

## Management's Analysis of Results

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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 and Results can be found in the sections titled "Definitions and Other Terms" and "Non-GAAP Financial Measures."

These documents, along with an audio webcast of the Management Presentation on 19 November 2015, are available from the Investor Relations area of our website at <http://www.ir.jameshardie.com.au>

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*In this Management's Analysis of Results, James Hardie may present financial measures, sales volume terms, financial ratios, and Non-US GAAP financial measures included in the "Definitions and Other Terms", and "Non-GAAP Financial Measures" sections of this document. We present financial measures that we believe are customarily used by our Australian investors. Specifically, these financial measures, which are equivalent to or derived from certain US GAAP measures as explained in the definitions section, include "EBIT", "EBIT margin", "Operating profit before income taxes" and "Net operating profit". We may also present other terms for measuring our sales volume ("million square feet" or "mmsf" and "thousand square feet" or "msf"); financial ratios ("Gearing ratio", "Net interest expense cover", "Net interest paid cover", "Net debt payback", "Net debt (cash)"); and Non-US GAAP financial measures ("Adjusted EBIT", "Adjusted EBIT margin", "Adjusted net operating profit", "Adjusted diluted earnings per share", "Adjusted operating profit before income taxes", "Adjusted effective tax rate on earnings", "Adjusted EBITDA" and "Adjusted selling, general and administrative expenses"). Unless otherwise stated, results and comparisons are of the second quarter and first half of the current fiscal year versus the second quarter and first half of the prior fiscal year. For additional information regarding the financial measures presented in this Management's Analysis of Results, including a reconciliation of each non-GAAP financial measures to the equivalent US GAAP measure, see the sections titled "Definition and Other Terms" and "Non-US GAAP Financial Measures."*

James Hardie Industries plc  
Results for the 2nd Quarter and Half Year Ended 30 September

| US\$ Millions                                | Three Months and Half Year Ended 30 September |                 |           |                 |                 |           |
|--|---|-----------------|-----------|-----------------|-----------------|-----------|
|  | Q2 FY16                                       | Q2 FY15         | Change %  | HY FY16         | HY FY15         | Change %  |
| <b>Net sales</b>                             | \$ 450.2                                      | \$ 440.4        | 2         | \$ 878.5        | \$ 857.2        | 2         |
| Cost of goods sold                           | (285.2)                                       | (289.5)         | 1         | (555.9)         | (566.1)         | 2         |
| <b>Gross profit</b>                          | <b>165.0</b>                                  | <b>150.9</b>    | <b>9</b>  | <b>322.6</b>    | <b>291.1</b>    | <b>11</b> |
| Selling, general and administrative expenses | (62.6)  | (60.8)          | (3)       | (124.1)         | (120.7)         | (3)       |
| Research and development expenses            | (7.3)   | (8.0)           | 9         | (14.4)          | (16.4)          | 12        |
| Asbestos adjustments                         | 66.0  | 63.5            | 4         | 61.5            | 42.0            | 46        |
| <b>EBIT</b>                                  | <b>161.1</b>                                  | <b>145.6</b>    | <b>11</b> | <b>245.6</b>    | <b>196.0</b>    | <b>25</b> |
| Net interest expense                         | (6.6)   | (0.9)           |           | (12.5)          | (2.0)           |           |
| Other (expense) income                       | (0.6)   | -               |           | 2.1             | (3.7)           |           |
| Operating profit before income taxes         | 153.9   | 144.7           | 6         | 235.2           | 190.3           | 24        |
| Income tax expense                           | (23.7)  | (17.5)          | (35)      | (45.0)          | (34.2)          | (32)      |
| <b>Net operating profit</b>                  | <b>\$ 130.2</b>                               | <b>\$ 127.2</b> | <b>2</b>  | <b>\$ 190.2</b> | <b>\$ 156.1</b> | <b>22</b> |
| Earnings per share - basic (US cents)        | 29  | 29              |           | 43              | 35              |           |
| Earnings per share - diluted (US cents)      | 29  | 29              |           | 43              | 35              |           |
| Volume (mmsf)                                | 633.4   | 602.3           | 5         | 1,232.5         | 1,174.0         | 5         |

**Net sales** of US\$450.2 million for the quarter and US\$878.5 million for the half year increased 2% when compared to the prior corresponding periods. For the quarter, net sales in local currencies were favorably impacted by higher average net sales prices in both the USA and Europe Fiber Cement and the Asia Pacific Fiber Cement segments.

For the half year, net sales in local currencies were favorably impacted by higher sales volume and higher average net sales price in both the USA and Europe Fiber Cement and the Asia Pacific Fiber Cement segments.

Although net price was up in local currencies, volume growth outpaced US dollar net sales growth as a result of the adverse impact of the strengthening US dollar, which had a 5% unfavorable effect on group net sales for the half year.

**Gross profit** of US\$165.0 million for the quarter and US\$322.6 million for the half year increased 9% and 11%, respectively when compared with the prior corresponding periods. Gross profit margin of 36.7% for the quarter and half year increased 2.4 percentage points and 2.7 percentage points, respectively, when compared with the prior corresponding periods.

**Selling, general and administrative (“SG&A”) expenses** of US\$62.6 million for the quarter and US\$124.1 million for the half year increased 3% when compared with the prior corresponding periods. The increase primarily reflects higher General Corporate expenses and higher SG&A expenses in the business units,

partially offset by the favorable impact of the strengthening US dollar.

**Research and development (“R&D”) expenses** decreased 9% for the quarter and 12% for the half year when compared to the prior corresponding periods primarily due to decreased spending associated with commercialization projects in our business units.

**Asbestos adjustments** reflect 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.

**Other (expense) income** for the quarter reflects unrealized foreign exchange gains and losses and unrealized gains and losses on interest rate swaps. Other (expense) income for the half year reflects unrealized foreign exchange gains and losses, unrealized gains and losses on interest rate swaps and the gain on the sale of the Australian pipes business in the first quarter of fiscal year 2016.

**Net operating profit** for the quarter increased compared to the prior corresponding period, primarily due to the favorable underlying performance of the operating business units; partially offset by an increase in net interest expense and net income tax expense. The increase for the half year compared to the prior corresponding period, is driven by the favorable underlying performance of the operating business units, an increase in favorable asbestos adjustments and a favorable movement in other income; partially offset by an increase in net interest expense and net income tax expense.

### USA & Europe Fiber Cement Segment

Operating results for the USA & Europe Fiber Cement segment were as follows:

|  | Three Months and Half Year Ended 30 September |         |         |         |         |         |
|--|---|---------|---------|---------|---------|---------|
|  | Q2 FY16                                       | Q2 FY15 | Change  | HY FY16 | HY FY15 | Change  |
| Volume (mmsf)                              | 517.8   | 485.4   | 7%      | 997.8   | 948.6   | 5%      |
| Average net sales price per unit (per msf) | US\$685                                       | US\$677 | 1%      | US\$685 | US\$679 | 1%      |
| Net sales (US\$ Millions)                  | 361.9   | 335.4   | 8%      | 698.9   | 656.9   | 6%      |
| Gross profit                               |   |         | 18%     |         |         | 18%     |
| Gross margin (%)                           |   |         | 3.2 pts |         |         | 3.8 pts |
| EBIT (US\$ Millions)                       | 89.4  | 74.8    | 20%     | 178.9   | 142.8   | 25%     |
| EBIT margin (%)                            | 24.7  | 22.3    | 2.4 pts | 25.6    | 21.7    | 3.9 pts |

Net sales for the quarter and half year were favorably impacted by higher volumes and a higher average net sales price. The increase in our sales volume for both the quarter and half year compared to the prior corresponding periods was primarily driven by modest growth in the repair and remodel market and new construction market.

For the quarter and half year, the increase in our average net sales price reflects the annual price increase effective 1 March 2015, partially offset by the strengthening US dollar.

We note that there are a number of data sources that measure US housing market growth, most of which have reported between mid-single digit growth and slight contraction in recent quarters when compared to prior corresponding periods. However, at the time of filing our results for the quarter ended 30 September 2015, only US Census Bureau data was available. According to the US Census Bureau, single family housing starts for the quarter were 203,400, or 15% above the prior corresponding period, and for the half year ended 30 September 2015, single family housing starts were 408,800, or 14% above the prior corresponding period.

While we have provided US Census Bureau data above, we note that it typically trends higher than 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 half year can be attributed to the following components:

**For the Three Months Ended 30 September 2015:**

|   |                |
|---|----------------|
| Higher average net sales price                | 1.5            |
| Lower production costs                        | 1.7            |
| Total percentage point change in gross margin | <u>3.2 pts</u> |

**For the Half Year Ended 30 September 2015:**

|   |                |
|---|----------------|
| Higher average net sales price                | 1.4            |
| Lower production costs                        | 2.4            |
| Total percentage point change in gross margin | <u>3.8 pts</u> |

Production costs in the quarter and half year were lower when compared to the prior corresponding periods primarily as a result of our manufacturing plant network continuing to sustain an improved performance trend, as well as lower freight costs and lower input costs for pulp and utilities.

EBIT of US\$89.4 million for the quarter and US\$178.9 million for the half year increased by 20% and 25%, respectively, when compared to the prior corresponding periods, reflecting improved plant performance, lower input costs and increased volumes; partially offset by higher segment SG&A expenses.

For the quarter, EBIT was unfavorably impacted by higher SG&A, primarily reflecting higher employee costs, marketing and other discretionary expenses. As a percentage of segment sales, SG&A expenses increased by 0.6 percentage points for the quarter.

For the half year, EBIT was unfavorably impacted by higher SG&A, primarily reflecting higher labor costs. As a percentage of segment sales, SG&A expenses decreased by 0.1 percentage points for the half year.

EBIT margin for the quarter increased 2.4 percentage points to 24.7%. EBIT margin for the half year increased 3.9 percentage points to 25.6%. The increase for both the quarter and half year was driven by higher net sales and lower production costs.

### Asia Pacific Fiber Cement Segment

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

|   | Three Months and Half Year Ended 30 September |         |           |         |         |           |
|---|---|---------|-----------|---------|---------|-----------|
|   | Q2 FY16                                       | Q2 FY15 | Change    | HY FY16 | HY FY15 | Change    |
| Volume (mmsf)                                       | 115.6   | 116.9   | (1%)      | 234.7   | 225.4   | 4%        |
| Volume (mmsf) excluding <sup>1</sup>                | 115.6   | 106.6   | 8%        | 224.9   | 205.4   | 9%        |
| Net Sales (US\$ Millions)                           | 88.3  | 105.0   | (16%)     | 179.6   | 200.3   | (10%)     |
| US\$ Gross Profit                                   |   |         | (17%)     |         |         | (13%)     |
| US\$ Gross Margin (%)                               |   |         | (0.3 pts) |         |         | (0.9 pts) |
| EBIT (US\$ Millions)                                | 22.1  | 23.4    | (6%)      | 41.6    | 45.4    | (8%)      |
| New Zealand weathertightness claims (US\$ Millions) | 0.1   | (2.3)   |           | (0.1)   | (1.0)   | (90%)     |
| EBIT excluding (US\$ Millions) <sup>2</sup>         | 22.0  | 25.7    | (14%)     | 41.7    | 46.4    | (10%)     |
| US\$ EBIT Margin excluding (%) <sup>2</sup>         | 24.9  | 24.5    | 0.4 pts   | 23.2    | 23.2    | Flat      |

<sup>1</sup> Excludes Australian Pipes business

<sup>2</sup> Excludes New Zealand weathertightness claims

The Asia Pacific Fiber Cement segment results in US dollars were unfavorably impacted for the quarter and half year by the change in the period weighted average AUD/USD exchange rate relative to the prior corresponding periods. The impact of the unfavorable exchange rate movements are detailed in the table below:

|                             | Comparing Q2 FY16 vs Q2 FY15 |                |                            | Comparing Half Year FY16 vs Half Year FY15 |                |                            |
|-----------------------------|------------------------------|----------------|----------------------------|--|----------------|----------------------------|
|                             | Results in AUD               | Results in USD | Impact of foreign exchange | Results in AUD                             | Results in USD | Impact of foreign exchange |
| Net Sales                   | ▲ 7%                         | ▼ 16%          | (23 pts)                   | ▲ 11%                                      | ▼ 10%          | (21 pts)                   |
| Gross Profit                | ▲ 6%                         | ▼ 17%          | (23 pts)                   | ▲ 8%                                       | ▼ 13%          | (21 pts)                   |
| EBIT                        | ▲ 19%                        | ▼ 6%           | (25 pts)                   | ▲ 13%                                      | ▼ 8%           | (21 pts)                   |
| EBIT excluding <sup>1</sup> | ▲ 8%                         | ▼ 14%          | (22 pts)                   | ▲ 11%                                      | ▼ 10%          | (21 pts)                   |

<sup>1</sup> Excludes New Zealand weathertightness claims

Operating results for the Asia Pacific Fiber Cement segment in Australian dollars were as follows:

|  | Three Months and Half Year Ended 30 September |         |           |          |         |           |
|--|---|---------|-----------|----------|---------|-----------|
|  | Q2 FY16                                       | Q2 FY15 | Change    | HY FY16  | HY FY15 | Change    |
| Volume (mmsf)                                      | 115.6   | 116.9   | (1%)      | 234.7    | 225.4   | 4%        |
| Volume (mmsf) excluding <sup>1</sup>               | 115.6   | 106.6   | 8%        | 224.9    | 205.4   | 9%        |
| Average net sales price per unit (per msf)         | A\$1,039                                      | A\$959  | 8%        | A\$1,006 | A\$950  | 6%        |
| Net Sales (A\$ Millions)                           | 121.6   | 113.4   | 7%        | 239.0    | 215.6   | 11%       |
| A\$ Gross Profit                                   |   |         | 6%        |          |         | 8%        |
| A\$ Gross Margin (%)                               |   |         | (0.4 pts) |          |         | (0.9 pts) |
| EBIT (A\$ Millions)                                | 30.2  | 25.3    | 19%       | 55.3     | 48.9    | 13%       |
| New Zealand weathertightness claims (A\$ Millions) | 0.2   | (2.4)   |           | (0.1)    | (1.0)   | (90%)     |
| EBIT excluding (A\$ Millions) <sup>2</sup>         | 30.0  | 27.7    | 8%        | 55.4     | 49.9    | 11%       |
| A\$ EBIT Margin excluding (%) <sup>2</sup>         | 24.7  | 24.4    | 0.3 pts   | 23.2     | 23.1    | 0.1 pts   |

<sup>1</sup> Excludes Australian Pipes business

<sup>2</sup> Excludes New Zealand weathertightness claims

Net Sales in Australian dollars for the quarter increased primarily due to higher average net sales price, partially offset by slightly lower volume. Volume for the quarter was lower compared to the prior corresponding period due to the sale of the Australian Pipes business at the end of the first quarter of fiscal year 2016. Net sales in Australian dollars for the half year increased, largely due to higher average net sales and higher sales volumes when compared to the prior corresponding periods. For the quarter and half year, the increase in our average net sales price was primarily driven by the effects of our annual price increase and favorable product and regional mix when compared to the prior corresponding periods.

In our Australian business, the key drivers of net sales growth, for both the quarter and half year, were favorable conditions in our addressable markets, the favorable impact of our price increase and favorable product mix. In our New Zealand business, volume grew across all regions; however, net sales growth was partially offset by a lower average selling price due to product mix. In our Philippines business, net sales were driven higher for the quarter and half year compared to the prior corresponding periods by growth in our addressable markets, continued market penetration and favorable impact of our price increase.

According to Australian Bureau of Statistics data, approvals for detached houses, which are a key driver of the Asia Pacific business' sales volume, were 31,128 for the quarter, an increase of 1%, when compared to the prior corresponding quarter. For the half year, approvals for detached houses were 115,973, an increase of 3%, compared to the prior corresponding half year. The other key driver of our sales volume is the alterations and additions market, which increased 6% for the three months ended 30 September 2015 when compared to the prior corresponding period. For the six months ended 30 September 2015, the alterations and additions market increased 6% compared to prior corresponding period.

According to Statistics New Zealand data, consents for dwellings excluding apartments, which are the primary driver of the New Zealand business' net sales, were 5,197 for the quarter, an increase of 14%, when compared to the prior corresponding quarter. For the half year, consents for dwellings excluding apartments, were 18,555, an increase of 3%, compared to the prior corresponding half year.

In Australian dollars, the change in gross margin for the quarter and half year can be attributed to the following components:

**For the Three Months Ended 30 September 2015:**

|   |                  |
|---|------------------|
| Higher average net sales price                | 2.1              |
| Higher production costs                       | (2.5)            |
| Total percentage point change in gross margin | <u>(0.4 pts)</u> |

**For the Half Year Ended 30 September 2015:**

|   |                  |
|---|------------------|
| Higher average net sales price                | 2.0              |
| Higher production costs                       | (2.9)            |
| Total percentage point change in gross margin | <u>(0.9 pts)</u> |

For the quarter and half year, production costs increased, primarily due to higher input costs and unfavorable plant performance, largely driven by the expected costs associated with the startup of our new Carole Park sheet machine.

In Australian dollars, EBIT for the quarter and half year increased by 19% and 13% respectively, compared to the prior corresponding periods, reflecting increased average net sales price, partially offset by higher input costs and sheet machine startup costs at our Carole Park facility.

Additionally, EBIT for the quarter and half year was favorably impacted by lower segment SG&A, primarily driven by lower New Zealand weathertightness claims. As a percentage of segment sales, SG&A expenses for the quarter and half year decreased by 3.0 and 1.3 percentage points, respectively. Excluding New Zealand weathertightness, SG&A expenses as a percentage of segment sales for the quarter and half year decreased by 0.6 and 0.9 percentage points, respectively.

In Australian dollars, EBIT excluding New Zealand weathertightness claims for the quarter and half year increased by 8% and 11% respectively, compared to the prior corresponding periods, to A\$30.0 million and A\$55.4 million, respectively.

In the first quarter of the fiscal year, we finalized the sale of the Australia Pipes business, recognizing a gain on the sale of US\$1.7 million recorded in other (expense) income in the Condensed Consolidated Statement of Operations and Comprehensive Income for fiscal year 2016. Due to the immaterial contribution of the pipes business to the segment results, the results of operations from the pipes business have not been presented as discontinued operations in the Condensed Consolidated Financial Statements.

## 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 Half Year Ended 30 September |         |          |           |           |          |
|---------------------------|---|---------|----------|-----------|-----------|----------|
|                           | Q2 FY16                                       | Q2 FY15 | Change % | HY FY16   | HY FY15   | Change % |
| Segment R&D expenses      | (5.3)   | (6.4)   | 17       | \$ (10.7) | \$ (12.7) | 16       |
| Segment R&D SG&A expenses | (0.7)   | (0.4)   | (75)     | (1.3)     | (0.9)     | (44)     |
| Total R&D EBIT            | (6.0)   | (6.8)   | 12       | \$ (12.0) | \$ (13.6) | 12       |

The change in segment R&D expenses compared to the prior corresponding period and half year is a result of the number of core R&D projects being worked on 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 average 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. In total, these costs were US\$2.0 million for the quarter and US\$3.7 million for the half year, compared to US\$1.6 million and US\$3.7 million for the prior corresponding periods.

## General Corporate Segment

Results for the General Corporate segment for the quarter and half year ended 30 September were as follows:

| US\$ Millions                   | Three Months and Half Year Ended 30 September |          |          |           |           |          |
|---------------------------------|---|----------|----------|-----------|-----------|----------|
|                                 | Q2 FY16                                       | Q2 FY15  | Change % | HY FY16   | HY FY15   | Change % |
| General Corporate SG&A expenses | \$ (10.1)                                     | \$ (8.6) | (17)     | \$ (23.6) | \$ (19.3) | (22)     |
| Asbestos:                       |   |          |          |           |           |          |
| Asbestos Adjustments            | 66.0  | 63.5     | 4        | 61.5      | 42.0      | 46       |
| AICF SG&A Expenses <sup>1</sup> | (0.3)   | (0.7)    | 57       | (0.8)     | (1.3)     | 38       |
| General Corporate EBIT          | \$ 55.6                                       | \$ 54.2  | 3        | \$ 37.1   | \$ 21.4   | 73       |

<sup>1</sup> 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. Readers are referred to Note 7 of our 30 September 2015 Condensed Consolidated Financial Statements for further information on the Asbestos Adjustments

For the quarter, General Corporate SG&A expenses increased by US\$1.5 million, compared to the prior corresponding period. The increase in General Corporate SG&A expenses is primarily driven by an increase in recognized foreign exchange losses of US\$1.2 million and higher stock compensation expenses of US\$0.6 million.

For the half year, General Corporate SG&A expenses increased by US\$4.3 million, compared to the prior corresponding period. The increase in General Corporate SG&A expenses is primarily driven by an increase in recognized foreign exchange losses of US\$1.8 million and higher stock compensation expenses of US\$2.3 million, due to a 3% appreciation in our US\$ stock price for the half year, compared to a 21% depreciation in our US\$ stock price in the prior corresponding period.



Asbestos adjustments for both periods reflect 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:

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

| Q2 FY16           |          | Q2 FY15           |          | HY FY16           |          | HY FY15           |          |
|-------------------|----------|-------------------|----------|-------------------|----------|-------------------|----------|
| 30 June 2015      | 0.7675   | 30 June 2014      | 0.9422   | 31 March 2015     | 0.7636   | 31 March 2014     | 0.9220   |
| 30 September 2015 | 0.7017   | 30 September 2014 | 0.8764   | 30 September 2015 | 0.7017   | 30 September 2014 | 0.8764   |
| Change (\$)       | (0.0658) | Change (\$)       | (0.0658) | Change (\$)       | (0.0619) | Change (\$)       | (0.0456) |
| Change (%)        | (9%)     | Change (%)        | (7%)     | Change (%)        | (8%)     | Change (%)        | (5%)     |

Readers are referred to Note 7 of our Condensed Consolidated Financial Statements for further information on asbestos adjustments.



## EBIT

The table below summarizes the segment EBIT results as discussed above:

| US\$ Millions                          | Three Months and Half Year Ended 30 September |              |           |              |              |           |
|--|---|--------------|-----------|--------------|--------------|-----------|
|  | Q2 FY16                                       | Q2 FY15      | Change %  | HY FY16      | HY FY15      | Change %  |
| USA and Europe Fiber Cement            | \$ 89.4                                       | \$ 74.8      | 20        | \$ 178.9     | \$ 142.8     | 25        |
| Asia Pacific Fiber Cement <sup>1</sup> | 22.0  | 25.7         | (14)      | 41.7         | 46.4         | (10)      |
| Research & Development                 | (6.0)   | (6.8)        | 12        | (12.0)       | (13.6)       | 12        |
| General Corporate <sup>2</sup>         | (10.1)  | (8.6)        | (17)      | (23.6)       | (19.3)       | (22)      |
| <b>Adjusted EBIT</b>                   | <b>95.3</b>                                   | <b>85.1</b>  | <b>12</b> | <b>185.0</b> | <b>156.3</b> | <b>18</b> |
| Asbestos:                              |   |              |           |              |              |           |
| Asbestos adjustments                   | 66.0  | 63.5         | 4         | 61.5         | 42.0         | 46        |
| AICF SG&A expenses                     | (0.3)   | (0.7)        | 57        | (0.8)        | (1.3)        | 38        |
| New Zealand weathertightness claims    | 0.1   | (2.3)        |           | (0.1)        | (1.0)        | 90        |
| <b>EBIT</b>                            | <b>161.1</b>                                  | <b>145.6</b> | <b>11</b> | <b>245.6</b> | <b>196.0</b> | <b>25</b> |

<sup>1</sup> Excludes New Zealand weathertightness claims

<sup>2</sup> Excludes Asbestos-related expenses and adjustments

## Net Interest Expense

| US\$ Millions                        | Three Months and Half Year Ended 30 September |              |          |               |              |          |
|--------------------------------------|---|--------------|----------|---------------|--------------|----------|
|                                      | Q2 FY16                                       | Q2 FY15      | Change % | HY FY16       | HY FY15      | Change % |
| Gross interest expense               | (6.9)   | (1.8)        |          | (13.5)        | (2.7)        |          |
| Capitalized interest                 | 0.7   | 0.2          |          | 1.8           | 0.2          |          |
| Interest income                      | 0.1   | 0.1          | -        | 0.2           | 0.3          | (33)     |
| Realized loss on interest rate swaps | (0.4)   | (0.1)        |          | (1.0)         | (0.3)        |          |
| Net AICF interest (expense) income   | (0.1)   | 0.7          |          | -             | 0.5          |          |
| <b>Net interest expense</b>          | <b>(6.6)</b>                                  | <b>(0.9)</b> |          | <b>(12.5)</b> | <b>(2.0)</b> |          |

Gross interest expense for the quarter and half year increased US\$5.1 million and US\$10.8 million, respectively, when compared to the prior corresponding periods, primarily as a result of interest incurred on our senior notes which we issued in the fourth quarter of fiscal year 2015.

## Other (Expense) Income

During the quarter, other (expense) income moved from nil in the prior corresponding period to a loss of US\$0.6 million. The US\$0.6 million unfavorable change in other (expense) income compared to the prior corresponding period was driven by an unfavorable movement of US\$1.8 million in unrealized gains and losses related to our interest rate swaps; partially offset by a favorable change of US\$1.6 million in net foreign exchange forward contracts.

For the half year, other (expense) income moved from a loss of US\$3.7 million in the prior corresponding period to a gain of US\$2.1 million. The US\$5.8 million favorable change in other (expense) income compared to the prior corresponding period is due to a US\$3.8 million favorable change in net foreign exchange forward contracts, a US\$0.3 million favorable change in the unrealized gains and losses related to our interest rate swaps, and US\$1.7 million gain on the sale of the Australian Pipes business in the first quarter of fiscal year 2016.

## Income Tax

|  | Three Months and Half Year Ended 30 September |         |         |         |
|--|---|---------|---------|---------|
|  | Q2 FY16                                       | Q2 FY15 | HY FY16 | HY FY15 |
| Income tax expense (US\$ Millions)                       | (23.7)  | (17.5)  | (45.0)  | (34.2)  |
| Effective tax rate (%)                                   | 15.4  | 12.1    | 19.1    | 18.0    |
| Adjusted income tax expense <sup>1</sup> (US\$ Millions) | (22.9)  | (18.1)  | (45.8)  | (34.6)  |
| Adjusted effective tax rate <sup>1</sup> (%)             | 26.0  | 21.7    | 26.2    | 23.1    |

<sup>1</sup>Adjusted income tax expense represents income tax excluding asbestos adjustments, New Zealand weathertightness and other tax adjustments

Total income tax expense for the quarter and half year increased by US\$6.2 million and US\$10.8 million, respectively, from the prior corresponding periods. The change was primarily due to the increase in operating profit before income taxes.

Total Adjusted income tax expense for the quarter and half year increased by US\$4.8 million and US\$11.2 million respectively, from the prior corresponding period. For the quarter, the increase was primarily due to an increase in the Adjusted effective tax rate. For the half year the change was primarily due to the increase in Adjusted operating profit before income taxes, combined with an increase in the Adjusted effective tax rate primarily due to a higher proportion of taxable earnings in jurisdictions with higher tax rates, in particular the USA.

Readers are referred to Note 11 of our 30 September 2015 Condensed Consolidated Financial Statements for further information related to income tax.

## Net Operating Profit

| US\$ Millions                                  | Three Months and Half Year Ended 30 September |                 |           |                 |                 |           |
|--|---|-----------------|-----------|-----------------|-----------------|-----------|
|  | Q2 FY16                                       | Q2 FY15         | Change %  | HY FY16         | HY FY15         | Change %  |
| <b>EBIT</b>                                    | <b>\$ 161.1</b>                               | <b>\$ 145.6</b> | <b>11</b> | <b>\$ 245.6</b> | <b>\$ 196.0</b> | <b>25</b> |
| Net interest expense                           | (6.6)   | (0.9)           |           | (12.5)          | (2.0)           |           |
| Other (expense) income                         | (0.6)   | -               |           | 2.1             | (3.7)           |           |
| Income tax expense                             | (23.7)  | (17.5)          | (35)      | (45.0)          | (34.2)          | (32)      |
| <b>Net operating profit</b>                    | <b>130.2</b>                                  | <b>127.2</b>    | <b>2</b>  | <b>190.2</b>    | <b>156.1</b>    | <b>22</b> |
| <b>Excluding:</b>                              |   |                 |           |                 |                 |           |
| Asbestos:                                      |   |                 |           |                 |                 |           |
| Asbestos adjustments                           | (66.0)  | (63.5)          | (4)       | (61.5)          | (42.0)          | (46)      |
| AICF SG&A expenses                             | 0.3   | 0.7             | (57)      | 0.8             | 1.3             | (38)      |
| AICF interest expense (income), net            | 0.1   | (0.7)           |           | -               | (0.5)           |           |
| New Zealand weathertightness claims            | (0.1)   | 2.3             |           | 0.1             | 1.0             | (90)      |
| Asbestos and other tax adjustments             | 0.8   | (0.6)           |           | (0.8)           | (0.4)           |           |
| <b>Adjusted net operating profit</b>           | <b>\$ 65.3</b>                                | <b>\$ 65.4</b>  | <b>-</b>  | <b>\$ 128.8</b> | <b>\$ 115.5</b> | <b>12</b> |
| Adjusted diluted earnings per share (US cents) | 15  | 15              | -         | 29              | 26              | 12        |

Adjusted net operating profit of US\$65.3 million for the quarter remained flat compared to the prior corresponding period, primarily due to the favorable performance of the operating business units, as reflected in the US\$10.2 million increase in Adjusted EBIT; partially offset by an increase in Adjusted income tax expense of US\$4.8 million and gross interest expense of US\$5.1 million.

Adjusted net operating profit of US\$128.8 million for the half year increased US\$13.3 million, or 12%, compared to the prior corresponding period, primarily due to the underlying performance of the operating business units as reflected in the US\$28.7 million increase in Adjusted EBIT and the favorable movement in other (expense) income of US\$5.8 million; partially offset by an increase in Adjusted income tax expense of US\$11.2 million and gross interest expense of US\$10.8 million.

## Cash Flow

### *Operating Activities*

Net operating cash flow increased US\$51.4 million to US\$85.5 million. The movement compared to the prior corresponding half year was primarily driven by an increase in net income adjusted for non-cash items, a lower contribution to AICF as compared to the prior corresponding half year and a US\$1.6 million unfavorable change in operating working capital, offset by US\$15.7 million unfavorable change in all other net operating activities. The unfavorable change in working capital resulted from a US\$31.1 million cash inflow due to a larger decrease in the inventory balance during the first half of fiscal year 2016, more than offset by a US\$16.0 million unfavorable movement in cash used by a higher increase in the AR balance in the current period due to higher sales and a US\$16.7 million unfavorable movement in cash provided by AP due to a higher AP balance in the prior year due to higher inventory and operational AP balances.

### *Investing Activities*

Cash flow used in investing activities decreased to US\$34.3 million from US\$159.7 million as we completed our Australian capacity expansion projects and are nearing completion of our US capacity expansion projects, while continuing to invest in maintenance capital expenditure programs. Included in investing activities was US\$10.4 million in proceeds from the previously announced sale of the Blandon facility and the Australian Pipes business.

### *Financing Activities*

Net cash of US\$32.3 million used in financing activities, compared to US\$17.8 million provided by financing activities in the prior corresponding period. The movement largely reflects a decrease of US\$187.0 million of cash provided by the drawdown on our debt facilities and a decrease in cash used to pay dividends; partially offset by a US\$12.2 million increase in cash used in share buybacks and other share related activities.

## Capacity Expansion

We are nearing completion of our previously announced US capacity expansion projects. We continually evaluate the demand in the US housing market and estimated commissioning dates of our capacity related projects. Currently, we have deferred the sheet machine commissioning at our Plant City and Cleburne facilities, subject to our continued monitoring of the US housing market recovery.

During the second quarter our Carole Park, Queensland facility commissioned the sheet machine and finishing line, essentially completing machinery additions associated with the Australian capacity expansion project.

| <b>Project Description</b>   | <b>YTD Project Spend</b> |
|--|--------------------------|
| Plant City, Florida - 4 <sup>th</sup> sheet machine and ancillary facilities | US\$3.6 million          |
| Cleburne, Texas - 3 <sup>rd</sup> sheet machine and ancillary facilities     | US\$4.3 million          |
| Carole Park, Queensland - Capacity expansion project                         | US\$7.0 million          |

## Liquidity and Capital Allocation

Our cash position increased from US\$67.0 million at 31 March 2015 to US\$83.6 million at 30 September 2015.

At 30 September 2015, we have US\$325.0 million in senior unsecured notes due 15 February 2023 with an interest rate of 5.875%. Interest is payable semi-annually in arrears on 15 August and 15 February each year.

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 flow 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 during the fiscal years 2014, 2015 and 2016:

| (Millions of US dollars)              | US Cents/<br>Security | US\$ Total<br>Amount | Announcement<br>Date | Record Date      | Payment Date     |
|---------------------------------------|-----------------------|----------------------|----------------------|------------------|------------------|
| FY 2016 first half dividend           | 0.09                  | 40.1                 | 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    |
| FY 2015 first half dividend           | 0.08                  | 34.2                 | 19 November 2014     | 23 December 2014 | 27 February 2015 |
| FY 2014 special dividend              | 0.20                  | 89.0                 | 22 May 2014          | 12 June 2014     | 8 August 2014    |
| FY 2014 second half dividend          | 0.32                  | 142.3                | 22 May 2014          | 12 June 2014     | 8 August 2014    |
| 125 year anniversary special dividend | 0.28                  | 124.6                | 28 February 2014     | 21 March 2014    | 30 May 2014      |
| FY 2014 first half dividend           | 0.08                  | 35.5                 | 14 November 2013     | 19 December 2013 | 28 March 2014    |
| FY 2013 special dividend              | 0.24                  | 106.1                | 23 May 2013          | 28 June 2013     | 26 July 2013     |
| FY 2013 second half dividend          | 0.13                  | 57.5                 | 23 May 2013          | 28 June 2013     | 26 July 2013     |

### Share Buyback

On 21 May 2015, the Company announced a new share buyback program to acquire up to 5% of its issued capital within the 12 month period to May 2016. Under this program, the Company repurchased and cancelled 1,653,247 shares of its common stock during the second quarter of the current fiscal year. The aggregate cost of the shares repurchased and cancelled was A\$30.0 million (US\$22.3 million), at an average market price of A\$18.14 (US\$13.50).

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 Half Year Ended 30 September |         |          |         |         |          |
|---|---|---------|----------|---------|---------|----------|
|   | Q2 FY16                                       | Q2 FY15 | Change % | HY FY16 | HY FY15 | Change % |
| Claims received                                     | 157   | 181     | 13       | 296     | 337     | 12       |
| Actuarial estimate for the period                   | 165   | 152     | (9)      | 329     | 305     | (8)      |
| Difference in claims received to actuarial estimate | 8   | (29)    |          | 33      | (32)    |          |
| Average claim settlement <sup>1</sup> (A\$)         | 213,000                                       | 270,000 | 21       | 223,000 | 244,000 | 9        |
| Actuarial estimate for the period <sup>2</sup>      | 302,000                                       | 289,000 | (4)      | 302,000 | 289,000 | (4)      |
| Difference in claims paid to actuarial estimate     | 89,000  | 19,000  |          | 79,000  | 45,000  | (76)     |

<sup>1</sup> Average claim settlement is derived as the total amount paid divided by the number of non-nil claim settlements

<sup>2</sup> 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 half year ended 30 September 2015, we noted the following related to asbestos-related claims:

- Claims received during the current quarter and half year were 5% and 10% below actuarial estimates, respectively;
- Claims received during the quarter and half year were 13% and 12% lower than prior corresponding periods, respectively;
- Mesothelioma claims reported for the half year are 5% above non-seasonally adjusted expectations and are 3% below the prior corresponding period;
- The average claim settlement for the quarter and half year is lower by 29% and 26%, respectively, versus actuarial estimates;
- Average claim settlement sizes are generally lower across all disease types compared to actuarial expectations for fiscal year 2016; and
- The decrease in average claim settlement for the quarter and half year versus actuarial estimates is largely attributable to a lower number of large mesothelioma claims being settled compared to the prior corresponding period

AICF Funding

On 1 July 2015, we made a payment of A\$81.1 million (US\$62.8 million) to AICF, representing 35% of our free cash flow for fiscal year 2015. Free cash flow, as defined in the AFFA, was equivalent to our fiscal year 2015 operating cash flows of US\$179.5 million.

From the time AICF was established in February 2007 through 19 November 2015, we have contributed approximately A\$799.2 million to the fund.

Readers are referred to Note 7 our 30 September 2015 Condensed Consolidated Financial Statements for further information on Asbestos.



## **Non-financial Terms**

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

**AICF** – Asbestos Injuries Compensation Fund Ltd.

**Legacy New Zealand weathertightness claims (“New Zealand weathertightness claims”)** – Expenses arising from defending and resolving claims in New Zealand that allege poor building design, inadequate certification of plans, inadequate construction review and compliance certification and deficient work by sub-contractors.

### 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 Condensed 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 Condensed Consolidated Financial Statements:

| <b>Management's Analysis of Results and Media Release</b> | <b>Consolidated Statements of Operations and Other Comprehensive Income (Loss) (US GAAP)</b> |
|---|--|
| 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 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.

### Financial Ratios

Gearing ratio – Net debt (cash) divided by net debt (cash) plus shareholders' equity.

Net interest expense cover – EBIT divided by net interest expense (excluding loan establishment fees).

Net interest paid cover – EBIT divided by cash paid during the period for interest, net of amounts capitalized.

Net debt payback – Net debt (cash) divided by cash flow from operations.

Net debt (cash) – short-term and long-term debt less cash and cash equivalents.

Return on capital employed – EBIT divided by gross capital employed.

**Adjusted EBIT and Adjusted EBIT margin** – Adjusted EBIT and Adjusted EBIT margin are not measures of financial performance under US GAAP and should not be considered to be more meaningful than EBIT and EBIT margin. Management has included these financial 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 provides useful information regarding its financial condition and results of operations. Management uses these non-US GAAP measures for the same purposes.

| US\$ Millions                       | Three Months and Half Year Ended 30 September |              |              |              |
|-------------------------------------|---|--------------|--------------|--------------|
|                                     | Q2 FY16                                       | Q2 FY15      | HY FY16      | HY FY15      |
| <b>EBIT</b>                         | \$ 161.1                                      | \$ 145.6     | \$ 245.6     | \$ 196.0     |
| Asbestos:                           |   |              |              |              |
| Asbestos adjustments                | (66.0)  | (63.5)       | (61.5)       | (42.0)       |
| AICF SG&A expenses                  | 0.3   | 0.7          | 0.8          | 1.3          |
| New Zealand weathertightness claims | (0.1)   | 2.3          | 0.1          | 1.0          |
| <b>Adjusted EBIT</b>                | \$ 95.3                                       | \$ 85.1      | \$ 185.0     | \$ 156.3     |
| Net sales                           | 450.2   | 440.4        | 878.5        | 857.2        |
| <b>Adjusted EBIT margin</b>         | <b>21.2%</b>                                  | <b>19.3%</b> | <b>21.1%</b> | <b>18.2%</b> |

**Adjusted net operating profit** – Adjusted net operating profit is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than net operating profit. Management has included this financial measure 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. Management uses this non-US GAAP measure for the same purposes.

| US\$ Millions                        | Three Months and Half Year Ended 30 September |          |          |          |
|--------------------------------------|---|----------|----------|----------|
|                                      | Q2 FY16                                       | Q2 FY15  | HY FY16  | HY FY15  |
| <b>Net operating profit</b>          | \$ 130.2                                      | \$ 127.2 | \$ 190.2 | \$ 156.1 |
| Asbestos:                            |   |          |          |          |
| Asbestos adjustments                 | (66.0)  | (63.5)   | (61.5)   | (42.0)   |
| AICF SG&A expenses                   | 0.3   | 0.7      | 0.8      | 1.3      |
| AICF interest expense (income), net  | 0.1   | (0.7)    | -        | (0.5)    |
| New Zealand weathertightness claims  | (0.1)   | 2.3      | 0.1      | 1.0      |
| Asbestos and other tax adjustments   | 0.8   | (0.6)    | (0.8)    | (0.4)    |
| <b>Adjusted net operating profit</b> | \$ 65.3                                       | \$ 65.4  | \$ 128.8 | \$ 115.5 |

**Adjusted diluted earnings per share** – Adjusted diluted earnings per share is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than diluted earnings per share. Management has included this financial measure 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. Management uses this non-US GAAP measure for the same purposes.

|   | Three Months and Half Year Ended 30 September |         |          |          |
|---|---|---------|----------|----------|
|   | Q2 FY16                                       | Q2 FY15 | HY FY16  | HY FY15  |
| <b>Adjusted net operating profit (US\$ millions)</b>  | \$ 65.3                                       | \$ 65.4 | \$ 128.8 | \$ 115.5 |
| Weighted average common shares outstanding -          | 446.7   | 445.8   | 447.3    | 445.7    |
| <b>Adjusted diluted earnings per share (US cents)</b> | 15  | 15      | 29       | 26       |

**Adjusted income tax expense and Adjusted effective tax rate** – Adjusted income tax expenses and Adjusted effective tax rate on earnings is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than income tax expense and effective tax rate, respectively. Management has included this financial measure 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. Management uses this non-US GAAP measure for the same purposes.

| US\$ Millions  | Three Months and Half Year Ended 30 September |           |           |           |
|--|---|-----------|-----------|-----------|
|  | Q2 FY16                                       | Q2 FY15   | HY FY16   | HY FY15   |
| <b>Operating profit before income taxes</b>          | \$ 153.9                                      | \$ 144.7  | \$ 235.2  | \$ 190.3  |
| Asbestos:  |   |           |           |           |
| Asbestos adjustments                                 | (66.0)  | (63.5)    | (61.5)    | (42.0)    |
| AICF SG&A expenses                                   | 0.3   | 0.7       | 0.8       | 1.3       |
| AICF interest expense (income), net                  | 0.1   | (0.7)     | -         | (0.5)     |
| New Zealand weathertightness claims                  | (0.1)   | 2.3       | 0.1       | 1.0       |
| <b>Adjusted operating profit before income taxes</b> | \$ 88.2                                       | \$ 83.5   | \$ 174.6  | \$ 150.1  |
| Income tax expense                                   | \$ (23.7)                                     | \$ (17.5) | \$ (45.0) | \$ (34.2) |
| Asbestos and other tax adjustments                   | 0.8   | (0.6)     | (0.8)     | (0.4)     |
| <b>Adjusted income tax expense</b>                   | \$ (22.9)                                     | \$ (18.1) | \$ (45.8) | \$ (34.6) |
| Effective tax rate                                   | 15.4%   | 12.1%     | 19.1%     | 18.0%     |
| <b>Adjusted effective tax rate</b>                   | 26.0%   | 21.7%     | 26.2%     | 23.1%     |

**Adjusted EBITDA** – is not a measure of financial performance under US GAAP and should not be considered an alternative to, or more meaningful than, income from operations, net income or cash flows as defined by US GAAP or as a measure of profitability or liquidity. Not all companies calculate Adjusted EBITDA in the same manner as James Hardie has and, accordingly, Adjusted EBITDA may not be comparable with other companies. Management has included information concerning Adjusted EBITDA because it believes that this data is commonly used by investors to evaluate the ability of a company's earnings from its core business operations to satisfy its debt, capital expenditure and working capital requirements.

US\$ Millions

EBIT

Depreciation and amortization

Adjusted EBITDA

| Three Months and Half Year Ended 30 September |          |          |          |
|---|----------|----------|----------|
| Q2 FY16                                       | Q2 FY15  | HY FY16  | HY FY15  |
| \$ 161.1                                      | \$ 145.6 | \$ 245.6 | \$ 196.0 |
| 17.6  | 17.5     | 35.8     | 34.1     |
| \$ 178.7                                      | \$ 163.1 | \$ 281.4 | \$ 230.1 |

**Adjusted selling, general and administrative expenses** – Adjusted selling, general and administrative expenses is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than selling, general and administrative expenses. Management has included these financial 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 provides useful information regarding its financial condition and results of operations. Management uses these non-US GAAP measures for the same purposes.

US\$ Millions

Selling, general and administrative expenses

Excluding:

New Zealand weathertightness claims

AICF SG&amp;A expenses

Adjusted selling, general and administrative expenses

Net sales

Selling, general and administrative expenses as a percentage of net sales

Adjusted selling, general and administrative expenses as a percentage of net sales

| Three Months and Half Year Ended 30 September |          |          |          |
|---|----------|----------|----------|
| Q2 FY16                                       | Q2 FY15  | HY FY16  | HY FY15  |
| \$ 62.6                                       | \$ 60.8  | \$ 124.1 | \$ 120.7 |
| 0.1   | (2.3)    | (0.1)    | (1.0)    |
| (0.3)   | (0.7)    | (0.8)    | (1.3)    |
| \$ 62.4                                       | \$ 57.8  | \$ 123.2 | \$ 118.4 |
| \$ 450.2                                      | \$ 440.4 | \$ 878.5 | \$ 857.2 |
| 13.9%   | 13.8%    | 14.1%    | 14.1%    |
| 13.9%   | 13.1%    | 14.0%    | 13.8%    |

As set forth in Note 7 of the Condensed 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 Condensed Consolidated Financial Statements and related notes contained therein.

**James Hardie Industries plc**  
**Supplementary Financial Information**  
**30 September 2015**  
**(Unaudited)**

| <b>(US\$ Millions)</b>                                 | <b>Total Fibre<br/>Cement –<br/>Excluding<br/>Asbestos<br/>Compensation</b> | <b>Asbestos<br/>Compensation</b> | <b>As Reported<br/>(US GAAP)</b> |
|--|---|----------------------------------|----------------------------------|
| Restricted cash and cash equivalents – Asbestos        | -   | 20.9                             | <b>20.9</b>                      |
| Insurance receivable – Asbestos <sup>1</sup>           | -   | 156.9                            | <b>156.9</b>                     |
| Workers compensation asset – Asbestos <sup>1</sup>     | -   | 46.0                             | <b>46.0</b>                      |
| Deferred income taxes – Asbestos <sup>1</sup>          | -   | 363.7                            | <b>363.7</b>                     |
| Asbestos liability <sup>1</sup>                        | -   | 1,256.0                          | <b>1,256.0</b>                   |
| Workers compensation liability – Asbestos <sup>1</sup> | -   | 46.0                             | <b>46.0</b>                      |
| Income taxes payable                                   | 13.3  | (9.0)                            | <b>4.3</b>                       |
| Asbestos adjustments                                   | -   | 61.5                             | <b>61.5</b>                      |
| Selling, general and administrative expenses           | (123.3)   | (0.8)                            | <b>(124.1)</b>                   |
| Net interest expense                                   | (12.5)  | -                                | <b>(12.5)</b>                    |
| Income tax expense                                     | (35.4)  | (9.6)                            | <b>(45.0)</b>                    |

<sup>1</sup> 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 Condensed 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;
- 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 indemnification obligations;
- 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.

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 21 May 2015, 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; 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; the effect of the transfer of the company's corporate domicile from the Netherlands to Ireland, including changes in corporate governance and any potential tax benefits related thereto; 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; 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.