

# Results for Announcement to the Market

## James Hardie Industries plc

ARBN 097 829 895

| <b>Three Months Ended 30 June 2014</b>                                 |                            |               |          |     |
|--|----------------------------|---------------|----------|-----|
| Key Information  | Three Months Ended 30 June |               |          |     |
|  | 2015<br>US\$M              | 2014<br>US\$M | Movement |     |
| Net Sales From Ordinary Activities                                     | 416.8                      | 372.2         | Up       | 12% |
| Profit From Ordinary Activities After Tax Attributable to Shareholders | 28.9                       | 142.2         | Down     | 80% |
| Net Profit Attributable to Shareholders                                | 28.9                       | 142.2         | Down     | 80% |
| Net Tangible (Liabilities) Assets per Ordinary Share                   | US\$(0.90)                 | US\$(0.03)    | Down     | -   |

### Dividend Information

- The FY2014 second half ordinary dividend ("FY2014 second half dividend") of US32.0 cents per security and a special dividend ("FY2014 special dividend") of US20.0 cents per security were paid to share/CUFS holders on 08 August 2014.
- A special dividend of US28.0 cents per security ("125 year anniversary special dividend") was paid to share/CUFS holders on 30 May 2014.
- The company was required to deduct Irish DWT (currently 20% of the gross dividend amount) from these dividends and for future dividends, unless the beneficial owner has completed and returned a non-resident declaration form (DWT Form).
- No dividend reinvestment plan is in operation for the FY2014 second half dividend and the FY2014 special dividend.

### Movements in Controlled Entities during the three months ended 30 June 2014

There were no movements in controlled entities during three months ended 30 June 2014.

### Audit

The results and financial information included within this three month report have been prepared using US GAAP and have been subject to an independent audit by external auditors.

## Results for the 1st Quarter Ended 30 June 2014

### Contents

1. Media Release
2. Management's Analysis of Results
3. Management Presentation
4. Condensed Consolidated Financial Statements

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 2014 Annual Report which can be found on the company website at [www.jameshardie.com](http://www.jameshardie.com).

## James Hardie announces Adjusted Net Operating Profit of US\$50.1 million for Fiscal 2015 First Quarter

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James Hardie today announced results for the quarter ended 30 June 2014:

- USA and Europe Fiber Cement Segment net sales of US\$321.5 million, an increase of 16% compared to Q1 of fiscal 2014
- Group net sales of US\$416.8 million, an increase of 12% compared to Q1 of fiscal 2014
- USA and Europe Fiber Cement Segment EBIT margin of 21.2%
- Asia Pacific Fiber Cement Segment EBIT margin excluding New Zealand weathertightness<sup>1</sup> claims of 21.7%
- Group adjusted EBIT<sup>1</sup> of US\$71.2 million for the quarter, an increase of 5% compared to Q1 of fiscal 2014
- Group adjusted net operating profit<sup>1</sup> of US\$50.1 million for the quarter, a decrease of 4% compared to Q1 of fiscal 2014
- Capital expenditures of US\$48.6 million for the quarter
- Dividends paid during the quarter of US\$124.6 million
- Contribution of US\$113.0 million to AICF on 01 July 2014

### CEO Commentary

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James Hardie CEO Louis Gries said: “The operating environment in both the US and Australia has improved relative to the same quarter last year, but the US market is recovering more modestly than we assumed at the beginning of the year. Our first quarter results reflect growth in net sales and EBIT in local currencies across our segments, driven by higher sales volume and average net sales prices.”

“In the US and Europe business segment, our top line growth outpaced the increases in both gross profit and EBIT, which were constrained due to higher input and freight costs, higher organizational spend and plants performing less efficiently relative to the same quarter last year. However, EBIT margin for the quarter was 21.2%, relatively flat when compared to the same quarter last year, and we expect our EBIT margin to remain within our target range of 20% to 25% for the full fiscal year.”

<sup>1</sup> The Company may present financial measures that are not considered a measure of financial performance under US GAAP and 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. Additionally, management uses such non-GAAP financial measures for the same purposes. Please refer to the [Non-US GAAP Financial Measures](#) section of Management's Analysis of Results for reconciliations of non-GAAP financial measures to an equivalent US GAAP measure.

Mr. Gries concluded, “The rate of improvement in single family housing starts for the quarter softened from industry expectations at the start of the year, and we see a more moderate improvement in the US operating environment in the short-term. However, our view is unchanged on the medium and longer-term outlook that the US housing market will recover towards a historical average of new construction starts per year. To capitalize on the growing market demand and anticipated market penetration, we continue to invest in additional manufacturing capacity and organizational capability across our US business.”

## Outlook

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The Company continues to expect improvement in the US operating environment during fiscal 2015, although at a more moderate level than originally assumed for the year. Further, the recent flattening in housing activity has created some uncertainty about the pace of the recovery in the short-term.

EBIT to revenue margins in our USA and Europe Fiber Cement Segment are expected to remain within our target range of 20% to 25% for fiscal 2015, absent any major external factors.

In Australia, net sales from the Australian business are expected to improve, tracking in line with expected growth in the detached housing market and an expected positive movement in the repair and remodel market.

The New Zealand business is expected to deliver improved results supported by a stronger local housing market, particularly in Auckland and Christchurch, although at a more moderate rate of growth than prior year.

The Philippines business is expected to grow, driven by increased penetration in to a relatively flat repair and remodel market, together with increased penetration into the growing Residential High Rise market.

## Full Year Earnings Guidance

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Management notes the range of analysts’ forecasts for net operating profit excluding asbestos for the year ending 31 March 2015 is between US\$226 million and US\$261 million. Management expects full year Adjusted net operating profit to be between US\$205 million and US\$235 million assuming, among other things, housing industry conditions in the United States continuing to improve and that an average exchange rate at or near current levels is applicable for the remainder of the fiscal year.

The comparable Adjusted net operating profit for fiscal 2014 was US\$197.2 million.

Management cautions that although US housing activity has been improving for some time, market conditions remain somewhat uncertain and some input costs remain volatile. The Company is unable to forecast the comparable US GAAP financial measure due to uncertainty regarding the impact of actuarial estimates on asbestos-related assets and liabilities in future periods.

## Further Information

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Readers are referred to the company's Condensed Consolidated Financial Statements and Management's Analysis of Results for the quarter ended 30 June 2014 for additional information regarding the company's results, including information regarding income taxes, the asbestos liability and contingent liabilities.

## 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, 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.

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## 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's results. It should be read in conjunction with the other parts of this package, including the Media Release, the Management Presentation and the Condensed Consolidated Financial Statements.

These documents, along with an audio webcast of the Management Presentation on 15 August 2014, are available from the Investor Relations area of our website at <http://www.ir.jameshardie.com.au>

### NOTE TO THE READER:

Starting with Q1 of fiscal 2015, we have revised the order of analysis within *Management's Analysis of Results*. Historically, we have presented the analysis in order of Statement of Operations line item; beginning with this report, we will now present an overall analysis of group results (see page 2), an analysis of our operating results by segment (see pages 3 – 7), an analysis of additional non-segment related operating results (pages 8 – 10) with any supplementary financial or operating information following (11 – 13). The changes were made to improve clarity of the analysis and to align our documents to industry standards and peer group.

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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 section 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 first quarter of the current fiscal year versus the first quarter of the prior fiscal year.*

**James Hardie Industries plc**  
**Results for the 1st Quarter Ended 30 June**

| US\$ Millions                                | Three Months Ended 30 June |                 |             |
|--|----------------------------|-----------------|-------------|
|  | FY15                       | FY14            | Change %    |
| <b>Net sales</b>                             | <b>\$ 416.8</b>            | <b>\$ 372.2</b> | <b>12</b>   |
| Cost of goods sold                           | (276.6)                    | (245.9)         | (12)        |
| <b>Gross profit</b>                          | <b>140.2</b>               | <b>126.3</b>    | <b>11</b>   |
| Selling, general and administrative expenses | (59.9)                     | (54.9)          | (9)         |
| Research and development expenses            | (8.4)                      | (9.0)           | 7           |
| Asbestos adjustments                         | (21.5)                     | 94.5            |             |
| <b>EBIT</b>                                  | <b>50.4</b>                | <b>156.9</b>    | <b>(68)</b> |
| Net interest (expense) income                | (1.1)                      | 0.1             |             |
| Other (expense) income                       | (3.7)                      | 0.1             |             |
| Operating profit before income taxes         | 45.6                       | 157.1           | (71)        |
| Income tax expense                           | (16.7)                     | (14.9)          | (12)        |
| <b>Net operating profit</b>                  | <b>\$ 28.9</b>             | <b>\$ 142.2</b> | <b>(80)</b> |
| Earnings per share - basic (US cents)        | 6                          | 32              |             |
| Earnings per share - diluted (US cents)      | 6                          | 32              |             |
| Volume (mmsf)                                | 571.8                      | 530.3           | 8           |

**Total net sales** for the quarter increased 12% from the prior corresponding quarter to US\$416.8 million. Net sales in local currencies were favorably impacted by higher sales volumes and higher average net sales prices in both the USA and Europe Fiber Cement and the Asia Pacific Fiber Cement segments.

**Gross profit** for the quarter increased 11% from the prior corresponding quarter to US\$140.2 million at a gross profit margin of 33.6%, 0.3 percentage points lower than the prior corresponding quarter. During the quarter the cost to manufacture our products increased relative to the prior corresponding quarter as further discussed below.

**Selling, general and administrative (“SG&A”) expenses** for the quarter increased 9% from the prior corresponding quarter to US\$59.9 million. The increase primarily reflects higher compensation expenses and discretionary expenses related to product and marketing development activities. Our compensation related expenses increased primarily due to increased headcount and a 47% appreciation in our stock price compared to the prior corresponding quarter.

**Research and development (“R&D”) expenses** decreased compared to the prior corresponding quarter primarily due to decreased spending associated with commercialization projects in our business units. Additional details are discussed in the R&D segment below.

**Asbestos adjustments** reflect the non-cash foreign exchange translation impact on asbestos related balance sheet items, driven by the change in the AUD/USD spot exchange rate.

**Other (expense) income** reflects the changes in the fair value of interest rate swaps and foreign exchange losses.

**Net Operating Profit** for the quarter decreased 80% from the prior corresponding quarter to US\$28.9 million. The decrease for the quarter was primarily a result of unfavorable asbestos adjustments of US\$21.5 million, compared to favorable adjustments of US\$94.5 million in the prior corresponding quarter.

### USA & Europe Fiber Cement Segment

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

|  | Three Months Ended 30 June |         |           |
|--|----------------------------|---------|-----------|
|  | FY15                       | FY14    | Change    |
| Volume (mmsf)                              | 463.3                      | 428.0   | 8%        |
| Average net sales price per unit (per msf) | US\$680                    | US\$638 | 7%        |
| Net sales (US\$ Millions)                  | 321.5                      | 278.1   | 16%       |
| Gross profit                               |                            |         | 15%       |
| Gross margin (%)                           |                            |         | (0.2 pts) |
| EBIT (US\$ Millions)                       | 68.0                       | 59.4    | 14%       |
| EBIT margin (%)                            | 21.2                       | 21.4    | (0.2 pts) |

Net sales for the quarter were favorably impacted by higher volumes and a higher average net sales price. The increase in our sales volume compared to the prior corresponding quarter was driven by an increase in the new single family construction market, further market penetration, and modest growth in the repair and remodel market segment. The increase in our average net sales price reflects price increases implemented during the quarter, the ongoing execution of our pricing strategies and also the reduction of pricing inefficiencies when compared to the prior corresponding quarter.

According to the US Census Bureau, single family housing starts, which are one of the key drivers of our performance, were 180,200 in the June 2014 quarter, 4% above the prior corresponding quarter. Although the US housing market has improved relative to the same quarter last year, it is recovering more modestly than we assumed at the start of the year.

The decrease in gross margin of 0.2 percentage points for the quarter is due to the following components:

For the three months ended 30 June 2014:

|  |                  |
|--|------------------|
| Higher production costs                                    | (3.8 pts)        |
| Higher average net sales price                             | 3.3 pts          |
| Higher volume (leading to economies of scale efficiencies) | 0.3 pts          |
| Total percentage point decrease in gross margin            | <u>(0.2 pts)</u> |

Production costs increased primarily due to higher input costs and plants running less efficiently compared to the prior corresponding quarter. Input costs were driven higher primarily by the market prices for pulp, gas and silica and plant inefficiency was higher primarily as a result of the ramp-up in production at our recently recommissioned Fontana, California location.

EBIT for the quarter increased 14% compared to the prior corresponding quarter, slightly below the 15% increase in gross profit over the same period. As a percentage of net sales, SG&A expenses increased by 0.4 percentage points compared to the prior corresponding quarter. We increased headcount in an effort to align organizational capability with anticipated demand growth. Additionally, we increased discretionary expenses related to product and marketing development activities. The overall increase in SG&A was partially offset by a US\$1.3 million decrease in the amount spent on R&D expenses related to commercialization projects within the segment.

### Asia Pacific Fiber Cement Segment

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

|   | Three Months Ended 30 June |       |           |
|---|----------------------------|-------|-----------|
|   | FY15                       | FY14  | Change    |
| Volume (mmsf)   | 108.5                      | 102.4 | 6%        |
| Net Sales (US\$ Millions)                                 | 95.3                       | 94.1  | 1%        |
| US\$ Gross Profit   |                            |       | Flat      |
| US\$ Gross Margin (%)                                     |                            |       | (0.5 pts) |
| EBIT (US\$ Millions)                                      | 22.0                       | 16.5  | 33%       |
| New Zealand weathertightness claims (US\$ millions)       | 1.3                        | (4.6) |           |
| EBIT excluding NZ weathertightness claims (US\$ millions) | 20.7                       | 21.1  | (2%)      |
| US\$ EBIT Margin excluding NZ weathertightness claims (%) | 21.7                       | 22.4  | (0.7 pts) |

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

|   | Comparing Q1 FY15 vs Q1 FY14 |                |   |
|---|------------------------------|----------------|---|
|   | Results in AUD               | Results in USD | Unfavourable impact of foreign exchange |
| Net Sales                                 | ▲ 8%                         | ▲ 1%           | 7 pts                                   |
| Gross Profit                              | ▲ 6%                         | Flat           | 6 pts                                   |
| EBIT                                      | ▲ 41%                        | ▲ 33%          | 8 pts                                   |
| EBIT excluding NZ weathertightness claims | ▲ 4%                         | ▼ 2%           | 6 pts                                   |

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

|  | Three Months Ended 30 June |        |           |
|--|----------------------------|--------|-----------|
|  | FY15                       | FY14   | Change    |
| Volume (mmsf)  | 108.5                      | 102.4  | 6%        |
| Average net sales price per unit (per msf)               | A\$931                     | A\$916 | 2%        |
| Net Sales (A\$ Millions)                                 | 102.2                      | 94.8   | 8%        |
| A\$ Gross Profit   |                            |        | 6%        |
| A\$ Gross Margin (%)                                     |                            |        | (0.5 pts) |
| EBIT (A\$ Millions)                                      | 23.5                       | 16.7   | 41%       |
| New Zealand weathertightness claims (A\$ millions)       | 1.4                        | (4.7)  |           |
| EBIT excluding NZ weathertightness claims A\$ millions)  | 22.2                       | 21.4   | 4%        |
| A\$ EBIT Margin excluding NZ weathertightness claims (%) | 21.7                       | 22.6   | (0.9 pts) |



In Australian dollars, net sales increased compared to the prior corresponding quarter, largely due to higher sales volumes and a higher average net sales price across the segment. In our Australian business, the key drivers of net sales growth were favorable conditions in our addressable markets, product price increases and a favorable product mix. Our New Zealand business volume grew across key markets and product lines, but this was partially offset by an unfavorable average selling price due to product mix. In our Philippines business, net sales were driven higher compared to the prior corresponding quarter by growth in our addressable market, continued market penetration and marketing campaigns in key regions.

According to the Australian Bureau of Statistics, approvals for detached houses, which are the primary driver of our Australian business' sales volume, were 27,988 for the current quarter, an increase of 11% or 2,868 units compared to the prior corresponding quarter.

According to Statistics New Zealand data, consents for dwellings excluding apartments, which are the primary driver of the New Zealand business' net sales, were 721 for the quarter, an increase of 15%, when compared to the prior corresponding quarter.

In Australian dollars, the decrease of 0.5 percentage points in gross margin can be attributed to the following components:

For the three months ended 30 June 2014:

|   |                  |
|---|------------------|
| Higher production costs                         | (3.1 pts)        |
| Higher volume                                   | 1.5 pts          |
| Higher average net sales price                  | <u>1.1 pts</u>   |
| Total percentage point decrease in gross margin | <u>(0.5 pts)</u> |

Production costs increased primarily due to higher market prices for input costs and plants running less efficiently compared to the prior corresponding quarter. Input costs increased primarily due to higher market prices of pulp and freight and plant inefficiency was higher primarily as a result of unplanned manufacturing downtime.

In Australian dollars, EBIT excluding New Zealand weathertightness claims for the quarter increased by 4% compared to the prior corresponding quarter. As a percentage of net sales, SG&A excluding New Zealand weathertightness increased by 0.4 percentage points compared to the prior corresponding quarter, as we increased headcount and marketing expenses in Australia and the Philippines.

The decrease in the New Zealand weathertightness claims liability is a result of a higher rate of claim resolution, fewer open claims at the end of the quarter and continued reduction in the number of new claims received, resulting in a favorable decrease to our claims liability when compared to the prior corresponding quarter.

## 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 in business units 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 Ended 30 June |          |         |
|---------------------------|----------------------------|----------|---------|
|                           | FY15                       | FY14     | %Change |
| Segment R&D expenses      | \$ (6.3)                   | \$ (5.5) | (15)    |
| Segment R&D SG&A expenses | (0.5)                      | (0.6)    | 17      |
| Total R&D EBIT            | \$ (6.8)                   | \$ (6.1) | (12)    |

The change in Segment R&D expenses compared to the prior corresponding quarter is a result of the number of core R&D projects currently being worked on by the R&D team. This will likely fluctuate quarter to quarter depending on the nature and number of core R&D projects being worked on during the quarter.

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\$2.1 million for the quarter, compared to US\$3.5 million in the prior corresponding quarter.

## General Corporate Segment

Results for the General Corporate Segment for the quarter ended 30 June 2014 are as follows:

| US\$ Millions                   | Three Months Ended 30 June |          |         |
|---------------------------------|----------------------------|----------|---------|
|                                 | FY15                       | FY14     | %Change |
| General Corporate SG&A expenses | \$ (10.7)                  | \$ (6.9) | (55.1)  |
| Asbestos:                       |                            |          |         |
| Asbestos Adjustments            | (21.5)                     | 94.5     |         |
| AICF SG&A Expenses <sup>1</sup> | (0.6)                      | (0.5)    | (20.0)  |
| General Corporate EBIT          | \$ (32.8)                  | \$ 87.1  |         |

<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 June 2014 Condensed Consolidated Financial Statements for further information on the Asbestos Adjustments

General Corporate SG&A expenses increased by US\$3.8 million compared to the prior corresponding quarter primarily due to a US\$3.3 million increase in compensation related expenses and a US\$0.5 million increase in discretionary expenses. The increase in compensation related expenses was largely caused by a US\$2.8 million increase in stock compensation related expenses, driven by the 47% appreciation in our stock price compared to 30 June 2013.

Asbestos adjustments for both periods reflect the non-cash foreign exchange translation 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:

|                | 30 June | 31 March | % Change |
|----------------|---------|----------|----------|
| Q1 Fiscal 2015 | 0.9422  | 0.9220   | 2        |
| Q1 Fiscal 2014 | 0.9263  | 1.0420   | (11)     |

Readers are referred to Note 7 of our 30 June 2014 Condensed Consolidated Financial Statements for further information on the Asbestos adjustments.

## EBIT

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

| US\$ Millions   | Three Months Ended 30 June |              |             |
|---|----------------------------|--------------|-------------|
|   | FY15                       | FY14         | %Change     |
| USA and Europe Fiber Cement   | \$ 68.0                    | \$ 59.4      | 14          |
| Asia Pacific Fiber Cement excluding New Zealand weathertightness claims | 20.7                       | 21.1         | (2)         |
| Research & Development  | (6.8)                      | (6.1)        | (11)        |
| General Corporate excluding asbestos                                    | (10.7)                     | (6.9)        | (55)        |
| <b>Adjusted EBIT</b>  | <b>71.2</b>                | <b>67.5</b>  | <b>5</b>    |
| Asbestos:   |                            |              |             |
| Asbestos adjustments  | (21.5)                     | 94.5         |             |
| AICF SG&A expenses  | (0.6)                      | (0.5)        | (20)        |
| New Zealand weathertightness claims benefit (expense)                   | 1.3                        | (4.6)        |             |
| <b>EBIT</b>   | <b>50.4</b>                | <b>156.9</b> | <b>(68)</b> |

## Net Interest (expense) income

|  | US Millions |
|--|-------------|
| Net interest income for three months ended 30 June 2013  | \$ 0.1      |
| Higher AICF interest expense, net <sup>1</sup>           | (1.3)       |
| Realised loss on interest rate swaps                     | (0.1)       |
| Higher gross interest expense (excluding AICF)           | 0.1         |
| Higher interest income                                   | 0.1         |
| Net interest expense for three months ended 30 June 2014 | \$ (1.1)    |

<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 June 2014 Condensed Consolidated Financial Statements for further information on AICF interest income and expense.

### AICF Interest

AICF interest income was lower compared to the prior corresponding quarter due to a decrease in the balance of short-term investments held by AICF compared to the prior corresponding quarter. When compared to the prior corresponding period, AICF interest expense increased due to AICF utilizing US\$48.6 million of its existing loan facility with the New South Wales Government.

## Other (expense) income

During the quarter we recorded a US\$1.3 million unrealized loss reflecting the changes in the fair value of interest rate swaps and US\$2.4 million in realized and unrealized foreign exchange losses.

## Income Tax

|   | Three Months Ended 30 June |        |            |
|---|----------------------------|--------|------------|
|   | FY15                       | FY14   | Change     |
| Income tax expense (US\$ Millions)          | (16.7)                     | (14.9) | (12%)      |
| Effective tax rate (%)                      | 36.6                       | 9.5    | (27.1 pts) |
| Adjusted income tax expense (US\$ Millions) | (16.5)                     | (14.6) | (13%)      |
| Adjusted effective tax rate (%)             | 24.8                       | 21.9   | (2.9 pts)  |

During both the current and prior corresponding quarter, we recorded unfavorable asbestos related, New Zealand weathertightness claims and other tax adjustments of US\$0.2 million and US\$0.3 million, respectively. The increase in the effective tax rate excluding asbestos, New Zealand weathertightness claims and other tax adjustments was primarily due to a higher proportion of taxable earnings in jurisdictions with higher tax rates.

Readers are referred to Note 11 of our 30 June 2014 Condensed Consolidated Financial Statements for further information related to income tax.

## Net Operating Profit

| US\$ Millions   | Three Months Ended 30 June |                 |             |
|---|----------------------------|-----------------|-------------|
|   | FY15                       | FY14            | % Change    |
| <b>EBIT</b>   | <b>\$ 50.4</b>             | <b>\$ 156.9</b> | <b>(68)</b> |
| Net interest (expense) income                         | (1.1)                      | 0.1             |             |
| Other (expense) income                                | (3.7)                      | 0.1             |             |
| Income tax expense                                    | (16.7)                     | (14.9)          | (12)        |
| <b>Net operating profit</b>                           | <b>28.9</b>                | <b>142.2</b>    | <b>(80)</b> |
| <b>Excluding:</b>                                     |                            |                 |             |
| Asbestos:   |                            |                 |             |
| Asbestos adjustments                                  | 21.5                       | (94.5)          |             |
| AICF SG&A expenses                                    | 0.6                        | 0.5             | 20          |
| AICF interest expense, net                            | 0.2                        | (1.1)           |             |
| New Zealand weathertightness claims (benefit) expense | (1.3)                      | 4.6             |             |
| Asbestos and other tax adjustments                    | 0.2                        | 0.3             | (33)        |
| <b>Adjusted net operating profit</b>                  | <b>\$ 50.1</b>             | <b>\$ 52.0</b>  | <b>(4)</b>  |
| Adjusted diluted earnings per share (US cents)        | 11                         | 12              |             |

Adjusted net operating profit for the quarter was down US\$1.9 million compared to the corresponding prior period primarily due to an increase in other expenses of US\$3.8 million and an increase in adjusted income tax expenses of US\$1.8 million, partially offset by the US\$3.7 million increase in the underlying performance of the operating business units as reflected in adjusted EBIT.

## Cash Flow

### *Operating Activities*

Net operating cash flow decreased US\$25.1 million to US\$42.5 million. The movement compared to the prior corresponding quarter is primarily driven by a US\$12.7 million increase in working capital and other unfavorable movements in non-trading and consolidated AICF related assets and liabilities. The increase in working capital compared to the prior corresponding quarter was primarily driven by an increase in inventory due to anticipated market growth.

### *Investing Activities*

Net cash used in investing activities increased from US\$25.7 million in the prior corresponding quarter to US\$48.6 million. The increase in cash used in investing activities compared to the prior corresponding quarter primarily reflects the continued execution of our capacity expansion plans across our businesses.

### *Financing Activities*

Net cash of US\$131.2 million used in financing activities during the current quarter compares to US\$2.7 million provided by financing activities in the prior corresponding quarter. The increase in funds used in financing activities largely reflects dividends paid of US\$124.6 million and stock repurchased through our share buyback program of US\$9.1 million during the current quarter.

## Capacity Expansion

We continue with our plans to increase the production capacity of the USA and Europe and Asia Pacific Fiber Cement businesses. As of 30 June 2014, the following major capacity expansion projects are in progress:

| <b>Project Description</b>   | <b>Approximate Investment</b> | <b>Estimated Commission Date</b> |
|--|-------------------------------|----------------------------------|
| Plant City, Florida - 4 <sup>th</sup> sheet machine and ancillary facilities | US\$65.0 million              | First half of fiscal 2016        |
| Cleburne, Texas - 3 <sup>rd</sup> sheet machine and ancillary facilities     | US\$37.0 million              | First half of fiscal 2016        |
| Carole Park, Queensland - Capacity expansion project                         | A\$89.0 million               | First half of fiscal 2016        |

## Liquidity and Capital Allocation

In April and May 2014, we added US\$150.0 million of credit facilities intended to replace and augment an existing US\$50.0 million credit facility which expired on 14 February 2014. With the addition of this facility, we have US\$505.0 million of combined credit facilities available to us with a combined average tenor of 3.0 years. Subsequent to 30 June 2013, we moved into a net debt position, drawing US\$320.0 million from our debt facilities to fund capital expenditures, dividend payments and the AICF contribution payment.

Our net cash position decreased from US\$167.5 million at 31 March 2014 to US\$32.1 million at 30 June 2014.

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.

As mentioned previously, we expect to invest in significant capital expenditures in the near to medium term and, 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.

## Capital Management and Dividends

The following table summarizes the dividends declared or paid during the three months ended 30 June 2014 and the years ended 31 March 2014 and 2013:

| (Millions of US dollars)              | US Cents/<br>Security | US\$ Total<br>Amount | Announcement<br>Date | Record Date      | Payment Date   |
|---------------------------------------|-----------------------|----------------------|----------------------|------------------|----------------|
| FY 2014 special dividend              | 0.20                  | 89.4                 | 22 May 2014          | 12 June 2014     | 08 August 2014 |
| FY 2014 second half dividend          | 0.32                  | 143.0                | 22 May 2014          | 12 June 2014     | 08 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

During the quarter we repurchased and cancelled 715,000 shares of our common stock, at a total cost A\$9.8 million (US\$9.1 million) and an average market price of A\$13.69 (US\$12.73).

We will continue to review our capital structure and capital management objectives and expect the following activities to continue in the near term:

- invest in R&D and capacity expansion projects required for growth;
- provide consistent dividend payments within the payout ratio of 50-70% of net operating profit excluding asbestos; and
- continue the share buyback program and consider further payment of special dividends.



## Other Asbestos Information

### Claims Data

|   | Three Months Ended 30 June |          |         |
|---|----------------------------|----------|---------|
|   | FY15                       | FY14     | %Change |
| Claims received                                     | 156                        | 160      | 3       |
| Actuarial estimate for the period                   | 153                        | 135      | (13)    |
| Difference in claims received to actuarial estimate | (3)                        | (25)     |         |
| Average claim settlement <sup>1</sup> (A\$)         | 223,000                    | 273,000  | 18      |
| Actuarial estimate for the period <sup>2</sup>      | 289,000                    | 262,000  | (10)    |
| Difference in claims paid to actuarial estimate     | 66,000                     | (11,000) |         |

<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, we noted the following related to asbestos claims:

- The number of claims received during the quarter were 2% above actuarial estimates and 3% lower than the prior corresponding quarter;
- The higher reported mesothelioma claims experience noted during fiscal 2014 has continued into the current quarter;
- The decrease in average claim settlement is largely attributable to a lower number of large mesothelioma claims being settled in the current quarter. However, we caution there are a number of large pending claims which might materially increase the average settlement size; and
- Average claim settlement sizes are generally lower across all disease types compared to actuarial expectations for fiscal 2015.

### AICF Funding

On 1<sup>st</sup> July 2014, we made a payment of US\$113.0 million to AICF, representing 35% of our free cash flow for fiscal year 2014 as defined by the AFFA. From the time AICF was established in February 2007 through 15 August 2014, we have contributed A\$719.1 million to AICF.

Readers are referred to Note 7 of our 30 June 2014 Condensed Consolidated Financial Statements for further information on Asbestos.

## Non-financial Terms

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**ABS** – Australian Bureau of Statistics.

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

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

**ASIC** – Australian Securities and Investments Commission.

**NBSK** – Northern Bleached Softwood Kraft; Our benchmark grade of pulp.

**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:

| 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 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 capitalised.

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 Ended 30 June |              |
|-------------------------------------|----------------------------|--------------|
|                                     | FY15                       | FY14         |
| <b>EBIT</b>                         | \$ 50.4                    | \$ 156.9     |
| Asbestos:                           |                            |              |
| Asbestos adjustments                | 21.5                       | (94.5)       |
| AICF SG&A expenses                  | 0.6                        | 0.5          |
| New Zealand weathertightness claims | (1.3)                      | 4.6          |
| <b>Adjusted EBIT</b>                | <b>71.2</b>                | <b>67.5</b>  |
| Net sales                           | \$ 416.8                   | \$ 372.2     |
| <b>Adjusted EBIT margin</b>         | <b>17.1%</b>               | <b>18.1%</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 Ended 30 June |                |
|--------------------------------------|----------------------------|----------------|
|                                      | FY15                       | FY14           |
| <b>Net operating profit</b>          | \$ 28.9                    | \$ 142.2       |
| Asbestos:                            |                            |                |
| Asbestos adjustments                 | 21.5                       | (94.5)         |
| AICF SG&A expenses                   | 0.6                        | 0.5            |
| AICF interest expense, net           | 0.2                        | (1.1)          |
| New Zealand weathertightness claims  | (1.3)                      | 4.6            |
| Asbestos and other tax adjustments   | 0.2                        | 0.3            |
| <b>Adjusted net operating profit</b> | <b>\$ 50.1</b>             | <b>\$ 52.0</b> |

**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 Ended 30 June |         |
|---|----------------------------|---------|
|   | FY15                       | FY14    |
| <b>Adjusted net operating profit (US\$ millions)</b>            | \$ 50.1                    | \$ 52.0 |
| Weighted average common shares outstanding - Diluted (millions) | 446.0                      | 443.1   |
| <b>Adjusted diluted earnings per share (US cents)</b>           | 11                         | 12      |

**Adjusted effective tax rate on earnings** – 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 effective tax rate. 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 Ended 30 June |           |
|--|----------------------------|-----------|
|  | FY15                       | FY14      |
| <b>Operating profit before income taxes</b>          | \$ 45.6                    | \$ 157.1  |
| Asbestos:  |                            |           |
| Asbestos adjustments                                 | 21.5                       | (94.5)    |
| AICF SG&A expenses                                   | 0.6                        | 0.5       |
| AICF interest expense, net                           | 0.2                        | (1.1)     |
| New Zealand weathertightness claims                  | (1.3)                      | 4.6       |
| <b>Adjusted operating profit before income taxes</b> | \$ 66.6                    | \$ 66.6   |
| Income tax expense excluding tax adjustments         | \$ (16.7)                  | \$ (14.9) |
| Asbestos-related and other tax adjustments           | 0.2                        | 0.3       |
| <b>Income tax expense excluding tax adjustments</b>  | \$ (16.5)                  | \$ (14.6) |
| Effective tax rate                                   | 36.6%                      | 9.5%      |
| <b>Adjusted effective tax rate</b>                   | 24.8%                      | 21.9%     |

**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 amortisation

## Adjusted EBITDA

| Three Months Ended 30 June |          |
|----------------------------|----------|
| FY15                       | FY14     |
| \$ 50.4                    | \$ 156.9 |
| 16.6                       | 15.4     |
| \$ 67.0                    | \$ 172.3 |

**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 benefit (expense)

## 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 Ended 30 June |          |
|----------------------------|----------|
| FY15                       | FY14     |
| \$ 59.9                    | \$ 54.9  |
| 1.3                        | (4.6)    |
| \$ 61.2                    | \$ 50.3  |
| \$ 416.8                   | \$ 372.2 |
| 14.4%                      | 14.8%    |
| 14.7%                      | 13.5%    |

As set forth in Note 7 of the 30 June 2014 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 JHI plc's Condensed Consolidated Financial Statements and related notes contained in our 30 June 2014 Condensed Consolidated Financial Statements.

**James Hardie Industries plc**  
**Supplementary Financial Information**  
**30 June 2014**  
**(Unaudited)**

| <u>(US\$ Millions)</u>                                 | <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        | \$ -  | \$ 48.7                          | \$ 48.7                          |
| Restricted short-term investments – Asbestos           | -   | 0.3                              | 0.3                              |
| Insurance receivable – Asbestos <sup>1</sup>           | -   | 213.4                            | 213.4                            |
| Workers compensation asset – Asbestos <sup>1</sup>     | -   | 53.0                             | 53.0                             |
| Deferred income taxes – Asbestos <sup>1</sup>          | -   | 478.1                            | 478.1                            |
| Asbestos liability <sup>1</sup>                        | \$ -  | \$ 1,712.4                       | \$ 1,712.4                       |
| Workers compensation liability – Asbestos <sup>1</sup> | -   | 53.0                             | 53.0                             |
| Income taxes payable                                   | 27.7  | (21.2)                           | 6.5                              |
| Unfavourable asbestos adjustments                      | \$ -  | \$ (21.5)                        | \$ (21.5)                        |
| Selling, general and administrative expenses           | (503.0)   | 443.1                            | (59.9)                           |
| Net interest (expense) income                          | (1.1)   | -                                | (1.1)                            |
| Income tax expense                                     | (16.7)  | -                                | (16.7)                           |

<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 may from time to time make forward-looking statements in its periodic reports filed with or furnished to the SEC, 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 the legal proceedings brought against two of the company's subsidiaries by the New Zealand Ministry of Education and the potential product 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 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 26 June 2014, 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 James Hardie 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 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.





# Q1 FY15 MANAGEMENT PRESENTATION

15 AUGUST 2014

# DISCLAIMER

This Management Presentation contains forward-looking statements. James Hardie may from time to time make forward-looking statements in its periodic reports filed with or furnished to the SEC, 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.

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- 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 the legal proceedings brought against two of the company's subsidiaries by the New Zealand Ministry of Education and the potential product 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 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.

## DISCLAIMER (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 26 June 2014, 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 James Hardie 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 favourable 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 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.

# AGENDA

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

*In this Management Presentation, James Hardie may present financial measures, sales volume terms, financial ratios, and Non-US GAAP financial measures included in the Definitions section of this document. The company presents financial measures that it believes are customarily used by its Australian investors. Specifically, these financial measures, which are equivalent to or derived from certain US GAAP measures as explained in the definitions, include “EBIT”, “EBIT margin”, “Operating profit before income taxes” and “Net operating profit”. The company may also present other terms for measuring its 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 first quarter of the current fiscal year versus the first quarter of the prior fiscal year.*



# OVERVIEW AND OPERATING REVIEW

Louis Gries, CEO

# GROUP OVERVIEW<sup>1</sup>

| <u>US\$ Millions</u>                           | <b>Q1<br/>FY 2015</b> | <b>Q1<br/>FY 2014</b> | <b>%<br/>Change</b> |
|--|-----------------------|-----------------------|---------------------|
| Net operating profit                           | 28.9                  | 142.2                 | (80)                |
| <b>Adjusted net operating profit</b>           | <b>50.1</b>           | <b>52.0</b>           | <b>(4)</b>          |
| Adjusted diluted earnings per share (US cents) | 11                    | 12                    |                     |

## Net operating profit reflects:

- Higher sales volumes and average net sales prices in both the USA and Europe Fiber Cement and Asia Pacific Fiber Cement Segments
- USA and Europe Fiber Cement EBIT margin of 21.2%
- Asia Pacific Fiber Cement Segment EBIT margin excluding New Zealand weathertightness claims of 21.7%
- Increase in Adjusted effective tax rate, changes in the fair value of interest rate swaps, and foreign currency losses

<sup>1</sup> Comparisons are of the 1<sup>st</sup> quarter of the current fiscal year versus the 1<sup>st</sup> quarter of the prior fiscal year

# USA AND EUROPE FIBER CEMENT 1<sup>ST</sup> QUARTER SUMMARY

USA and Europe Fiber Cement results reflected:<sup>1</sup>

- Higher sales volume;
- Higher average net sales price;
- Higher production costs, primarily related to higher input costs and plant inefficiencies;
- Higher compensation related expenses due to increased headcount in an effort to align organizational operational capability with anticipated market growth; and
- A more modest improvement in the US housing market than anticipated.

<sup>1</sup> Comparisons are of the 1<sup>st</sup> quarter of the current fiscal year versus the 1<sup>st</sup> quarter of the prior fiscal year

# USA AND EUROPE FIBER CEMENT

## 1st Quarter Result<sup>1</sup>

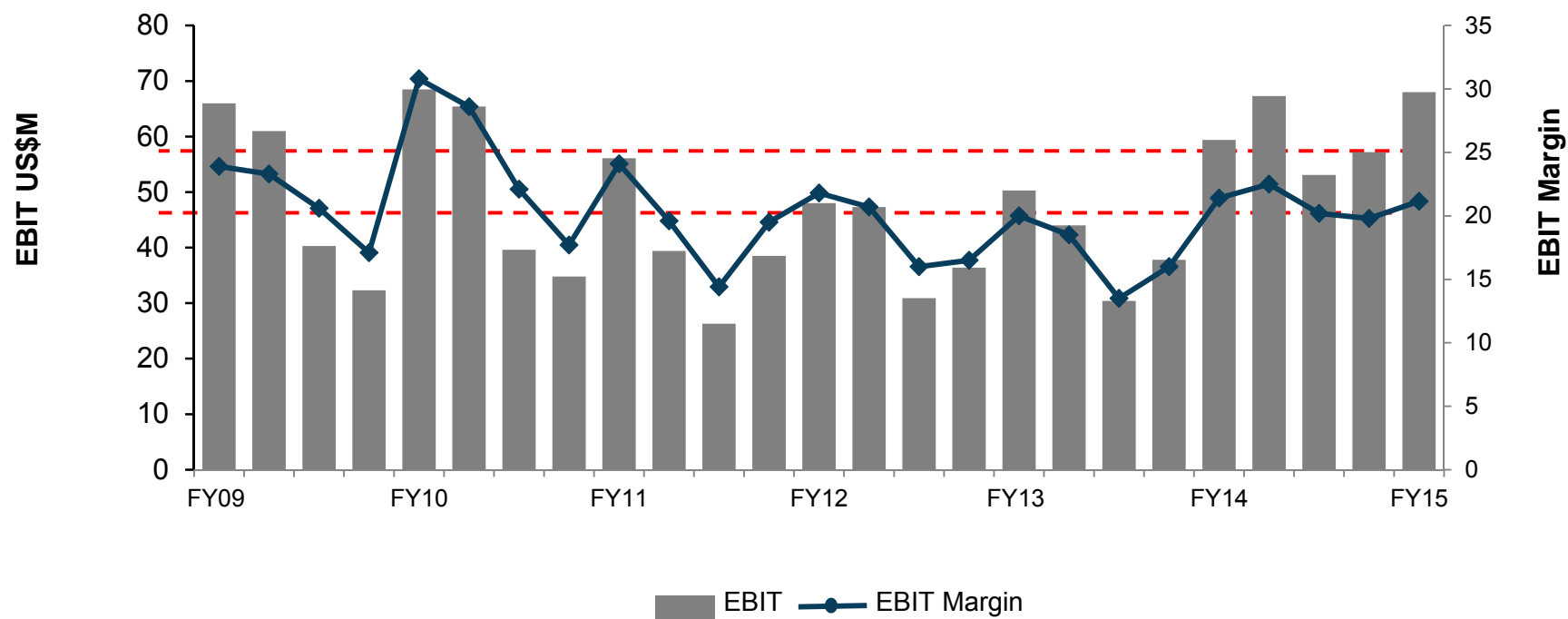
|               |      |                          |
|---------------|------|--------------------------|
| Net Sales     | up   | 16% to US\$321.5 million |
| Sales Volume  | up   | 8% to 463.3 mmsf         |
| Average Price | up   | 7% to US\$680 per msf    |
| EBIT          | up   | 14% to US\$68.0 million  |
| EBIT Margin   | down | 0.2 pts to 21.2%         |

<sup>1</sup> Comparisons are of the 1<sup>st</sup> quarter of the current fiscal year versus the 1<sup>st</sup> quarter of the prior fiscal year



# USA AND EUROPE FIBER CEMENT

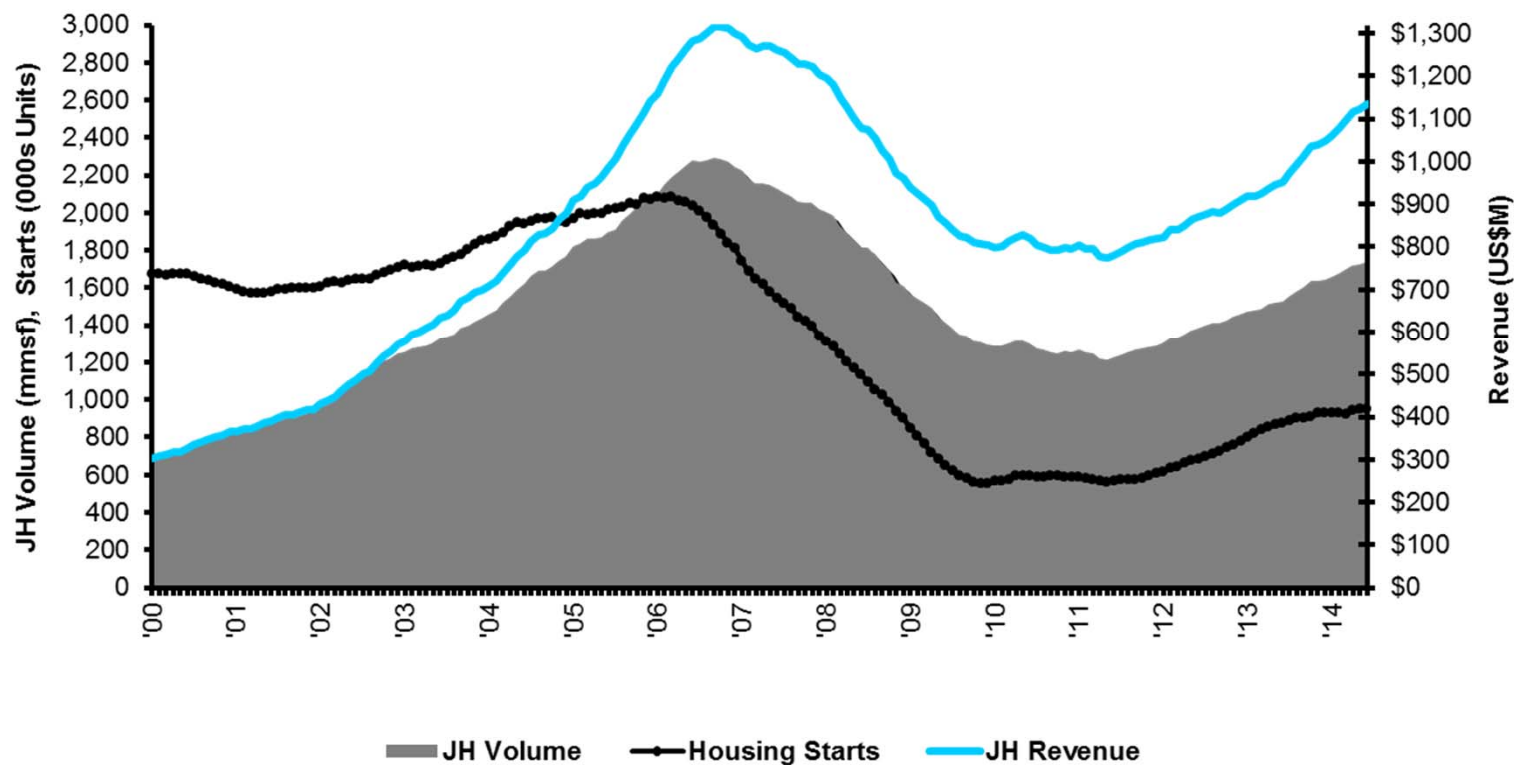
## Quarterly EBIT and EBIT Margin<sup>1</sup>



<sup>1</sup> Excludes asset impairment charges of US\$14.3 million in 4<sup>th</sup> quarter FY12, US\$5.8 million in 3<sup>rd</sup> quarter FY13 and US\$11.1 million in 4<sup>th</sup> quarter FY13

# USA FIBER CEMENT

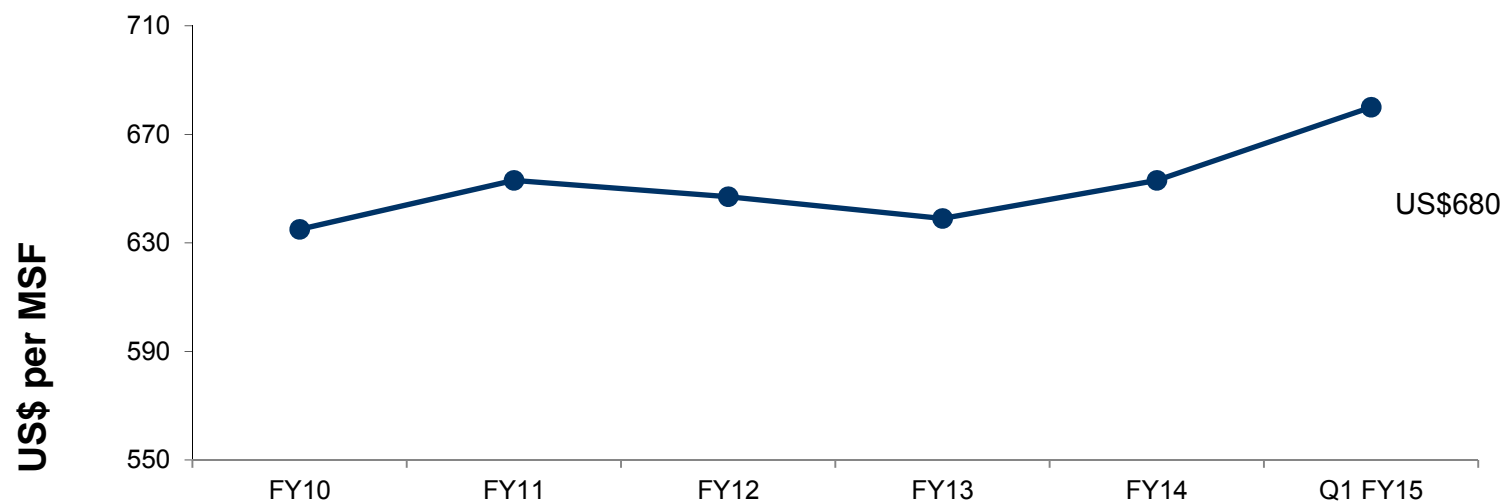
## Top Line Growth



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

# USA AND EUROPE FIBER CEMENT

## Average Net Sales Price



# ASIA PACIFIC FIBER CEMENT 1<sup>ST</sup> QUARTER SUMMARY<sup>1</sup>

Asia Pacific Fiber Cement results reflected:

- Increased sales volume as housing starts and repairs and remodel markets rose in Australia;
- Higher average net sales price in Australian dollars; and
- Higher production costs due to higher input costs and plant inefficiencies.
- Results in USD were impacted by unfavourable changes in the weighted average period AUD/USD exchange rates relative to prior corresponding period.

<sup>1</sup> Comparisons are of the 1<sup>st</sup> quarter of the current fiscal year versus the 1<sup>st</sup> quarter of the prior fiscal year

# ASIA PACIFIC FIBER CEMENT

## 1st Quarter Result<sup>1</sup>

Net Sales up 1% to US\$95.3 million

Sales Volume up 6% to 108.5 mmsf

Average Price up 2% from A\$916 per msf to A\$931 per msf

EBIT<sup>2</sup> down 2% to US\$20.7 million, +4% in AUD

EBIT Margin<sup>2</sup> down 0.7 pts to 21.7%

<sup>1</sup> Comparisons are of the 1<sup>st</sup> quarter of the current fiscal year versus the 1<sup>st</sup> quarter of the prior fiscal year

<sup>2</sup> Excludes New Zealand weathertightness claims of US\$1.3 million benefit and US\$4.6 million expense in 1<sup>st</sup> quarter FY15 and 1<sup>st</sup> quarter FY14, respectively

## MANUFACTURING CAPACITY EXPANSION

The following major capacity expansion projects in the USA and Europe and Asia Pacific Fiber Cement businesses are in progress:

| <b>Project Description</b>   | <b>Approximate Investment</b> | <b>Estimated Commission Date</b> |
|--|-------------------------------|----------------------------------|
| Plant City, Florida - 4 <sup>th</sup> sheet machine and ancillary facilities | US\$65.0 million              | First half of fiscal 2016        |
| Cleburne, Texas - 3 <sup>rd</sup> sheet machine and ancillary facilities     | US\$37.0 million              | First half of fiscal 2016        |
| Carole Park, Queensland - Capacity expansion project                         | A\$89.0 million               | First half of fiscal 2016        |

# GROUP OUTLOOK

## USA and Europe Fiber Cement

- The US operating environment continues to recover, but at a more modest pace than expected earlier this year
- The recent flattening in housing activity has created some uncertainty about the pace of the recovery in the short-term
- Our medium-term view on the recovery is unchanged. To capitalize on the growing market demand and anticipated market penetration, we continue to invest in additional manufacturing capacity across the US
- EBIT to revenue margin is expected to remain within our target range of 20% - 25% for fiscal 2015, absent any major external factors

## Asia Pacific Fiber Cement

- In Australia, net sales from the Australian business are expected to improve, tracking in line with expected growth in the detached housing market and an expected positive movement in the repair and remodel market
- The New Zealand business is expected to deliver improved results supported by a stronger local housing market, particularly in Auckland and Christchurch, although at a more moderate rate of growth than prior year
- The Philippines business is expected to grow, driven by increased penetration in to a relatively flat repair and remodel market, together with increased penetration into the growing Residential High Rise market



# FINANCIAL REVIEW

Matt Marsh, CFO



# GROUP RESULTS

- Earnings impacted by:
  - Higher sales volumes and average sales prices across all business units;
  - Higher production costs, primarily due to higher market prices for input costs and plant inefficiencies; and
  - Higher organizational spend, primarily due to an increase in stock compensation expense and an increase in discretionary spend
- Continued capital expenditure on key production capacity projects across our business units
- Decrease in cash generated by trading activities to US\$83.6 million for the current three month period compared to US\$87.9 million in the prior corresponding period
- During the quarter we repurchased and cancelled 715,000 shares of our common stock, at a total cost A\$9.8 million (US\$9.1 million) and an average market price of A\$13.69 (US\$12.73)
- An ordinary dividend of US32.0 cents per security and a special dividend of US20.0 cents per security, totaling US\$230.3 million, was paid on 08 August 2014 from FY14 earnings

# RESULTS FOR THE 1<sup>ST</sup> QUARTER

| <b>US\$ Millions</b>          | <b>Q1 '15</b> | <b>Q1 '14</b> | <b>% Change</b> |
|-------------------------------|---------------|---------------|-----------------|
| <b>Net sales</b>              | <b>416.8</b>  | <b>372.2</b>  | <b>12</b>       |
| <b>Gross profit</b>           | <b>140.2</b>  | <b>126.3</b>  | <b>11</b>       |
| SG&A expenses                 | (59.9)        | (54.9)        | (9)             |
| R&D expense                   | (8.4)         | (9.0)         | 7               |
| Asbestos adjustments          | (21.5)        | 94.5          |                 |
| <b>EBIT</b>                   | <b>50.4</b>   | <b>156.9</b>  | <b>(68)</b>     |
| Net interest (expense) income | (1.1)         | 0.1           |                 |
| Other (expense) income        | (3.7)         | 0.1           |                 |
| Income tax expense            | (16.7)        | (14.9)        | (12)            |
| <b>Net operating profit</b>   | <b>28.9</b>   | <b>142.2</b>  | <b>(80)</b>     |

## Highlights:

- Net sales increased 12% favorably impacted by:
  - Higher sales volumes; and
  - Higher average net sales prices in local currencies
- Gross profit margin decreased 30 bps impacted by:
  - Higher production costs; primarily higher market prices of input costs and plant inefficiencies
- SG&A expenses increased:
  - Higher stock compensation expenses caused by a 47% appreciation in our stock price versus prior year
  - Higher discretionary spend related to product and market development activities
- Between EBIT and net operating profit:
  - Interest expense increased due to changes in the net debt position of AICF
  - Other expense increased largely as a result of realized and unrealized foreign exchange losses
  - Income tax expense increased 12% due to a higher effective tax rate

## RESULTS FOR THE 1<sup>ST</sup> QUARTER (continued)

| US\$ Millions   | Q1 '15      | Q1 '14      | % Change   |
|---|-------------|-------------|------------|
| Net operating profit                                  | 28.9        | 142.2       | (80)       |
| Asbestos:   |             |             |            |
| Asbestos adjustments                                  | 21.5        | (94.5)      |            |
| Other asbestos <sup>1</sup>                           | 0.8         | (0.6)       |            |
| New Zealand weathertightness claims (benefit) expense | (1.3)       | 4.6         |            |
| Asbestos and other tax adjustments                    | 0.2         | 0.3         | (33)       |
| <b>Adjusted net operating profit</b>                  | <b>50.1</b> | <b>52.0</b> | <b>(4)</b> |

### Summary:

- Asbestos adjustments were favorable due to a 2% favorable change in the Australian dollar spot exchange rate against the US dollar from the beginning balance sheet date to the ending balance sheet date for the period. In the prior corresponding quarter the change in spot rates was 11% unfavorable.
- The New Zealand weathertightness liability decreased as a result of higher rate of claim resolution, fewer open claims at the end of the quarter and continued reduction in the number of new claims received
- Adjusted net operating profit decreased 4% due to:
  - 5% increases in operating segment EBIT
  - Higher general corporate costs, net interest and other income, and tax expenses

<sup>1</sup> Includes AICF SG&A expenses and AICF interest expense, net

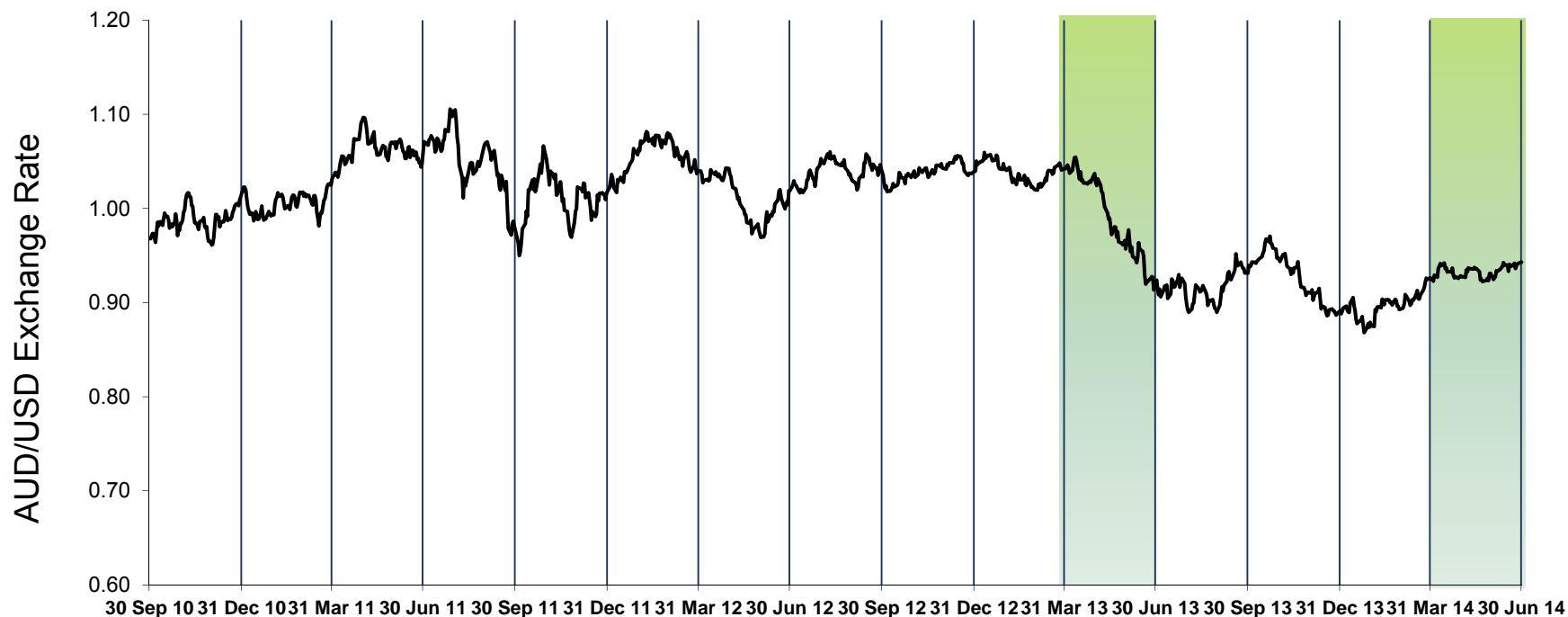
# SEGMENT EBIT – 1<sup>ST</sup> QUARTER

| <b>US\$ Millions</b>                                  | <b>Q1 '15</b> | <b>Q1 '14</b> | <b>% Change</b> | <b>Summary:</b>   |
|---|---------------|---------------|-----------------|---|
| USA and Europe Fiber Cement                           | 68.0          | 59.4          | 14              |   |
| Asia Pacific Fiber Cement <sup>1</sup>                | 20.7          | 21.1          | (2)             | ▪ US and Europe FC EBIT +14% driven by volume and price, partially offset by higher input costs and SG&A        |
| Research & Development <sup>2</sup>                   | (6.8)         | (6.1)         | (11)            |   |
| General corporate costs excluding asbestos            | (10.7)        | (6.9)         | (55)            | ▪ APAC Fiber Cement EBIT in local currency up 4% versus the prior year  |
| <b>Adjusted EBIT</b>                                  | <b>71.2</b>   | <b>67.5</b>   | <b>5</b>        |   |
| Asbestos adjustments                                  | (21.5)        | 94.5          |                 |   |
| AICF SG&A expenses                                    | (0.6)         | (0.5)         | (20)            | ▪ General corporate costs excluding asbestos higher primarily due to:   |
| New Zealand weathertightness claims benefit (expense) | 1.3           | (4.6)         |                 | ▪ An increase in stock compensation expenses due to a 40% appreciation in our stock price versus the prior year |
| <b>Total EBIT</b>                                     | <b>50.4</b>   | <b>156.9</b>  | <b>(68)</b>     | ▪ An increase in discretionary spend related to product and market development activities                       |
| Net interest (expense) income                         | (1.1)         | 0.1           |                 |   |
| Other (expense) income                                | (3.7)         | 0.1           |                 |   |
| Income tax expense                                    | (16.7)        | (14.9)        | (12)            |   |
| <b>Net operating profit</b>                           | <b>28.9</b>   | <b>142.2</b>  | <b>(80)</b>     |   |

<sup>1</sup> Asia Pacific Fiber Cement EBIT excludes New Zealand weathertightness claims of US\$1.3 million benefit and US\$4.6 million expense in Q1'FY15 and Q1'FY14, respectively

<sup>2</sup> Research and development expenses include costs associated with core research projects that are designed to benefit all business units. These costs are recorded in the Research and Development segment rather than attributed to individual business units

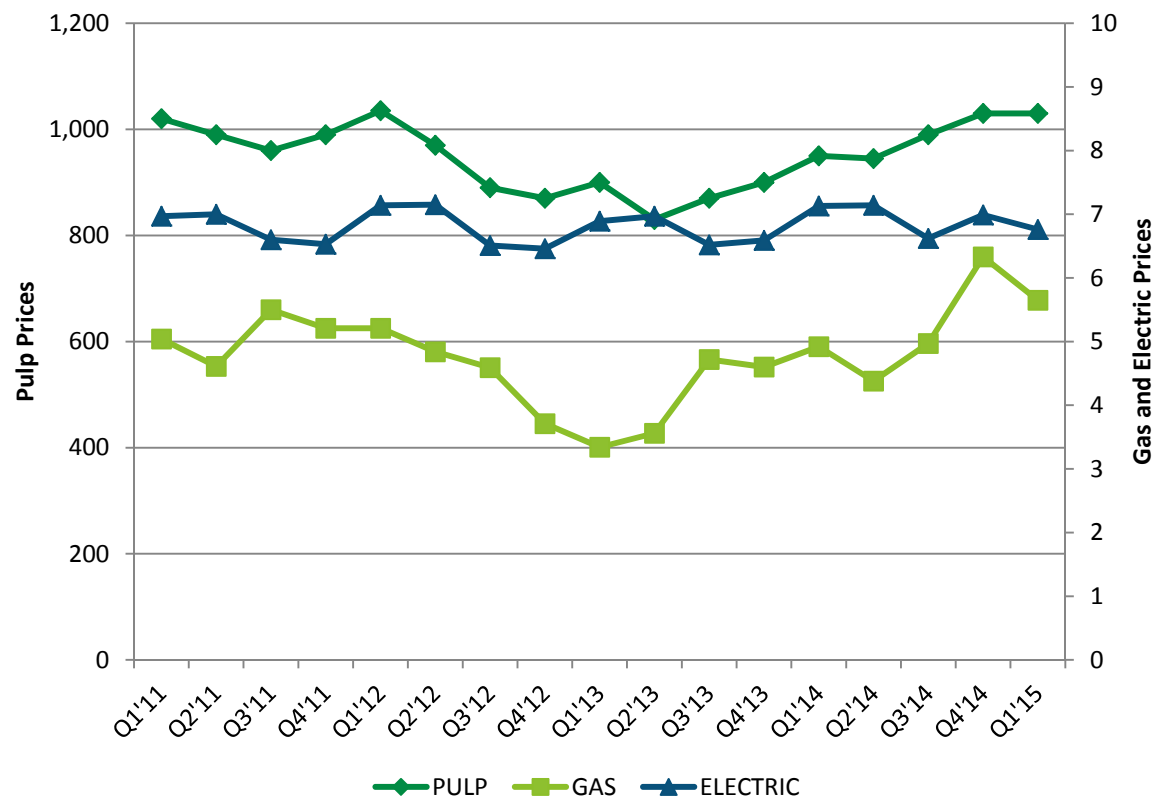
# CHANGES IN AUD vs. USD



|   | <u>Earnings</u> | <u>Balance Sheet</u> |
|---|-----------------|----------------------|
| • Unfavorable impact from translation of Asia Pacific results – Q1 FY15 vs Q1 FY14                  | √               | N/A                  |
| • Favorable impact on corporate costs incurred in Australian dollars – Q1 FY15 vs Q1 FY14           | √               | N/A                  |
| • Unfavorable impact from translation of asbestos liability balance – 30 June 2014 vs 31 March 2014 | √               | N/A                  |

# US INPUT COSTS

## Quarterly US Input Costs



### Discussion:

- Input costs are significantly up over the prior year, primarily driven by pulp, silica and cement
- Many of our input costs fluctuate in-line with commodity prices tracked by external indices; the chart to the left trends some of these external sources
- The price of NBSK pulp is at a three-year peak
- The cost of gas for industrial users has nearly doubled over the last 2 years
- We are engaged in effective sourcing strategies to reduce the impact of increasing market prices

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 (May 2014 monthly data)
- Electric – Cost per hundred kilowatt hour for industrial users – from US Energy Information Administration (May 2014 monthly data)

# INCOME TAX EXPENSE – 1<sup>ST</sup> QUARTER

| US\$ Millions                                 | Q1 '15 | Q1 '14 |
|---|--------|--------|
| Operating profit before income taxes          | 45.6   | 157.1  |
| Asbestos:                                     |        |        |
| Asbestos adjustments                          | 21.5   | (94.5) |
| Other asbestos <sup>1</sup>                   | 0.8    | (0.6)  |
| NZ weathertightness claims (benefit) expense  | (1.3)  | 4.6    |
| Adjusted operating profit before income taxes | 66.6   | 66.6   |
| Income tax expense                            | (16.7) | (14.9) |
| Asbestos and other tax adjustments            | 0.2    | 0.3    |
| Income tax expense excluding tax adjustments  | (16.5) | (14.6) |
| Adjusted effective tax rate                   | 24.8%  | 21.9%  |

## Summary:

- Adjusted effective tax rate increased compared to the prior corresponding quarter due to a shift in the geographic mix of earnings.
- Income tax expense excluding tax adjustments increased compared to the prior corresponding quarter due to the higher adjusted effective tax rate applied to flat adjusted operating profit before income taxes

<sup>1</sup> Includes AICF SG&A expenses and AICF interest expense, net

# CASHFLOW

| US\$ Millions                                      | Q1 '15         | Q1 '14       |
|--|----------------|--------------|
| <b>EBIT</b>  | <b>50.4</b>    | <b>156.9</b> |
| Non-cash items:                                    |                |              |
| Asbestos adjustments                               | 21.5           | (94.5)       |
| Other non-cash items                               | 18.4           | 16.0         |
| Net working capital movements                      | (6.7)          | 9.5          |
| <b>Cash Generated By Trading Activities</b>        | <b>83.6</b>    | <b>87.9</b>  |
| Tax payments, net                                  | (1.9)          | (1.7)        |
| Change in other non-trading assets and liabilities | (39.5)         | (16.7)       |
| Change in asbestos-related assets & liabilities    | (0.5)          | (0.9)        |
| Interest paid                                      | 0.8            | (1.0)        |
| <b>Net Operating Cash Flow</b>                     | <b>42.5</b>    | <b>67.6</b>  |
| Purchases of property, plant & equipment           | (48.6)         | (26.1)       |
| Proceeds from sale of property, plant & equipment  | -              | 0.4          |
| Common stock repurchased and retired               | (9.1)          | -            |
| Dividends paid                                     | (124.6)        | -            |
| Proceeds from issuance of shares                   | 2.2            | 2.5          |
| Tax benefit from stock options exercised           | 0.3            | 0.2          |
| Effect of exchange rate on cash                    | 1.9            | (0.2)        |
| <b>Movement In Net Cash</b>                        | <b>(135.4)</b> | <b>44.4</b>  |
| Beginning Net Cash                                 | 167.5          | 153.7        |
| <b>Ending Net Cash</b>                             | <b>32.1</b>    | <b>198.1</b> |



# CAPITAL EXPENDITURE

US\$ Millions

|  | <u>Q1 '15</u> | <u>Q1 '14</u> | <u>% Change</u> |
|--|---------------|---------------|-----------------|
| USA and Europe Fiber Cement (including Research and Development) | 38.5          | 11.6          |                 |
| Asia Pacific Fiber Cement  | 10.1          | 14.5          | (30)            |
| <b>Total</b>   | <b>48.6</b>   | <b>26.1</b>   | <b>86</b>       |

- We continued to spend on previously announced capital expansion projects at our Plant City, Florida, Cleburne, Texas and Carole Park, Queensland facilities
- We continue to assess greenfield and brownfield projects across the US
- In Q1 FY14, we completed the purchase of the previously-leased land and buildings at Carole Park, Brisbane plant and commenced investments to increase the plant's production capacity
- We are tracking in line with our plans to invest approximately US\$200 million per year in capital expenditure over the next three years

# CAPITAL MANAGEMENT FRAMEWORK

## Objectives

- To optimize our capital structure with a view towards a target net debt position in the range of 1-2 times EBITDA excluding asbestos

## Strategy

- While reinvesting in R&D and capacity expansion required for growth;
- Provide consistent dividend payments within the payout ratio of 50-70% of Adjusted Net Operating Profit; and
- A continued commitment to share buy back program together with possible use of special dividends.

## Framework

- Manage capital efficiency within a prudent and rigorous financial policy
  - ✓ Ensure sufficient liquidity to support financial obligations and execute strategy
  - ✓ Minimize cost of capital while taking into consideration current and future industry, market and economic risks and conditions
- Strong cash flow generation expected to continue, and grow
  - ✓ Fund CAPEX and reinvestment in our capacity and capability
  - ✓ Maintain flexibility to capitalize on market and strategic opportunities

# LIQUIDITY AND CAPITAL ALLOCATION

## Liquidity

- In May 2014, we added US\$150.0 million of credit facilities intended to replace and augment an existing US\$50.0 million credit facility which expired on 14 February 2014
- With the addition of this facility, we have US\$505.0 million of combined credit facilities available to us with a combined average tenor of 3.0 years

## Buybacks

- In May 2014, we announced a new share buyback program to acquire up to 5% of our issued capital during the following 12 months
- During the quarter, we repurchased and cancelled 715,000 shares of our common stock under the May 2013 program, at a total cost A\$9.8 million (US\$9.1 million) and an average market price of A\$13.69 (US\$12.73)

## Dividends

- An ordinary dividend of US32.0 cents per security and a special dividend of US20.0 cents per security, totaling US\$230.3 million, was paid on 08 August 2014 from FY14 earnings.

# DEBT

## At 30 June 2014:

| <u>US\$ Millions</u>                  |      |                     |
|---------------------------------------|------|---------------------|
| Total facilities                      |      | 505.0               |
| Gross debt                            | -    |                     |
| Cash                                  | 32.1 |                     |
| Net cash                              |      | <u>32.1</u>         |
| <b>Unutilised facilities and cash</b> |      | <b><u>537.1</u></b> |

- Weighted average remaining term of debt facilities was 3.0 years at 30 June 2014, up from 2.4 years at 31 March 2014
- We remain well within our financial debt covenants
- Net cash of US\$32.1 million compared to net cash of US\$167.5 million at 31 March 2014
- Net cash position at 30 June 2014 was reduced to the extent of the May 2014 dividend payment of US\$124.6 million
- Subsequent to 30 June 2014, we moved into a net debt position, drawing US\$320.0 million from our debt facilities to fund capital expenditures, dividend payments and the AICF contribution payment.

# NEW ZEALAND WEATHERTIGHTNESS CLAIMS

## New Zealand Weathertightness Claims:

- Since FY02, our NZ subsidiaries have been joined to weathertightness claims that relate to buildings primarily constructed from 1998 to 2004. These claims often involve multiple parties and allege losses due to excessive moisture penetration
- Q1 FY15 benefit of US\$1.3 million is a result of:
  - A higher rate of claim resolution
  - Fewer open claims at the end of the quarter
  - Continued reduction in the number of new claims received
- At 30 June 2014 and 31 March 2014, the provision for NZ weathertightness, net of anticipated third-party recoveries was US\$10.3 million and US\$12.7 million, respectively

## ASBESTOS FUND – PROFORMA (unaudited)

### A\$ millions

|   |             |
|---|-------------|
| AICF cash and investments - 31 March 2014 | 65.5        |
| Insurance recoveries                      | 18.8        |
| Interest expense, net                     | (0.2)       |
| Claims paid                               | (32.7)      |
| Operating costs                           | (1.1)       |
| Other                                     | 1.6         |
|   | <hr/>       |
| AICF cash and investments - 30 June 2014  | <u>51.9</u> |

- Year to date claims experience of liable entities were 2% above the 31 March 2014 actuarial forecast for FY2015 and 3% lower than the prior corresponding period
- Readers are referred to Note 7 of our 30 June 2014 Condensed Consolidated Financial Statements for further information on asbestos claims experience

# SUMMARY

- Adjusted net operating profit of US\$50.1 million, reflects:
  - Improved sales volumes and higher average net sales prices in both the USA and Europe and the Asia Pacific Fiber Cement segments
  - Higher production costs due to higher input costs and plant inefficiencies across all business units
  - A 5% increase in Adjusted EBIT driven by 14% increase in USA and Europe Fiber Cement Segment EBIT
  - The unfavorable impact of a higher adjusted tax rate, changes in the fair value of interest rate swaps and foreign currency losses
- Continuing investment in capacity expansion projects in the U.S. and Australia
- FY14 Ordinary and Special Dividends of US\$230.3 million paid August 2014
- Continuing on strategy and executing towards capital management objectives

## FY2015 GUIDANCE

- Management notes the range of analysts' forecasts for net operating profit excluding asbestos for the year ending 31 March 2015 is between US\$226 million and US\$261 million
- Management expects full year Adjusted net operating profit to be between US\$205 million and US\$235 million assuming, among other things, housing industry conditions in the United States continue to improve at a more moderate level than originally assumed at the beginning of the year, and that an exchange rate at or near current levels is applicable for the remainder of the fiscal year
- Management cautions that although the US market is recovering, uncertainties about the pace of the recovery in the short term remain. Further the market price for input costs remain volatile and continue to impact earnings
- Management is unable to forecast the comparable US GAAP financial measure due to uncertainty regarding the impact of actuarial estimates on asbestos-related assets and liabilities in future periods





**QUESTIONS**



# APPENDIX

# FINANCIAL SUMMARY

| US\$ Millions                                       | Q1 '15       | Q1 '14       | % Change   |
|---|--------------|--------------|------------|
| <b>Net Sales</b>                                    |              |              |            |
| USA and Europe Fiber Cement                         | 321.5        | 278.1        | 16         |
| Asia Pacific Fiber Cement <sup>1</sup>              | 95.3         | 94.1         | 1          |
| <b>Total Net Sales</b>                              | <b>416.8</b> | <b>372.2</b> | <b>12</b>  |
| <b>EBIT - US\$ Millions</b>                         |              |              |            |
| USA and Europe Fiber Cement                         | 68.0         | 59.4         | 14         |
| Asia Pacific Fiber Cement                           | 20.7         | 21.1         | (2)        |
| Research & Development                              | (6.8)        | (6.1)        | (11)       |
| General corporate costs excluding asbestos          | (10.7)       | (6.9)        | (55)       |
| <b>EBIT</b>   | <b>71.2</b>  | <b>67.5</b>  | <b>5</b>   |
| Net interest expense excluding AICF interest income | (0.9)        | (1.0)        | 10         |
| Other income  | (3.7)        | 0.1          |            |
| Income tax expense excluding tax adjustments        | (16.5)       | (14.6)       | (13)       |
| <b>Adjusted net operating profit</b>                | <b>50.1</b>  | <b>52.0</b>  | <b>(4)</b> |

<sup>1</sup> Asia Pacific Fiber Cement EBIT excludes New Zealand weathertightness claims benefit of US\$1.3 million and expense of US\$4.6 million in Q1 '15 and Q1 '14, respectively

## KEY RATIOS

|   | <b>3 Months<br/>FY2015</b> | <b>3 Months<br/>FY2014</b> | <b>3 Months<br/>FY2013</b> |
|---|----------------------------|----------------------------|----------------------------|
| EPS (Diluted) <sup>1</sup> (US Cents)   | 11c                        | 12c                        | 10c                        |
| EBIT/ Sales (EBIT margin) <sup>2</sup>  | 17.1%                      | 18.1%                      | 17.0%                      |
| Gearing Ratio <sup>1</sup>              | (3.3)%                     | (16.5)%                    | (32.1)%                    |
| Net Interest Expense Cover <sup>2</sup> | 79.1x                      | 84.4x                      | 57.7x                      |
| Net Interest Paid Cover <sup>2</sup>    | 89.0x                      | 67.5x                      | 115.4x                     |

<sup>1</sup> Excludes asbestos adjustments, AICF SG&A expenses, AICF interest income, New Zealand weathertightness claims and tax adjustments

<sup>2</sup> Excludes asbestos adjustments, AICF SG&A expenses, and New Zealand weathertightness claims

# EBITDA – 1<sup>ST</sup> QUARTER

| <u>US\$ Millions</u>                                   | <u>Q1 '15</u> | <u>Q1 '14</u> | <u>% Change</u> |
|--|---------------|---------------|-----------------|
| <b>EBIT</b>  |               |               |                 |
| USA and Europe Fiber Cement                            | 68.0          | 59.4          | 14              |
| Asia Pacific Fiber Cement <sup>1</sup>                 | 20.7          | 21.1          | (2)             |
| Research & Development                                 | (6.8)         | (6.1)         | (11)            |
| General corporate excluding asbestos and ASIC expenses | (10.7)        | (6.9)         | (55)            |
| <b>Depreciation and Amortisation</b>                   |               |               |                 |
| USA and Europe Fiber Cement                            | 14.4          | 13.4          | 7               |
| Asia Pacific Fiber Cement                              | 2.2           | 2.0           | 10              |
| <b>Adjusted EBITDA</b>                                 | <b>87.8</b>   | <b>82.9</b>   | <b>6</b>        |
| Asbestos adjustments                                   | (21.5)        | 94.5          |                 |
| AICF SG&A expenses                                     | (0.6)         | (0.5)         | (20)            |
| New Zealand weathertightness claims                    | 1.3           | (4.6)         |                 |
| <b>Total EBITDA</b>                                    | <b>67.0</b>   | <b>172.3</b>  | <b>(61)</b>     |

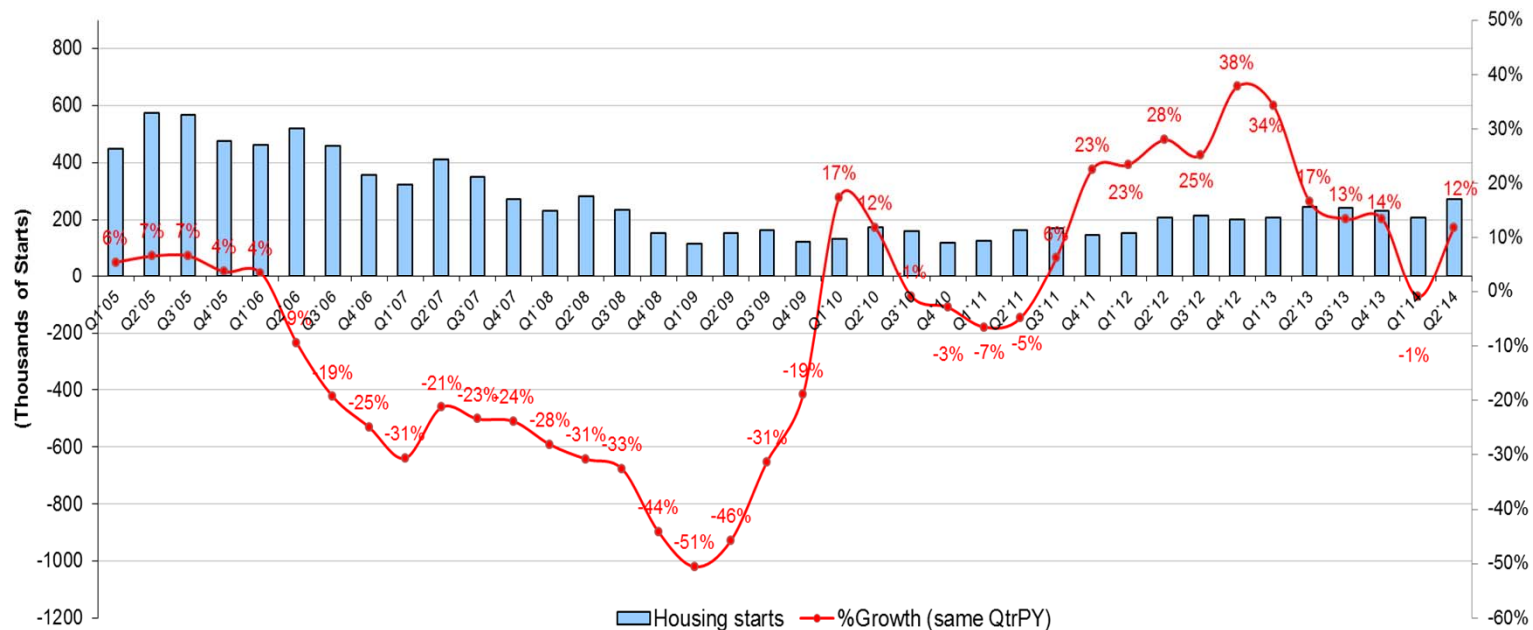
<sup>1</sup> Asia Pacific Fibre Cement EBIT excludes New Zealand weathertightness benefit of US\$1.3 million and expense of US\$4.6 million in Q1 '15 and Q1 '14, respectively

# NET INTEREST (EXPENSE) INCOME

| <u>US\$ Millions</u>                                       | <u>Q1 '15</u> | <u>Q1 '14</u> |
|--|---------------|---------------|
| Gross interest expense                                     | (0.9)         | (1.0)         |
| Interest income  | 0.2           | 0.1           |
| Realised loss on interest rate swaps                       | (0.2)         | (0.1)         |
| <b>Net interest expense excluding AICF interest income</b> | <b>(0.9)</b>  | <b>(1.0)</b>  |
| AICF net interest (expense) income                         | (0.2)         | 1.1           |
| <b>Net interest (expense) income</b>                       | <b>(1.1)</b>  | <b>0.1</b>    |

# TOTAL US HOUSING STARTS

U.S. Housing Starts  
Calendar Quarters



# DEFINITIONS AND OTHER 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

### Non-financial Terms

**ABS** – Australian Bureau of Statistics

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

**AICF** – Asbestos Injuries Compensation Fund Ltd

**ASIC** – Australian Securities and Investments Commission

**ATO** – Australian Taxation Office

**NBSK** – Northern Bleached Soft Kraft; the company's benchmark grade of pulp

**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.



# DEFINITIONS AND OTHER TERMS

## 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 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 the company’s 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-U.S. GAAP descriptions used by Australian companies.

# DEFINITIONS AND OTHER TERMS

**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

## 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 capitalised

**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

# NON-US GAAP FINANCIAL MEASURES

**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 Ended 30 June |              |
|-------------------------------------|----------------------------|--------------|
|                                     | FY15                       | FY14         |
| <b>EBIT</b>                         | \$ 50.4                    | \$ 156.9     |
| Asbestos:                           |                            |              |
| Asbestos adjustments                | 21.5                       | (94.5)       |
| AICF SG&A expenses                  | 0.6                        | 0.5          |
| New Zealand weathertightness claims | (1.3)                      | 4.6          |
| <b>Adjusted EBIT</b>                | <b>71.2</b>                | <b>67.5</b>  |
| Net sales                           | \$ 416.8                   | \$ 372.2     |
| <b>Adjusted EBIT margin</b>         | <b>17.1%</b>               | <b>18.1%</b> |

# NON-US GAAP FINANCIAL MEASURES

**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 Ended 30 June |                 |
|--------------------------------------|----------------------------|-----------------|
|                                      | FY15                       | FY14            |
| <b>Net operating profit</b>          | <b>\$ 28.9</b>             | <b>\$ 142.2</b> |
| Asbestos:                            |                            |                 |
| Asbestos adjustments                 | 21.5                       | (94.5)          |
| AICF SG&A expenses                   | 0.6                        | 0.5             |
| AICF interest expense, net           | 0.2                        | (1.1)           |
| New Zealand weathertightness claims  | (1.3)                      | 4.6             |
| Asbestos and other tax adjustments   | 0.2                        | 0.3             |
| <b>Adjusted net operating profit</b> | <b>\$ 50.1</b>             | <b>\$ 52.0</b>  |

# NON-US GAAP FINANCIAL MEASURES

**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 Ended 30 June |           |
|--|----------------------------|-----------|
|  | FY15                       | FY14      |
| <b>Adjusted net operating profit (US\$ millions)</b>               | \$ 50.1                    | \$ 52.0   |
| Weighted average common shares outstanding -<br>Diluted (millions) | 446.0                      | 443.1     |
| <b>Adjusted diluted earnings per share (US cents)</b>              | <b>11</b>                  | <b>12</b> |

# NON-US GAAP FINANCIAL MEASURES

**Adjusted effective tax rate on earnings** – 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 effective tax rate. 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 Ended 30 June |                  |
|--|----------------------------|------------------|
|  | FY15                       | FY14             |
| <b>Operating profit before income taxes</b>          | <b>\$ 45.6</b>             | <b>\$ 157.1</b>  |
| Asbestos:  |                            |                  |
| Asbestos adjustments                                 | 21.5                       | (94.5)           |
| AICF SG&A expenses                                   | 0.6                        | 0.5              |
| AICF interest expense, net                           | 0.2                        | (1.1)            |
| New Zealand weathertightness claims                  | (1.3)                      | 4.6              |
| <b>Adjusted operating profit before income taxes</b> | <b>\$ 66.6</b>             | <b>\$ 66.6</b>   |
| Income tax expense excluding tax adjustments         | \$ (16.7)                  | \$ (14.9)        |
| Asbestos-related and other tax adjustments           | 0.2                        | 0.3              |
| <b>Income tax expense excluding tax adjustments</b>  | <b>\$ (16.5)</b>           | <b>\$ (14.6)</b> |
| Effective tax rate                                   | 36.6%                      | 9.5%             |
| <b>Adjusted effective tax rate</b>                   | <b>24.8%</b>               | <b>21.9%</b>     |

# NON-US GAAP FINANCIAL MEASURES

**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 Ended 30 June |                 |
|----------------------------|-----------------|
| FY15                       | FY14            |
| \$ 50.4                    | \$ 156.9        |
| 16.6                       | 15.4            |
| <b>\$ 67.0</b>             | <b>\$ 172.3</b> |

# NON-US GAAP FINANCIAL MEASURES

**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   | Three Months Ended 30 June |              |
|---|----------------------------|--------------|
|   | FY15                       | FY14         |
| <b>Selling, general and administrative expenses</b>                                       | \$ 59.9                    | \$ 54.9      |
| Excluding:  |                            |              |
| New Zealand weathertightness claims benefit (expense)                                     | 1.3                        | (4.6)        |
| <b>Adjusted selling, general and administrative expenses</b>                              | \$ 61.2                    | \$ 50.3      |
| Net Sales   | \$ 416.8                   | \$ 372.2     |
| Selling, general and administrative expenses as a percentage of net sales                 | 14.4%                      | 14.8%        |
| <b>Adjusted selling, general and administrative expenses as a percentage of net sales</b> | <b>14.7%</b>               | <b>13.5%</b> |





# Q1 FY15 MANAGEMENT PRESENTATION

15 AUGUST 2014

**James Hardie Industries plc**  
**Condensed Consolidated Financial Statements**  
**as of and for the Period Ended 30 June 2014**

# James Hardie Industries plc

## Index

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|  | <u>Page</u> |
|--|-------------|
| <b>Item 1. Condensed Consolidated Financial Statements</b>   |             |
| Condensed Consolidated Balance Sheets as of 30 June 2014 and 31 March 2014.....  | F-3         |
| Condensed Consolidated Statements of Operations and Comprehensive Income<br>for the Three Months Ended 30 June 2014 and 2013 ..... | F-4         |
| Condensed Consolidated Statements of Cash Flows for the Three Months<br>Ended 30 June 2014 and 2013 .....                          | F-5         |
| Notes to Condensed Consolidated Financial Statements .....   | F-6         |

# James Hardie Industries plc

## Condensed Consolidated Balance Sheets

(Millions of US dollars)

|  | 30 June<br>2014 | 31 March<br>2014 |
|--|-----------------|------------------|
| <b>Assets</b>  |                 |                  |
| Current assets:  |                 |                  |
| Cash and cash equivalents  | \$ 32.1         | \$ 167.5         |
| Restricted cash and cash equivalents   | 3.2             | 3.2              |
| Restricted cash and cash equivalents - Asbestos  | 48.7            | 60.2             |
| Restricted short-term investments - Asbestos   | 0.3             | 0.1              |
| Accounts and other receivables, net of allowance for doubtful accounts of US\$0.8 million and US\$1.0 million as of 30 June 2014 and 31 March 2014, respectively | 141.4           | 139.2            |
| Inventories  | 204.6           | 190.7            |
| Prepaid expenses and other current assets  | 23.2            | 21.9             |
| Insurance receivable - Asbestos  | 16.6            | 28.0             |
| Workers' compensation - Asbestos   | 4.4             | 4.3              |
| Deferred income taxes  | 13.6            | 21.6             |
| Deferred income taxes - Asbestos   | 15.9            | 16.5             |
| Total current assets   | 504.0           | 653.2            |
| Restricted cash and cash equivalents   | 1.8             | 1.8              |
| Property, plant and equipment, net   | 746.5           | 711.2            |
| Insurance receivable - Asbestos  | 196.8           | 198.1            |
| Workers' compensation - Asbestos   | 48.6            | 47.6             |
| Deferred income taxes  | 13.4            | 11.7             |
| Deferred income taxes - Asbestos   | 462.2           | 455.2            |
| Other assets   | 27.0            | 27.7             |
| Total assets   | \$ 2,000.3      | \$ 2,106.5       |
| <b>Liabilities and Shareholders' Equity</b>  |                 |                  |
| Current liabilities:   |                 |                  |
| Accounts payable and accrued liabilities   | \$ 150.0        | \$ 142.0         |
| Current portion of long-term debt - Asbestos   | 48.6            | 47.0             |
| Dividends payable  | 232.4           | 124.6            |
| Accrued payroll and employee benefits  | 32.2            | 56.7             |
| Accrued product warranties   | 7.6             | 7.7              |
| Income taxes payable   | 6.5             | 5.4              |
| Asbestos liability   | 137.5           | 134.5            |
| Workers' compensation - Asbestos   | 4.4             | 4.3              |
| Other liabilities  | 12.9            | 15.0             |
| Total current liabilities  | 632.1           | 537.2            |
| Deferred income taxes  | 91.9            | 93.0             |
| Accrued product warranties   | 25.8            | 23.7             |
| Asbestos liability   | 1,574.9         | 1,571.7          |
| Workers' compensation - Asbestos   | 48.6            | 47.6             |
| Other liabilities  | 27.9            | 32.3             |
| Total liabilities  | 2,401.2         | 2,305.5          |
| Commitments and contingencies (Note 10)  |                 |                  |
| Shareholders' equity:  |                 |                  |
| Common stock, Euro 0.59 par value, 2.0 billion shares authorised; 444,867,063 shares issued at 30 June 2014 and 445,033,502 shares issued at 31 March 2014       | 230.6           | 230.6            |
| Additional paid-in capital   | 143.7           | 139.7            |
| Accumulated deficit  | (813.3)         | (602.4)          |
| Accumulated other comprehensive income   | 38.1            | 33.1             |
| Total shareholders' deficit  | (400.9)         | (199.0)          |
| Total liabilities and shareholders' deficit  | \$ 2,000.3      | \$ 2,106.5       |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**James Hardie Industries plc**  
**Condensed Consolidated Statements of Operations and**  
**Comprehensive Income**

| (Millions of US dollars, except per share data)           | Three Months<br>Ended 30 June |                 |
|---|-------------------------------|-----------------|
|   | 2014                          | 2013            |
| Net sales   | \$ 416.8                      | \$ 372.2        |
| Cost of goods sold  | <u>(276.6)</u>                | <u>(245.9)</u>  |
| Gross profit  | 140.2                         | 126.3           |
| Selling, general and administrative expenses              | (59.9)                        | (54.9)          |
| Research and development expenses                         | (8.4)                         | (9.0)           |
| Asbestos adjustments                                      | <u>(21.5)</u>                 | <u>94.5</u>     |
| Operating income  | 50.4                          | 156.9           |
| Interest expense  | (1.7)                         | (1.1)           |
| Interest income   | 0.6                           | 1.2             |
| Other (expense) income                                    | <u>(3.7)</u>                  | <u>0.1</u>      |
| Income before income taxes                                | 45.6                          | 157.1           |
| Income tax expense  | <u>(16.7)</u>                 | <u>(14.9)</u>   |
| Net income  | <u>\$ 28.9</u>                | <u>\$ 142.2</u> |
| Income per share - basic:                                 |                               |                 |
| Basic   | \$ 0.06                       | \$ 0.32         |
| Diluted   | \$ 0.06                       | \$ 0.32         |
| Weighted average common shares outstanding<br>(Millions): |                               |                 |
| Basic   | 444.7                         | 441.7           |
| Diluted   | 446.0                         | 443.1           |
| Comprehensive income, net of tax:                         |                               |                 |
| Net income  | \$ 28.9                       | \$ 142.2        |
| Unrealised loss on investments                            | -                             | (0.1)           |
| Cash flow hedges  | (0.5)                         | -               |
| Currency translation adjustments                          | 5.5                           | (13.2)          |
| Comprehensive income:                                     | <u>\$ 33.9</u>                | <u>\$ 128.9</u> |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

## James Hardie Industries plc

### Condensed Consolidated Statements of Cash Flows

| (Millions of US dollars)   | Three Months<br>Ended 30 June |                  |
|--|-------------------------------|------------------|
|  | 2014                          | 2013             |
| <b>Cash Flows From Operating Activities</b>                                      |                               |                  |
| Net income   | \$ 28.9                       | \$ 142.2         |
| Adjustments to reconcile net income to net cash provided by operating activities |                               |                  |
| Depreciation and amortization  | 16.6                          | 15.4             |
| Deferred income taxes  | 5.2                           | 9.9              |
| Stock-based compensation   | 2.1                           | 0.8              |
| Asbestos adjustments   | 21.5                          | (94.5)           |
| Tax benefit from stock options exercised   | (0.3)                         | (0.2)            |
| Loss on disposal of property, plant and equipment                                | (0.2)                         | -                |
| Changes in operating assets and liabilities:                                     |                               |                  |
| Restricted cash and cash equivalents   | 12.7                          | 31.5             |
| Restricted short-term investments  | -                             | (0.1)            |
| Accounts and other receivables   | (0.9)                         | 0.6              |
| Inventories  | (13.0)                        | (2.5)            |
| Prepaid expenses and other assets  | (1.3)                         | (1.3)            |
| Insurance receivable - Asbestos  | 17.5                          | 5.4              |
| Accounts payable and accrued liabilities   | 13.7                          | 14.4             |
| Asbestos liability   | (30.8)                        | (38.4)           |
| Other accrued liabilities  | (29.2)                        | (15.6)           |
| <b>Net cash provided by operating activities</b>                                 | <b>\$ 42.5</b>                | <b>\$ 67.6</b>   |
| <b>Cash Flows From Investing Activities</b>                                      |                               |                  |
| Purchases of property, plant and equipment                                       | \$ (48.6)                     | \$ (26.1)        |
| Proceeds from sale of property, plant and equipment                              | -                             | 0.4              |
| <b>Net cash used in investing activities</b>                                     | <b>\$ (48.6)</b>              | <b>\$ (25.7)</b> |
| <b>Cash Flows From Financing Activities</b>                                      |                               |                  |
| Proceeds from issuance of shares   | 2.2                           | 2.5              |
| Tax benefit from stock options exercised   | 0.3                           | 0.2              |
| Common stock repurchased and retired   | (9.1)                         | -                |
| Dividends paid   | (124.6)                       | -                |
| <b>Net cash (used in) provided by financing activities</b>                       | <b>\$ (131.2)</b>             | <b>\$ 2.7</b>    |
| Effects of exchange rate changes on cash   | \$ 1.9                        | \$ (0.2)         |
| Net (decrease) increase in cash and cash equivalents                             | (135.4)                       | 44.4             |
| Cash and cash equivalents at beginning of period                                 | 167.5                         | 153.7            |
| <b>Cash and cash equivalents at end of period</b>                                | <b>\$ 32.1</b>                | <b>\$ 198.1</b>  |
| <b>Components of Cash and Cash Equivalents</b>                                   |                               |                  |
| Cash at bank and on hand   | \$ 25.4                       | \$ 57.9          |
| Short-term deposits  | 6.7                           | 140.2            |
| Cash and cash equivalents at end of period                                       | <b>\$ 32.1</b>                | <b>\$ 198.1</b>  |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

# James Hardie Industries plc

## Notes to Condensed Consolidated Financial Statements

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### 1. Background and Basis of Presentation

#### Nature of Operations

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

#### Basis of Presentation

The Condensed Consolidated Financial Statements represent the financial position, results of operations and cash flows of James Hardie Industries plc and its wholly-owned subsidiaries and a special purpose entity, collectively referred to as either the "Company," or "James Hardie" or "JHI plc", together with its subsidiaries as of the time relevant to the applicable reference, the "James Hardie Group," unless the context indicates otherwise. These interim Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and the notes thereto, included in the Company's Annual Report on Form 20-F for the fiscal year ended 31 March 2014, which was filed with the United States Securities and Exchange Commission ("SEC") on 26 June 2014.

The Condensed Consolidated Financial Statements included herein are unaudited; however, they contain all adjustments (all of which are normal and recurring) which, in the opinion of the Company's management, are necessary to state fairly the Condensed Consolidated Balance Sheet of the Company at 30 June 2014 and 31 March 2014, the Condensed Consolidated Results of Operations and Comprehensive Income for the three months ended 30 June 2014 and 2013 and Condensed Consolidated Cash Flows for the three months ended 30 June 2014 and 2013.

The Company has recorded on its balance sheet certain assets and liabilities, including asbestos-related assets and liabilities under the terms of the Amended and Restated Final Funding Agreement ("AFFA"), that are denominated in Australian dollars and subject to translation into US dollars at each reporting date. Unless otherwise noted, the exchange rates used to convert Australian dollar denominated amounts into US dollars in the condensed consolidated financial statements are as follows:

| (US\$1 = A\$)                         | 31 March<br>2014 | 30 June<br><b>2014</b> | 2013   |
|---------------------------------------|------------------|------------------------|--------|
| Assets and liabilities                | 1.0845           | <b>1.0613</b>          | 1.0796 |
| Statements of operations              | n/a              | <b>1.0720</b>          | 1.0074 |
| Cash flows - beginning cash           | n/a              | <b>1.0845</b>          | 0.9597 |
| Cash flows - ending cash              | n/a              | <b>1.0613</b>          | 1.0796 |
| Cash flows - current period movements | n/a              | <b>1.0720</b>          | 1.0074 |

The results of operations for the three months ended 30 June 2014 are not necessarily indicative of the results to be expected for the full year. The balance sheet at 31 March 2014 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("US GAAP") for complete financial statements in this interim financial report.

#### Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation. The reclassifications do not impact shareholders' deficit.

## James Hardie Industries plc

### Notes to Condensed Consolidated Financial Statements (Continued)

#### Immaterial Change in Statement of Cash Flows Line Items

In connection with the preparation of the Condensed Consolidated Financial Statements for the three months ended 30 June 2014, the Company determined that the amounts previously reported in our Condensed Consolidated Statements of Cash Flows for the three months ended 30 June 2013, reflected an error in the amount of unfavorable effect of exchange rate changes allocated to *Accounts Payable and Accrued Liabilities*. These amounts overstated cash flows provided by operating activities by approximately \$10.6 million for the three months ended 30 June 2013 with an equal understatement of *Effects of exchange rate changes on cash* for the three months ended 30 June 2013, as they included amounts that were incorrectly allocated as of the end of the reporting period. This error had no effect on our Consolidated Balance Sheets or Statements of Operations and Comprehensive Income as of and for the three months ended 30 June 2013, and further, did not affect the 30 September 2013 or 31 December 2013 Condensed Consolidated Financial Statements or the 31 March 2014 Consolidated Financial Statements.

In accordance with the relevant guidance, management evaluated the materiality of the error from a qualitative and quantitative perspective. Based on such evaluation, the Company concluded that correcting the error would not have had a material impact on the Condensed Consolidated Statement of Cash Flows for the three months ended 30 June 2013 or affect the trend of financial results. The amounts presented within this quarterly report in the Condensed Consolidated Statement of Cash Flows for the three months ended 30 June 2013 have been adjusted, as set forth in the following table:

| (Millions of US dollars)                         | Three Months<br>Ended 30 June |                       |
|--|-------------------------------|-----------------------|
|  | (AS REPORTED)<br>2013         | (AS ADJUSTED)<br>2013 |
| <b>Cash Flows From Operating Activities</b>      |                               |                       |
| Accounts payable and accrued liabilities         | \$ 25.0                       | \$ 14.4               |
| <b>Net cash provided by operating activities</b> | <b>\$ 78.2</b>                | <b>\$ 67.6</b>        |
| Effects of exchange rate changes on cash         | \$ (10.8)                     | \$ (0.2)              |

## 2. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued 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. The ASU 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 fulfil a contract. This ASU is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those years, and early adoption is not permitted. Companies may use either a full retrospective or a modified retrospective approach to adopt this ASU. The Company is still evaluating the new standard and has not yet determined the potential effects on its consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, which provides explicit guidance on whether to treat a performance target that could be achieved after the requisite service period as a performance condition



## James Hardie Industries plc

### Notes to Condensed Consolidated Financial Statements (Continued)

that affects vesting, or as a nonvesting condition that affects the grant-date fair value of an award. The amendments in ASU No. 2014-12 are effective for fiscal years and interim periods within those years, beginning after 15 December 2015. The Company is still evaluating the new standard and has not yet determined the potential effects on its consolidated financial statements.

### 3. 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 restricted stock units ("RSUs"), had been issued.

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

| (Millions of shares)              | Three Months<br>Ended 30 June |              |
|-----------------------------------|-------------------------------|--------------|
|                                   | 2014                          | 2013         |
| Basic common shares outstanding   | 444.7                         | 441.7        |
| Dilutive effect of stock awards   | 1.3                           | 1.4          |
| Diluted common shares outstanding | <u>446.0</u>                  | <u>443.1</u> |
| (US dollars)                      | 2014                          | 2013         |
| Net income per share - basic      | \$ 0.06                       | \$ 0.32      |
| Net income per share - diluted    | \$ 0.06                       | \$ 0.32      |

Potential common shares of 1.3 million and 2.9 million for the three months ended 30 June 2014 and 2013, respectively, have been excluded from the calculation of diluted common shares outstanding because the effect of their inclusion would be anti-dilutive.

Unless they are anti-dilutive, RSUs 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 RSUs vest, they are included in the basic EPS calculation on a weighted-average basis.

RSUs 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, as the number of shares that would be issuable under the terms of the RSUs arrangement, if the end of the reporting period were the end of the contingency period. Once these RSUs vest, they are included in the basic EPS calculation on a weighted-average basis.

## James Hardie Industries plc

### Notes to Condensed Consolidated Financial Statements (Continued)

#### 4. Restricted Cash and Cash Equivalents

Included in restricted cash and cash equivalents is US\$5.0 million related to an insurance policy at 30 June 2014 and 31 March 2014, which restricts the cash from use for general corporate purposes.

#### 5. Inventories

Inventories consist of the following components:

| (Millions of US dollars)                                | 30 June<br>2014 | 31 March<br>2014 |
|---|-----------------|------------------|
| Finished goods  | \$ 147.1        | \$ 135.5         |
| Work-in-process   | 6.2             | 6.6              |
| Raw materials and supplies                              | 59.7            | 56.5             |
| Provision for obsolete finished goods and raw materials | (8.4)           | (7.9)            |
| Total inventories                                       | <u>\$ 204.6</u> | <u>\$ 190.7</u>  |

As of 30 June 2014 and 31 March 2014, US\$26.2 million and US\$18.3 million, respectively, of our finished goods inventory was held at third-party locations.

#### 6. Long-Term Debt

At 30 June 2014, the Company's credit facilities consisted of:

| Description   | Effective<br>Interest Rate | Total<br>Facility | Principal<br>Drawn |
|---|----------------------------|-------------------|--------------------|
| (US\$ millions)   |                            |                   |                    |
| Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until March 2016 | -                          | \$ 50.0           | \$ -               |
| Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until April 2016 | -                          | 190.0             | -                  |
| Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until April 2017 | -                          | 100.0             | -                  |
| Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until March 2019 | -                          | 40.0              | -                  |
| Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until April 2019 | -                          | 50.0              | -                  |
| Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until May 2019   | -                          | 75.0              | -                  |
| <b>Total</b>  |                            | <u>\$ 505.0</u>   | <u>\$ -</u>        |

## **James Hardie Industries plc**

### **Notes to Condensed Consolidated Financial Statements (Continued)**

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At 30 June 2014, no amounts were drawn under the combined facilities. The weighted average interest rate on the Company's total outstanding debt was nil at 30 June 2014 and 31 March 2014, and the weighted average term of all debt facilities is 3.0 years at 30 June 2014. The weighted average fixed interest rate on the Company's interest rate swap contracts is set forth in Note 8.

For all facilities, the interest rate is calculated two business days prior to the commencement of each draw-down period based on the US Dollar London Interbank Offered Rate ("LIBOR") plus the margins of individual lenders and is payable at the end of each draw-down period.

At 30 June 2014, the Company was in compliance with all restrictive debt covenants contained in its credit facility agreements. Under the most restrictive of these covenants, the Company (i) must not exceed a maximum of net debt to earnings before interest, tax, depreciation and amortization, excluding all income, expense and other profit and loss statement impacts of Asbestos injuries Compensation Fund ("AICF"), Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited ("Former James Hardie Companies") and excluding assets, liabilities and other balance sheet items of the AICF, Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited, (ii) must meet or exceed a minimum ratio of earnings before interest and taxes to net interest charges, excluding all income, expense and other profit and loss statement impacts of AICF, Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited, and (iii) must ensure that no more than 35% of Free Cash Flow (as defined in the AFFA), in any given financial year ("Annual Cash Flow Cap") is contributed to AICF on the payment dates under the AFFA in the next following financial year. The Annual Cash Flow Cap does not apply to payments of interest, if any, to AICF and is consistent with contractual obligations of James Hardie 117 Pty Ltd (the "Performing Subsidiary") and the Company under the AFFA.

Subsequent to 30 June 2014, the Company drew US\$320.0 million from its combined credit facilities to fund capital expenditures, dividend payments and the AICF contribution payment.

#### **7. Asbestos**

In February 2007, the Company's shareholders approved a proposal pursuant to which the Company provides long-term funding to AICF. The Company owns 100% of the Performing Subsidiary that funds the AICF subject to the provisions of the AFFA. The Company appoints three of the AICF directors and the New South Wales Government appoints two of the AICF directors.

Under the terms of the AFFA, the Performing Subsidiary has an obligation to make payments to AICF on an annual basis. The amount of these annual payments is dependent on several factors, including the Company's free cash flow (as defined in the AFFA), actuarial estimations, actual claims paid, operating expenses of AICF and the Annual Cash Flow Cap. JHI plc guarantees the Performing Subsidiary's obligation. As a result, the Company considers itself to be the primary beneficiary of AICF as defined under US GAAP.

The Company's interest in AICF is considered variable because the potential impact on the Company will vary based upon the annual actuarial assessments obtained by AICF with respect to asbestos-related personal injury claims against the Former James Hardie Companies.

Although the Company has no legal ownership in AICF, for financial reporting purposes the Company consolidates AICF 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 a separate recognition of the asbestos liability and certain other asbestos-related assets and liabilities on its consolidated balance sheet. Among other items, the Company records a deferred tax asset for the

## James Hardie Industries plc

### Notes to Condensed Consolidated Financial Statements (Continued)

anticipated future tax benefit the Company believes is available to it that arise from amounts contributed to AICF by the Performing Subsidiary. Since fiscal year 2007, movements in the asbestos liability arising from changes in foreign currency or actuarial adjustments are classified as asbestos adjustments and the income tax benefit arising from contributions to AICF is included within income tax benefit (expense) on the Condensed Consolidated Statements of Operations and Comprehensive Income when realized.

For the three months ended 30 June 2014, the Company did not provide financial or other support to AICF that it was not previously contractually required to provide. On 1 July 2014, the Company made a payment of A\$119.9 million (US\$113.0 million) to AICF, representing 35% of our free cash flow for fiscal year 2014 as defined by the AFFA. Future funding of AICF by the Company under the terms of the AFFA depends on the Company's long-term financial success, specifically the Company's ability to generate net operating cash flow.

AICF has operating costs that are claims related and non-claims related. Claims related costs incurred by AICF are treated as reductions in the accrued asbestos liability balances previously reflected in the condensed consolidated balance sheets. Non-claims related operating costs incurred by AICF are expensed as incurred in the line item *Selling, general and administrative expenses* in the Condensed Consolidated Statements of Operations and Comprehensive Income. AICF earns interest on its cash and cash equivalents and on its short-term investments; these amounts are included in the line item *Interest income* in the Condensed Consolidated Statements of Operations and Comprehensive Income.

AICF may draw funds under a long term credit facility ("Facility") to fund the payment of asbestos claims and certain operating and legal costs of AICF, Amaca, Amaba and ABN 60. The Facility is available to be drawn up to 9 December 2020 (being the tenth anniversary of signing) and must be repaid on or by 1 November 2030. Interest accrues daily on amounts outstanding and is calculated based on a 365-day year and is payable monthly. The borrowings under the Facility are classified as current as AICF intends to repay the debt within one year. Interest paid amounts are included in the line item *Interest expense* in the Condensed Consolidated Statements of Operations and Comprehensive Income. On 2 July 2014, AICF repaid principal and interest amounts outstanding under the Facility in the amount of US\$48.6 million.

#### Asbestos Adjustments

The following table sets forth the asbestos adjustments included in the Condensed Consolidated Statements of Operations and Comprehensive Income for the three months ended 30 June 2014 and 2013:

| (Millions of US dollars)                  | Three Months<br>Ended 30 June |                |
|---|-------------------------------|----------------|
|   | 2014                          | 2013           |
| Effect of foreign exchange rate movements | \$ (21.5)                     | \$ 94.5        |
| Recovery of insurance receivables         | -                             | -              |
| <b>Asbestos Adjustments</b>               | <b>\$ (21.5)</b>              | <b>\$ 94.5</b> |

Adjustments in insurance receivables due to changes in AICF's assessment of recoverability are reflected as asbestos adjustments on the Condensed Consolidated Statements of Operations and Comprehensive Income during the period in which the adjustments occur.

## James Hardie Industries plc

### Notes to Condensed Consolidated Financial Statements (Continued)

#### Asbestos-Related Assets and Liabilities

The Company has included on its consolidated balance sheets certain asbestos-related assets and liabilities 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.”

| (Millions of US dollars)   | 30 June<br>2014            | 31 March<br>2014           |
|--|----------------------------|----------------------------|
| Asbestos liability – current   | \$ (137.5)                 | \$ (134.5)                 |
| Asbestos liability – non-current   | (1,574.9)                  | (1,571.7)                  |
| Asbestos liability - Total   | <u>(1,712.4)</u>           | <u>(1,706.2)</u>           |
| Insurance receivable – current   | 16.6                       | 28.0                       |
| Insurance receivable – non-current   | 196.8                      | 198.1                      |
| Insurance receivable – Total   | <u>213.4</u>               | <u>226.1</u>               |
| Workers' compensation asset – current  | 4.4                        | 4.3                        |
| Workers' compensation asset – non-current  | 48.6                       | 47.6                       |
| Workers' compensation liability – current  | (4.4)                      | (4.3)                      |
| Workers' compensation liability – non-current  | (48.6)                     | (47.6)                     |
| Workers' compensation – Total  | <u>-</u>                   | <u>-</u>                   |
| Loan facility  | (48.6)                     | (47.0)                     |
| Other net liabilities  | (1.8)                      | (0.8)                      |
| Restricted cash and cash equivalents and restricted short-term investment assets of the AICF | 49.0                       | 60.3                       |
| <b>Net AFFA liability</b>  | <b><u>\$ (1,500.4)</u></b> | <b><u>\$ (1,467.6)</u></b> |
| Deferred income taxes – current  | 15.9                       | 16.5                       |
| Deferred income taxes – non-current  | 462.2                      | 455.2                      |
| Deferred income taxes – Total  | <u>478.1</u>               | <u>471.7</u>               |
| Income tax payable   | 21.2                       | 16.7                       |
| <b>Net Unfunded AFFA liability, net of tax</b>   | <b><u>\$ (1,001.1)</u></b> | <b><u>\$ (979.2)</u></b>   |

#### Asbestos Liability

The amount of the asbestos liability reflects the terms of the AFFA, which has been recognized by reference to (but is not exclusively based upon) the most recent actuarial estimate of projected future cash flows calculated by KPMG Actuarial (“KPMGA”). 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. The Company views the central estimate as the basis for recognizing the asbestos liability in the Company’s financial statements.

The Company considered discounting when determining the best estimate under US GAAP. The Company has recognized the asbestos liability by reference to (but is not exclusively based upon) the central estimate as undiscounted on the basis that it is the Company’s view 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.

## James Hardie Industries plc

### Notes to Condensed Consolidated Financial Statements (Continued)

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 accrued balances previously reflected in the consolidated balance sheets. The Company receives an updated actuarial estimate as of 31 March each year. The most recent actuarial assessment was performed as of 31 March 2014.

The changes in the asbestos liability for the three months ended 30 June 2014 are detailed in the table below:

|   | A\$<br>Millions             | A\$ to US\$<br>rate | US\$<br>Millions           |
|---|-----------------------------|---------------------|----------------------------|
| Asbestos liability – 31 March 2014                | A\$ (1,850.4)               | 1.0845              | \$ (1,706.2)               |
| Asbestos claims paid <sup>1</sup>                 | 32.6                        | 1.0720              | 30.4                       |
| AICF claims-handling costs incurred <sup>1</sup>  | 0.4                         | 1.0720              | 0.4                        |
| Unfavourable impact of foreign currency movements |                             |                     | (37.0)                     |
| <b>Asbestos liability – 30 June 2014</b>          | <b><u>A\$ (1,817.4)</u></b> | 1.0613              | <b><u>\$ (1,712.4)</u></b> |

#### *Insurance Receivable – Asbestos*

The changes in the insurance receivable for the three months ended 30 June 2014 are detailed in the table below:

|   | A\$<br>Millions         | A\$ to US\$<br>rate | US\$<br>Millions       |
|---|-------------------------|---------------------|------------------------|
| Insurance receivable – 31 March 2014              | A\$ 245.3               | 1.0845              | 226.1                  |
| Insurance and cross-claim recoveries <sup>1</sup> | (18.8)                  | 1.0720              | (17.5)                 |
| Favourable impact of foreign currency movements   |                         |                     | 4.8                    |
| <b>Insurance receivable – 30 June 2014</b>        | <b><u>A\$ 226.5</u></b> | 1.0613              | <b><u>\$ 213.4</u></b> |

## James Hardie Industries plc

### Notes to Condensed Consolidated Financial Statements (Continued)

#### *Deferred Income Taxes – Asbestos*

The changes in the deferred income taxes - asbestos for the three months ended 30 June 2014 are detailed in the table below:

|  | A\$<br>Millions  | A\$ to US\$<br>rate | US\$<br>Millions |
|--|------------------|---------------------|------------------|
| Deferred tax assets – 31 March 2014                    | A\$ 511.4        | 1.0845              | \$ 471.7         |
| Amounts offset against income tax payable <sup>1</sup> | (4.4)            | 1.0720              | (4.2)            |
| AICF earnings <sup>1</sup>                             | 0.3              | 1.0720              | 0.3              |
| Favourable impact of foreign currency movements        |                  |                     | 10.3             |
| <b>Deferred tax assets – 30 June 2014</b>              | <b>A\$ 507.3</b> | 1.0613              | <b>\$ 478.1</b>  |

<sup>1</sup> The average exchange rate for the period is used to convert the Australian dollar amount to US dollars based on the assumption that these transactions occurred evenly throughout the period.

#### *Income Taxes Payable*

A portion of the deferred income tax asset is applied against the Company's income tax payable. At 30 June 2014 and 31 March 2014, this amount was US\$4.2 million and US\$4.5 million, respectively. During the three months ended 30 June 2014, there was a US\$0.4 million favorable effect of foreign currency exchange.

#### *Other Net Liabilities*

Included in other net liabilities are the other assets and liabilities of AICF including asbestos-related education and medical research contributions, trade receivables, prepayments, fixed assets, trade payables and accruals. These other assets and liabilities of AICF were a net liability of US\$1.8 million and US\$0.8 million at 30 June 2014 and 31 March 2014, respectively. During the three months ended 30 June 2014, there was a US\$0.1 million unfavorable effect of foreign currency exchange on these other assets and liabilities.

## James Hardie Industries plc

### Notes to Condensed Consolidated Financial Statements (Continued)

#### *Restricted Cash and Short-term Investments of AICF*

Cash and cash equivalents and short-term investments of AICF are reflected as restricted assets as these assets are restricted for use in the settlement of asbestos claims and payment of the operating costs of AICF.

The changes in restricted cash and short-term investments of AICF for the three months ended 30 June 2014 are set forth in the table below:

|  | A\$<br>Millions | A\$ to US\$<br>rate | US\$<br>Millions |
|--|-----------------|---------------------|------------------|
| Restricted cash and cash equivalents and restricted short-term investments – 31 March 2014       | A\$ 65.5        | 1.0845              | \$ 60.3          |
| Asbestos claims paid <sup>1</sup>  | (32.6)          | 1.0720              | (30.4)           |
| AICF operating costs paid - claims-handling <sup>1</sup>   | (0.4)           | 1.0720              | (0.4)            |
| AICF operating costs paid - non claims-handling <sup>1</sup>                                     | (0.7)           | 1.0720              | (0.6)            |
| Insurance and cross-claim recoveries <sup>1</sup>  | 18.8            | 1.0720              | 17.5             |
| Interest Expense <sup>1</sup>  | (0.6)           | 1.0720              | (0.6)            |
| Interest and investment income <sup>1</sup>  | 0.4             | 1.0720              | 0.4              |
| Other <sup>1</sup>   | 1.6             | 1.0720              | 1.5              |
| Unfavourable impact of foreign currency movements  |                 |                     | 1.3              |
| <b>Restricted cash and cash equivalents and restricted short-term investments – 30 June 2014</b> | <b>A\$ 52.0</b> | 1.0613              | <b>\$ 49.0</b>   |

<sup>1</sup> The average exchange rate for the period is used to convert the Australian dollar amount to US dollars based on the assumption that these transactions occurred evenly throughout the period.



## James Hardie Industries plc

### Notes to Condensed Consolidated Financial Statements (Continued)

#### Claims Data

AICF provides compensation payments for Australian asbestos-related personal injury claims against the Former James Hardie Companies. The claims data in this section are reflective of these Australian asbestos-related personal injury claims against the Former James Hardie Companies.

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:

|  | Three Months          | For the Years Ended 31 March |              |              |              |              |
|--|-----------------------|------------------------------|--------------|--------------|--------------|--------------|
|  | Ended<br>30 June 2014 | 2014                         | 2013         | 2012         | 2011         | 2010         |
| Number of open claims at beginning of period | 466                   | 462                          | 592          | 564          | 529          | 534          |
| Number of new claims                         | 156                   | 608                          | 542          | 456          | 494          | 535          |
| Number of closed claims <sup>1</sup>         | 170                   | 604                          | 672          | 428          | 459          | 540          |
| Number of open claims at end of period       | 452                   | 466                          | 462          | 592          | 564          | 529          |
| Average settlement amount per settled claim  | A\$ 222,779           | A\$ 253,185                  | A\$ 231,313  | A\$ 218,610  | A\$ 204,366  | A\$ 190,627  |
| Average settlement amount per case closed    | A\$ 186,086           | A\$ 212,944                  | A\$ 200,561  | A\$ 198,179  | A\$ 173,199  | A\$ 171,917  |
| Average settlement amount per settled claim  | US\$ 207,816          | US\$ 236,268                 | US\$ 238,615 | US\$ 228,361 | US\$ 193,090 | US\$ 162,250 |
| Average settlement amount per case closed    | US\$ 173,588          | US\$ 198,716                 | US\$ 206,892 | US\$ 207,019 | US\$ 163,642 | US\$ 146,325 |

<sup>1</sup> Included in the number of closed claims of 672 for the year ended 31 March 2013 are 153 claims primarily settled at nil settlement amounts that had been closed in prior years but not reflected as such in the year in which they were closed. Accordingly these 153 claims have been included in claims activity during the year ended 31 March 2013 to appropriately reflect the actual number of open claims at 31 March 2013. These 153 additional claims that were closed in prior years have been excluded for the purposes of determining the average settlement amount in both US and Australian dollars, as reflected in the table above, for the year ended 31 March 2013. As these 153 claims were closed in prior years, the actual number of closed claims during the year ended 31 March 2013 was 519 claims.

Under the terms of the AFFA, the Company has rights of access to actuarial information produced for AICF by the actuary appointed by AICF (the "Approved Actuary"). The Company's disclosures with respect to claims statistics are subject to it obtaining such information from the Approved Actuary. 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 and analysis of the Approved Actuary when making disclosures with respect to claims statistics.

#### 8. Derivative Instruments

The Company uses derivatives for risk management purposes and does not engage in speculative activity. A key risk management objective for the Company is to mitigate interest rate risk associated with the Company's external credit facilities and foreign currency risk primarily with respect to forecasted transactions denominated in foreign currencies. The determination of whether the Company enters into a derivative transaction to achieve these risk management objectives depends on a number of factors, including market related factors that impact the extent to which derivative instruments will achieve such risk management objectives of the Company.

## **James Hardie Industries plc**

### **Notes to Condensed Consolidated Financial Statements (Continued)**

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The Company may from time to time enter into interest rate swap contracts to protect against upward movements in US Dollar LIBOR and the associated interest the Company pays on its external credit facilities. Interest rate swaps are recorded in the financial statements at fair value. Changes in fair value are recorded in the Condensed Consolidated Statements of Operations and Comprehensive Income in *Other income*.

The Company uses foreign currency forward contracts and enters into hedging relationships from time to time in order to mitigate exposure to foreign currency fluctuations. When achievable, these instruments are designated as hedges and treated as a cash flow hedging arrangement for accounting purposes. In September 2013, the Company entered into foreign currency forward contracts designated as hedges in order to mitigate exposure associated with the anticipated purchases of production assets denominated in a foreign currency in a future period.

Where such contracts are designated as, and are effective as, a hedge, changes in the fair value of derivative instruments designated as cash flow hedges are deferred and recorded in other comprehensive income. These deferred gains or losses are recognized in income when the transactions being hedged are recognized. The ineffective portion of these hedges is recognized in income currently. Changes in the fair value of derivative instruments that are not designated as hedges for accounting purposes are recognized in income.

#### Interest Rate Swaps

For interest rate swap contracts, the Company has agreed to pay fixed interest rates while receiving a floating interest rate. At 30 June 2014, the weighted average fixed interest rate of these contracts is 2.1% and the weighted average remaining life is 4.25 years. For the three months ended 30 June 2014 and 2013, the Company included in *Other (expense) income* an unrealized loss of US\$1.3 million and an unrealized gain of US\$0.1 million, respectively, on interest rate swap contracts. Included in *Interest expense* is a realized loss on settlements of interest rate swap contracts of US\$0.2 million and US\$0.1 million for the three months ended 30 June 2014 and 2013, respectively.

#### Foreign Currency Forward Contracts

The unrealized gains associated with the forward contracts not designated as a cash flow hedging arrangement were US\$0.9 million in the three months ended 30 June 2014. In addition, the cumulative unrealized loss arising from changes in the fair value of foreign currency forward contracts designated as a cash flow hedging arrangement was US\$0.1 million as of 30 June 2014. Further, there were no amounts reclassified from accumulated other comprehensive income into earnings for the three months ended 30 June 2014. The maximum term of foreign currency forward contracts that hedged forecasted transactions was 1.0 years at 30 June 2014. There were no significant gains or losses reclassified into earnings as a result of a discontinuance of a cash flow hedge resulting from an unfavorable change in probability of a forecasted transaction occurring. The fair value of these contracts is included in *Other liabilities* at 30 June 2014.

## James Hardie Industries plc

### Notes to Condensed Consolidated Financial Statements (Continued)

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 30 June 2014.

| (Millions of US dollars)                       | Notional Amount |                 | Fair Value as of |               |               |               |
|--|-----------------|-----------------|------------------|---------------|---------------|---------------|
|  |                 |                 | 30 June 2014     |               | 31 March 2014 |               |
|  | 30 June 2014    | 31 March 2014   | Assets           | Liabilities   | Assets        | Liabilities   |
| <b>Derivatives accounted for as hedges</b>     |                 |                 |                  |               |               |               |
| Foreign currency forward contracts             | \$ 8.7          | \$ 9.7          | \$ -             | \$ 0.1        | \$ 0.5        | \$ -          |
| <b>Derivatives not accounted for as hedges</b> |                 |                 |                  |               |               |               |
| Foreign currency forward contracts             | 318.5           | 124.0           | 0.9              | -             | 1.8           | -             |
| Interest rate swap contracts                   | 125.0           | 125.0           | -                | 1.8           | -             | 0.5           |
| <b>Total</b>                                   | <b>\$ 452.2</b> | <b>\$ 258.7</b> | <b>\$ 0.9</b>    | <b>\$ 1.9</b> | <b>\$ 2.3</b> | <b>\$ 0.5</b> |

### 9. Fair Value Measurements

Assets and liabilities of the Company that are carried 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 Company's financial instruments consist primarily of cash and cash equivalents, restricted cash and cash equivalents, restricted short-term investments, trade receivables, trade payables, debt and interest rate swaps.

At 30 June 2014, the Company's financial instruments consist primarily of cash and cash equivalents, restricted cash and cash equivalents, restricted short-term investments, trade receivables, trade payables, dividends payable, debt, interest rate swaps and foreign currency forward contracts.

*Cash and cash equivalents, Restricted cash and cash equivalents, Trade receivables, Trade payables and Dividend payables* – These items are recorded in the financial statements at historical cost. The historical cost basis for these amounts is estimated to approximate their respective fair values due to the short maturity of these instruments.

## James Hardie Industries plc

### Notes to Condensed Consolidated Financial Statements (Continued)

*Restricted short-term investments* – Restricted short-term investments are held and managed by AICF and are recorded in the financial statements at fair value. The fair value of restricted short-term investments is based on inputs that are observable in the market or can be derived principally from or corroborated by observable market data such as pricing for similar securities, recently executed transactions, cash flow models with yield curves and benchmark securities. Accordingly, restricted short-term investments are categorized as Level 2. Changes in fair value are recorded as other comprehensive income and included as a component in shareholders' equity.

*Debt* – Debt is generally recorded in the financial statements at historical cost. The carrying value of debt provided under the Company's credit facilities approximates fair value since the interest rates under these credit facilities are tied directly to market rates and fluctuate as market rates change. As of 30 June 2014, no debt was outstanding under the Company's existing credit facilities.

*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.

*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.

The following table sets forth by level within the fair value hierarchy, the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis at 30 June 2014 according to the valuation techniques the Company used to determine their fair values.

| (Millions of US dollars)                                     | Fair Value at<br>30 June 2014 | Fair Value Measurements<br>Using Inputs Considered as |               |             |
|--|-------------------------------|---|---------------|-------------|
|  |                               | Level 1   | Level 2       | Level 3     |
| <b>Assets</b>  |                               |   |               |             |
| Cash and cash equivalents                                    | \$ 32.1                       | \$ 32.1   | \$ -          | \$ -        |
| Restricted cash and cash equivalents                         | 53.7                          | 53.7  | -             | -           |
| Restricted short-term investments                            | 0.3                           | -   | 0.3           | -           |
| Forward contracts included in<br>Other Assets                | 0.9                           | -   | 0.9           | -           |
| <b>Total Assets</b>  | <b>\$ 87.0</b>                | <b>\$ 85.8</b>  | <b>\$ 1.2</b> | <b>\$ -</b> |
| <b>Liabilities</b>   |                               |   |               |             |
| Interest rate swap contracts<br>included in Accounts Payable | 1.8                           | \$ -  | \$ 1.8        | \$ -        |
| Forward contracts included in<br>Other Liabilities           | 0.1                           | -   | 0.1           | -           |
| <b>Total Liabilities</b>                                     | <b>\$ 1.9</b>                 | <b>\$ -</b>   | <b>\$ 1.9</b> | <b>\$ -</b> |

## James Hardie Industries plc

### Notes to Condensed Consolidated Financial Statements (Continued)

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#### 10. 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 weathertightness claims as described in these 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 the statute of limitations will apply in future periods.

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.

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 30 June 2014 and 31 March 2014, the amount of the provision for New Zealand weathertightness claims, net of estimated third-party recoveries, was US\$10.3 million and US\$12.7 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

## **James Hardie Industries plc**

### **Notes to Condensed Consolidated Financial Statements (Continued)**

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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 30 June 2014. Accordingly, due to the inherent uncertainties associated with estimating the amount of loss incurred for these matters, as discussed above, and based on information presently available, the Company believes it is possible that the ultimate resolution of these matters collectively could result in an additional loss of up to approximately US\$2.7 million in excess of the amount already accrued, net of estimated third-party recoveries, at 30 June 2014.

#### *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.

#### **11. Income Taxes**

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, the Philippines and The Netherlands. The Company is no longer subject to US federal examinations by US Internal Revenue Service ("IRS") and Australian federal examinations by the Australian Taxation Office ("ATO") for tax years prior to tax year 2010. The Company is no longer subject to examinations by The Netherlands tax authority, for tax years prior to tax year 2008.

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.

## James Hardie Industries plc

### Notes to Condensed Consolidated Financial Statements (Continued)

#### 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)                        | Unrecognised<br>tax benefits | Interest and<br>Penalties |
|---|------------------------------|---------------------------|
| <b>Balance at 31 March 2014</b>                 | <b>\$ 0.5</b>                | <b>\$ -</b>               |
| Additions for tax positions of the current year | \$ 0.1                       | \$ -                      |
| <b>Balance at 30 June 2014</b>                  | <b>\$ 0.6</b>                | <b>\$ -</b>               |

As of 30 June 2014, the total amount of unrecognized tax benefits and the total amount of interest and penalties accrued or prepaid by the Company related to unrecognized tax benefits that, if recognized, would affect the effective tax rate is US\$0.6 million and nil, respectively.

The Company recognizes penalties and interest accrued related to unrecognized tax benefits in income tax expense. During the three months ended 30 June 2014, the total amount of interest and penalties recognized in tax expense was nil. The liabilities associated with uncertain tax benefits are included in *Other Non-Current Liabilities* on the Company's Condensed Consolidated Balance Sheet.

#### **12. Stock-Based Compensation**

Total stock-based compensation expense consists of the following:

| (Millions of US dollars)                      | Three Months<br>Ended 30 June |               |
|---|-------------------------------|---------------|
|   | 2014                          | 2013          |
| Liability Awards Expense (Benefit)            | \$ 1.3                        | \$ (0.4)      |
| Equity Awards Expense                         | 1.9                           | 0.8           |
| <b>Total stock-based compensation expense</b> | <b>\$ 3.2</b>                 | <b>\$ 0.4</b> |

As of 30 June 2014, the unrecorded future stock-based compensation expense related to outstanding equity awards was US\$10.6 million after estimated forfeitures and will be recognized over an estimated weighted average amortization period of 1.5 years.

## James Hardie Industries plc

### Notes to Condensed Consolidated Financial Statements (Continued)

#### *Restricted Stock – performance vesting*

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 until the performance conditions are applied at the vesting date.

On 7 June 2014, 237,239 restricted stock units (performance vesting) that were granted on 7 June 2012 as part of the FY2012 long-term incentive award became fully vested and the underlying common stock was issued.

On 7 June 2013, 61,363 restricted stock units (performance vesting) that were granted on 7 June 2011 as part of the FY2011 long-term incentive award became fully vested and the underlying common stock was issued.

#### *Scorecard LTI – Cash Settled Units*

On 7 June 2014, 445,141 of the 716,536 Scorecard LTI units that were previously granted on 7 June 2011 as part of the FY2012 long-term incentive award became fully vested and the balance was paid. The cash amount paid to award recipients was based on JHI plc's common stock price on the vesting date.

On 29 June 2013, 324,027 of the 821,459 Scorecard LTI units that were previously granted on 29 June 2010 as part of the FY2011 long-term incentive award became fully vested and the balance lapsed as a result of the Board's exercise of negative discretion.

### 13. Capital Management and Dividends

The following table summarizes the dividends declared during the three months ended 30 June 2014 and the years ended 31 March 2014 and 2013:

| (Millions of US dollars)              | US<br>Cents/Security | US\$ Total<br>Amount | Announcement Date | Record Date      | Payment Date  |
|---------------------------------------|----------------------|----------------------|-------------------|------------------|---------------|
| FY 2014 special dividend              | 0.20                 | 89.4                 | 22 May 2014       | 12 June 2014     | 8 Aug 2014    |
| FY 2014 second half dividend          | 0.32                 | 143.0                | 22 May 2014       | 12 June 2014     | 8 Aug 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  |

For the three months ended 30 June 2014, the Company repurchased and cancelled 715,000 shares of its common stock, with an aggregate cost of A\$9.8 million (US\$9.1 million), at an average market price of A\$13.69 (US\$12.73). Under the share buyback program announced in May 2013, the Company repurchased and cancelled 2,610,214 shares of its common stock, with an aggregate cost of A\$34.3 million (US\$31.2 million), at an average market price of A\$13.14 (US\$11.96).

In May 2014, the Company announced a new share buyback program to acquire up to 5% of its issued capital.



## James Hardie Industries plc

### Notes to Condensed Consolidated Financial Statements (Continued)

#### 14. 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 senior management. USA and Europe Fiber Cement manufactures fiber cement interior linings, exterior siding products and related accessories in the United States; these products are sold in the United States, Canada and Europe. Asia Pacific Fiber Cement includes all fiber cement manufactured in Australia, New Zealand and the Philippines and sold in Australia, New Zealand, Asia, the Middle East (Israel, Kuwait, Qatar and United Arab Emirates), and various Pacific Islands. Research and Development represents the cost incurred by the research and development centers. General Corporate primarily consists of 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 are the Company's operating segments and geographical information:

| (Millions of US dollars)  | Net Sales to Customers <sup>1</sup><br>Three Months Ended 30 June |                 |
|---------------------------|---|-----------------|
|                           | 2014  | 2013            |
| USA & Europe Fiber Cement | \$ 321.5  | \$ 278.1        |
| Asia Pacific Fiber Cement | 95.3  | 94.1            |
| Worldwide total           | <u>\$ 416.8</u>   | <u>\$ 372.2</u> |

| (Millions of US dollars)                  | Income Before Income Taxes<br>Three Months Ended 30 June |                 |
|---|--|-----------------|
|   | 2014   | 2013            |
| USA & Europe Fiber Cement <sup>2</sup>    | \$ 68.0  | \$ 59.4         |
| Asia Pacific Fiber Cement <sup>2, 7</sup> | 22.0   | 16.5            |
| Research and Development <sup>2</sup>     | (6.8)  | (6.1)           |
| Segments total                            | <u>83.2</u>  | <u>69.8</u>     |
| General Corporate <sup>3</sup>            | (32.8)   | 87.1            |
| Total operating income                    | <u>50.4</u>  | <u>156.9</u>    |
| Net interest expense <sup>4</sup>         | (1.1)  | 0.1             |
| Other income                              | (3.7)  | 0.1             |
| Worldwide total                           | <u>\$ 45.6</u>   | <u>\$ 157.1</u> |

**James Hardie Industries plc**  
**Notes to Condensed Consolidated Financial Statements (Continued)**

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| (Millions of US dollars)          | Total Identifiable Assets |                   |
|-----------------------------------|---------------------------|-------------------|
|                                   | 30 June<br>2014           | 31 March<br>2014  |
| USA & Europe Fiber Cement         | \$ 812.4                  | \$ 782.6          |
| Asia Pacific Fiber Cement         | 250.8                     | 237.6             |
| Research and Development          | 20.2                      | 19.7              |
| Segments total                    | <u>1,083.4</u>            | <u>1,039.9</u>    |
| General Corporate <sup>5, 6</sup> | 916.9                     | 1,066.6           |
| Worldwide total                   | <u>\$ 2,000.3</u>         | <u>\$ 2,106.5</u> |

| (Millions of US dollars) | Net Sales to Customers <sup>1</sup> |                 |
|--------------------------|-------------------------------------|-----------------|
|                          | Three Months Ended 30 June<br>2014  | 2013            |
| USA                      | \$ 311.5                            | \$ 270.6        |
| Australia                | 67.6                                | 67.6            |
| New Zealand              | 16.4                                | 15.6            |
| Other Countries          | 21.3                                | 18.4            |
| Worldwide total          | <u>\$ 416.8</u>                     | <u>\$ 372.2</u> |

| (Millions of US dollars)          | Total Identifiable Assets |                   |
|-----------------------------------|---------------------------|-------------------|
|                                   | 30 June<br>2014           | 31 March<br>2014  |
| USA                               | \$ 812.4                  | \$ 785.8          |
| Australia                         | 189.9                     | 176.3             |
| New Zealand                       | 29.0                      | 29.4              |
| Other Countries                   | 52.1                      | 48.4              |
| Segments total                    | <u>1,083.4</u>            | <u>1,039.9</u>    |
| General Corporate <sup>5, 6</sup> | 916.9                     | 1,066.6           |
| Worldwide total                   | <u>\$ 2,000.3</u>         | <u>\$ 2,106.5</u> |

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<sup>1</sup> Export sales and inter-segmental sales are not significant.

## James Hardie Industries plc

### Notes to Condensed Consolidated Financial Statements (Continued)

<sup>2</sup> The following table summarizes research and development costs by segment:

| (Millions of US dollars)              | Three Months<br>Ended 30 June |               |
|---------------------------------------|-------------------------------|---------------|
|                                       | 2014                          | 2013          |
| USA & Europe Fiber Cement             | \$ 1.8                        | \$ 3.1        |
| Asia Pacific Fiber Cement             | 0.3                           | 0.4           |
| Research and Development <sup>a</sup> | 6.3                           | 5.5           |
|                                       | <u>\$ 8.4</u>                 | <u>\$ 9.0</u> |

<sup>a</sup> The R&D segment also included SG&A expenses of \$0.5 million and \$0.6 million for the three months ended 30 June 2014 and 2013, respectively.

<sup>3</sup> Included in the General Corporate segment for the three months ended 30 June 2014 are unfavorable asbestos adjustments of US\$21.5 million and AICF SG&A expenses of US\$0.6 million. Included in the General Corporate segment for the three months ended 30 June 2013 are favorable asbestos adjustments of US\$94.5 million and AICF SG&A expenses of US\$0.5 million.

<sup>4</sup> The Company does not report net interest income for each operating segment as operating segments are not held directly accountable for interest expense. Included in net interest income is AICF interest income of US\$0.4 million and US\$1.1 million in the three months ended 30 June 2014 and 2013, respectively. See Note 7 for more information.

<sup>5</sup> 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 the General Corporate segment.

<sup>6</sup> Asbestos-related assets at 30 June 2014 and 31 March 2014 are US\$795.2 million and US\$812.4 million, respectively, and are included in the General Corporate segment.

<sup>7</sup> Included in the Asia Pacific Fiber Cement segment are adjustments to the provision for New Zealand product liability claims. For the three months ended 30 June 2014 and 2013, the provision was adjusted for a decrease of US\$1.3 million and an increase of US\$4.6 million, respectively. See Note 10 for more information.

#### 15. Reclassifications Out of Accumulated Other Comprehensive Income

During the quarter ended 30 June 2014 there were no reclassifications out of *Accumulated Other Comprehensive Income*:

| (Millions of US dollars)                          | Pension and<br>Post-Retirement<br>Benefit<br>Adjustment | Cash Flow<br>Hedges | Foreign<br>Currency<br>Translation<br>Adjustments | Total          |
|---|---|---------------------|---|----------------|
| Balance at 31 March 2014                          | \$ (0.3)  | \$ 0.9              | \$ 32.5   | \$ 33.1        |
| Other comprehensive loss before reclassifications | -   | -                   | 5.5   | 5.5            |
| Cash flow hedges                                  | -   | (0.5)               | -   | (0.5)          |
| Net current-period other comprehensive loss       | -   | (0.5)               | 5.5   | 5.0            |
| <b>Balance at 30 June 2014</b>                    | <b>\$ (0.3)</b>   | <b>\$ 0.4</b>       | <b>\$ 38.0</b>                                    | <b>\$ 38.1</b> |