number of claims notified**: 10% above and below our central estimate assumption.
- **average claim cost of a non-nil claim**: 5% above and below our central estimate assumption.
- **nil settlement rate**: 2 percentage points above and below our central estimate assumption.
- **superimposed inflation**: being 0% per annum or 4% per annum over all future years.
- **mesothelioma incidence pattern**: we have tested the impact of shifting out the pattern of incidence by two further years.

There are other factors which influence the liability assessment and which could be sensitivity tested, including:

- The cross-claim recovery rate;
- The variation in timing of claim notifications (but with no change in the overall number of notifications); and
- The pattern and delay of claim settlements from claim notification.

We have not sensitivity tested these factors, viewing them as being of less financial significance individually.

We have not sensitivity tested the value of Insurance Recoveries as uncertainties typically relate to legal risk and disputation risk, and it is not possible to parameterise a sensitivity test in an informed manner.

We have not included a sensitivity test for the impact of changes in discount rates although, as noted in this Report, changes in discount rates can introduce significant volatility to the Discounted Central Estimate result reported at each year-end.

## 11.3 Results of sensitivity testing

The chart below shows the impact of various individual sensitivity tests on the Discounted Central Estimate of the liabilities, and of a combined sensitivity test of a number of factors.

Although we have tested multiple scenarios of each assumption, one cannot gauge an overall potential range by simply adding these tests together. Accordingly, we have prepared a range based on a combination of factors.

Figure 11.1: Sensitivity testing results – Impact around the Discounted Central Estimate (in $m)

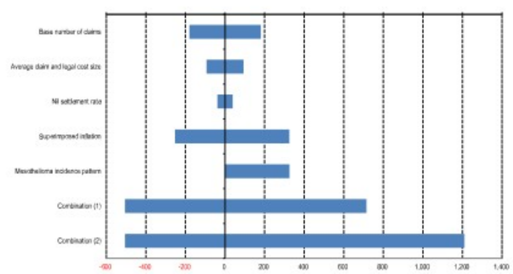
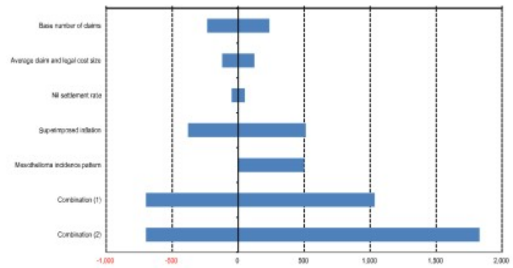


Figure 11.2: Sensitivity testing results – Impact around the undiscounted central estimate (in $m)




The single most sensitive assumption shown in the chart is the incidence pattern of mesothelioma claims reporting against the Liable Entities. Shifting the pattern of incidence by 2 years could add approximately $325m (18%) on a discounted basis to our valuation (as shown in Figure 11.1 by the scenario labelled "mesothelioma incidence pattern").

Table 11.1: Summary results of sensitivity analysis ($m)

| | Undiscounted | Discounted |
|---|---|---|
| Central estimate | 2,380.9 | 1,852.9 |
| Low Scenario | 1,681.3 | 1,347.2 |
| High Scenario | 4,209.8 | 3,062.0 |

Whilst the table above indicates a range around the discounted central estimate of liabilities of -$506m to +$1,209m, the actual cost of liabilities could fall outside that range depending on the actual experience.

We further note that these sensitivity test ranges are not intended to correspond to a specified probability of sufficiency nor are they intended to indicate an upper bound or a lower bound of all possible outcomes.

# A Projected inflated and undiscounted cashflows ($m)

| Payment Year | Mesothelioma Claims | Asbestosis Claims | Lung Cancer Claims | ARPD & Other Claims | Legal and Other Costs | Workers Compensation Claims | Workers Compensation Legal and Other Costs | Wharf Claims | Wharf Legal and Other Costs | Baryulgil | Cross Claim Recoveries | Gross | Insurance | Net |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2018 / 2019 | 121.8 | 7.6 | 3.5 | 3.1 | 14.8 | 0.1 | 0.0 | 0.5 | 0.1 | 0.4 | 3.4 | 148.4 | 5.8 | 142.5 |
| 2019 / 2020 | 135.5 | 9.3 | 2.7 | 2.9 | 15.7 | 0.1 | 0.0 | 1.0 | 0.2 | 0.3 | 3.8 | 163.9 | 6.4 | 157.5 |
| 2020 / 2021 | 136.0 | 9.5 | 2.6 | 2.8 | 15.6 | 0.1 | 0.0 | 1.1 | 0.2 | 0.3 | 3.8 | 164.4 | 7.2 | 157.2 |
| 2021 / 2022 | 133.6 | 9.3 | 2.4 | 2.7 | 15.1 | 0.1 | 0.0 | 1.1 | 0.2 | 0.3 | 3.7 | 161.1 | 7.3 | 153.8 |
| 2022 / 2023 | 130.9 | 9.0 | 2.3 | 2.5 | 14.3 | 0.1 | 0.0 | 1.1 | 0.2 | 0.2 | 3.6 | 157.1 | 7.4 | 149.7 |
| 2023 / 2024 | 126.9 | 8.7 | 2.3 | 2.4 | 13.7 | 0.1 | 0.0 | 1.0 | 0.2 | 0.2 | 3.5 | 152.0 | 7.5 | 144.5 |
| 2024 / 2025 | 122.4 | 8.2 | 2.2 | 2.3 | 13.0 | 0.1 | 0.0 | 1.0 | 0.1 | 0.2 | 3.4 | 146.0 | 7.8 | 138.2 |
| 2025 / 2026 | 116.4 | 7.7 | 2.0 | 2.1 | 12.4 | 0.1 | 0.0 | 0.9 | 0.1 | 0.2 | 3.2 | 138.6 | 7.7 | 130.9 |
| 2026 / 2027 | 110.3 | 7.2 | 1.9 | 1.9 | 11.7 | 0.1 | 0.0 | 0.9 | 0.1 | 0.1 | 3.1 | 131.2 | 6.6 | 124.6 |
| 2027 / 2028 | 103.8 | 6.6 | 1.8 | 1.8 | 10.6 | 0.1 | 0.0 | 0.8 | 0.1 | 0.1 | 2.9 | 122.8 | 5.2 | 117.7 |
| 2028 / 2029 | 96.9 | 6.1 | 1.7 | 1.6 | 9.8 | 0.1 | 0.0 | 0.7 | 0.1 | 0.1 | 2.7 | 114.4 | 3.7 | 110.7 |
| 2029 / 2030 | 89.9 | 5.5 | 1.6 | 1.4 | 8.9 | 0.1 | 0.0 | 0.7 | 0.1 | 0.1 | 2.5 | 105.8 | 3.6 | 102.2 |
| 2030 / 2031 | 82.7 | 4.9 | 1.4 | 1.3 | 8.1 | 0.0 | 0.0 | 0.6 | 0.1 | 0.1 | 2.3 | 97.0 | 3.4 | 93.6 |
| 2031 / 2032 | 75.3 | 4.4 | 1.3 | 1.1 | 7.2 | 0.0 | 0.0 | 0.5 | 0.1 | 0.1 | 2.1 | 88.0 | 3.2 | 84.8 |
| 2032 / 2033 | 67.9 | 3.9 | 1.2 | 1.0 | 6.4 | 0.0 | 0.0 | 0.5 | 0.1 | 0.1 | 1.9 | 79.1 | 3.0 | 76.1 |
| 2033 / 2034 | 61.0 | 3.4 | 1.0 | 0.9 | 5.7 | 0.0 | 0.0 | 0.4 | 0.1 | 0.0 | 1.7 | 70.8 | 3.0 | 67.8 |
| 2034 / 2035 | 54.5 | 2.9 | 0.9 | 0.7 | 5.0 | 0.0 | 0.0 | 0.4 | 0.0 | 0.0 | 1.5 | 63.0 | 2.9 | 60.2 |
| 2035 / 2036 | 48.4 | 2.5 | 0.8 | 0.6 | 4.4 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 1.3 | 55.8 | 2.6 | 53.2 |
| 2036 / 2037 | 42.8 | 2.1 | 0.7 | 0.5 | 3.8 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 1.2 | 49.1 | 2.4 | 46.7 |
| 2037 / 2038 | 37.6 | 1.8 | 0.6 | 0.4 | 3.3 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 1.0 | 43.0 | 2.2 | 40.8 |
| 2038 / 2039 | 33.1 | 1.5 | 0.5 | 0.4 | 2.8 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.9 | 37.6 | 2.0 | 35.6 |
| 2039 / 2040 | 28.9 | 1.3 | 0.4 | 0.3 | 2.4 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.8 | 32.7 | 1.8 | 30.9 |
| 2040 / 2041 | 25.1 | 1.0 | 0.4 | 0.2 | 2.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.7 | 28.2 | 1.5 | 26.7 |
| 2041 / 2042 | 21.8 | 0.8 | 0.3 | 0.2 | 1.7 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.6 | 24.4 | 1.1 | 23.2 |
| 2042 / 2043 | 18.9 | 0.7 | 0.2 | 0.2 | 1.5 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.5 | 21.0 | 1.0 | 20.0 |
| 2043 / 2044 | 16.4 | 0.5 | 0.2 | 0.1 | 1.2 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.4 | 18.1 | 0.8 | 17.3 |
| 2044 / 2045 | 14.2 | 0.4 | 0.2 | 0.1 | 1.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.4 | 15.6 | 0.4 | 15.2 |
| 2045 / 2046 | 11.7 | 0.3 | 0.1 | 0.1 | 0.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 12.9 | 0.3 | 12.6 |
| 2046 / 2047 | 9.4 | 0.3 | 0.1 | 0.1 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 10.3 | 0.3 | 10.0 |
| 2047 / 2048 | 7.5 | 0.2 | 0.1 | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 8.2 | 0.2 | 8.0 |
| 2048 / 2049 | 6.0 | 0.2 | 0.1 | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 6.5 | 0.2 | 6.4 |
| 2049 / 2050 | 4.8 | 0.1 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 5.2 | 0.1 | 5.1 |
| 2050 / 2051 | 3.8 | 0.1 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 4.1 | 0.1 | 4.0 |
| 2051 / 2052 | 3.0 | 0.1 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 3.3 | 0.1 | 3.2 |
| 2052 / 2053 | 2.4 | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 2.6 | 0.1 | 2.5 |
| 2053 / 2054 | 1.9 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.1 | 0.1 | 2.0 |
| 2054 / 2055 | 1.5 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.6 | 0.0 | 1.6 |
| 2055 / 2056 | 1.2 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.3 | 0.0 | 1.2 |
| 2056 / 2057 | 0.9 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.9 | 0.0 | 0.9 |
| 2057 / 2058 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.7 | 0.0 | 0.7 |
| 2058 / 2059 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 0.5 |
| 2059 / 2060 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 | 0.0 | 0.4 |
| 2060 / 2061 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.3 |
| 2061 / 2062 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 |
| 2062 / 2063 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2063 / 2064 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2064 / 2065 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2065 / 2066 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2066 / 2067 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2067 / 2068 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2068 / 2069 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2069 / 2070 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2070 / 2071 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2071 / 2072 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TOTAL | 2,109.0 | 128.2 | 37.7 | 35.9 | 215.9 | 1.3 | 0.4 | 14.8 | 2.2 | 2.9 | 58.2 | 2,490.0 | 109.1 | 2,380.9 |

# B Projected inflated and discounted cashflows ($m)

| Payment Year | Mesothelioma Claims | Asbestosis Claims | Lung Cancer Claims | ARPD & Other Claims | Legal and Other Costs | Workers Compensation Claims | Workers Compensation Legal and Other Costs | Wharf Claims | Wharf Legal and Other Costs | Baryulgil | Cross Claim Recoveries | Gross | Insurance | Net |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2018 / 2019 | 120.8 | 7.6 | 3.5 | 3.0 | 14.6 | 0.1 | 0.0 | 0.5 | 0.1 | 0.3 | 3.4 | 147.1 | 5.8 | 141.3 |
| 2019 / 2020 | 131.8 | 9.0 | 2.6 | 2.8 | 15.3 | 0.1 | 0.0 | 1.0 | 0.2 | 0.3 | 3.7 | 159.4 | 6.2 | 153.2 |
| 2020 / 2021 | 129.2 | 9.1 | 2.5 | 2.7 | 14.8 | 0.1 | 0.0 | 1.0 | 0.2 | 0.3 | 3.6 | 156.2 | 6.8 | 149.4 |
| 2021 / 2022 | 123.8 | 8.6 | 2.2 | 2.5 | 14.0 | 0.1 | 0.0 | 1.0 | 0.2 | 0.2 | 3.5 | 149.2 | 6.8 | 142.4 |
| 2022 / 2023 | 118.1 | 8.1 | 2.1 | 2.3 | 13.0 | 0.1 | 0.0 | 1.0 | 0.2 | 0.2 | 3.3 | 141.8 | 6.6 | 135.1 |
| 2023 / 2024 | 111.5 | 7.6 | 2.0 | 2.1 | 12.1 | 0.1 | 0.0 | 0.9 | 0.1 | 0.2 | 3.1 | 133.6 | 6.6 | 127.0 |
| 2024 / 2025 | 104.6 | 7.0 | 1.9 | 1.9 | 11.1 | 0.1 | 0.0 | 0.8 | 0.1 | 0.2 | 2.9 | 124.8 | 6.7 | 118.1 |
| 2025 / 2026 | 96.6 | 6.4 | 1.7 | 1.7 | 10.3 | 0.1 | 0.0 | 0.8 | 0.1 | 0.1 | 2.7 | 115.1 | 6.4 | 108.7 |
| 2026 / 2027 | 88.8 | 5.8 | 1.6 | 1.6 | 9.4 | 0.1 | 0.0 | 0.7 | 0.1 | 0.1 | 2.5 | 105.7 | 5.3 | 100.4 |
| 2027 / 2028 | 81.1 | 5.2 | 1.4 | 1.4 | 8.3 | 0.1 | 0.0 | 0.6 | 0.1 | 0.1 | 2.2 | 96.0 | 4.0 | 92.0 |
| 2028 / 2029 | 73.4 | 4.6 | 1.3 | 1.2 | 7.4 | 0.0 | 0.0 | 0.6 | 0.1 | 0.1 | 2.0 | 86.6 | 2.8 | 83.8 |
| 2029 / 2030 | 65.9 | 4.0 | 1.1 | 1.1 | 6.5 | 0.0 | 0.0 | 0.5 | 0.1 | 0.1 | 1.8 | 77.5 | 2.6 | 74.9 |
| 2030 / 2031 | 58.7 | 3.5 | 1.0 | 0.9 | 5.7 | 0.0 | 0.0 | 0.4 | 0.1 | 0.1 | 1.6 | 68.8 | 2.4 | 66.3 |
| 2031 / 2032 | 51.7 | 3.0 | 0.9 | 0.8 | 5.0 | 0.0 | 0.0 | 0.4 | 0.0 | 0.0 | 1.4 | 60.4 | 2.2 | 58.1 |
| 2032 / 2033 | 45.0 | 2.6 | 0.8 | 0.7 | 4.3 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 1.2 | 52.4 | 2.0 | 50.4 |
| 2033 / 2034 | 39.0 | 2.2 | 0.7 | 0.5 | 3.6 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 1.1 | 45.3 | 1.9 | 43.4 |
| 2034 / 2035 | 33.5 | 1.8 | 0.6 | 0.5 | 3.1 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.9 | 38.8 | 1.8 | 37.0 |
| 2035 / 2036 | 28.5 | 1.5 | 0.5 | 0.4 | 2.6 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.8 | 32.8 | 1.5 | 31.3 |
| 2036 / 2037 | 23.9 | 1.2 | 0.4 | 0.3 | 2.1 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.6 | 27.5 | 1.3 | 26.1 |
| 2037 / 2038 | 19.9 | 1.0 | 0.3 | 0.2 | 1.7 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.5 | 22.8 | 1.2 | 21.6 |
| 2038 / 2039 | 16.6 | 0.8 | 0.3 | 0.2 | 1.4 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.4 | 18.9 | 1.0 | 17.9 |
| 2039 / 2040 | 13.8 | 0.6 | 0.2 | 0.1 | 1.1 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.4 | 15.6 | 0.8 | 14.7 |
| 2040 / 2041 | 11.3 | 0.5 | 0.2 | 0.1 | 0.9 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.3 | 12.7 | 0.7 | 12.1 |
| 2041 / 2042 | 9.3 | 0.4 | 0.1 | 0.1 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 10.4 | 0.5 | 9.9 |
| 2042 / 2043 | 7.7 | 0.3 | 0.1 | 0.1 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 8.5 | 0.4 | 8.1 |
| 2043 / 2044 | 6.3 | 0.2 | 0.1 | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 7.0 | 0.3 | 6.6 |
| 2044 / 2045 | 5.2 | 0.2 | 0.1 | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 5.7 | 0.1 | 5.5 |
| 2045 / 2046 | 4.1 | 0.1 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 4.4 | 0.1 | 4.3 |
| 2046 / 2047 | 3.1 | 0.1 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 3.4 | 0.1 | 3.3 |
| 2047 / 2048 | 2.3 | 0.1 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 2.5 | 0.1 | 2.5 |
| 2048 / 2049 | 1.8 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.9 | 0.1 | 1.9 |
| 2049 / 2050 | 1.3 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.4 | 0.0 | 1.4 |
| 2050 / 2051 | 1.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.1 | 0.0 | 1.1 |
| 2051 / 2052 | 0.8 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 | 0.0 | 0.8 |
| 2052 / 2053 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.6 | 0.0 | 0.6 |
| 2053 / 2054 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 0.4 |
| 2054 / 2055 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.3 |
| 2055 / 2056 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.2 |
| 2056 / 2057 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 | 0.2 |
| 2057 / 2058 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 |
| 2058 / 2059 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 |
| 2059 / 2060 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 |
| 2060 / 2061 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2061 / 2062 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2062 / 2063 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2063 / 2064 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2064 / 2065 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2065 / 2066 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2066 / 2067 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2067 / 2068 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2068 / 2069 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2069 / 2070 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2070 / 2071 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2071 / 2072 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TOTAL | 1,632.4 | 102.8 | 30.0 | 29.3 | 171.5 | 1.0 | 0.3 | 11.7 | 1.7 | 2.5 | 45.2 | 1,938.2 | 85.4 | 1,852.9 |

# C Australian asbestos consumption and production data: 1930-2002

Figures in this table are in 000's metric tonnes

| Year | Production | Import | Export | Consumption |
|---|---|---|---|---|
| 1916 | 36 | - | - | 36 |
| 1917 | 281 | - | - | 281 |
| 1918 | 3,034 | - | - | 3,034 |
| 1919 | 1,790 | - | - | 1,790 |
| 1920 | - | - | - | - |
| 1921 | 1,182 | - | - | 1,182 |
| 1922 | 742 | - | - | 742 |
| 1923 | 217 | - | - | 217 |
| 1924 | 78 | - | - | 78 |
| 1925 | 51 | - | - | 51 |
| 1926 | - | - | - | - |
| 1927 | 11 | - | - | 11 |
| 1928 | 12 | - | - | 12 |
| 1929 | 255 | 3,679 | - | 3,934 |
| 1930 | 82 | - | - | 82 |
| 1931 | 128 | 1,200 | - | 1,328 |
| 1932 | 130 | - | - | 130 |
| 1933 | 279 | 2,676 | - | 2,955 |
| 1934 | 170 | 2,471 | - | 2,641 |
| 1935 | 170 | 4,423 | - | 4,593 |
| 1936 | 239 | 7,817 | - | 8,056 |
| 1937 | 298 | 6,199 | - | 6,497 |
| 1938 | 173 | 11,179 | - | 11,352 |
| 1939 | 78 | 10,081 | - | 10,159 |
| 1940 | 489 | 14,097 | - | 14,586 |
| 1941 | 251 | 14,220 | - | 14,471 |
| 1942 | 331 | 20,176 | - | 20,507 |
| 1943 | 678 | 14,229 | - | 14,907 |
| 1944 | 764 | 14,091 | - | 14,855 |
| 1945 | 1,629 | 9,131 | 32 | 10,728 |
| 1946 | 620 | 16,697 | 496 | 16,821 |
| 1947 | 1,377 | 14,246 | 652 | 14,971 |
| 1948 | 1,327 | 14,857 | 278 | 15,906 |
| 1949 | 1,645 | 14,767 | 346 | 16,066 |
| 1950 | 1,617 | 29,536 | 385 | 30,768 |
| 1951 | 2,558 | 25,289 | 588 | 27,259 |
| 1952 | 4,059 | 24,686 | 868 | 27,877 |
| 1953 | 4,970 | 28,784 | 1,631 | 32,123 |
| 1954 | 4,713 | 26,406 | 2,298 | 28,821 |
| 1955 | 5,352 | 42,677 | 3,287 | 44,742 |
| 1956 | 8,670 | 32,219 | 6,059 | 34,030 |
| 1957 | 13,098 | 23,235 | 11,644 | 24,689 |
| 1958 | 13,900 | 34,721 | 9,315 | 39,306 |
| 1959 | 15,959 | 34,223 | 11,584 | 38,598 |
| 1960 | 13,940 | 36,609 | 7,410 | 43,139 |
| 1961 | 14,952 | 32,947 | 7,196 | 40,703 |
| 1962 | 16,443 | 34,915 | 8,695 | 42,663 |
| 1963 | 11,941 | 32,704 | 2,347 | 42,298 |
| 1964 | 12,191 | 38,299 | 6,500 | 43,990 |
| 1965 | 10,326 | 46,179 | 4,295 | 52,210 |
| 1966 | 12,024 | 49,243 | 4,146 | 57,121 |
| 1967 | 647 | 46,950 | 2,254 | 45,343 |
| 1968 | 799 | 59,590 | 718 | 59,671 |
| 1969 | 734 | 52,739 | 162 | 53,311 |
| 1970 | 739 | 57,250 | 367 | 57,622 |
| 1971 | 756 | 71,777 | 174 | 72,359 |
| 1972 | 16,884 | 61,682 | 2,387 | 76,179 |
| 1973 | 43,529 | 61,373 | 27,810 | 77,092 |
| 1974 | 30,863 | 57,051 | 29,191 | 58,723 |
| 1975 | 47,922 | 69,794 | 24,524 | 93,192 |
| 1976 | 60,642 | 60,490 | 40,145 | 80,987 |
| 1977 | 50,601 | 54,267 | 20,510 | 84,358 |
| 1978 | 62,383 | 42,061 | 37,094 | 67,350 |
| 1979 | 79,721 | 23,735 | 54,041 | 49,415 |
| 1980 | 92,418 | 25,239 | 51,172 | 66,485 |
| 1981 | 45,494 | 20,960 | 38,576 | 27,878 |
| 1982 | 18,587 | 20,853 | 15,578 | 23,862 |
| 1983 | 3,909 | 10,113 | 4,460 | 9,562 |
| 1984 | - | 14,432 | 22 | 14,410 |
| 1985 | - | 12,194 | - | 12,194 |
| 1986 | - | 10,597 | - | 10,597 |
| 1987 | - | 6,294 | - | 6,294 |
| 1988 | - | 2,072 | - | 2,072 |
| 1989 | - | 2,128 | - | 2,128 |
| 1990 | - | 1,706 | - | 1,706 |
| 1991 | - | 1,342 | - | 1,342 |
| 1992 | - | 1,533 | - | 1,533 |
| 1993 | - | 2,198 | - | 2,198 |
| 1994 | - | 1,843 | - | 1,843 |
| 1995 | - | 1,488 | - | 1,488 |
| 1996 | - | 1,366 | - | 1,366 |
| 1997 | - | 1,556 | - | 1,556 |
| 1998 | - | 1,471 | - | 1,471 |
| 1999 | - | 1,316 | - | 1,316 |
| 2000 | - | 1,246 | - | 1,246 |
| 2001 | - | 945 | - | 945 |
| 2002 | - | 515 | - | 515 |

# D Glossary of terms used in the Amended Final Funding Agreement

The following provides a glossary of terms which are referenced in the Amended Final Funding Agreement and upon which we have relied in preparing our report.

The operation of these definitions cannot be considered in isolation but instead need to be considered in the context of the totality of the Amended Final Funding Agreement.

AICF means the trustee of the Asbestos Injuries Compensation Fund from time to time, in its capacity as trustee, initially being Asbestos Injuries Compensation Fund Limited.

These terms also need to be read in conjunction with the Deed of Amendment dated 19 December 2017 which added a new clause (13.4A) and which is effective from 1 January 2018.

**AICF Funded Liability** means:

(a) any Proven Claim;

(b) Operating Expenses;

(c) Claims Legal Costs;

(d) any claim that was made or brought in legal proceedings against a Former James Hardie Company commenced before 1 December 2005;

(e) Statutory Recoveries within the meaning and subject to the limits set out in the Amended Final Funding Agreement;

(f) a claim or category of claim which James Hardie and the NSW Government agree in writing is a "AICF Funded Liability" or a category of "AICF Funded Liability'.

but in the cases of paragraphs (a), (c) and (d) excludes any such liabilities or claims to the extent that they have been recovered or are recoverable under a Worker's Compensation Scheme or Policy.

**Claims Legal Costs** means all costs, charges, expenses and outgoings incurred or expected to be borne by AICF or the Former James Hardie Companies, in respect of legal advisors, other advisors, experts, court proceedings and other dispute resolution methods in connection with Personal Asbestos Claims and Marlew Claims but in all cases excluding any costs included as a component of calculating a Proven Claim.

**Concurrent Wrongdoer** in relation to a personal injury or death claim for damages under common law or other law (excluding any law introduced or imposed in breach of the restrictions on adverse regulatory or legislative action against the James Hardie Group under the Amended Final Funding Agreement, and which breach has been notified to the NSW Government in accordance with Amended Final Funding Agreement), means a person whose acts or omissions, together with the acts or omissions of one or more Former James Hardie Companies or Marlew or any member of the James Hardie Group (whether or not together with any other persons) caused, independently of each other or jointly, the damage or loss to another person that is the subject of that claim.

**Contribution Claim** means a cross-claim or other claim under common law or other law (excluding any law introduced or imposed in breach of the restrictions on adverse regulatory or legislative action against the James Hardie Group under the Amended Final Funding Agreement, and which breach has been notified to the NSW Government in accordance with Amended Final Funding Agreement):

(a) for contribution by a Concurrent Wrongdoer against a Former James Hardie Company or a member of the James Hardie Group in relation to facts or circumstances which give rise to a right of a person to make a Personal Asbestos Claim or a Marlew Claim; or

(b) by another person who is entitled under common law (including by way of contract) to be subrogated to such a first mentioned cross-claim or other claim;

**Discounted Central Estimate** means the central estimate of the present value (determined using the discount rate used within the relevant actuarial report) of the liabilities of the Former James Hardie Companies and Marlew in respect of expected Proven Claims and Claims Legal Costs, calculated in accordance with the Amended Final Funding Agreement.

**Excluded Claims** are any of the following liabilities of the Former James Hardie Companies:

(i) personal injury or death claims arising from exposure to Asbestos outside Australia;

(ii) personal injury or death claims arising from exposure to Asbestos made outside Australia;

(iii) claims for economic loss (other than any economic loss forming part of the calculation of an award of damages for personal injury or death) or loss of property, including those relating to land remediation and/or Asbestos or Asbestos products removal, arising out of or in connection with Asbestos or Asbestos products manufactured, sold, distributed or used by or on behalf of the Liable Entities;

(iv) any Excluded Marlew Claim;

(v) any liabilities of the Liable Entities other than AICF Funded Liabilities.

**Excluded Marlew Claim** means a Marlew Claim:

(a) covered by the indemnities granted by the Minister of Mineral Resources under the deed between the Minister, Fuller Earthmoving Pty Limited and James Hardie Industries Limited dated 11 March 1996; or

(b) by a current or former employee of Marlew in relation to an exposure to Asbestos in the course of such employment to the extent:

  (i) the loss is recoverable under a Worker's Compensation Scheme or Policy; or

(ii) the Claimant is not unable to recover damages from a Marlew Joint Tortfeasor in accordance with the Marlew Legislation;

(c) by an individual who was or is an employee of a person other than Marlew arising from exposure to Asbestos in the course of such employment by that other person where such loss is recoverable from that person or under a Worker's Compensation Scheme or Policy; or

(d) in which another defendant (or its insurer) is a Marlew Joint Tortfeasor from whom the plaintiff is entitled to recover compensation in proceedings in the Dust Diseases Tribunal, and the Claimant is not unable to recover damages from that Marlew Joint Tortfeasor in accordance with the Marlew Legislation.

**Former James Hardie Companies** means Amaca, Amaba and ABN 60.

**Insurance and Other Recoveries** means any proceeds which may reasonably be expected to be recovered or recoverable for the account of a Former James Hardie Company or to result in the satisfaction (in whole or part) of a liability of a Former James Hardie Company (of any nature) to a third party, under any product liability insurance policy or public liability insurance policy or commutation of such policy or under any other contract, including any contract of indemnity, but excluding any such amount recovered or recoverable under a Worker's Compensation Scheme or Policy.

**Liable Entities** see Former James Hardie Companies.

**Marlew** means Marlew Mining Pty Ltd (in liquidation), ACN 000 049 650, previously known as Asbestos Mines Pty Ltd.

**Marlew Claim** means, subject to the limitation on Statutory Recoveries, a claim which satisfies one of the following paragraphs and which is not an Excluded Marlew Claim:

(a) any present or future personal injury or death claim by an individual or the legal personal representative of an individual, for damages under common law or other law (excluding any law introduced or imposed in breach of the restrictions on adverse regulatory or legislative action against the James Hardie Group under the Amended Final Funding Agreement, and which breach has been notified to the NSW Government in accordance with the Amended Final Funding Agreement) which:

(i) arose or arises from exposure to Asbestos in the Baryulgil region from Asbestos Mining Activities at Baryulgil conducted by Marlew, provided that:

A. the individual's exposure to Asbestos occurred wholly within Australia; or

B. where the individual has been exposed to Asbestos both within and outside Australia, the amount of damages included in the Marlew Claim shall be limited to the amount attributable to the proportion of the exposure which caused or contributed to the loss or damage giving rise to the Marlew Claim which occurred in Australia;

(ii) is commenced in New South Wales in the Dust Diseases Tribunal; and

(iii) is or could have been made against Marlew had Marlew not been in external administration or wound up, or could be made against Marlew on the assumption (other than as contemplated under the Marlew legislation) that Marlew will not be in the future in external administration;

(b) any claim made under compensation to relatives legislation by a relative of a deceased individual (or personal representative of such a relative) or (where permitted by law) the legal personal representative of a deceased individual in each case where the individual, but for such individual's death, would have been entitled to bring a claim of the kind described in paragraph (a); or

(c) a Contribution Claim relating to a claim described in paragraphs (a) or (b).

**Marlew Joint Tortfeasor** means any person who is or would be jointly and severally liable with Marlew in respect of a Marlew Claim, had Marlew not been in external administration or wound up, or on the assumption that Marlew will not in the future be, in external administration or wound up other than as contemplated under the Marlew Legislation.

**Payable Liability** means any of the following:

(a) any Proven Claim (whether arising before or after the date of this deed);

(b) Operating Expenses;

(c) Claims Legal Costs;

(d) any liability of a Former James Hardie Company to the AICFL, however arising, in respect of any amounts paid by the AICFL in respect of any liability or otherwise on behalf of the Former James Hardie Company;

(e) any claim that was made or brought in legal proceedings against a Former James Hardie Company commenced before 1 December 2005;

(f) if regulations are made pursuant to section 30 of the Transaction Legislation and if and to the extent the AICFL and James Hardie have notified the NSW Government that any such liability is to be included in the scope of Payable Liability, any liability of a Former James Hardie Company to pay amounts received by it from an insurer in respect of a liability to a third party incurred by it for which it is or was insured under a contract of insurance entered into before 2 December 2005; and

(g) Statutory Recoveries within the meaning and subject to the limits set out in the Amended Final Funding Agreement,

but in the cases of paragraphs (a), (c) and (e) excludes any such liabilities or claims to the extent that they have been recovered or are recoverable under a Worker's Compensation Scheme or Policy.

**Period Actuarial Estimate** means, in respect of a period, the central estimate of the present value (determined using the discount rate used in the relevant actuarial report) of the liabilities of the Former James Hardie Companies and Marlew in respect of expected Proven Claims and Claims Legal Costs (in each case which are reasonably expected to become payable in that period), before allowing for Insurance and Other Recoveries, calculated in accordance with the Amended Final Funding Agreement.

**Personal Asbestos Claim** means any present or future personal injury or death claim by an individual or the legal personal representative of an individual, for damages under common law or under other law (excluding any law introduced or imposed in breach of the restrictions on adverse regulatory or legislative action against the James Hardie Group under the Amended Final Funding Agreement, and which breach has been notified to the NSW Government under the Amended Final Funding Agreement) which:

(a) arises from exposure to Asbestos occurring in Australia, provided that:

  (i) the individual's exposure to Asbestos occurred wholly within Australia; or

  (ii) where the individual has been exposed to Asbestos both within and outside Australia, damages included in the Marlew Claim shall be limited to the amount attributable to the proportion of the exposure which caused or contributed to the loss or damage giving rise to the Personal Asbestos Claim which occurred in Australia;

(b) is made in proceedings in an Australian court or tribunal; and

(c) is made against:

  (i) all or any of the Liable Entities; or

  (ii) any member of the James Hardie Group from time to time;

(d) any claim made under compensation to relatives legislation by a relative of a deceased individual (or personal representative of such a relative) or (where permitted by law) the legal personal representative of a deceased individual in each case where the individual, but for such individual's death, would have been entitled to bring a claim of the kind described in paragraph (a); or

(e) a Contribution Claim made in relation to a claim described in paragraph (a) or (b)

but excludes all claims covered by a Worker's Compensation Scheme or Policy.

**Proven Claim** means a proven Personal Asbestos Claim in respect of which final judgment has been given against, or a binding settlement has been entered into by, a Former James Hardie Company, to the extent to which that entity incurs liability under that judgment or settlement, or a Proven Marlew Claim.

**Statutory Recoveries** means any statutory entitlement of the NSW Government or any Other Government or any governmental agency or authority of any such government ("Relevant Body") to impose liability on or to recover an amount or amounts from any person in respect of any payments made or to be made or benefits provided by a Relevant Body in respect of claims (other than as a defendant or in settlement of any claim, including a cross-claim or claim for contribution).

**Term** means the period

(i) from the date on which the principal obligations under the Amended Final Funding Agreement will commence to 31 March 2045,

(ii) as may be extended in accordance with the terms of the Amended Final Funding Agreement.

**Term Central Estimate** means the central estimate of the present value (determined using the discount rate used in the relevant Annual Actuarial Report) of the liabilities of the Former James Hardie Companies and Marlew in respect of expected Proven Claims and Claims Legal Costs (in each case reasonably expected to become payable in the relevant period) after allowing for Insurance and Other Recoveries during that period, from and including the day following the end of the Financial Year preceding that Payment Date up to and including the last day of the Term (excluding any automatic or potential extension of the Term, unless or until the Term has been extended).

**Workers Compensation Scheme or Policy** means any of the following:

(a) any worker's compensation scheme established by any law of the Commonwealth or of any State or Territory;

(b) any fund established to cover liabilities under insurance policies upon the actual or prospective insolvency of the insurer (including without limitation the Insurer Guarantee Fund established under the Worker's Compensation Act 1987 (NSW)); and

(c) any policy of insurance issued under or pursuant to such a scheme.

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# Notification of dividend / distribution

## Announcement Summary

Entity name

JAMES HARDIE INDUSTRIES PLC

Security on which the Distribution will be paid

JHX - CHESS DEPOSITARY INTERESTS 1:1

Announcement Type

New announcement

Date of this announcement

Tuesday May 22, 2018

Distribution Amount

USD 0.30000000

Ex Date

Wednesday June 6, 2018

Record Date

Thursday June 7, 2018

Payment Date

Friday August 3, 2018

Refer to below for full details of the announcement

## Announcement Details

## Part 1 - Entity and announcement details

1.1 Name of +Entity

JAMES HARDIE INDUSTRIES PLC

1.2 Registered Number Type

ARBN

Registration Number

097829895

1.3 ASX issuer code

JHX

1.4 The announcement is

New announcement

1.5 Date of this announcement

Tuesday May 22, 2018

1.6 ASX +Security Code

JHX

ASX +Security Description
CHESS DEPOSITARY INTERESTS 1:1

## Part 2A - All dividends/distributions basic details

2A.1 Type of dividend/distribution
Ordinary

2A.2 The Dividend/distribution:
relates to a period of six months

2A.3 The dividend/distribution relates to the financial reporting or payment period ending ended/ending (date)
Saturday March 31, 2018

2A.4 +Record Date
Thursday June 7, 2018

2A.5 Ex Date
Wednesday June 6, 2018

2A.6 Payment Date
Friday August 3, 2018

2A.7 Are any of the below approvals required for the dividend/distribution before business day 0 of the timetable?

- Security holder approval
- Court approval
- Lodgement of court order with +ASIC
- ACCC approval
- FIRB approval
- Another approval/condition external to the entity required before business day 0 of the timetable for the dividend/distribution.

No

2A.8 Currency in which the dividend/distribution is made ("primary currency")
USD - US Dollar

2A.9 Total dividend/distribution payment amount per +security (in primary currency) for all dividends/distributions notified in this form
USD 0.30000000

2A.9a AUD equivalent to total dividend/distribution amount per +security

2A.9b If AUD equivalent not known, date for information to be released
Friday June 8, 2018

Estimated or Actual?
Actual

2A.10 Does the entity have arrangements relating to the currency in which the dividend/distribution is paid to securityholders that it wishes to disclose to the market?

Yes

2A.11 Does the entity have a securities plan for dividends/distributions on this +security?

We do not have a securities plan for dividends/distributions on this security

2A.12 Does the +entity have tax component information apart from franking?

No

2A.13 Withholding tax rate applicable to the dividend/distribution

20.000000

## Part 2B - Currency Information

2B.1 Does the entity default to payment in certain currencies dependent upon certain attributes such as the banking instruction or registered address of the +securityholder? (For example NZD to residents of New Zealand and/or USD to residents of the U.S.A.).

No

2B.2 Please provide a description of your currency arrangements

The dividend is payable in Australian currency unless the securityholder elects otherwise.

## Part 3A - Ordinary dividend/distribution

3A.1 Is the ordinary dividend/distribution estimated at this time?

No

3A.1a Ordinary dividend/distribution estimated amount per +security

USD

3A.1b Ordinary Dividend/distribution amount per security

USD 0.30000000

3A.2 Is the ordinary dividend/distribution franked?

No

3A.3 Percentage of ordinary dividend/distribution that is franked

0.0000 %

3A.4 Ordinary dividend/distribution franked amount per +security

USD 0.00000000

3A.5 Percentage amount of dividend which is unfranked

100.0000 %

3A.6 Ordinary dividend/distribution unfranked amount per +security excluding conduit foreign income amount

USD 0.30000000

## Part 5 - Further information

5.1 Please provide any further information applicable to this dividend/distribution

5.2 Additional information for inclusion in the Announcement Summary