## Results for Announcement to the Market

## James Hardie Industries plc

ARBN 097829895

| Appendix 4E - Preliminary Final Report Year Ended 31 March 2021 |  |  |  |  |
| :--- | :---: | :---: | :---: | :---: | :---: |
| Key Information | Year Ended 31 March |  |  |  |
|  | FY 2021 <br> US $\$ M$ | FY 2020 <br> US $\$ M$ | Movement |  |
| Net Sales From Ordinary Activities | $2,908.7$ | $2,606.8$ | Up | $12 \%$ |
| Profit From Ordinary Activities After Tax Attributable to <br> Shareholders | 262.8 | 241.5 | Up | $9 \%$ |
| Net Profit Attributable to Shareholders | 262.8 | 241.5 | Up | $9 \%$ |
| Net Tangible Assets per Ordinary Share | US\$1.52 | US\$1.52 | Flat | $0 \%$ |

## Dividend Information

- On 9 February 2021, the Company announced its intention to reinstate ordinary dividends in fiscal year 2022, beginning with a first half fiscal year 2022 dividend to be declared in November 2021.
- The FY2021 special dividend ("FY2021 special dividend") of US0.70 cents per security was paid to CUFS holders on 30 April 2021.
- The FY2021 special dividend and future dividends will be unfranked for Australian taxation purposes.
- The Company was required to deduct Irish DWT of $25 \%$ of the gross dividend amount from this dividend and will be required to for future dividends, unless the beneficial owner has completed and returned a non-resident declaration form (DWT Form).
- The Australian currency equivalent amount of the FY2021 special dividend paid to CUFS holders was 89.94 Australian cents.
- No dividend reinvestment plan is currently in operation for the FY2021 special dividend.


## Movements in Controlled Entities during the full year Ended 31 March 2021

The following entities were dissolved: CGC Products LLC (30 March 2021); Roan Tools LLC (30 March 2021); and Razor Composites LLC (30 March 2021).

## Associates and Joint Venture Entities

FELS Recycling GmbH (51\%); Aplicaciones Minerales S.A. (28\%)

## Audit

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

Results for the 4th Quarter and Year Ended 31 March 2021

## Contents

1. Media Release
2. Management's Analysis of Results
3. Management Presentation
4. Consolidated Financial Statements
5. KPMG Actuarial Report

Exhibit 99.3

## James Hardie Industries Announces Record Fourth Quarter And Fiscal Year 2021 Results

Global Net Sales +20\% to US\$807.0 Million for the Fourth Quarter Global Adjusted EBIT +43\% to US\$173.1 Million for the Fourth Quarter Adjusted Net Income (NOPAT) +44\% to US\$124.9 Million for the Fourth Quarter Every Operating Region Delivered Double-Digit Net Sales and Double-Digit EBIT Growth for the Fourth Quarter<br>Global Net Sales $\mathbf{+ 1 2 \%}$ to US\$2.9 Billion for the Fiscal Year<br>Global Adjusted EBIT +29\% to US $\mathbf{\$ 6 2 9 . 0}$ Million for the Fiscal Year<br>Adjusted Net Income (NOPAT) +30\% to US\$458.0 Million for the Fiscal Year<br>Operating Cash Flow +74\% to US\$786.9 Million for the Fiscal Year<br>Fiscal Year 2022 Adjusted Net Income Guidance Range of US\$520 Million to US\$570 Million

James Hardie Industries plc (ASX: JHX; NYSE: JHX), the world's \#1 producer and marketer of highperformance fiber cement and fiber gypsum building solutions, announced record results for its fourth quarter and fiscal year ending 31 March 2021.

Fourth Quarter Fiscal Year 2021 Highlights, Compared to Fourth Quarter Fiscal Year 2020, as Applicable:

- North America Fiber Cement Segment Net Sales increased $+17 \%$ to US $\$ 555.3$ Million and Adjusted EBIT increased $+27 \%$ to US\$152.9 Million in US Dollars, with Adjusted EBIT margin expansion of 220 basis points to $27.5 \%$
- Europe Building Products Segment Net Sales increased $+12 \%$ to $€ 104.6$ Million and EBIT increased to €15.7 Million in Euros, with record EBIT margin of $15.0 \%$
- Asia Pacific Fiber Cement Segment Net Sales increased $+11 \%$ to $\mathrm{A} \$ 162.6$ Million and Adjusted EBIT increased $+46 \%$ to $A \$ 43.7$ Million in Australian Dollars, with EBIT margin expansion of 630 basis points to 26.8\%
- Group Adjusted EBIT margin of $21.4 \%$, an expansion of 340 bps

James Hardie CEO, Dr. Jack Truong, said, "I am proud of our globally integrated team's ability to close out the fiscal year with a fourth quarter of exceptionally strong results. We have now delivered eight consecutive quarters of consistent profitable growth, including record financial results each of the past three quarters. Our performance in fiscal year 2021 marked a significant step change across multiple facets of our Global Company that allowed us to deliver this consistent profitable growth on an expanding global scale. Over the past twelve months, we were able to accelerate our strategy: (i) to unlock capacity and increase efficiency in our global manufacturing network through LEAN initiatives, and (ii) to better integrate our supply chain with our customers, which collectively drove consistent market share gains in all three regions."
"Partnering more closely with our customers has resulted in eight straight quarters of above market growth with strong returns. LEAN initiatives are improving the quality and efficiency of our world-class manufacturing capabilities, which contributed a meaningful portion of the 340 basis point Adjusted EBIT margin expansion in fiscal year 2021. Our integrated approach connecting our supply chain with market demand through our customers and to our LEAN network of plants led to increased sales with more efficient working capital which
resulted in a $74 \%$ increase in our operating cash flow to US\$786.9 million. We have met and surpassed all of the goals that we set for our Company in February 2019," added Dr. Truong.

Dr. Truong continued, "Our expanded focus for fiscal year 2022 and beyond is to execute on the three strategic initiatives that we introduced in February 2021. This includes commercializing global product innovation, further penetrating into existing and new market opportunities, and extending the James Hardie brand from a premium professional brand into a market-leading consumer brand. We are on or ahead of plan for each of these initiatives. This month, we are launching our first phase of innovation. This market-driven innovation represents a cornerstone of our organic growth potential in the coming years. In April, we began to roll out a global marketing campaign to create demand directly with homeowners to position James Hardie as the trusted brand of premium quality products that provide endless design possibilities. We continue to execute LEAN through our growing, global network of plants to continue to reduce variation, increase efficiency and improve quality to serve our customers better every day. We could not be more excited for our future and the opportunity to further convert our strategic vision into tangible benefits for homeowners, our customers, our employees, and shareholders."

## Fourth Quarter Fiscal Year 2021 Results Compared to Fourth Quarter Fiscal Year 2020 Results

Global Net Sales of US\$807.0 million increased 20\% while Global Adjusted EBIT increased 43\% to US\$173.1 million. Global Adjusted Net Income, formerly referred to as NOPAT, increased $44 \%$ to US\$124.9 million, compared to US $\$ 86.6$ million. Global Adjusted EBIT margin expanded 340 basis points to $21.4 \%$, with continued operational improvement across all three regions: North America, Europe and Asia Pacific.

North America Fiber Cement Segment: Net sales increased 17\% on continued strength in exterior volume growth of $12 \%$, combined with improved price mix. LEAN manufacturing initiatives continued to generate improved performance across our North American manufacturing network, which helped to drive $27 \%$ Adjusted EBIT growth at a $27.5 \%$ margin. Dr. Truong remarked "The 17\% Net Sales growth and 27\% Adjusted EBIT growth in Q4 FY21 is truly an exceptional result, as it represents significant profitable growth on top of significant profitable growth. For reference, in Q4FY20, net sales increased 12\% and Adjusted EBIT increased 26\% vs Q4FY19."

Europe Building Products Segment: Adjusted EBIT increased to $€ 15.7$ million in Euros, compared to $€ 0.4$ million, resulting in a significant expansion in Adjusted EBIT margin to 15.0\%. The dramatic improvement was attributable to a net sales increase of $12 \%$ in Euros, a focus on gaining end user demand of our high value and high margin products, a decrease in production and distribution costs driven by LEAN manufacturing savings, and the improved supply chain integration with customers.

Asia Pacific Fiber Cement Segment: Adjusted EBIT grew 46\% in Australian Dollars, generating an Adjusted EBIT margin of $26.8 \%$, driven by a net sales increase of $11 \%$ combined with reduced production and distribution costs. The decision to consolidate Australia and New Zealand regional production volume into our two more efficient Australian plants has proven to be a key driver of margin expansion.

## Capital Resources

We generated record operating cash flow of US\$786.9 million in fiscal year 2021, up 74\% compared to US\$451.2 million in the prior fiscal year. The increase was a direct result of continuous improvement in our LEAN manufacturing performance, the integration of our supply chain with our customers, and strong profitable organic sales growth. Working capital improved by US\$105.3 million during fiscal year 2021. We achieved global LEAN savings of US\$107.4 million over the 24-month period since inception of LEAN, including US\$78.1 million LEAN savings in North America.

In January 2021, we used our strong cash position to voluntarily redeem our $4.75 \%$ senior unsecured notes due 2025 with a payment of US $\$ 409.5$ million in principal and call premium, resulting in anticipated interest savings of approximately US $\$ 20$ million per annum. Primarily due to the redemption, our gross debt balance decreased to US $\$ 868.3$ million as of 31 March 2021, compared to US $\$ 1,370.7$ million at 31 March 2020. We entered fiscal 2022 with a solid liquidity position of US $\$ 703.8$ million, including cash on hand of US $\$ 208.5$ million and a leverage ratio of $0.85 x$, as of 31 March 2021.

## Capital Management

In April 2021, we paid a special dividend of US\$0.70 cents per share to shareholders of record as of 19 February 2021. We intend to resume our ordinary dividend policy in fiscal year 2022, beginning with a first half fiscal year 2022 dividend to be declared in November 2021.

James Hardie CFO, Jason Miele, stated, "The fiscal year 2021 step-change in cash flow generation was an impressive testament to our ongoing efforts to transform James Hardie into a high-performing, world-class organization. Our ability to resume issuance of dividends earlier than expected, and our recent pay down of debt, affirm our confidence in continued strong cash generation moving forward. We believe our ability to drive profitable growth will expand as we commercialize global innovations into new markets and further penetrate the repair and remodel market. Our strong balance sheet and cash flows put us in an advantageous position to internally fund investments that extend our brand with consumers, expand our global capacity, and commercialize market-driven product innovations. We look forward to executing on all our capital allocation objectives to fuel the next chapter of our organic growth strategy in fiscal year 2022 and beyond."

## Outlook and Earnings Guidance

The Company is experiencing strong growth momentum in its businesses across all three regions. Residential and market growth in the USA is expected to continue. The Company is introducing its outlook for fiscal year 2022, ending 31 March 2022. Management expects fiscal year 2022 Adjusted Net Income to be between US\$520 million and US\$570 million. The comparable prior year Adjusted Net Income for fiscal year 2021 was US\$458.0 million.

In addition to fiscal year 2022 Adjusted Net Income guidance, management has provided long-term targets (FY2022-FY2024) for annual Adjusted EBIT margin in each operating segment as follows:

- North America 25\%-30\%
- Asia Pacific 25\%-30\%
- Europe 11\%-16\%

James Hardie's guidance is based on current estimates and assumptions and is subject to several known and unknown uncertainties and risks, including those related to the COVID-19 pandemic. James Hardie continues to assess the impacts and the uncertainties of the COVID-19 pandemic on the geographic locations in which it operates, and the continuing impact of the pandemic on the Company's business and future financial performance remains uncertain.

Key Financial Information

| 1 | Q4 FY21 |  | Q4 FY20 |  | Change | Full Year FY21 |  | Full Year FY20 |  | Change |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Group (US\$ millions) |  |  |  |  |  |  |  |  |  |  |
| Net Sales | \$ | 807.0 | \$ | 673.2 | 20\% | \$ | 2,908.7 | \$ | 2,606.8 | 12\% |
| Adjusted EBIT |  | 173.1 |  | 121.0 | 43\% |  | 629.0 |  | 486.8 | 29\% |
| Adjusted EBIT Margin |  | 21.4\% |  | 18.0\% | 3.4 pts |  | 21.6\% |  | 18.7\% | 2.9 pts |
| Adjusted Net Income |  | 124.9 |  | 86.6 | 44\% |  | 458.0 |  | 352.8 | 30\% |
| Operating Cash Flow |  |  |  |  |  |  | 786.9 |  | 451.2 | 74\% |
|  |  |  |  |  |  |  |  |  |  |  |
| North America Fiber Cement (US\$ millions) |  |  |  |  |  |  |  |  |  |  |
| Net Sales | \$ | 555.3 | \$ | 474.5 | 17\% | \$ | 2,040.2 | \$ | 1,816.4 | 12\% |
| Adjusted EBIT |  | 152.9 |  | 120.0 | 27\% |  | 588.0 |  | 470.5 | 25\% |
| Adjusted EBIT Margin |  | 27.5\% |  | 25.3\% | 2.2 pts |  | 28.8\% |  | 25.9\% | 2.9 pts |
| Asia Pacific Fiber Cement (A\$ millions) |  |  |  |  |  |  |  |  |  |  |
| Net Sales | A\$ | 162.6 | A\$ | 146.1 | 11\% | A\$ | 635.2 | A\$ | 614.1 | 3\% |
| Adjusted EBIT |  | 43.7 |  | 29.9 | 46\% |  | 177.3 |  | 139.1 | 27\% |
| Adjusted EBIT Margin |  | 26.9\% |  | 20.5\% | 6.4 pts |  | 28.0\% |  | 22.7\% | 5.3 pts |
| Europe Building Products ( $€$ millions) |  |  |  |  |  |  |  |  |  |  |
| Net Sales | € | 104.6 | $€$ | 93.3 | 12\% | $€$ | 350.6 | $€$ | 334.2 | 5\% |
| Adjusted EBIT |  | 15.7 |  | 0.4 | 3,825\% |  | 35.9 |  | 14.9 | 141\% |
| Adjusted EBIT Margin |  | 15.0\% |  | 0.6\% | 14.4 pts |  | 10.4\% |  | 4.5\% | 5.9 pts |

## Further Information

Readers are referred to the Company's Consolidated Financial Statements and Management's Analysis of Results for the full year ended 31 March 2021 for additional information regarding the Company's results, including information regarding income taxes, the asbestos liability and contingent liabilities.

## Management Briefing for Analysts, Investors and Media

James Hardie will conduct a teleconference and audio webcast for analysts, investors and media on Tuesday 18 May 2021, 9:00am Sydney, Australia time (Monday 17 May 2021, 7:00pm New York City, USA time). Analysts, investors and media can access the management briefing via the following:

- Live Webcast: https://edge.media-server.com/mmc/p/aeqt82mb
- Live Teleconference Registration: https://s1.c-conf.com/diamondpass/10013759-prn8qg.html All participants wishing to join the teleconference will need to pre-register by navigating to https://s1.c-conf.com/diamondpass/10013759-prn8qg.html Once registered, you will receive a calendar invite with dial-in numbers and a unique PIN which will be required to join the call.
- Webcast Replay: Will be available two hours after the Live Webcast concludes at https://edge.media-server.com/mmc/p/aeqt82mb

Use of Non-GAAP Financial Information; Australian Equivalent Terminology
This Media Release includes financial measures that are not considered a measure of financial performance under generally accepted accounting principles in the United States (GAAP), such as Adjusted net operating profit and Adjusted EBIT. These non-GAAP financial measures should not be considered to be more meaningful than the equivalent GAAP measure. Management has included such measures to provide investors with an alternative method for assessing its operating results in a manner that is focused on the performance of its ongoing operations and excludes the impact of certain legacy items, such as asbestos adjustments. Additionally, management uses such non-GAAP financial measures for the same purposes. However, these non-GAAP financial measures are not prepared in accordance with GAAP, may not be reported by all of the Company's competitors and may not be directly comparable to similarly titled measures of the Company's competitors due to potential differences in the exact method of calculation. The Company is unable to forecast the comparable US GAAP financial measure for future periods due to, amongst other factors, uncertainty regarding the impact of actuarial estimates on asbestos-related assets and liabilities in future periods. For additional information regarding the non-GAAP financial measures presented in this Media Release, including a reconciliation of each non-GAAP financial measure to the equivalent GAAP measure, see the section titled "Non-GAAP Financial Measures" included in the Company's Management's Analysis of Results for the full year ended 31 March 2021.
in addition, this Media Release includes financial measures and descriptions that are considered to not be in accordance with GAAP, but which are consistent with financial measures reported by Australian companies, such as operating profit, EBIT and EBIT margin. Since the Company prepares its Consolidated Financial Statements in accordance with GAAP, the Company provides investors with a table and definitions presenting cross-references between each GAAP financial measure used in the Company's Consolidated Financial Statements to the equivalent non-GAAP financial measure used in this Media Release. See the sections titled "Non-GAAP Financial Measures" included in the Company's Management's Analysis of Results for the full year ended 31 March 2021.

## Forward-Looking Statements

This Media Release contains forward-looking statements and information that are necessarily subject to risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of James Hardie to be materially different from those expressed or implied in this release, including, among others, the risks and uncertainties set forth in Section 3 "Risk Factors" in James Hardie's Annual Report on Form 20-F for the year ended 31 March 2021; changes in general economic, political, governmental and business conditions globally and in the countries in which James Hardie does business; changes in interest rates; changes in inflation rates; changes in exchange rates; the level of construction generally; changes in cement demand and prices; changes in raw material and energy prices; changes in business strategy and various other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. James Hardie assumes no obligation to update or correct the information contained in this Media Release except as required by law.

This media release has been authorized by the James Hardie Board of Directors.

END

Investor/Media/Analyst Enquiries:
James Brennan-Chong
Director of Investor Relations and Market Intelligence

```
Telephone: +61296389205
Email: media@jameshardie.com.au
```

James Hardie Industries plc is a limited liability company incorporated in Ireland with its registered office at Europa House, 2nd Floor, Harcourt Centre, Harcourt Street, Dublin 2, D02 WR20, Ireland

## Management's Analysis of Results

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

This Management's Analysis of Results includes financial measures that are not considered a measure of financial performance under generally accepted accounting principles in the United States ("GAAP"). These non-GAAP financial measures should not be considered to be more meaningful than the equivalent GAAP measures. Management has included such measures to provide investors with an alternative method for assessing its financial condition and operating results in a manner that is focused on the performance of its ongoing operations. These measures exclude the impact of certain legacy items, such as asbestos adjustments, or significant non-recurring items, such as acquisition costs, asset impairments, as well as adjustments to tax expense. In addition, management provides an adjusted effective tax rate, which excludes the tax impact of the pre-tax special items (items listed above) and tax special items. Management believes that this non-GAAP tax measure provides an ongoing effective rate which investors may find useful for historical comparisons and for forecasting and is an alternative method of assessing the economic impact of taxes on the Company, as it more closely approximates payments to taxing authorities. Management uses such non-GAAP financial measures for the same purposes. These non-GAAP measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. These non-GAAP financial measures are not prepared in accordance with GAAP, may not be reported by all of the Company's competitors and may not be directly comparable to similarly titled measures of the Company's competitors due to potential differences in the exact method of calculation. For additional information regarding the non-GAAP financial measures presented in this Management's Analysis of Results, including a reconciliation of each non-GAAP financial measure to the equivalent GAAP measure, see the section titled "Non-GAAP Financial Measures." In addition, this Management's Analysis of Results includes financial measures and descriptions that are considered to not be in accordance with GAAP, but which are consistent with financial measures reported by Australian companies. Since James Hardie prepares its consolidated financial statements in accordance with GAAP, the Company provides investors with a table and definitions presenting cross-references between each GAAP financial measure used in the Company's consolidated financial statements to the equivalent non-GAAP financial measure used in this Management's Analysis of Results. See the section titled "Non-GAAP Financial Measures."

Net Income as discussed throughout this document was formerly referred to as net operating profit (loss) or NOPAT.

These documents, along with an audio webcast of the Management Presentation on 18 May 2021, are available from the Investor Relations area of our website at http://www.ir.jameshardie.com.au

Media/Analyst Enquiries:
Anna Collins

Telephone: +61288453356
Email: media@jameshardie.com.au

## James Hardie Industries plc Results for the Full Year Ended 31 March

| US\$ Millions | Full Year Ended 31 March |  |  |
| :---: | :---: | :---: | :---: |
|  | FY21 | FY20 | Change \% |
| Volume (mmsf) | 4,131.4 | 3,841.7 | 8 |
| Net sales | \$ 2,908.7 | \$ 2,606.8 | 12 |
| Cost of goods sold | $(1,857.0)$ | $(1,673.1)$ | (11) |
| Gross profit | 1,051.7 | 933.7 | 13 |
| Selling, general and administrative expenses | (389.6) | (415.8) | 6 |
| Research and development expenses | (34.3) | (32.8) | (5) |
| Restructuring expenses | (11.1) | (84.4) | 87 |
| Asbestos adjustments | (143.9) | (58.2) |  |
| EBIT | 472.8 | 342.5 | 38 |
| Interest, net | (47.8) | (54.4) | 12 |
| Loss on early debt extinguishment | (13.1) | - |  |
| Other income (expense) | 0.1 | (0.1) |  |
| Operating profit before income taxes | 412.0 | 288.0 | 43 |
| Income tax expense | (149.2) | (46.5) |  |
| Net income | \$ 262.8 | \$ 241.5 | 9 |
| Earnings per share - basic (US cents) <br> Earnings per share - diluted (US cents) | 59 59 | 55 |  |

Net sales increased $12 \%$ to US\$2,908.7 million, driven by higher volumes and average net sales price in all of our operating segments.

Gross profit of US $\$ 1,051.7$ million increased $13 \%$, in line with the $12 \%$ increase in our consolidated net sales.

Selling, general and administrative ("SG\&A") expenses decreased 6\% primarily driven by global cost containment actions, partially offset by higher legal fees and stock compensation expenses.

Research and development ("R\&D") expenses increased 5\%, due to our continued strategic focus on innovation.

Restructuring expenses for fiscal year 2021 consist solely of severance costs incurred in the first quarter related to a reduction in headcount across all regions. Fiscal year 2020 costs primarily relate to impairments of our Penrose, New Zealand and Summerville, USA plants, as well as impairment expenses for other noncore assets.

Asbestos adjustments primarily reflect the unfavorable effect of foreign exchange on Asbestos net liabilities of US\$123.0 million, and the unfavorable movement in the actuarial adjustment.

Interest, net decreased due to the repayment of our revolving credit facility in the first quarter, as well as the voluntary redemption of our 2025 senior unsecured notes in January 2021.

Loss on early debt extinguishment consists solely of costs associated with the voluntary redemption of our 2025 senior unsecured notes, specifically US $\$ 9.5$ million of call redemption premiums and US $\$ 3.6$ million related to the acceleration of unamortized financing costs.

## North America Fiber Cement Segment

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

|  | Full Year Ended 31 March |  |  |
| :--- | ---: | ---: | ---: |
|  | FY21 | FY20 | Change |
| Volume (mmsf) | $2,713.4$ | $2,481.6$ | $9 \%$ |
| Average net sales price per unit (per msf) | US\$745 | US\$725 | $3 \%$ |
| Fiber cement net sales | $2,040.2$ | $1,816.4$ | $12 \%$ |
| Gross profit |  |  | $12 \%$ |
| Gross margin (\%) |  |  | $(0.1 \mathrm{pts})$ |
| EBIT | 585.5 | 429.3 | $36 \%$ |
| EBIT margin (\%) | 28.7 | 23.6 | 5.1 pts |
| Restructuring expenses | 2.5 | 41.2 | $94 \%$ |
| Adjusted EBIT | 588.0 | 470.5 | $25 \%$ |
| Adjusted EBIT margin (\%) | 28.8 | 25.9 | 2.9 pts |

## FY21 vs FY20

Net sales increased 12\%, primarily driven by strong exteriors volume growth of $11 \%$. The $3 \%$ increase in average net sales price was primarily driven by favorable product mix and strategic pricing increases during the year.

The slight decrease in gross margin is comprised of the following components:

| Higher production and distribution costs | $(1.9 \mathrm{pts})$ |
| :--- | :---: |
| Higher average net sales price | 1.8 pts |
| Total percentage point change in gross margin | $(0.1 \mathrm{pts})$ |

Higher production and distribution costs primarily resulted from unfavorable freight costs and start-up costs related to the greenfield expansion in Prattville, Alabama, partially offset by lower pulp costs and lean manufacturing savings.

SG\&A expenses decreased, driven by cost containment actions, including lower headcount and reduced travel and marketing spend. As a percentage of sales, SG\&A expenses decreased 3.0 percentage points.

Restructuring expenses of US $\$ 2.5$ million consist solely of severance costs recorded in the first quarter related to a reduction in headcount across the region in order to strategically realign our resources. In the prior year, restructuring expenses of US $\$ 41.2$ million includes an impairment of US $\$ 12.0$ million associated with our Summerville plant, as well as US $\$ 29.2$ million related to a variety of non-core assets.

EBIT margin increased 5.1 percentage points to $28.7 \%$, driven by lower SG\&A expenses as a percentage of sales and lower restructuring expenses.

## Asia Pacific Fiber Cement Segment

The Asia Pacific Fiber Cement segment is comprised of the following regions: (i) Australia; (ii) New Zealand; and (iii) the Philippines.

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

| US\$ Millions | Full Year Ended 31 March |  |  |
| :--- | ---: | ---: | ---: |
|  | FY21 | FY20 | Change |
| Volume (mmsf) | 542.0 | 532.6 | $2 \%$ |
| Average net sales price per unit (per msf) | US\$762 | US\$700 | $9 \%$ |
| Fiber cement net sales | 458.2 | 418.4 | $10 \%$ |
| Gross profit |  |  | $18 \%$ |
| Gross margin (\%) |  |  | 2.7 pts |
| EBIT | 124.8 | 58.5 |  |
| EBIT margin (\%) | 27.2 | 14.0 | 13.2 pts |
| Restructuring expenses | 3.4 | 36.3 | $91 \%$ |
| Adjusted EBIT | 128.2 | 94.8 | $35 \%$ |
| Adjusted EBIT margin (\%) | 28.0 | 22.7 | 5.3 pts |

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

| A\$ Millions | Full Year Ended 31 March |  |  |
| :--- | ---: | ---: | ---: |
|  | FY21 | FY20 | Change |
| Volume (mmsf) | 542.0 | 532.6 | $2 \%$ |
| Average net sales price per unit (per msf) | A\$1,056 | A\$1,027 | $3 \%$ |
| Fiber cement net sales | 635.2 | 614.1 | $3 \%$ |
| Gross profit |  |  | $11 \%$ |
| Gross margin (\%) |  |  | 2.7 pts |
| EBIT | 172.4 | 80.8 |  |
| EBIT margin (\%) | 27.2 | 14.0 | 13.2 pts |
| Restructuring expenses | 4.9 | 58.3 | $92 \%$ |
| Adjusted EBIT | 177.3 | 139.1 | $27 \%$ |
| Adjusted EBIT margin (\%) | 28.0 | 22.7 | 5.3 pts |

## FY21 vs FY20 (A\$)

Net sales increased $3 \%$, as strong results in the last nine months of the fiscal year more than offset the lower volumes in the first quarter due to the COVID-19 government enforced lockdowns in the Philippines and New Zealand. The $3 \%$ increase in the average net sales price was driven by product and geographic mix, as well as our strategic price increases in Australia and New Zealand during the first quarter.

The increase in gross margin can be attributed to the following components:

| Higher average net sales price | 1.6 pts |
| :--- | :--- |
| Lower production and distribution costs | 1.1 pts |
| Total percentage point change in gross margin | 2.7 pts |

Lower production and distribution costs were driven by favorable plant performance, partially offset by the unfavorable absorption of manufacturing costs on lower production volumes due to the idled facilities in the Philippines and New Zealand in the first quarter.

SG\&A expenses decreased, primarily driven by cost containment actions, including lower headcount and reduced travel and marketing spend. As a percentage of sales, SG\&A expenses decreased 2.5 percentage points.

Restructuring expenses of A\$4.9 million consist solely of severance costs, primarily associated with our strategic decision to consolidate Australia and New Zealand regional production to our two Australia based plants, and a reduction in headcount across the region to realign our resources. In the prior year, restructuring expenses of A\$58.3 million primarily relates to our decision to close our Penrose, New Zealand plant, as well as our James Hardie Systems business.

EBIT margin of $27.2 \%$ represents an increase of 13.2 percentage points, primarily driven by lower restructuring expenses, as well as a higher gross margin and lower SG\&A expenses as a percentage of sales.

## Europe Building Products Segment

The Europe Building Products segment is comprised of: (i) Europe Fiber Cement; and (ii) Europe Fiber Gypsum.

Operating results for the Europe Building Products segment in US dollars were as follows:

| US\$ Millions | Full Year Ended 31 March |  |  |
| :---: | :---: | :---: | :---: |
|  | FY21 | FY20 | Change |
| Volume (mmsf) | 876.0 | 827.5 | 6\% |
| Average net sales price per unit (per msf) | US\$365 | US\$345 | 6\% |
| Fiber cement net sales | 55.3 | 48.0 | 15\% |
| Fiber gypsum net sales ${ }^{1}$ | 355.0 | 323.4 | 10\% |
| Net sales | 410.3 | 371.4 | 10\% |
| Gross profit |  |  | 9\% |
| Gross margin (\%) |  |  | (0.3 pts) |
| EBIT | 37.6 | 11.2 |  |
| EBIT margin (\%) | 9.2 | 3.0 | 6.2 pts |
| Restructuring expenses | 5.1 | 5.5 | 7\% |
| Adjusted EBIT | 42.7 | 16.7 |  |
| Adjusted EBIT margin (\%) | 10.4 | 4.5 | 5.9 pts |

1 Also includes cement bonded board net sales

Operating results for the Europe Building Products segment in Euros were as follows:

|  | Full Year Ended 31 March |  |  |
| :--- | ---: | ---: | ---: |
|  | FY21 | FY20 | Change |
| Volume (mmsf) | 876.0 | 827.5 | $6 \%$ |
| Average net sales price per unit (per msf) | $€ 312$ | $€ 311$ | $-\%$ |
| Fiber cement net sales | 47.2 | 43.3 | $9 \%$ |
| Fiber gypsum net sales |  |  |  |
| Net sales | 303.4 | 290.9 | $4 \%$ |
| Gross profit | 350.6 | 334.2 | $5 \%$ |
| Gross margin (\%) |  |  | $3 \%$ |
| EBIT |  |  | $(0.3 \mathrm{pts})$ |
| EBIT margin (\%) | 31.4 | 10.0 |  |
| Restructuring expenses | 9.2 | 3.0 | 6.2 pts |
| Adjusted EBIT | 4.5 | 4.9 | $8 \%$ |
| Adjusted EBIT margin (\%) | 35.9 | 14.9 |  |

[^0]
## FY21 vs FY20 (€)

Net sales increased 5\%, driven by increases in fiber cement and fiber gypsum net sales of $9 \%$ and $4 \%$, respectively. These increases were primarily driven by our continued execution of our shift to a customer integrated approach in the last nine months, partially offset by the $12 \%$ decrease in the first quarter resulting from the COVID-19 government enforced lockdowns.

The decrease in gross margin is attributed to the following components:

| Higher production and distribution costs | $(0.6 \mathrm{pts})$ |
| :--- | :---: |
| Higher average net sales price | 0.3 pts |
| Total percentage point change in gross margin | $(0.3 \mathrm{pts})$ |

Higher production and distribution costs resulted primarily from the unfavorable absorption of manufacturing costs on lower production volumes in the first quarter, including the impact of the COVID-19 related closures of our manufacturing plants in Orejo, Spain and Siglingen, Germany, partially offset by lean manufacturing savings.

SG\&A expenses decreased due to lower headcount and reduced travel and marketing spend. As a percentage of sales, SG\&A expenses decreased 6.3 percentage points.

Restructuring expenses of € $€ .5$ million consist solely of severance costs, primarily associated with the reduction of headcount across the region to strategically realign our resources. In the prior year, restructuring expenses primarily relate to the impairment of non-core assets.

EBIT margin of $9.2 \%$ increased 6.2 percentage points, driven by lower SG\&A expenses as a percentage of sales.

## General Corporate

Results for General Corporate were as follows:


General Corporate SG\&A expenses increased US\$32.9 million, driven by higher stock compensation expenses due to the increase in our stock price, as well as higher legal fees.

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

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

| FY21 |  | FY20 |  |
| :--- | ---: | :--- | ---: |
| 31 March 2020 | 0.6177 | 31 March 2019 | 0.7096 |
| 31 March 2021 | 0.7601 | 31 March 2020 | 0.6177 |
| Change (\$) | 0.1424 | Change (\$) | $(0.0919)$ |
| Change (\%) | 23 | Change (\%) | $(13)$ |

Asbestos adjustments recorded by the Company were made up of the following components:

| US\$ Millions | March |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | FY21 |  | FY20 |  |
| Increase in actuarial estimate | \$ | (32.5) | \$ | (128.0) |
| Effect of foreign exchange rate movements |  | (123.0) |  | 69.0 |
| Gain on foreign currency forward contracts |  | 11.7 |  | 0.8 |
| Other |  | (0.1) |  | - |
| Asbestos adjustments | \$ | (143.9) | \$ | (58.2) |

The increase in the actuarial adjustment for fiscal year 2021 is due to the annual inflation adjustment, partially offset by favorable claims reporting and lower claims sizes.

Mesothelioma claims reporting activity was favorable compared to actuarial expectations and the prior year, primarily driven by lower direct claims which typically cost significantly more than cross claims. In addition, as claimants' ages continue to increase, this has had a favorable effect on average claim size. As a result of these lower mesothelioma claims and lower average claims size, Asbestos gross cash outflows of A\$153.7 million for fiscal year 2021 were $10 \%$ below the actuarial expectation. Changes to the assumptions may be necessary in future periods should mesothelioma claims reporting escalate or decline.

Potential variation in the estimated peak period of claims has an impact much greater than the other assumptions used to derive the discounted central estimate. In performing the sensitivity assessment of the estimated incidence pattern reporting for mesothelioma, if the pattern of incidence was shifted by two years, the central estimate could increase by approximately $21 \%$ on a discounted basis.

Readers are referred to Note 12 of our 31 March 2021 consolidated financial statements for further information on asbestos.

Interest, net

| US\$ Millions | Full Year Ended 31 March |  |  |  |
| :--- | ---: | ---: | ---: | ---: |
|  | FY21 |  | FY20 | Change \% |
| Gross interest expense | $\$$ | $(58.0)$ | $\$$ | $(66.9)$ |
| Capitalized interest | 9.5 | 9.5 | - |  |
| Interest income | 0.2 | 13 | $(88)$ |  |
| Net AICF interest income | 0.5 | 1.4 | $(64)$ |  |
| Interest, net | $\$$ | $\mathbf{( 4 7 . 8 )}$ | $\$$ | $\mathbf{( 5 4 . 4})$ |

Gross interest expense decreased US\$8.9 million, primarily due to the repayment of our revolving credit facility in the first quarter and the redemption of our 2025 senior unsecured notes in the fourth quarter.

|  | Full Year Ended 31 March |  |
| :--- | ---: | ---: |
| Income tax expense (US\$ Millions) | FY21 | FY20 |
| Effective tax rate (\%) | $(149.2)$ | $(46.5)$ |
|  | 36.2 | 16.1 |
| Adjusted income tax expense ${ }^{1}$ (US\$ Millions) | $(109.7)$ | (78.1) |
| Adjusted effective tax rate $^{1}$ (\%) | 19.3 | 18.1 |

1 Includes tax adjustments related to the amortization benefit of certain US intangible assets, asbestos, and other tax adjustments

The effective tax rate increased 20.1 percentage points, primarily due to Asbestos and tax adjustments and a change in geographic mix.

The Adjusted effective tax rate increased 1.2 percentage points, primarily due to a change in geographic mix.

## Net Income



Adjusted net income of US $\$ 458.0$ million increased $30 \%$, driven by strong performance in all operating segments, partially offset by higher adjusted income tax expense and an increase in General Corporate SG\&A expenses of US $\$ 32.9$ million.

COVID-19

James Hardie continues to assess the impacts and the uncertainties of the COVID-19 pandemic on the geographic locations in which we operate, and the continuing impact of the pandemic on James Hardie's business and future financial performance still remains uncertain.

Cash Flow

| US\$ Millions | Full Year Ended 31 March |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | FY21 |  | FY20 |  | Change |  | Change \% |
| Net cash provided by operating activities | \$ | 786.9 | \$ | 451.2 | \$ | 335.7 | 74 \% |
| Net cash used in investing activities |  | (120.4) |  | (203.8) |  | 83.4 | 41 \% |
| Net cash used in financing activities |  | (540.2) |  | (179.0) |  | (361.2) |  |

Significant sources and uses of cash during fiscal year 2021 included:

- Cash provided by operating activities:
- Higher net sales and profitability in each of our regions led to net income, adjusted for noncash items, of US\$692.4 million;
- Working capital improvements: US $\$ 98.7$ million related to a reduction in inventory as we continue to execute our strategy to integrate our supply chain with our customers, and US\$6.6 million due to improvements in accounts receivable and accounts payable balances;
- CARES Act tax refund of US $\$ 64.8$ million; and
- Asbestos claims paid of US $\$ 105.3$ million.
- Cash used in investing activities:
- Capital expenditures of US $\$ 110.7$ million, primarily related to capacity expansion in Prattville, Alabama and Carole Park, Australia, as well as other maintenance projects.
- Cash used in financing activities:
- Repayment of entire US $\$ 130.0$ million balance on our revolving credit facility;
- Redemption of US $\$ 400.0$ million 2025 senior unsecured notes; and
- Payment of US $\$ 9.5$ million call premium to note holders.


## Capacity Expansion

We expect our capital expenditures to be approximately US\$250.0 million annually for the next three fiscal years. The Carole Park, Australia brownfield expansion was commissioned in the third quarter of fiscal year 2021, and our Prattville, Alabama greenfield site commissioned its first sheet machine in March 2021, and the second sheet machine is expected to be commissioned in July 2021.

Our cash position increased by US\$64.1 million, from US\$144.4 million at 31 March 2020 to US\$208.5 million at 31 March 2021.

Our gross debt balance reduced from US $\$ 1,370.7$ million at 31 March 2020, to US $\$ 868.3$ million as of 31 March 2021, primarily a result of our voluntary redemption of our US $\$ 400.0$ million 2025 senior unsecured notes. In addition, at 31 March 2021, we had no amounts drawn from our US $\$ 500.0$ million unsecured revolving facility, compared to US\$130.0 million at 31 March 2020. Subsequent to 31 March 2021, we drew US $\$ 110.0$ million under our revolving credit facility to partially fund the payment of the fiscal year 2021 special dividend.

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

## Capital Management

We periodically review our capital structure and capital allocation objectives and expect the following capital management focus in the short term:

- Preserve strong liquidity position and financial flexibility;
- Invest in capacity expansion and market led innovation to support organic growth;
- Maintain leverage ratio of $1-2 x$; and
- Return capital to shareholders
- Returned over US $\$ 300$ million through special dividend in April 2021
- Reinstating ordinary dividends in FY22, beginning with a half-year dividend to be declared in November 2021


## Other Asbestos Information

Claims Data

|  | Full Year Ended 31 March |  |  |
| :--- | ---: | ---: | ---: |
|  | FY21 | FY20 | Change \% |
| Claims received | 545 | 657 | 17 |
| Direct claims | 392 | 449 | 13 |
| $\quad$ Cross claims | 153 | 208 | 26 |
| Actuarial estimate for the period | 624 | 564 | $(11)$ |
| Difference in claims received to actuarial estimate | 79 | $(93)$ |  |
| Average claim settlement (A\$) |  |  |  |
| Actuarial estimate for the period (A\$) | 248,000 | 277,000 | 10 |
| Difference in claims paid to actuarial estimate | 296,000 | 306,000 | 3 |

For the full year ended 31 March 2021, we noted the following related to asbestos-related claims:

- Net cash outflow was 13\% below actuarial expectations;
- Gross cash outflow was $10 \%$ below actuarial expectations;
- Total claims received were 13\% below actuarial expectations and 17\% below fiscal year 2020;
- Mesothelioma claims reported were 9\% below actuarial expectations and $13 \%$ below fiscal year 2020;
- Number of claims settled were 8\% below actuarial expectations and 3\% below fiscal year 2020;
- Average claim settlement was $16 \%$ below actuarial expectations and $10 \%$ below fiscal year 2020; and
- Average claim settlement sizes were lower than actuarial expectations for all mesothelioma age groups.


## AICF Funding

We funded US $\$ 153.3$ million to AICF during fiscal year 2021, as provided under the AFFA. From the time AICF was established in February 2007 through the date of this Report, we have contributed approximately $\mathrm{A} \$ 1,571.0$ million to the fund.

We anticipate that we will make contributions totaling approximately US $\$ 252.6$ million to AICF during fiscal year 2022. This amount represents $35 \%$ of our free cash flow of US $\$ 721.6$ million. Our free cash flow, as defined by the AFFA, is our operating cash flow per US GAAP in effect in December 2004. To reconcile our current year operating cash flow of US\$786.9 million to 2004 US GAAP, a US $\$ 65.3$ million adjustment is required.

Readers are referred to Notes 1 and 12 of our 31 March 2021 consolidated financial statements for further information on asbestos.

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

| Management's Analysis of Results and | Consolidated Statements of Operations and <br> Other Comprehensive Income (Loss) (US |
| :--- | :--- |
| Media Release | GAAP) |
| EBIT | Operating income (loss) |
| Operating profit (loss) before income taxes | Income (loss) before income taxes |

EBIT - Earnings before interest and tax.
EBIT margin - EBIT margin is defined as EBIT as a percentage of net sales.
EBITDA - Earnings before interest, tax, depreciation and amortization.
EBITDA margin - EBITDA as a percentage of net sales.

## Sales Volume

$\underline{m m s f}$ - million square feet, where a square foot is defined as a standard square foot of $5 / 16$ " thickness.
$\underline{m s f}$ - thousand square feet, where a square foot is defined as a standard square foot of $5 / 16$ " thickness.

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

- Adjusted EBIT;
- North America Fiber Cement Segment Adjusted EBIT;
- Asia Pacific Fiber Cement Segment Adjusted EBIT;
- Europe Building Products Segment Adjusted EBIT;
- Adjusted EBIT margin;
- North America Fiber Cement Segment Adjusted EBIT margin;
- Asia Pacific Fiber Cement Segment Adjusted EBIT margin;
- Europe Building Products Segment Adjusted EBIT margin;
- Adjusted interest, net;
- Adjusted net income;
- Adjusted operating profit before income taxes;
- Adjusted income tax expense;
- Adjusted effective tax rate;
- Adjusted EBITDA;
- Adjusted EBITDA excluding Asbestos; and
- Adjusted return on capital employed (Adjusted "ROCE").

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

## Non-financial Terms

AFFA - Amended and Restated Final Funding Agreement
AICF - Asbestos Injuries Compensation Fund Ltd

Financial Measures - GAAP equivalents

## Adjusted EBIT

| US\$ Millions | Full Year Ended 31 March |  |
| :---: | :---: | :---: |
|  | FY21 | FY20 |
| EBIT | \$ 472.8 | \$ 342.5 |
| Asbestos: |  |  |
| Asbestos adjustments | 143.9 | 58.2 |
| AICF SG\&A expenses | 1.2 | 1.7 |
| Restructuring expenses | 11.1 | 84.4 |
| Adjusted EBIT | \$ 629.0 | \$ 486.8 |
| Net sales | 2,908.7 | 2,606.8 |
| Adjusted EBIT margin | 21.6\% | 18.7\% |

## North America Fiber Cement Segment Adjusted EBIT



## Asia Pacific Fiber Cement Segment Adjusted EBIT

| US\$ Millions | Full Year Ended 31 March |  |  |
| :---: | :---: | :---: | :---: |
|  | FY21 | FY20 |  |
| Asia Pacific Fiber Cement Segment EBIT | \$ 124.8 | \$ | 58.5 |
|  |  |  |  |
| Restructuring expenses | 3.4 |  | 36.3 |
| Asia Pacific Fiber Cement Segment Adjusted EBIT | \$ 128.2 | \$ | 94.8 |
| Asia Pacific Fiber Cement segment net sales | 458.2 |  | 418.4 |
| Asia Pacific Fiber Cement Segment Adjusted EBIT margin | 28.0\% |  | 22.7\% |

## Europe Building Products Segment Adjusted EBIT

| US\$ Millions | Full Year Ended 31 March |  |  |
| :---: | :---: | :---: | :---: |
|  | FY21 | FY20 |  |
| Europe Building Products Segment EBIT | 37.6 | \$ | 11.2 |
| Restructuring expenses | 5.1 |  | 5.5 |
| Europe Building Products Segment Adjusted EBIT | 42.7 |  | 16.7 |
| Europe Building Products segment net sales | 410.3 |  | 371.4 |
| Europe Building Products Segment Adjusted EBIT margin | 10.4\% |  | 4.5\% |

## Adjusted interest, net

| US\$ Millions | Full Year Ended 31 March |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | FY21 |  | FY20 |  |
| Interest, net | \$ | (47.8) | \$ | (54.4) |
| AICF interest income, net |  | 0.5 |  | 1.4 |
| Adjusted interest, net | \$ | (48.3) | \$ | (55.8) |

## Adjusted net income

| US\$ Millions | Full Year Ended 31 March |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | FY21 |  | FY20 |  |
| Net income | \$ | 262.8 | \$ | 241.5 |
| Asbestos: |  |  |  |  |
| Asbestos adjustments |  | 143.9 |  | 58.2 |
| AICF SG\&A expenses |  | 1.2 |  | 1.7 |
| AICF interest income, net |  | (0.5) |  | (1.4) |
| Restructuring expenses |  | 11.1 |  | 84.4 |
| Tax adjustments ${ }^{1}$ |  | 39.5 |  | (31.6) |
| Adjusted net income | \$ | 458.0 | \$ | 352.8 |

[^1]Adjusted effective tax rate

| US\$ Millions | Full Year Ended 31 March |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | FY21 |  | FY20 |  |
| Operating profit before income taxes | \$ | 412.0 | \$ | 288.0 |
| Asbestos: |  |  |  |  |
| Asbestos adjustments |  | 143.9 |  | 58.2 |
| AICF SG\&A expenses |  | 1.2 |  | 1.7 |
| AICF interest income, net |  | (0.5) |  | (1.4) |
| Restructuring expenses |  | 11.1 |  | 84.4 |
| Adjusted operating profit before income taxes | \$ | 567.7 | \$ | 430.9 |
|  |  |  |  |  |
| Income tax expense |  | (149.2) |  | (46.5) |
| Tax adjustments ${ }^{1}$ |  | 39.5 |  | (31.6) |
| Adjusted income tax expense | \$ | (109.7) | \$ | (78.1) |
| Effective tax rate |  | 36.2\% |  | 16.1\% |
| Adjusted effective tax rate |  | 19.3\% |  | 18.1\% |

1 Includes tax adjustments related to the amortization benefit of certain US intangible assets, asbestos, and other tax adjustments

## Adjusted EBITDA excluding Asbestos

| US\$ Millions | Full Year Ended 31 March |  |
| :--- | ---: | ---: |
|  | FY21 | FY20 |
| EBIT | $\mathbf{4 7 2 . 8}$ | $\$$ |
| Depreciation and amortization | 135.0 | 131.5 |
| Adjusted EBITDA | $\mathbf{6 0 7 . 8}$ | $\mathbf{4 7 4 . 0}$ |
| Asbestos: |  |  |
| Asbestos adjustments | 143.9 | 58.2 |
| AICF SG\&A expenses | 1.2 | 1.7 |
| Adjusted EBITDA excluding Asbestos | $\mathbf{7 5 2 . 9}$ | $\$$ |

Adjusted Return on Capital Employed ("Adjusted ROCE")

| US\$ Millions | Full Year Ended 31 March |  |
| :---: | :---: | :---: |
|  | FY21 | FY20 |
| Numerator |  |  |
| Adjusted EBIT for ROCE ${ }^{1}$ | \$ 629.0 | \$ 486.8 |
| Denominator |  |  |
| Gross capital employed (GCE) | 1,780.8 | 1,753.7 |
| Adjustments to GCE ${ }^{2}$ | (193.6) | (195.5) |
| Adjusted gross capital employed | \$ 1,587.2 | \$ 1,558.2 |
| Adjusted ROCE | 39.6\% | 31.2\% |
| 1 There were no adjustments as calculated according to ROCE stock compensation plan documents |  |  |
| ${ }^{2}$ Calculated as Total Assets minus Current Liabilities as reported in our financial results; adjusted by (i) excluding balance sheet items related to legacy issues (such as asbestos adjustments) dividends payables and deferred taxes; (ii) adding back asset impairment charges in the relevant period, unless otherwise determined by the renumeration committee; and (iii) deducting all greenfield construction-in-progress, and any brownfield construction-in-progress projects involving capacity expansion that are individually greater than US\$20 million, until such assets reach commercial production and are transferred to the fixed asset register |  |  |

# FORWARD-LOOKING <br> STATEMENTS 


#### Abstract

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

Examples of forward-looking statements include: - statements about the Company's future performance; - projections of the Company's results of operations or financial condition; - statements regarding the Company's plans, objectives or goals, including those relating to strategies, initiatives, competition, acquisitions, dispositions and/or its products; - expectations concerning the costs associated with the suspension or closure of operations at any of the Company's plants and future plans with respect to any such plants; - expectations concerning the costs associated with the significant capital expenditure projects at any of the Company's plants and future plans with respect to any such projects; - expectations regarding the extension or renewal of the Company's credit facilities including changes to terms, covenants or ratios; - expectations concerning dividend payments and share buy-backs; - statements concerning the Company's corporate and tax domiciles and structures and potential changes to them, including potential tax charges; uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate benchmark; - uncertainty from the expected discontinuance of LIBOR and transition to any other inter - $\quad$ statements regarding the effect and consequences of the COVID-19 public health crisis; - statements regarding tax liabilities and related audits, reviews and proceedings; - statements regarding the possible consequences and/or potential outcome of legal proceedings brought against us and the potential liabilities, if any, associated with such proceedings; expectations about the timing and amount of contributions to AICF, a special purpose fund for the compensation of proven Australian asbestos-related personal injury and death claims; expectations concerning the adequacy of the Company's warranty provisions and estimates for future warranty-related costs; statements regarding the Company's ability to manage legal and regulatory matters (including but not limited to product liability, environmental, intellectual property and competition law matters) and to resolve any such pending legal and regulatory matters within current estimates and in anticipation of certain third-party recoveries; and statements about economic or housing market conditions in the regions in which we operate, including but not limited to, the levels of new home construction and home renovations, unemployment levels, changes in consumer income, changes or stability in housing values, the availability of mortgages and other financing, mortgage and other interest rates, housing affordability and supply, the levels of foreclosures and home resales, currency exchange rates, and builder and consumer confidence.


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

Forward-looking statements are based on the Company's current expectations, estimates and assumptions and because forward-looking statements address future results, events and conditions, they, by their very nature, involve inherent risks and uncertainties, many of which are unforeseeable and beyond the Company's control. Such known and unknown risks, uncertainties and other factors may cause actual results, performance or other achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. These factors, some of which are discussed under "Risk Factors" in Section 3 of the Form $20-F$ filed with the Securities and Exchange Commission on 18 May 2021, include, but are not limited to: all matters relating to or arising out of the prior manufacture of products that contained asbestos by current and former Company subsidiaries; required contributions to AICF, any shortfall in AICF funding and the effect of currency exchange rate movements on the amount recorded in the Company's financial statements as an asbestos liability; 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; compliance with and changes in environmental and health and safety laws; risks of conducting business internationally; compliance with and changes in laws and regulations; currency exchange risks; dependence on customer preference and the concentration of the Company's customer base; dependence on residential and commercial construction markets; the effect of adverse changes in climate or weather patterns; use of accounting estimates; risk and uncertainties arising out of the COVID-19 public health crisis, including the impact of COVID-19 on our business, sales, results of operations and financial condition and all other risks identified in the Company's reports filed with Australian, Irish and US securities regulatory agencies and exchanges (as appropriate). The Company cautions you that the foregoing list of factors is not exhaustive and that other risks and uncertainties may cause actual results to differ materially from those referenced in the Company's forward-looking statements. Forward-looking statements speak only as of the date they are made and are statements of the Company's current expectations concerning future results, events and conditions. The Company assumes no obligation to update any forward-looking statements or information except as required by law.


## Q4 FY21 MANAGEMENT PRESENTATION

 18 May 2021
## James Hardie Q4 FY21 Results

## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

This Management Presentation contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. James Hardie Industries plc (the "Company") may from time to time make forward-looking statements in its periodic reports filed with or furnished to the Securities and Exchange Commission on Forms 20-F and 6-K, in its annual reports to shareholders, in media releases and other written materials and in oral statements made by the Company's officers, directors or employees to analysts, institutional investors, representatives of the media and others. 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. These forward-looking statements are based upon management's current expectations, estimates, assumptions and beliefs concerning future events and conditions. Readers are cautioned not to place undue reliance on any forwardlooking statements.
Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are unforeseeable and beyond the Company's control. Many factors could cause actual results, performance or achievements to be materially different from those expressed or implied in this Management Presentation, including, among others, the risks and uncertainties set forth in Section 3 "Risk Factors" in James Hardie's Annual Report on Form 20-F for the year ended 31 March 2021 ; changes in general economic, political, governmental and business conditions globally and in the countries in which the Company does business, including the impact of COVID-19; 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 Management Presentation except as required by law.

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

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

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

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

## Page 2

## AGENDA



- Business Highlights
- Q4 and Full Year FY21 Financial Results
- Investor Day Preview

- Questions and Answers


[^2]

## BUSINESS HIGHLIGHTS

## FY15-FY19 FINANCIAL RESULTS...PROFITABLE GROWTH STALLED

Net Sales
US\$ in millions


1. CAGR calculation excludes FY19 Fermacell Net Sales (Integrated Fermacell acquisition into JHX in April 2018, beginning of FY19)

Adjusted Net Income US\$ in millions


1. CAGR calculation excludes FY19 Fermacell Adjusted Net Income (Integrated Fermacell acquisition into JHX in April 2018, beginning of FY19)

Adjusted EBIT
US\$ in millions


1. CAGR calculation excludes FY19 Fermacell Adjusted EBIT (Integrated Fermacell acquisition into JHX in April 2018, beginning of FY19)

## Operating Cash Flow

US\$ in millions


## A NEW JAMES HARDIE: EXECUTING GLOBAL GROWTH STRATEGY

## FY20-FY21: Transform to Enable Consistent, Profitable Growth Globally

- World class manufacturing via LEAN to expand margins
- Closely partner with customers via Push/Pull strategy to drive above market growth
- Integrate supply chain with our customers to serve the market seamlessly with optimal working capital
- implement and embed a globally integrated management system
- Deliver consistent financial results, every quarter


## Measureable Accomplishments and Record Performance

US\$107.4 million in cumulative global LEAN savings
Drove profitable growth on profitable growth in North America:

- Net Sales growth of $\mathbf{+ 8 \%}$ (FY20); +12\% (FY21) vs $\mathbf{+ 8 \%}$ (FY15-FY19)
- Expanded Adjusted EBIT margin to 29\% (FY21) from 24\% (FY15-FY19)

Significantly expanded Europe business:

- Increased Net Sales to $€ 351 \mathrm{~m}$ in $\mathbf{F Y} 21$ from $€ 318 \mathrm{~m}$ in FY19
- Increased Adjusted EBIT 4X to $€ 36 \mathrm{~m}$ in $\mathbf{F Y 2 1}$ from $€ 9 m$ in FY19

Expanded APAC Adjusted EBIT Margin to 28\% (FY21) from 24\% (FY15FY19)

Delivered record operating cash flow of US\$787 million in FY21, a 2.6X increase from FY19 of US $\$ 304$ million

A NEW JAMES HARDIE: STEP CHANGE IN DELIVERING CONSISTENT FINANCIAL RESULTS, GLOBALLY

Net Sales


Adjusted Net Income
US\$ in millions
458


Adjusted EBIT


## Operating Cash Flow

US\$ in millions


## A NEW JAMES HARDIE: PROFITABLE GROWTH IN AN EXPANDING GLOBAL FOOTPRINT



1. Net Sales for each region as previously reported. The total Net Sales amount shown is the sum of the three regions.
Page 8
2. Adjusted EBIT for each region as previously reported. The total Adjusted EBIT amount shown is the sum of the three regions.

## Prior Targets

## FY 2022-24 ${ }^{3}$ Targets

## NA Adjusted EBIT Margin

## APAC Adjusted EBIT Margin

Europe Adjusted EBIT Margin

20 to $25 \%^{1}$
20 to $25 \%^{1}$
$10 \%^{2}$

${ }^{1}$ Historical long-term Adjusted EBIT Margin target ranges communicated by management for NA and APAC
${ }^{2}$ Average Annual Adjusted EBIT Margin excluding integration costs for Fiscal Years FY19-FY21
${ }^{3}$ Annual Adjusted EBIT Margin targets for each fiscal year in the period of fiscal years 2022, 2023 and 2024 Page 9



## Q4 AND FULL YEAR FY21 FINANCIAL RESULTS

## James Hardie Q4 FY21 Results

## GLOBAL RESULTS

|  | Q4 FY21 | FY21 |
| :---: | :---: | :---: |
| Sales Volume | 1,120.8 mmsf <br> 11\% | $\begin{array}{r} 4,131.4 \mathrm{mmsf} \\ 8 \% \end{array}$ |
| Net Sales | US\$807.0 M $20 \%$ | US\$2,908.7 M $12 \%$ |
| Adjusted EBIT ${ }^{1}$ | US\$173.1 M <br> 43\% | $\begin{array}{r} \text { US\$629.0 M } \\ 29 \% \end{array}$ |
| Adjusted Net Income ${ }^{2}$ | US\$124.9 M <br> - $44 \%$ | US\$458.0 M $30 \%$ |
| Operating Cash Flow |  | US\$786.9 M $74 \%$ |

1 Excludes asbestos related expenses and adjustments and restructuring expenses
2 Excludes asbestos related expenses and adjustments, tax adjustments and restructuring expenses

- All 3 regions delivered strong profitable growth
- Adjusted EBIT increased 43\% for the quarter, driven by:
- North America increased US\$32.9 million (+27\%)
- Europe increased $€ 15.3$ million ( $+3,825 \%$ )
- APAC increased $A \$ 13.8$ million ( $+46 \%$ )
- Adjusted EBIT increased 29\% for the full year, driven by:
- North America increased US\$117.5 million (+25\%)
- Europe increased $€ 21.0$ million ( $+141 \%$ )
- APAC increased A\$38.2 million (+27\%)
- General Corporate Cost expense increased US\$32.9 million
- Adjusted Net Income increased $44 \%$ for the quarter and $30 \%$ for the full year
- Operating cash flow increased US\$335.7 million (+74\%) driving improved liquidity and financial flexibility


## All Three Regions Deliver Double-Digit Net Sales Growth, and Double-Digit EBIT Growth

## James Hardie Q4 FY21 Results

## NORTH AMERICA SUMMARY

|  | Q4 FY21 | FY21 |
| :---: | :---: | :---: |
| Sales Volume | 723.2 mmsf 10\% | 2,713.4 mmsf <br> - 9\% |
| Net Sales | US\$555.3 M | US\$2,040.2 M <br> 12\% |
| Adjusted EBIT ${ }^{1}$ | US $\$ 152.9$ M $27 \%$ | US $\$ 588.0 \mathrm{M}$ $25 \%$ |
| Adjusted EBIT Margin ${ }^{1}$ | $\begin{aligned} & 27.5 \% \\ & 2.2 \mathrm{pts} \end{aligned}$ | $\begin{aligned} & 28.8 \% \\ & 2.9 \mathrm{pts} \end{aligned}$ |

${ }^{1}$ Excludes restructuring expenses

- Exteriors volume increased $+12 \%$ for the quarter and $+11 \%$ for the full year
- Accelerated share gain through customer engagement and integration
- Growth in FY2O was +9\%
- Interiors volume increased $+1 \%$ for the quarter and was flat for the year
- Adjusted EBIT growth of $+27 \%$ for the quarter and $+25 \%$ for the year driven by:
- Price/Mix
- Strong organic volume growth
- LEAN manufacturing savings
- Lower SG\&A
- Partially offset by higher freight costs
- Full year Adjusted EBIT margin increased from 25.9\% to 28.8\%


## Consistent, Double-Digit Net Sales Growth at a Step-Change EBIT Margin Level



## James Hardie Q4 FY21 Results

## EUROPE SUMMARY

|  | Q4 FY21 | FY21 |
| :---: | :---: | :---: |
| Sales Volume |  | 876.0 mmsf $6 \%$ |
| Net Sales | $\begin{array}{r} \text { €104.6 M } \\ 12 \% \end{array}$ | € 350.6 M <br> 5\% |
| Adjusted EBIT ${ }^{1}$ | $\begin{array}{r} \text { €15.7 M } \\ 3825 \% \end{array}$ | $\begin{array}{r} € 35.9 \mathrm{M} \\ 141 \% \end{array}$ |
| Adjusted EBIT Margin ${ }^{1}$ | $\begin{array}{r} 15.0 \text { \% } \\ 14.4 \mathrm{pts} \end{array}$ | $\begin{aligned} & \mathbf{1 0 . 4} \% \\ & 5.9 \mathrm{pts} \end{aligned}$ |
| EBIT Margin excluding ${ }^{2}$ | $\begin{array}{r} 15.0 \text { \% } \\ 10.4 \text { pts } \end{array}$ | $\begin{aligned} & \mathbf{1 0 . 4} \% \\ & 2.2 \mathrm{pts} \end{aligned}$ |

1 Excludes restructuring expenses
2 Excludes restructuring expenses in FY21 and costs associated with the Fermacell acquisition in FY2O

- Record Net Sales of $€ 104.6 \mathrm{M}$, increased $12 \%$ for the quarter:
- Fiber Cement Net Sales $€:+24 \%$ for the quarter
- Fiber Gypsum Net Sales $€:+11 \%$ for the quarter
- Driven by double digit Net Sales growth in UK, France, Scandinavia, and Benelux
- Net Sales increased 5\% for the year
- Strong organic net sales growth in Q2 (+8\%), Q3 (+12\%), and Q4 (+12\%), partially offset by impact of COVID-19 pandemic in Q1
- Fiber Cement Net Sales $€:+9 \%$ for the year
- Fiber Gypsum Net Sales $€:+4 \%$ for the year
- Q4 Adjusted EBIT Margin of $15.0 \%$


## Record EBIT Margin of 15.0\% in Q4



## Page 14

## APAC SUMMARY

|  | Q4 FY21 | FY21 |
| :---: | :---: | :---: |
| Sales Volume | 145.0 mmsf $16 \%$ | 542.0 mmsf 2\% |
| Net Sales | $\begin{array}{r} \text { A\$162.6 M } \\ 11 \% \end{array}$ |  |
| Adjusted EBIT ${ }^{1}$ | $\begin{array}{r} \mathrm{A} \$ 43.7 \mathrm{M} \\ 46 \% \end{array}$ | $\begin{array}{r} \mathrm{A} \$ 177.3 \mathrm{M} \\ 27 \% \end{array}$ |
| Adjusted EBIT Margin ${ }^{1}$ | $\begin{aligned} & 26.9 \% \\ & 6.4 \mathrm{pts} \end{aligned}$ | $\begin{aligned} & 28.0 \% \\ & 5.3 \mathrm{pts} \end{aligned}$ |

- Continued market share gain in Australia and New Zealand
- Price Mix increased in Australia and New Zealand
- Q4 adjusted EBIT +46\% at 26.9\% EBIT Margin driven by strong +16\% volume growth
- Adjusted EBIT growth of $27 \%$ at $28.0 \%$ margin for the full year driven by:
- Consolidating Australia and New Zealand regional production to our two Australia plants,
- Strong profitable growth in New Zealand, and
- Exiting non-profitable JH Systems business.

[^3]
## Record EBIT Margin of 28.0\% for Full Year FY21



James Hardie Q4 FY21 Results

OPERATING CASH FLOW UP


FY21 Operating cash flows, up 74\%

- Increased profitable sales
- Integrated with customers to reduce working capital for both customers and James Hardie

CAPITAL EXPENDITURES DOWN


CAPEX spend for the full year of US $\mathbf{\$ 1 1 0 . 7}$ million

- Carole Park, Australia brownfield expansion commissioned in the third quarter of FY21
- Prattville, AL, USA greenfield expansion on-track
- Sheet Machine \#1: March 2021
- Sheet Machine \#2: July 2021

Total capital expenditures estimated to be approximately US\$250 million per year for the period FY22-FY24

## LIQUIDITY PROFILE

Debt Profile


## Corporate debt structure

- On 15 January 2021 redeemed US\$400 million $4.75 \%$ senior unsecured notes maturing 2025
- US $\$ 9.5$ million call premium and US\$3.6 million in unamortized financing costs were recorded in Q4 FY21
- €400 million (US $\$ 468$ million) ${ }^{2} 3.625 \%$ senior unsecured notes, maturing 2026 (callable in October 2021)
- US\$400 million 5.00\% senior unsecured notes maturing 2028 (callable in January 2023)
- US $\$ 500$ million unsecured RCF, maturing December 2022


## Net leverage and liquidity

- $0.9 x$ leverage ratio ${ }^{3}$ at 31 March 2021, improved from 1.9x at 31 March 2020
- US\$703.8 million of liquidity on 31 March 2021
${ }^{1}$ Incremental liquidity of up to US\$250 million may be accessed via an accordion feature, which is provided for under the terms of the syndicated RCF agreement, but not credit approved. Do no anticipate accessing accordion feature.
${ }^{2}$ Based on exchange rate as of 31 March 2021
${ }^{3}$ Leverage ratio is based on bank covenant definition

Strong Cash and Liquidity Position

## CAPITAL ALLOCATION ALIGNED TO STRATEGY

## Past 3 Year Capital Allocation

Cumulative FY2019-FY2021*


## Going Forward

- Preserve strong liquidity and flexibility
- Invest in organic growth: capacity expansion \& market driven innovation
- Maintain net leverage ratio of 1-2x
- $0.9 x$ leverage ratio ${ }^{2}$ as of 31 Mar 2021
- Gross debt reduced by US $\$ 400$ million in January 2021 in accordance with plan
- Return capital to shareholders:
- Returned over US\$300 million through special dividend in April 2021
- Reinstating ordinary dividends in November 2021
* Figures exclude Fermacell acquisition ~\$559m and associated financing \$492m

Balance Sheet Strength, Invest in Growth, and Return Capital to Shareholders

## FULL YEAR FISCAL YEAR 2022 GUIDANCE

## FY 2021

FY 2022
\$458 million
\$520 to \$570 million
$+14 \%$ to $+24 \%$ vs pcp


${ }_{1}^{1}$ Fiscal Year 2021 Adjusted Net Income excludes asbestos related expenses and adjustments, and restructuring expenses
${ }^{2}$ Adjusted Net Income formerly referred to as Adjusted NOPAT
Page 19


## ANNUAL INVESTOR DAY PREVIEW

(CD)

## A NEW JAMES HARDIE



> World-class Manufacturing via LEAN Resulting in Margin Expansion

Leveraging Consumer Insights to Keep Product Portfolio Ahead of Market


## Market to Homeowners to Create Demand

## Penetrate and Drive Profitable Growth in Existing and New Segments

Commercialize Global Innovations to Expand Into Other Looks
Integrating Supply Chain with Customers to Optimize Working Capital

Implementing Globally Integrated Management System

Delivering Consistent Financial Results and Strong Returns

## PROFITABLE ORGANIC GROWTH THROUGH MARKETING TO HOMEOWNERS



Create Demand with Homeowners

## PROFITABLE ORGANIC GROWTH THROUGH GLOBAL INNOVATION



Market Driven Innovation Expands Opportunities for Future Organic Growth

## JAMES HARDIE TO HOST VIRTUAL INVESTOR DAY

$\checkmark$ Single session:
$\checkmark$ Tuesday May 25 th, 7:00AM-9:15AM (Sydney, Australia Time)
$\checkmark$ Monday May 24 ${ }^{\text {th }}, 5: 00 \mathrm{PM}$-7:15PM (New York City, USA Time)
$\checkmark$ The session will be recorded and available on our Investor Relations website
$\checkmark$ Registration Link: https://JHXInvestorDay.joinceo.com

## Agenda

$\checkmark$ Strategy
$\checkmark$ Growth Through Marketing to Homeowners
$\checkmark$ Growth Through Global Innovation



## QUESTIONS



APPENDIX

## GENERAL CORPORATE COSTS

General Corporate Costs


- Stock compensation expense increased US $\$ 15.0$ million in Q4 and US $\$ 26.6$ million for the full year
- Increase in stock compensation expense for the full year was driven by share price accretion
- Legal expenses decreased US\$0.3 million for the quarter and increased US\$12.7 million for the full year


## RESEARCH \& DEVELOPMENT



- Customer Driven Innovation remains core strategic pillar
- R\&D up $7 \%$ for the full year
- Product development R\&D expenses of US $\$ 1.4$ million for the quarter and US\$8.3 million for the full year, included within the NA, APAC and EU segments, decreased $42 \%$ for the quarter and $6 \%$ for the full year


## DEPRECIATION AND AMORTIZATION

| US\$ Millions | Three Months and Full Year Ended 31 March |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Q4 FY21 |  | Q4 FY20 |  | FY21 |  | FY20 |  |
| Depreciation and amortization |  |  |  |  |  |  |  |  |
| North America Fiber Cement | \$ | 24.4 | \$ | 22.7 | \$ | 89.1 | \$ | 88.7 |
| Asia Pacific Fiber Cement |  | 4.9 |  | 3.3 |  | 13.9 |  | 12.7 |
| Europe Building Products |  | 7.9 |  | 10.6 |  | 28.0 |  | 25.6 |
| Other Businesses |  | - |  | - |  | - |  | 0.2 |
| Research and Development |  | 0.3 |  | 0.3 |  | 1.2 |  | 1.1 |
| General Corporate |  | 0.4 |  | 0.8 |  | 2.8 |  | 3.2 |
| Total Depreciation and amortization | \$ | 37.9 | \$ | 37.7 | \$ | 135.0 | \$ | 131.5 |

## James Hardie Q4 FY21 Results

## ASBESTOS COMPENSATION

## KEY POINTS

- Updated actuarial report completed as at 31 March 2021
- Undiscounted and uninflated estimate decreased to $\mathbf{A} \$ 1,352$ million from $\mathrm{A} \$ 1,452$ million
- For fiscal year 2021, we noted the following related to asbestos-related claims experience:
- Net cash outflow was 13\% below actuarial expectations
- Claims received were $13 \%$ below actuarial expectations
- Average claim settlement was $16 \%$ below actuarial expectations
- Total contributions of US\$153.3 million were made by James Hardie to AICF during FY2021
- AICF has A\$173.1 million in cash and investments as at 31 March 2021
- We anticipate that we will make further contributions totaling approximately US\$252.6 million to AICF during FY2022
- Quarterly payments will be made in July 2021, October 2021, January 2022 and March 2022


## ASBESTOS CLAIMS DATA




## Full Year ended 31 March 2021:

- Net cash outflow was $13 \%$ below actuarial expectations
- Gross cash outflow was $10 \%$ below actuarial expectations
- Claims received were $13 \%$ below actuarial estimates and 17\% below pcp
- Number of claims settled were $8 \%$ below actuarial estimates and 3\% below pcp
- Average claim settlement was $16 \%$ below actuarial estimates and $10 \%$ below pcp


## NET POST-TAX UNFUNDED ASBESTOS LIABILITY

A\$ millions (except where stated)

|  | FY21 |  | FY20 |
| :--- | ---: | ---: | ---: |
| Central Estimate - Undiscounted and Uninflated | $\$$ | $1,351.9$ | $\$$ | $\mathbf{1 , 4 5 2 . 4} 1$

A\$ millions
AICF cash and investments - 31 March 2020 ..... 93.9
Contributions to AFFA by James Hardie ..... 220.9
Insurance recoveries ..... 7.9
Interest income, net ..... 0.1
Claims paid ..... (146.5)
Operating costs ..... (3.2)
AICF cash and investments - 31 March 2021 ..... \$ 173.1

## James Hardie Q4 FY21 Results

## NON-GAAP FINANCIAL MEASURES AND TERMS

This Management Presentation forms part of a package of information about the company's results. It should be read in conjunction with the other parts of this package, including the Management's Analysis of Results, Media Release and Condensed Consolidated Financial Statements

```
Definitions
EBIT - Earnings before interest and tax
EBIT margin - EBIT margin is defined as EBIT as a percentage of net sales
EBITDA - Earnings before interest, tax, depreciation and amortization
EBITDA margin - EBITDA margin is defined as EBITDA 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
Non-financial Terms
AFFA - Amended and Restated Final Funding Agreement
AICF - Asbestos Injuries Compensation Fund Ltd
```

Legacy New Zealand weathertightness claims ("New Zealand weathertightness") - Expenses arising from defending and resolving claims in New Zealand
that allege generic defects in certain fiber cement products and systems, breach of duties including the failure to conduct appropriate testing of these
products and systems, failure to warn and misleading and deceptive conduct in relation to the marketing and sale of the products and systems

New South Wales loan facility ("NSW Loan") - AICF has access to a secured loan facility made available by the New South Wales Government, which can be used by AICF to fund the payment of asbestos claims and certain operating and legal costs

## James Hardie Q4 FY21 Results

## NON-GAAP FINANCIAL MEASURES

## Financial Measures - GAAP equivalents

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

```
Consolidated Statements of Operations and
Media Release
EBIT
Operating profit (loss) before income taxes
```


## Other Comprehensive Income (Loss) (US

 GAAP)Operating income (loss)
Income (loss) before income taxes

## James Hardie Q4 FY21 Results

## NON-GAAP FINANCIAL MEASURES

Financial Measures - GAAP equivalents

Adjusted EBIT

| US\$ Millions | Three Months and Full Year Ended 31 March |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Q4'21 |  | Q4'20 |  | FY21 |  | FY20 |  |
| EBIT | \$ | 144.7 | \$ | (30.8) | \$ | 472.8 | \$ | 342.5 |
| Asbestos: |  |  |  |  |  |  |  |  |
| Asbestos adjustments |  | 28.1 |  | 67.0 |  | 143.9 |  | 58.2 |
| AICF SG\&A expenses |  | 0.3 |  | 0.4 |  | 1.2 |  | 1.7 |
| Restructuring expenses |  | - |  | 84.4 |  | 11.1 |  | 84.4 |
| Adjusted EBIT | \$ | 173.1 | \$ | 121.0 | \$ | 629.0 | \$ | 486.8 |
| Net sales |  | 807.0 |  | 673.2 |  | 2,908.7 |  | 2,606.8 |
| Adjusted EBIT margin |  | 21.4\% |  | 18.0\% |  | 21.6\% |  | 18.7\% |

North America Fiber Cement Segment Adjusted EBIT

| US\$ Millions | Three Months and Full Year Ended 31 March |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Q4'21 |  | Q4'20 |  | FY21 |  | FY20 |  |
| North America Fiber Cement Segment EBIT | \$ | 152.9 | \$ | 78.8 | \$ | 585.5 | \$ | 429.3 |
| Restructuring expenses |  | - |  | 41.2 |  | 2.5 |  | 41.2 |
| North America Fiber Cement Segment Adjusted EBIT | \$ | 152.9 | \$ | 120.0 | \$ | 588.0 | \$ | 470.5 |
| North America Fiber Cement Segment net sales |  | 555.3 |  | 474.5 |  | 2,040.2 |  | 1,816.4 |
| North America Fiber Cement Segment Adjusted EBIT margin |  | 27.5\% |  | 25.3\% |  | 28.8\% |  | 25.9\% |

## James Hardie Q4 FY21 Results

## NON-GAAP FINANCIAL MEASURES

Asia Pacific Fiber Cement Segment Adjusted EBIT

| US\$ Millions | Three Months and Full Year Ended 31 March |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Q4'21 |  | Q4'20 |  | FY21 |  | FY20 |  |
| Asia Pacific Fiber Cement Segment EBIT | \$ | 33.7 | \$ | (16.7) | \$ | 124.8 | \$ | 58.5 |
| Restructuring expenses |  | - |  | 36.3 |  | 3.4 |  | 36.3 |
| Asia Pacific Fiber Cement Segment Adjusted EBIT | \$ | 33.7 | \$ | 19.6 | \$ | 128.2 | \$ | 94.8 |
| Asia Pacific Fiber Cement Segment net sales |  | 125.7 |  | 95.8 |  | 458.2 |  | 418.4 |
| Asia Pacific Fiber Cement Segment Adjusted EBIT margin |  | 26.9\% |  | 20.5\% |  | 28.0\% |  | 22.7\% |

Europe Building Products Segment Adjusted EBIT excluding restructuring expenses and costs associated with the acquisition

\begin{tabular}{|c|c|c|c|c|c|c|c|c|}
\hline \multirow[t]{2}{*}{US\$ Millions} \& \multicolumn{8}{|c|}{Three Months and Full Year Ended 31 March} \\
\hline \& \multicolumn{2}{|c|}{Q4'21} \& \multicolumn{2}{|c|}{Q4'20} \& \multicolumn{2}{|c|}{FY21} \& \multicolumn{2}{|c|}{FY20} \\
\hline Europe Building Products Segment EBIT \& \$ \& 18.9 \& \$ \& (4.9) \& \$ \& 37.6 \& \$ \& 11.2 \\
\hline Restructuring expenses \& \& - \& \& 5.5 \& \& 5.1 \& \& 5.5 \\
\hline Europe Building Products Segment Adjusted EBIT excluding restructuring expenses \& \$ \& 18.9 \& \$ \& 0.6 \& \$ \& 42.7 \& \$ \& 16.7 \\
\hline Costs associated with the acquisition \& \& - \& \& 4.1 \& \& - \& \& 13.7 \\
\hline Europe Building Products Segment Adjusted EBIT excluding restructuring expenses and costs associated with the acquisition \& \$ \& 18.9 \& \$ \& 4.7 \& \$ \& 42.7 \& \$ \& 30.4 \\
\hline Europe Building Products Segment net sales \& \& 126.0 \& \& 102.9 \& \& 410.3 \& \& 371.4 \\
\hline \begin{tabular}{l}
Europe Building Products Segment Adjusted EBIT margin excluding re structuring expenses \\
Europe Building Products Segment Adjusted EBIT margin excluding re structuring expenses and costs associated with the acquisition
\end{tabular} \& \& \(15.0 \%\)
15.0\% \& \& 0.6\%

$4.6 \%$ \& \& $10.4 \%$
$10.4 \%$ \& \& 4.5\%
8.2\% <br>
\hline
\end{tabular}

## NON-GAAP FINANCIAL MEASURES

## Adjusted interest, net

| US\$ Millions | Three Months and Full Year Ended 31 March |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Q4'21 |  | Q4'20 |  | FY21 |  | FY20 |  |
| Interest, net | \$ | (8.9) | \$ | (13.3) | \$ | (47.8) | \$ | (54.4) |
| AICF interest income, net |  | 0.2 |  | 0.5 |  | 0.5 |  | 1.4 |
| Adjusted interest, net | \$ | (9.1) | \$ | (13.8) | \$ | (48.3) | \$ | (55.8) |

Adjusted net income

| US\$ Millions | Three Months and Full Year Ended 31 March |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Q4'21 |  | Q4'20 |  | FY21 |  | FY20 |  |
| Net income | \$ | 98.0 | \$ | 6.3 | \$ | 262.8 | \$ | 241.5 |
| Asbestos: |  |  |  |  |  |  |  |  |
| Asbestos adjustments |  | 28.1 |  | 67.0 |  | 143.9 |  | 58.2 |
| AICF SG\&A expenses |  | 0.3 |  | 0.4 |  | 1.2 |  | 1.7 |
| AICF interest income, net |  | (0.2) |  | (0.5) |  | (0.5) |  | (1.4) |
| Restructuring expenses |  |  |  | 84.4 |  | 11.1 |  | 84.4 |
| Tax adjustments ${ }^{1}$ |  | (1.3) |  | (71.0) |  | 39.5 |  | (31.6) |
| Adjusted net income | \$ | 124.9 | \$ | 86.6 | \$ | 458.0 | \$ | 352.8 |

## James Hardie Q4 FY21 Results

## NON-GAAP FINANCIAL MEASURES

Adjusted effective tax rate

| US\$ Millions | Three Months and Full Year Ended 31 March |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Q4 FY21 |  | Q4 FY20 |  | FY21 |  | FY20 |  |
| Operating profit before income taxes | \$ | 122.8 | \$ | (44.1) | \$ | 412.0 | \$ | 288.0 |
| Asbestos: |  |  |  |  |  |  |  |  |
| Asbestos adjustments |  | 28.1 |  | 67.0 |  | 143.9 |  | 58.2 |
| AICF SG\&A expenses |  | 0.3 |  | 0.4 |  | 1.2 |  | 1.7 |
| AICF interest income, net |  | (0.2) |  | (0.5) |  | (0.5) |  | (1.4) |
| Restructuring expenses |  | - |  | 84.4 |  | 11.1 |  | 84.4 |
| Adjusted operating profit before income taxes | \$ | 151.0 | \$ | 107.2 | \$ | 567.7 | \$ | 430.9 |
| Income tax expense |  | (24.8) |  | 50.4 |  | (149.2) |  | (46.5) |
| Tax adjustments ${ }^{1}$ |  | (1.3) |  | (71.0) |  | 39.5 |  | (31.6) |
| Adjusted income tax expense | \$ | (26.1) | \$ | (20.6) | \$ | (109.7) | \$ | (78.1) |
| Effective tax rate |  | 20.2\% |  | 114.3\% |  | 36.2\% |  | 16.1\% |
| Adjusted effective tax rate |  | 17.3\% |  | 19.2\% |  | 19.3\% |  | 18.1\% |

Adjusted EBITDA excluding Asbestos

| US\$ Millions | Three Months and Full Year Ended 31 March |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Q4'21 |  | Q4'20 |  | FY21 |  | FY20 |  |
| EBIT | \$ | 144.7 | \$ | (30.8) | \$ | 472.8 | \$ | 342.5 |
| Depreciation and amortization |  | 37.9 |  | 37.7 |  | 135.0 |  | 131.5 |
| Adjusted EBITDA | \$ | 182.6 | \$ | 6.9 | \$ | 607.8 | \$ | 474.0 |
| Asbestos: |  |  |  |  |  |  |  |  |
| Asbestos adjustments |  | 28.1 |  | 67.0 |  | 143.9 |  | 58.2 |
| AICF SG\&A expenses |  | 0.3 |  | 0.4 |  | 1.2 |  | 1.7 |
| Adjusted EBITDA excluding Asbestos | \$ | 211.0 | \$ | 74.3 | \$ | 752.9 | \$ | 533.9 |

## James Hardie Q4 FY21 Results

## NON-GAAP FINANCIAL MEASURES

| US\$ Millions | Full Year Ended 31 March |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | FY21 |  | FY20 |  | FY19 |  | FY18 |  | FY17 |  | FY16 |  | FY15 |  |
| EBIT | \$ | 472.8 | \$ | 342.5 | \$ | 351.6 | \$ | 229.2 | \$ | 393.2 | \$ | 354.0 | \$ | 335.0 |
| Asbestos: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Asbestos adjustments |  | 143.9 |  | 58.2 |  | 22.0 |  | 156.4 |  | (40.4) |  | (5.5) |  | (33.4) |
| AICF SG\&A expenses |  | 1.2 |  | 1.7 |  | 1.5 |  | 1.9 |  | 1.5 |  | 1.7 |  | 2.5 |
| Restructuring and product line discontinuation expenses |  | 11.1 |  | 84.4 |  | 29.5 |  | - |  | - |  | - |  | - |
| Fermacell acquisition costs |  | - |  | - |  | - |  | 10.0 |  | - |  | - |  | - |
| New Zealand weathertightness claims |  | - |  | - |  | - |  | - |  | - |  | 0.5 |  | (4.3) |
| Non-recurring stamp duty |  | - |  | - |  | - |  | - |  | - |  | - |  | 4.2 |
| Adjusted EBIT | \$ | 629.0 | \$ | 486.8 | \$ | 404.6 | \$ | 397.5 | \$ | 354.3 | \$ | 350.7 | \$ | 304.0 |

North America Fiber Cement Segment Adjusted EBIT

| US\$ Millions | Full Year Ended 31 March |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | FY21 |  | FY19 |  | FY17 |  |
| North America Fiber Cement Segment EBIT | \$ | 585.5 | \$ | 382.5 | \$ | 343.9 |
| Restructuring and product line discontinuation expenses |  | 2.5 |  | 5.4 |  | - |
| North America Fiber Cement Segment Adjusted EBIT | \$ | 588.0 | \$ | 387.9 | \$ | 343.9 |

## NON-GAAP FINANCIAL MEASURES

Asia Pacific Fiber Cement Segment Adjusted EBIT

| US\$ Millions | Full Year Ended 31 March |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | FY21 |  | FY19 |  | FY17 |  |
| Asia Pacific Fiber Cement Segment EBIT | \$ | 124.8 | \$ | 99.8 | \$ | 93.8 |
| Restructuring expenses |  | 3.4 |  | - |  | - |
| Asia Pacific Fiber Cement Segment Adjusted EBIT | \$ | 128.2 | \$ | 99.8 | \$ | 93.8 |

Europe Building Products Segment Adjusted EBIT

| US\$ Millions | Full Year Ended 31 March |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | FY21 |  | FY19 |  | FY17 |  |
| Europe Building Products Segment EBIT | \$ | 37.6 | \$ | 10.0 | \$ | 1.3 |
| Restructuring expenses |  | 5.1 |  | - |  | - |
| Europe Building Products Segment Adjusted EBIT | \$ | 42.7 | \$ | 10.0 | \$ | 1.3 |

## NON-GAAP FINANCIAL MEASURES

## Adjusted net income

| US\$ Millions | Full Year Ended 31 March |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | FY21 |  | FY20 |  | FY19 |  | FY18 |  | FY17 |  | FY16 |  | FY15 |  |
| Net income | \$ | 262.8 | \$ | 241.5 | \$ | 228.8 | \$ | 146.1 | \$ | 276.5 | \$ | 244.4 | \$ | 291.3 |
| Asbestos: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Asbestos adjustments |  | 143.9 |  | 58.2 |  | 22.0 |  | 156.4 |  | (40.4) |  | (5.5) |  | (33.4) |
| AICF SG\&A expenses |  | 1.2 |  | 1.7 |  | 1.5 |  | 1.9 |  | 1.5 |  | 1.7 |  | 2.5 |
| AICF interest income, net |  | (0.5) |  | (1.4) |  | (2.0) |  | (1.9) |  | 1.1 |  | 0.3 |  | (1.4) |
| Restructuring and product line discontinuation expenses |  | 11.1 |  | 84.4 |  | 29.5 |  | - |  | - |  | - |  | - |
| Fermacell acquisition costs |  | - |  | - |  | - |  | 10.0 |  | - |  | - |  | - |
| New Zealand weathertightness claims |  | - |  | - |  | - |  | - |  | - |  | 0.5 |  | (4.3) |
| Loss on early debt extinguishment |  | - |  | - |  | 1.0 |  | 26.1 |  | - |  | - |  | - |
| Non-recurring stamp duty |  | - |  | - |  | - |  | - |  | - |  | - |  | 4.2 |
| Tax adjustments ${ }^{1}$ |  | 39.5 |  | (31.6) |  | 19.7 |  | (47.3) |  | 9.9 |  | 1.5 |  | (37.5) |
| Adjusted net income | \$ | 458.0 | \$ | 352.8 | \$ | 300.5 | \$ | 291.3 | \$ | 248.6 | \$ | 242.9 | \$ | 221.4 |



## Q4 FY21 MANAGEMENT PRESENTATION

 18 May 2021
# James Hardie Industries plc 

Consolidated Financial Statements as of and for the Year Ended 31 March 2021

## James Hardie Industries plc Index

PageReport of Independent Registered Public Accounting Firm ..... F-3
Consolidated Balance Sheets as of 31 March 2021 and 2020 ..... $\mathrm{F}-5$
Consolidated Statements of Operations and Comprehensive Income for the Fiscal YearsEnded 31 March 2021, 2020 and 2019
Consolidated Statements of Cash Flows for the Fiscal Years Ended 31 March 2021, 2020 and$\underline{2019}$
Consolidated Statements of Changes in Shareholders' Equity (Deficit) for the Fiscal YearsEnded 31 March 2021, 2020 and 2019
Notes to Consolidated Financial Statements ..... F-9

## Report of Independent Registered Public Accounting Firm

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

## Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of James Hardie Industries plc (the Company) as of 31 March 2021 and 2020, the related consolidated statements of operations and comprehensive income, changes in shareholders' equity (deficit), and cash flows for each of the three years in the period ended 31 March 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at 31 March 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended 31 March 2021, in conformity with U.S. generally accepted accounting principles.

## Basis for Opinion

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

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

## Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

## Asbestos Liability Valuation

Description of the Matter

At 31 March 2021, the aggregate asbestos liability was US\$1,135.8 million. As disclosed in Note 12 to the consolidated financial statements, the liability relates to an agreement to provide long-term funding to the Asbestos Injuries Compensation Fund ("AICF"), a special purpose fund established to provide compensation of proven Australian-related personal injuries.

Auditing management's estimate of the asbestos liability is challenging because the estimation process is based on actuarial estimates of projected future cash flows which are inherently uncertain. The projected cash flows are complex and use subjective assumptions including the projected number of claims, estimated cost of settlement per claim, inflation rates, legal costs, and timing of receipt of claims and settlements.
How We
Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's internal controls over the identification of claims, review of calculations performed by the Company's third-party actuary and management's review of the use of historical claim data and actuarial assumptions mentioned above to project the future liability.

To evaluate the estimate of the asbestos liability, our audit procedures included, among others, testing the underlying claims data used in the calculation to internal and external data on a sample basis. We involved our actuarial specialists to assist in evaluating the methodologies and key assumptions mentioned above to independently develop a range for the asbestos liability and compare that range to management's recorded liability. We also assessed the adequacy of the related disclosures in the Company's consolidated financial statements.

/s/ Ernst \& Young LLP

We have served as the Company's auditor since 2008.
Irvine, California
18 May 2021

## James Hardie Industries plc Consolidated Balance Sheets

| (Millions of US dollars) | $\begin{gathered} \text { 31 March } \\ 2021 \end{gathered}$ |  | $\begin{gathered} 31 \text { March } \\ 2020 \end{gathered}$ |  |
| :---: | :---: | :---: | :---: | :---: |
| Assets |  |  |  |  |
| Current assets: |  |  |  |  |
| Cash and cash equivalents | \$ | 208.5 | \$ | 144.4 |
| Restricted cash and cash equivalents |  | 5.0 |  | 5.0 |
| Restricted cash and cash equivalents - Asbestos |  | 104.9 |  | 36.4 |
| Restricted short-term investments - Asbestos |  | 26.6 |  | 21.6 |
| Accounts and other receivables, net |  | 333.2 |  | 363.3 |
| Inventories |  | 218.3 |  | 305.1 |
| Prepaid expenses and other current assets |  | 38.9 |  | 26.1 |
| Insurance receivable - Asbestos |  | 6.6 |  | 5.0 |
| Workers' compensation - Asbestos |  | 1.6 |  | 1.5 |
| Total current assets |  | 943.6 |  | 908.4 |
| Property, plant and equipment, net |  | 1,372.3 |  | 1,341.7 |
| Operating lease right-of-use-assets |  | 46.4 |  | 40.5 |
| Finance lease right-of-use-assets |  | 2.7 |  | 1.7 |
| Goodwill |  | 209.3 |  | 196.9 |
| Intangible assets, net |  | 173.9 |  | 166.7 |
| Insurance receivable - Asbestos |  | 42.9 |  | 38.5 |
| Workers' compensation - Asbestos |  | 20.3 |  | 20.7 |
| Deferred income taxes |  | 906.8 |  | 989.4 |
| Deferred income taxes - Asbestos |  | 367.4 |  | 319.1 |
| Other assets |  | 3.4 |  | 4.7 |
| Total assets | \$ | 4,089.0 | \$ | 4,028.3 |
| Liabilities and Shareholders' Equity |  |  |  |  |
| Current liabilities: |  |  |  |  |
| Accounts payable and accrued liabilities | \$ | 307.0 | \$ | 274.7 |
| Accrued payroll and employee benefits |  | 112.5 |  | 87.1 |
| Operating lease liabilities |  | 7.8 |  | 14.3 |
| Finance lease liabilities |  | 1.0 |  | 0.5 |
| Accrued product warranties |  | 6.0 |  | 7.0 |
| Income taxes payable |  | 6.6 |  | 8.9 |
| Asbestos liability |  | 122.2 |  | 103.9 |
| Workers' compensation - Asbestos |  | 1.6 |  | 1.5 |
| Dividends payable |  | 303.7 |  | - |
| Other liabilities |  | 32.7 |  | 12.1 |
| Total current liabilities |  | 901.1 |  | 510.0 |
| Long-term debt |  | 858.6 |  | 1,354.6 |
| Deferred income taxes |  | 86.3 |  | 81.9 |
| Operating lease liabilities |  | 53.3 |  | 41.4 |
| Finance lease liabilities |  | 1.9 |  | 1.5 |
| Accrued product warranties |  | 33.6 |  | 35.4 |
| Income taxes payable |  | 4.7 |  | 21.3 |
| Asbestos liability |  | 1,013.6 |  | 882.5 |
| Workers' compensation - Asbestos |  | 20.3 |  | 20.7 |
| Other liabilities |  | 54.8 |  | 43.7 |
| Total liabilities |  | 3,028.2 |  | 2,993.0 |
| Commitments and contingencies (Note 14) |  |  |  |  |
| Shareholders' equity: |  |  |  |  |
| Common stock, Euro 0.59 par value, 2.0 billion shares authorized; $444,288,874$ shares issued and outstanding at 31 March 2021 and 443,144,740 shares issued and outstanding at 31 March 2020 |  | 231.4 |  | 230.6 |
| Additional paid-in capital |  | 224.6 |  | 207.3 |
| Retained earnings |  | 611.4 |  | 659.5 |
| Accumulated other comprehensive loss |  | (6.6) |  | (62.1) |
| Total shareholders' equity |  | 1,060.8 |  | 1,035.3 |
| Total liabilities and shareholders' equity | \$ | 4,089.0 | \$ | 4,028.3 |

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

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

| $\underline{\text { (Millions of US dollars, except per share data) }}$ | Years Ended 31 March |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2021 |  | 2020 |  | 2019 |  |
| Net sales | \$ | 2,908.7 | \$ | 2,606.8 | \$ | 2,506.6 |
| Cost of goods sold |  | (1,857.0) |  | $(1,673.1)$ |  | (1,675.6) |
| Gross profit |  | 1,051.7 |  | 933.7 |  | 831.0 |
| Selling, general and administrative expenses |  | (389.6) |  | (415.8) |  | (403.6) |
| Research and development expenses |  | (34.3) |  | (32.8) |  | (37.9) |
| Restructuring expenses |  | (11.1) |  | (84.4) |  | (15.9) |
| Asbestos adjustments |  | (143.9) |  | (58.2) |  | (22.0) |
| Operating income |  | 472.8 |  | 342.5 |  | 351.6 |
| Interest, net |  | (47.8) |  | (54.4) |  | (50.1) |
| Loss on early debt extinguishment |  | (13.1) |  | - |  | (1.0) |
| Other income (expense) |  | 0.1 |  | (0.1) |  | 0.1 |
| Income before income taxes |  | 412.0 |  | 288.0 |  | 300.6 |
| Income tax expense |  | (149.2) |  | (46.5) |  | (71.8) |
| Net income | \$ | 262.8 | \$ | 241.5 | \$ | 228.8 |
| Income per share: |  |  |  |  |  |  |
| Basic | \$ | 0.59 | \$ | 0.55 | \$ | 0.52 |
| Diluted | \$ | 0.59 | \$ | 0.54 | \$ | 0.52 |
| Weighted average common shares outstanding (Millions): |  |  |  |  |  |  |
| Basic |  | 443.7 |  | 442.6 |  | 441.9 |
| Diluted |  | 445.4 |  | 444.1 |  | 443.0 |
| Comprehensive income, net of tax: |  |  |  |  |  |  |
| Net income | \$ | 262.8 | \$ | 241.5 | \$ | 228.8 |
| Cash flow hedges |  | - |  | - |  | (0.1) |
| Pension adjustments |  | (0.4) |  | 0.8 |  | - |
| Currency translation adjustments |  | 55.9 |  | (32.6) |  | (28.9) |
| Comprehensive income | \$ | 318.3 | \$ | 209.7 | \$ | 199.8 |

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

| (Millions of US dollars) | Years Ended 31 March |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2021 |  | 2020 |  | 2019 |  |
| Cash Flows From Operating Activities |  |  |  |  |  |  |
| Net income | \$ | 262.8 | \$ | 241.5 | \$ | 228.8 |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |  |  |  |  |  |
| Depreciation and amortization |  | 135.0 |  | 131.5 |  | 119.4 |
| Lease expense |  | 17.0 |  | 18.1 |  | - |
| Deferred income taxes |  | 85.8 |  | 64.0 |  | 12.7 |
| Stock-based compensation |  | 18.0 |  | 10.3 |  | 12.5 |
| Asbestos adjustments |  | 143.9 |  | 58.2 |  | 22.0 |
| Excess tax benefits from share-based awards |  | (3.5) |  | (0.4) |  | - |
| Restructuring expenses |  | - |  | 77.4 |  | 15.9 |
| Loss on early debt extinguishment |  | 13.1 |  | - |  | 1.0 |
| Other, net |  | 20.3 |  | 17.2 |  | 16.3 |
| Changes in operating assets and liabilities: |  |  |  |  |  |  |
| Accounts and other receivables |  | 46.4 |  | (118.6) |  | (18.1) |
| Inventories |  | 98.7 |  | 3.2 |  | (28.6) |
| Lease assets and liabilities, net |  | (19.1) |  | (15.6) |  | - |
| Prepaid expenses and other assets |  | (14.2) |  | (2.6) |  | (1.7) |
| Insurance receivable - Asbestos |  | 5.8 |  | 7.6 |  | 4.8 |
| Accounts payable and accrued liabilities |  | 25.0 |  | 45.1 |  | 3.5 |
| Claims and handling costs paid - Asbestos |  | (106.4) |  | (105.6) |  | (108.8) |
| Income taxes payable |  | (14.7) |  | (11.0) |  | 8.8 |
| Other accrued liabilities |  | 73.0 |  | 30.9 |  | 15.5 |
| Net cash provided by operating activities | \$ | 786.9 | \$ | 451.2 | \$ | 304.0 |
| Cash Flows From Investing Activities |  |  |  |  |  |  |
| Purchases of property, plant and equipment | \$ | (110.7) | \$ | (193.8) | \$ | (317.5) |
| Proceeds from sale of property, plant and equipment |  | 1.6 |  | 8.0 |  | - |
| Capitalized interest |  | (9.5) |  | (9.5) |  | (5.4) |
| Acquisition of business, net of cash acquired |  | - |  | - |  | (558.7) |
| Purchase of restricted short-term investments - Asbestos |  | (25.0) |  | (75.5) |  | (89.1) |
| Proceeds from restricted short-term investments - Asbestos |  | 23.2 |  | 67.0 |  | 106.3 |
| Net cash used in investing activities | \$ | (120.4) | \$ | (203.8) | \$ | (864.4) |
| Cash Flows From Financing Activities |  |  |  |  |  |  |
| Proceeds from credit facilities | \$ | - | \$ | 330.0 | \$ | 230.0 |
| Repayments of credit facilities |  | (130.0) |  | (350.0) |  | (180.0) |
| Proceeds from 364-day term loan facility |  | - |  | - |  | 492.4 |
| Repayments of 364-day term loan facility |  | - |  | - |  | (458.8) |
| Proceeds from senior unsecured notes |  | - |  | - |  | 458.8 |
| Debt issuance costs |  | - |  | - |  | (6.1) |
| Repayment of senior unsecured notes |  | (400.0) |  | - |  | - |
| Call redemption premium paid to note holders |  | (9.5) |  | - |  | - |
| Proceeds from issuance of shares |  | 0.1 |  | - |  | - |
| Repayment of finance lease obligations and borrowings |  | (0.8) |  | (0.4) |  | - |
| Dividends paid |  | - |  | (158.6) |  | (172.1) |
| Net cash (used in) provided by financing activities | \$ | (540.2) | \$ | (179.0) | \$ | 364.2 |
| Effects of exchange rate changes on cash and cash equivalents, restricted cash and restricted cash - Asbestos | \$ | 6.3 | \$ | (6.2) | \$ | 6.6 |
| Net increase (decrease) in cash and cash equivalents, restricted cash and restricted cash - Asbestos |  | 132.6 |  | 62.2 |  | (189.6) |
| Cash and cash equivalents, restricted cash and restricted cash - Asbestos at beginning of period |  | 185.8 |  | 123.6 |  | 313.2 |
| Cash and cash equivalents, restricted cash and restricted cash - Asbestos at end of period | \$ | 318.4 | \$ | 185.8 | \$ | 123.6 |
| Non-Cash Investing and Financing Activities |  |  |  |  |  |  |
| Capital expenditures incurred but not yet paid | \$ | 18.0 | \$ | 8.3 | \$ | 25.9 |
| Supplemental Disclosure of Cash Flow Activities |  |  |  |  |  |  |
| Cash paid during the year for interest | \$ | 56.4 | \$ | 61.5 | \$ | 57.0 |
| Cash (refund) payment during the year for income taxes, net | \$ | (3.7) | \$ | 52.5 | \$ | 26.3 |
| Cash paid to AICF | \$ | 153.3 | \$ | 108.9 | \$ | 103.0 |

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

## James Hardie Industries plc

Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Millions of US dollars)

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

## 1. Organization and Significant Accounting Policies

## Nature of Operations

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

## Basis of Presentation

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

Certain prior period amounts have been reclassified to conform to the current period presentation.

## Summary of Significant Accounting Policies

## Variable Interest Entities

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

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

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

For the fiscal years ended 31 March 2021, 2020 and 2019, the Company did not provide financial or other support to AICF that it was not previously contractually required to provide.

## Use of Estimates

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

## Foreign Currency Translation/Remeasurement

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

The Company has recorded on its balance sheet certain foreign assets and liabilities, including asbestosrelated assets and liabilities under the terms of the AFFA, that are denominated in foreign currencies and subject to translation (foreign entities) or remeasurement (AICF entity and Euro denominated debt) into US dollars at each reporting date. Unless otherwise noted, the Company converts foreign currency denominated assets and liabilities into US dollars at the spot rate at the end of the reporting period; while revenues and expenses are converted using an average exchange rate for the period. The Company records gains and losses on its Euro denominated debt which are economically offset by foreign exchange gains and losses on loans between subsidiaries, resulting in a net immaterial translation gain or loss which is recorded in the Selling, general and administrative expenses in the consolidated statements of operations and comprehensive income.

## Restricted Cash and Cash Equivalents

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

## Accounts Receivable

The Company evaluates the collectability of accounts receivable on an ongoing basis based on historical bad debts, customer credit-worthiness, current economic trends and changes in the Company's customer payment activity. An allowance for doubtful accounts is provided for known and estimated bad debts. Although credit losses have historically been within expectations, the Company cannot guarantee that it will continue to experience the same credit loss rates that it has had in the past.

## Inventories

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

## Property, Plant and Equipment

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

|  | Years |
| :--- | :---: |
| Buildings | 5 to 50 |
| Buildings Improvements | 1 to 40 |
| Leasehold Improvements | 1 to 40 |
| Machinery and Equipment | 1 to 30 |

## Leases

At lease commencement, which is generally when the Company takes possession of the asset, the Company records a lease liability and a corresponding right-of-use ("ROU") asset. Lease liabilities represent the present value of minimum lease payments over the expected lease term, which includes options to extend the lease when it is reasonably certain those options will be exercised. Determining the lease term and amount of lease payments to include in the calculation of the ROU asset and lease liability for leases containing options requires the use of judgment to determine whether the exercise of an option is reasonably certain, and if the option period and payments should be included in the calculation of the associated ROU asset and liability. In making this determination, the Company considers all relevant economic factors that would compel the Company to exercise an option. The Company's leases generally do not provide a readily determinable implicit borrowing rate. As such, the discount rate used to calculate present value is the lessee's incremental borrowing rate, which is primarily based upon the periodic risk-adjusted interest margin and the term of the lease.

Minimum lease payments include base rent as well as fixed escalation of rental payments. In determining minimum lease payments, the Company separates non-lease components such as common area maintenance or other miscellaneous expenses that are updated based on landlord estimates for real estate leases. Additionally, many of the Company's transportation and equipment leases require additional payments based on the underlying usage of the assets such as mileage and maintenance costs. Due to the variable nature of these costs, the cash flows associated with these costs are expensed as incurred and not included in the lease payments used to determine the ROU asset and associated lease liability.

ROU assets represent the right to control the use of the leased asset during the lease term and are initially recognized as an amount equal to the lease liability. In addition, prepaid rent, initial direct costs, and adjustments for lease incentives are components of the ROU asset. Over the lease term, the lease expense is amortized on a straight-line basis beginning on the lease commencement date. ROU assets are assessed for impairment as part of the impairment of long-lived assets, which is performed whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable.

A ROU asset and lease liability are not recognized for leases with an initial term of 12 months or less, and the lease expense is recognized on a straight-line basis over the lease term.

## Depreciation and Amortization

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

## Goodwill and Other Intangible Assets

Goodwill is the excess of purchase price over the fair value of tangible and identifiable intangible net assets acquired in various business combinations. Goodwill is not amortized but is tested at the reporting unit level for impairment annually, or more often if indicators of impairment exist. Factors that could cause an impairment in the future could include, but are not limited to, adverse macroeconomic conditions, deterioration in industry or market conditions, decline in revenue and cash flows or increases in costs and capital expenditures compared to projected results. A goodwill impairment charge is recorded for the amount by which the carrying value of the reporting unit exceeds the fair value of the reporting unit.

Intangible assets from acquired businesses are recognized at their estimated fair values at the date of acquisition and consist of trademarks, customer relationships and other intangible assets. Finite-lived intangibles are amortized to expense over the applicable useful lives, ranging from 2 to 13 years, based on the nature of the asset and the underlying pattern of economic benefit as reflected by future net cash inflows. The Company performs an impairment test of intangibles annually, or whenever events or changes in circumstances indicate their carrying value may be impaired.

## Impairment of Long-Lived Assets

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

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

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

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

## Accrued Product Warranties

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

## Debt

The Company's debt consists of an unsecured revolving credit facility and senior unsecured notes. Each of the Company's debt instruments is recorded at cost, net of any original issue discount or premium, where applicable. The related original issue discount, premium and debt issuance costs are amortized over the term of each respective borrowing using the effective interest method. Debt is presented as current if the liability is due to be settled within 12 months after the balance sheet date, unless the Company has the ability and intention to refinance on a long-term basis in accordance with US GAAP. See Fair Value Measurements below and Note 13 for the Company's fair value considerations.

In addition, the Company consolidates AICF which has a loan facility, which is included in Asbestosrelated Accounting Policies below.

## Revenue Recognition

The Company recognizes revenues when the requisite performance obligation has been met, that is, when the Company transfers control of its products to customers, which depending on the terms of the underlying contract, is generally upon delivery. The Company records estimated reductions in sales for customer rebates and discounts including volume, promotional, cash and other discounts. Rebates and discounts are recorded based on management's best estimate when products are sold. The estimates are based on historical experience for similar programs and products. Management reviews these rebates and discounts on an ongoing basis and the related accruals are adjusted, if necessary, as additional information becomes available.

A portion of the Company's revenue is made through distributors under a vendor managed inventory agreement whereby revenue is recognized upon the transfer of title and risk of loss to the distributors.

## Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method, deferred income taxes are recognized by applying enacted statutory rates applicable to future years to differences between the tax bases and financial reporting amounts of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. The realization of the US deferred tax assets is affected primarily by the continued profitability of the US business. A valuation allowance is provided when it is more likely than not that all or some portion of deferred tax assets will not be realized.

Income taxes payable represents taxes currently payable which are computed at statutory income tax rates applicable to taxable income derived in each jurisdiction in which the Company conducts business. Interest and penalties related to uncertain tax positions are recognized in Income tax expense on the consolidated statements of operations and comprehensive income.

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.

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.

## Financial Instruments

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

Periodically, interest rate swaps, commodity swaps and forward exchange contracts are used to manage market risks and reduce exposure resulting from fluctuations in interest rates, commodity prices and foreign currency exchange rates. Changes in the fair value of financial instruments that are not designated as hedges are recorded in earnings within Asbestos adjustments, Other income (expense) and Selling, general and administrative expenses at each measurement date. The Company does not use derivatives for trading purposes.

## Fair Value Measurements

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

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

Level 2 Observable market-based inputs or unobservable inputs that are corroborated by market data for the asset or liability at the measurement date;
Level 3 Unobservable inputs that are not corroborated by market data used when there is minimal market activity for the asset or liability at the measurement date.

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

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

## Stock-based Compensation

Stock-based compensation expense represents the estimated fair value of equity-based and liabilityclassified awards granted to employees and is recognized as an expense over the vesting period. Forfeitures of stock-based awards are accounted for as they occur. Stock-based compensation expense is included in the line item Selling, general and administrative expenses on the consolidated statements of operations and comprehensive income.

Equity awards with vesting based solely on a service condition are typically subject to graded vesting, in that the awards outstanding generally vest as follows: $25 \%$ at the first anniversary date of the grant; $25 \%$ at the second anniversary date of the grant; and $50 \%$ at the third anniversary date of the grant. For equity awards subject to graded vesting, the Company has elected to use the accelerated recognition method. Accordingly, each vesting tranche is valued separately, and the recognition of stock-based compensation expense is more heavily weighted earlier in the vesting period. Stock-based compensation expense for equity awards that are subject to performance or market vesting conditions are based upon an estimate of the number of awards that are expected to vest and typically recognized ratably over the vesting period. The Company issues new shares to award recipients when the vesting condition for restricted stock units ("RSUs") has been satisfied.

For RSUs subject to a service vesting condition, the fair value is equal to the market value of the Company's common stock on the date of grant, adjusted for the fair value of estimated dividends as the restricted stock holder is not entitled to dividends over the vesting period.

For RSUs subject to a performance vesting condition, the vesting of these units is subject to a return on capital employed ("ROCE") performance hurdle being met and is subject to negative discretion by the Board. The Board's discretion will reflect the Board's judgment of the quality of the returns balanced against management's delivery of market share growth and a scorecard of key qualitative and quantitative performance objectives.

For RSUs subject to a market vesting condition, the vesting of these units is based on James Hardie's performance against its Peer Group for the 20 trading days preceding the test date. The fair value of each of these units is estimated using a binomial lattice model that incorporates a Monte Carlo simulation (the "Monte Carlo" method).

For cash settled units ("CSUs"), compensation expense is recognized based upon an estimate of the number of awards that are expected to vest and the fair market value of JHI plc's common stock on the date of the grant. The expense is recognized ratably over the vesting period and the liability is adjusted for subsequent changes in JHI plc's common stock price at each balance sheet date adjusted for the fair value of estimated dividends as the restricted stock unit holder is not entitled to dividends over the vesting period.

## Loss Contingencies

The Company recognizes a liability for asserted and unasserted claims in the period in which a loss becomes probable and estimable. The amount of a reasonably probable loss is dependent on a number of factors including, without limitation, the specific facts and circumstances unique to each claim, 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), and the availability of claimant compensation under a government compensation scheme.

To the extent that it is probable and estimable, the estimated loss for these matters, incorporates assumptions that are subject to the foregoing uncertainties and are principally derived from, but not exclusively based on, historical claims experience together with facts and circumstances unique to each claim. If the nature and extent of claims in future periods differ from historical claims experience, the Company's assessment of probable and estimable liability with respect to current asserted claims changes and/or actual liability is different to the estimates, then the actual amount of loss may be materially higher or lower than estimated losses accrued.

## Asbestos-related Accounting Policies

Asbestos Liability
The amount of the asbestos liability has been recognized by reference to (but not exclusively based upon) the most recent actuarial estimate of projected future cash flows as calculated by KPMG Actuarial ("KPMGA"), who are engaged and appointed by AICF under the terms of the AFFA. Based on their assumptions, KPMGA arrived at a range of possible total future cash flows and calculated a central estimate, which is intended to reflect a probability-weighted expected outcome of those actuarially estimated future cash flows projected by KPMGA to occur through 2073.

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

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

## Insurance Receivable

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

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

## Workers' Compensation

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

## James Hardie Industries plc

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

## Restricted Cash and Cash Equivalents

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

## Restricted Short-Term Investments

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

## Short-Term Debt

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

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

## Deferred Income Taxes

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

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

## Asbestos Adjustments

The Asbestos adjustments reflected in the consolidated statements of operations and comprehensive income reflect the net change in the actuarial estimate of the asbestos liability and insurance receivables, and the change in the estimate of AICF claims handling costs. Additionally, as the asbestos-related assets and liabilities are denominated in Australian dollars, the reported values of these asbestos-related assets and liabilities in the Company's consolidated balance sheets in US dollars are subject to adjustment depending on the closing exchange rate between the two currencies at the balance sheet dates, the effect of which is also included in Asbestos adjustments in the consolidated statements of operations and comprehensive income. Further, changes in the fair value of forward exchange contracts entered into to reduce exposure to the change in foreign currency exchange rates associated with AICF payments are recorded in Asbestos adjustments.

## Business combinations

The Company accounts for acquired businesses using the acquisition method of accounting. This method requires that the purchase price be allocated to the identifiable assets acquired and liabilities assumed at their estimated fair values at the date of acquisition. The excess of the purchase price over the identifiable assets acquired and liabilities assumed is recorded as goodwill.

The fair values are determined by management, taking into consideration information supplied by management of the acquired entities, and other relevant information. Such information typically includes valuations obtained from independent appraisal experts, which management reviews and considers in its estimates of fair values. The valuations are generally based upon future cash flow projections for the acquired assets, discounted to present value. The determination of fair values requires significant judgment by management, particularly with respect to the value of identifiable intangible assets. This judgment could result in either a higher or lower value assigned to amortizable or depreciable assets. The impact could result in either higher or lower amortization and/or depreciation expense. Management's estimates of fair value are based upon assumptions believed to be reasonable, but due to the inherent uncertainty during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill.

## Accounting Pronouncements

## Adopted in Fiscal Year 2021

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments, which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. As required, the Company adopted the standard starting with the fiscal year beginning 1 April 2020 using a modified retrospective approach noting no material differences to the consolidated financial statements for the fiscal year ended 31 March 2021. The Company estimates its allowance for credit losses on the trade receivables as described in the Accounts Receivables policy above.

## Recently Issued

In December 2019, the FASB issued ASU No. 2019-12, Income taxes (Topic 740). The amendments in the standard are being issued to simplify the accounting for income taxes and are effective for fiscal years and interim periods within those fiscal years, beginning after 15 December 2020 with early adoption permitted. The Company will adopt ASU No. 2019-12 starting with the fiscal year beginning 1 April 2021 and does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

## Earnings Per Share

Basic earnings per share ("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 RSUs, had been issued.

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

|  | Years Ended 31 March |  |  |
| :--- | ---: | ---: | ---: |
| (Millions of shares) | $\mathbf{2 0 2 1}$ | 2020 | 2019 |
| Basic common shares outstanding | $\mathbf{4 4 3 . 7}$ | 442.6 | 441.9 |
| Dilutive effect of stock awards | $\mathbf{1 . 7}$ | 1.5 | 1.1 |
| Diluted common shares outstanding | $\mathbf{4 4 5 . 4}$ | 444.1 | 443.0 |

There were no potential common shares which would be considered anti-dilutive for the fiscal years ended 31 March 2021, 2020 and 2019.

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

Potential common shares of 0.9 million, 1.5 million and 2.2 million for the fiscal years ended 31 March 2021, 2020 and 2019, respectively, have been excluded from the calculation of diluted common shares outstanding as they are considered contingent shares which are not expected to vest.

## 2. Revenues

The following represents the Company's disaggregated revenues for the fiscal years ended 31 March 2021, 2020 and 2019:

| ) | Year Ended 31 March 2021 |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| (Millions of US dollars) | North America Fiber Cement |  | Asia Pacific Fiber Cement |  | Europe Building Products |  | Consolidated |  |
| Fiber cement revenues | \$ | 2,040.2 | \$ | 458.2 | \$ | 55.3 | \$ | 2,553.7 |
| Fiber gypsum revenues |  | - |  | - |  | 355.0 |  | 355.0 |
| Total revenues | \$ | 2,040.2 | \$ | 458.2 | \$ | 410.3 | \$ | 2,908.7 |


| (Millions of US dollars) | North America Fiber Cement |  | Asia Pacific Fiber Cement |  | Europe Building Products |  | Other Businesses |  | Consolidated |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Fiber cement revenues | \$ | 1,816.4 | \$ | 418.4 | \$ | 48.0 | \$ | - | \$ | 2,282.8 |
| Fiber gypsum revenues |  | - |  | - |  | 323.4 |  | - |  | 323.4 |
| Other revenues |  | - |  | - |  | - |  | 0.6 |  | 0.6 |
| Total revenues | \$ | 1,816.4 | \$ | 418.4 | \$ | 371.4 | \$ | 0.6 | \$ | 2,606.8 |


|  | Year Ended 31 March 2019 |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| (Millions of US dollars) | North America Fiber Cement |  | Asia Pacific Fiber Cement |  | Europe Building Products |  | Other Businesses |  | Consolidated |  |
| Fiber cement revenues | \$ | 1,676.9 | \$ | 446.8 | \$ | 35.8 | \$ | - | \$ | 2,159.5 |
| Fiber gypsum revenues |  | - |  | - |  | 332.5 |  | - |  | 332.5 |
| Other revenues |  | - |  | - |  | - |  | 14.6 |  | 14.6 |
| Total revenues | \$ | 1,676.9 | \$ | 446.8 | \$ | 368.3 | \$ | 14.6 | \$ | 2,506.6 |

The process by which the Company recognizes revenues is similar across each of the Company's reportable segments. Fiber cement and fiber gypsum revenues are primarily generated from the sale of siding and various boards used in external and internal applications, as well as accessories. Fiber gypsum revenues also includes the sale of cement-bonded boards in the Europe Building Products segment. Other revenues were generated from the sale of fiberglass products and windows in the Other Businesses segment, which no longer qualified as a reportable operating segment as of 31 March 2020.

The Company recognizes revenues when the requisite performance obligation has been met, that is, when the Company transfers control of its products to customers, which depending on the terms of the underlying contract, is generally upon delivery. The Company considers shipping and handling activities that it performs as activities to fulfill the sales of its products, with amounts billed for such costs included in net sales and the associated costs incurred for such services recorded in cost of sales, in accordance with the practical expedient provided by Accounting Standards Codification ("ASC") 606.

Certain of the Company's customers receive discounts and rebates as sales incentives, amounts which are recorded as a reduction to revenue at the time the revenue is recognized. These amounts are an estimate recorded by the Company based on historical experience and contractual obligations, the underlying assumptions of which are periodically reviewed and adjusted by the Company, as necessary.

The Company's contracts are generally short-term in nature, generally not exceeding twelve months, with payment terms varying by the type and location of products or services offered; however, the period between invoicing and when payment is due is not significant.

## James Hardie Industries plc

Notes to Consolidated Financial Statements (continued)

## 3. Cash and Cash Equivalents, Restricted Cash and Restricted Cash - Asbestos

The following table provides a reconciliation of Cash and cash equivalents, Restricted cash and Restricted cash - Asbestos reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

|  | 31 March |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| (Millions of US dollars) | 2021 |  | 2020 |  |
| Cash and cash equivalents | \$ | 208.5 | \$ | 144.4 |
| Restricted cash |  | 5.0 |  | 5.0 |
| Restricted cash - Asbestos |  | 104.9 |  | 36.4 |
| Total cash and cash equivalents, restricted cash and restricted cash - Asbestos | \$ | 318.4 | \$ | 185.8 |

## 4. Accounts and Other Receivables

Accounts and other receivables consist of the following components:

|  | 31 March |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| (Millions of US dollars) | 2021 |  | 2020 |  |
| Trade receivables | \$ | 296.7 | \$ | 268.4 |
| Income taxes receivable |  | 25.4 |  | 84.7 |
| Other receivables and advances |  | 17.2 |  | 14.6 |
| Provision for doubtful trade receivables |  | (6.1) |  | (4.4) |
| Total accounts and other receivables | \$ | 333.2 | \$ | 363.3 |

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

| (Millions of US dollars) | 31 March |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2021 |  | 2020 |  | 2019 |  |
| Balance at beginning of period | \$ | 4.4 | \$ | 2.9 | \$ | 1.3 |
| Adjustment to provision |  | 3.1 |  | 1.7 |  | 2.8 |
| Write-offs, net of recoveries |  | (1.4) |  | (0.2) |  | (1.2) |
| Balance at end of period | \$ | 6.1 | \$ | 4.4 | \$ | 2.9 |

## James Hardie Industries plc

Notes to Consolidated Financial Statements (continued)

## 5. Inventories

Inventories consist of the following components:

| (Millions of US dollars) | 31 March |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 2021 |  | 2020 |  |
| Finished goods | \$ | 149.9 | \$ | 224.4 |
| Work-in-process |  | 17.9 |  | 25.2 |
| Raw materials and supplies |  | 60.4 |  | 69.9 |
| Provision for obsolete finished goods and raw materials |  | (9.9) |  | (14.4) |
| Total inventories | \$ | 218.3 | \$ | 305.1 |

The Company identified an immaterial classification error in its 31 March 2020 Inventories footnote which included an understatement in Work-in-process and an overstatement in the Raw materials and supplies balance of US\$17.1 million. As such, the prior year amounts above have been reclassified to conform with the current year presentation.

## 6. Goodwill and Other Intangible Assets

All long-lived intangible assets are reviewed for impairment at least annually, or more frequently if an event occurs indicating the potential for impairment. The Company performed the annual assessment for impairment in the third quarter of fiscal year 2021, noting no impairment.

## Goodwill

The following are the changes in the carrying value of goodwill for the fiscal years ended 31 March 2021 and 2020:

| (Millions of US dollars) | Europe Building Products |  | Asia Pacific Fiber Cement |  | Total |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Balance - 31 March 2019 | \$ | 200.8 | \$ | 0.3 | \$ | 201.1 |
| Impairment |  | - |  | (0.2) |  | (0.2) |
| Foreign exchange impact |  | (3.9) |  | (0.1) |  | (4.0) |
| Balance - 31 March 2020 | \$ | 196.9 | \$ | - | \$ | 196.9 |
| Foreign exchange impact |  | 12.4 |  | - |  | 12.4 |
| Balance - 31 March 2021 | \$ | 209.3 | \$ | - | \$ | 209.3 |

## Intangible Assets

The following are the net carrying amount of indefinite lived intangible assets other than goodwill for the fiscal years ended 31 March 2021 and 2020:

|  | 31 March |  |  |  |
| :--- | :--- | ---: | ---: | ---: | ---: |
| (Millions of US dollars) |  | 2021 |  | 2020 |
| Tradenames | $\$$ | $\mathbf{1 2 0 . 6}$ | $\$$ | 113.5 |
| Other | $\$$ | $\mathbf{7 . 4}$ | 7.4 |  |
| Total | $\mathbf{1 2 8 . 0}$ | $\$$ | 120.9 |  |

## James Hardie Industries plc

Notes to Consolidated Financial Statements (continued)
The following are the net carrying amount of amortizable intangible assets for the fiscal years ended 31 March 2021 and 2020:

| (Millions of US dollars) | Year Ended 31 March 2021 |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Gross Carrying Amount |  | Accumulated Amortization |  | Net Carrying Amount |  |
| Customer Relationships | \$ | 55.2 | \$ | (9.3) | \$ | 45.9 |
| Other |  | 10.9 |  | (10.9) |  | - |
| Total | \$ | 66.1 | \$ | (20.2) | \$ | 45.9 |
|  | Year Ended 31 March 2020 |  |  |  |  |  |
| (Millions of US dollars) | Gross Carrying Amount |  | Accumulated Amortization |  | Net Carrying Amount |  |
| Customer Relationships | \$ | 51.4 | \$ | (6.4) | \$ | 45.0 |
| Other |  | 11.6 |  | (10.8) |  | 0.8 |
| Total | \$ | 63.0 | \$ | (17.2) | \$ | 45.8 |

The amortization of intangible assets was US\$2.6 million, US\$3.1 million and US\$6.1 million for the fiscal years ended 31 March 2021, 2020 and 2019, respectively.

At 31 March 2021, the estimated future amortization of intangible assets is as follows:

| Years ended 31 March (Millions of US dollars): |  |
| :--- | ---: |
| 2022 | $\$ .5$ |
| 2023 | 4.3 |
| 2024 | 4.7 |
| 2025 | 4.8 |

## 7. Property, Plant and Equipment

Property, plant and equipment consist of the following components:

|  | 31 March |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| (Millions of US dollars) | 2021 |  | 2020 |  |
| Land | \$ | 85.2 | \$ | 79.0 |
| Buildings |  | 512.8 |  | 432.5 |
| Machinery and equipment |  | 1,775.5 |  | 1,511.4 |
| Construction in progress |  | 91.8 |  | 267.6 |
| Property, plant and equipment, at cost |  | 2,465.3 |  | 2,290.5 |
| Less accumulated depreciation |  | $(1,093.0)$ |  | (948.8) |
| Property, plant and equipment, Net | \$ | 1,372.3 | \$ | 1,341.7 |

Depreciation expense for the fiscal years ended 31 March 2021, 2020 and 2019 was US $\$ 129.6$ million, US\$125.4 million and US\$109.6 million, respectively.

Impairment of Property, Plant \& Equipment
The Company performs an asset impairment review on a quarterly basis in connection with its assessment of production capabilities and the Company's ability to meet market demand. The following table summarizes the impairment charges:

|  | Years Ended 31 March |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| (Millions of US dollars) | 2021 |  | 2020 |  | 2019 |  |
| North America Fiber Cement | \$ | 2.0 | \$ | 44.0 | \$ | 3.0 |
| Asia Pacific Fiber Cement |  | - |  | 15.0 |  | - |
| Europe Building Products |  | - |  | 5.5 |  | - |
| Other Businesses |  | - |  | - |  | 6.1 |
|  | \$ | 2.0 | \$ | 64.5 | \$ | 9.1 |

Charges recorded to Restructuring expenses

## North America Fiber Cement segment

For the fiscal year ended 31 March 2020, impairment charges of US\$41.2 million were recorded in the North America Fiber Cement segment. Included in this total is US\$12.0 million related to the Company's decision to shut down its Summerville, South Carolina facility. This decision resulted from the potential impact of COVID-19 on future fiber cement sales volume. Assets are grouped and evaluated for impairment at the level for which there are identifiable cash flows, which in the case of the Summerville plant included the manufacturing equipment, land, building and right of use assets. In accordance with the applicable accounting guidance, the Company recorded an impairment charge for the difference between the carrying value of the asset group of US $\$ 22.1$ million and the fair value, based on a third party appraisal of land and buildings, less costs to sell of US\$10.1 million.

The remaining impairment charges of US $\$ 29.2$ million is related to a variety of non-core assets located at four plants across the network which will no longer be used and will be disposed. Due to the unique nature of the non-core fixed assets and the lack of history of selling manufacturing assets, management believes that there will be no future cash flows nor salvage value related to these assets and fully impaired them as of 31 March 2020.

For the fiscal year ended 31 March 2019, the Company recorded impairment charges of US\$2.6 million in the North America Fiber Cement segment related to the discontinuance of its MCT product line.

## Asia Pacific Fiber Cement segment

For the fiscal year ended 31 March 2020, the Company recorded impairment charges of US\$14.0 million in the Asia Pacific Fiber Cement segment due to the decision to shift to an import sales model rather than continue manufacturing in New Zealand, and US\$1.0 million due to its decision to exit the James Hardie Systems business on the determination that it no longer fits within the Company's core business. The US\$14.0 million charge relates to the full write-down of most of the machinery and equipment at the Penrose plant and the related excess spare parts which will not be utilized prior to shutdown. All the equipment and spare parts are unique to the Company and have immaterial resale or salvage values. The remaining net book value of the Penrose plant's assets at 31 March 2020 is US\$2.6 million.

## Europe Building Products segment

For the fiscal year ended 31 March 2020, impairment charges of US $\$ 5.5$ million were recorded in the Europe Building Products segment relating to a variety of non-core assets which no longer provide economic benefit to the Company.

## James Hardie Industries plc

Notes to Consolidated Financial Statements (continued)

## Other Businesses segment

For the fiscal year ended 31 March 2019, the Company recorded impairment charges of US\$6.1 million in the Other Businesses segment to due to the Company's decision to cease production of its fiberglass windows business.

Charges recorded to Cost of goods sold
Other impairment charges in the North America Fiber Cement segment related to individual assets totaled US\$2.0 million, US $\$ 2.8$ million and US\$0.4 million during fiscal years ended 31 March 2021, 2020 and 2019, respectively.

## 8. Leases

The Company's lease portfolio consists primarily of real estate, forklifts at its manufacturing facilities and a fleet of vehicles primarily for sales representatives. The lease term for all of its leases includes the noncancellable period of the lease plus any additional periods covered by either an option to extend (or not to terminate) the lease that the Company is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor. ASC 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate.

The following table represents the Company's ROU assets and lease liabilities:

| (Millions of US dollars) | 31 March |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 2021 |  | 2020 |  |
| Assets: |  |  |  |  |
| Operating leases, net | \$ | 46.4 | \$ | 40.5 |
| Finance leases, net |  | 2.7 |  | 1.7 |
| Total right-of-use assets | \$ | 49.1 | \$ | 42.2 |
|  |  |  |  |  |
| Liabilities: |  |  |  |  |
| Operating leases: |  |  |  |  |
| Current | \$ | 7.8 | \$ | 14.3 |
| Non-Current |  | 53.3 |  | 41.4 |
| Total operating lease liabilities | \$ | 61.1 | \$ | 55.7 |
|  |  |  |  |  |
| Finance leases: |  |  |  |  |
| Current | \$ | 1.0 | \$ | 0.5 |
| Non-Current |  | 1.9 |  | 1.5 |
| Total finance lease liabilities | \$ | 2.9 | \$ | 2.0 |
|  |  |  |  |  |
| Total lease liabilities | \$ | 64.0 | \$ | 57.7 |

## James Hardie Industries plc

Notes to Consolidated Financial Statements (continued)
The following table represents the Company's lease expense:

|  | Years Ended 31 March |  |  |
| :--- | ---: | ---: | ---: |
| (Millions of US dollars) | $\mathbf{2 0 2 1}$ | 2020 |  |
| Operating leases | $\mathbf{\$}$ | $\mathbf{1 7 . 0}$ | $\$$ |
| Short-term leases | $\mathbf{2 . 1}$ | 18.4 |  |
| Variable leases | - | 1.0 |  |
| Finance leases | $\mathbf{0 . 9}$ | 0.1 |  |
| Interest on lease liabilities | $\mathbf{\$}$ | $\mathbf{0 . 1}$ | 0.3 |
| Total lease expense | $\mathbf{2 0 . 1}$ | $\mathbf{\$}$ | 0.1 |

The weighted-average remaining lease term of the Company's leases is as follows:

|  | 31 March |  |  |
| :--- | :---: | :---: | :---: |
| (In Years) | $\mathbf{2 0 2 1}$ | 2020 |  |
| Operating leases | 7.8 | 5.4 |  |
| Finance leases | 3.5 | 4.4 |  |

The weighted-average discount rate of the Company's leases is as follows:

|  | 31 March |  |  |
| :--- | ---: | ---: | ---: |
|  | $\mathbf{2 0 2 1}$ | 2020 |  |
| Operating leases | $4.6 \%$ | $4.4 \%$ |  |
| Finance leases | $4.5 \%$ | $4.4 \%$ |  |

The following are future lease payments for non-cancellable leases at 31 March 2021:

| Years ended 31 March (Millions of US dollars): | Operating Leases |  | Finance Leases |  | Total |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 2022 | \$ | 9.6 | \$ | 1.0 | \$ | 10.6 |
| 2023 |  | 14.3 |  | 1.0 |  | 15.3 |
| 2024 |  | 10.5 |  | 0.5 |  | 11.0 |
| 2025 |  | 7.2 |  | 0.3 |  | 7.5 |
| 2026 |  | 6.1 |  | 0.2 |  | 6.3 |
| Thereafter |  | 30.9 |  | - |  | 30.9 |
| Total | \$ | 78.6 | \$ | 3.0 | \$ | 81.6 |
| Less: imputed interest |  |  |  |  |  | 17.6 |
| Total lease liabilities |  |  |  |  | \$ | 64.0 |

Supplemental cash flow and other information related to leases were as follows:

|  | Years Ended 31 March |  |  |
| :--- | ---: | ---: | ---: |
| (Millions of US dollars) | $\mathbf{2 0 2 1}$ | 2020 |  |
| Cash paid for amounts included in the measurement of lease liabilities: |  |  |  |
| Operating cash flows used for operating leases | $\mathbf{\$}$ | $\mathbf{1 9 . 2}$ | $\mathbf{\$}$ |
| Operating cash flows used for finance leases | $\mathbf{0 . 1}$ | $\mathbf{1 8 . 0}$ |  |
| Financing cash flows used for finance leases | $\mathbf{0 . 8}$ | 0.1 |  |
| Non-cash ROU assets obtained in exchange for new lease liabilities | $\mathbf{2 6 . 0}$ | 12.9 |  |
| Non-cash remeasurements reducing ROU assets and lease liabilities | $\mathbf{( 5 . 1 )}$ | $\mathbf{( 1 9 . 4 )}$ |  |

## James Hardie Industries plc

Notes to Consolidated Financial Statements (continued)

## 9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following components:

|  | 31 March |  |  |  |
| :--- | ---: | ---: | ---: | ---: |
| (Millions of US dollars) | $\mathbf{2 0 2 1}$ | 2020 |  |  |
| Trade creditors | $\mathbf{\$}$ | $\mathbf{1 7 4 . 0}$ | $\$$ | 151.3 |
| Accrued interest | $\mathbf{4 . 5}$ | 8.6 |  |  |
| Accrued customer rebates | $\mathbf{8 0 . 0}$ | 65.5 |  |  |
| Other creditors and accruals | $\mathbf{4 8 . 5}$ | 49.3 |  |  |
| Total accounts payable and accrued liabilities | $\underline{307.0}$ | $\$$ | 274.7 |  |

## 10. Long-Term Debt



## Senior Unsecured Notes

## 2025 Senior Unsecured Notes

On 15 January 2021, the Company redeemed US\$400.0 million aggregate principal amount of its $4.750 \%$ senior notes due 2025 (the "2025 Notes") and recorded a loss on early debt extinguishment of US $\$ 13.1$ million, which included US $\$ 9.5$ million of call redemption premiums and US $\$ 3.6$ million of unamortized financing costs associated with these notes.

On 18 January 2021, the 2025 Notes were delisted from the Global Exchange Market which is operated by Euronext Dublin.

## 2026 Senior Unsecured Notes

In October 2018, JHIF completed the sale of $€ 400.0$ million aggregate principal amount of $3.625 \%$ senior notes at par due 1 October 2026 (the "2026 Notes") with interest payable semi-annually in arrears on 1 October and 1 April of each year. The proceeds from the offering were used to repay $€ 400.0$ million outstanding borrowings under a 364-day term loan facility (the "Term Loan Facility") which was used to complete the Fermacell acquisition. On 3 October 2018, JHIF repaid all € 400.0 million aggregate principal amount and accrued interest of its Term Loan Facility following the completion of the sale of $€ 400.0$ million 2026 Notes (US $\$ 458.8$ million, based on the exchange rate at 3 October 2018). In connection with this repayment, the Company recorded a loss on early debt extinguishment of US $\$ 1.0$ million during the fiscal year ended 31 March 2019 associated with the unamortized portion of the deferred financing fees.

## 2028 Senior Unsecured Notes

In December 2017, JHIF completed the sale of US\$400.0 million aggregate principal amount of $5.000 \%$ senior notes at par due 15 January 2028 (the "2028 Notes") with interest payable semi-annually in arrears on 15 January and 15 July of each year.

## Unsecured Revolving Credit Facility

In December 2015, James Hardie International Finance Designated Activity Company ("JHIF") and James Hardie Building Products Inc. ("JHBP"), each a wholly-owned subsidiary of JHI plc, entered into a US $\$ 500.0$ million unsecured revolving credit facility (the "Revolving Credit Facility") with certain commercial banks and HSBC Bank USA, National Association, as administrative agent. In December 2017, the Revolving Credit Facility was amended to, among other things, extend the maturity date to December 2022. Debt issuance costs in connection with the Revolving Credit Facility are being amortized as interest expense over the stated term of five years.

Borrowings under the Revolving Credit Facility bear interest at per annum rates equal to, at the borrower's option, either: (i) the London Interbank Offered Rate ("LIBOR") plus an applicable margin for LIBOR loans; or (ii) a base rate plus an applicable margin for base rate loans. For LIBOR Loans, the applicable margin ranges from $1.25 \%$ to $2.00 \%$, and for base rate loans it ranges from $0.25 \%$ to $1.00 \%$. The Company also pays a commitment fee of between $0.20 \%$ and $0.35 \%$ on the actual daily amount of the unutilized revolving loans.

## Guarantees and Compliance

The indenture governing the senior unsecured notes contain covenants that, among other things, limit the ability of the guarantors and their restricted subsidiaries to incur liens on assets, make certain restricted payments, engage in certain sale and leaseback transactions and merge or consolidate with or into other companies. These covenants are subject to certain exceptions and qualifications as described in the indenture. At 31 March 2021, the Company was in compliance with all of its requirements under the indenture related to the senior unsecured notes.

The senior unsecured notes are guaranteed by JHIGL, JHBP and JHTL, each of which are wholly-owned subsidiaries of JHI plc.

## James Hardie Industries plc

Notes to Consolidated Financial Statements (continued)
The Revolving Credit Facility agreement contains certain covenants that, among other things, restrict JHIGL and its restricted subsidiaries' ability to incur indebtedness and grant liens other than certain types of permitted indebtedness and permitted liens, make certain restricted payments, and undertake certain types of mergers or consolidations actions. At 31 March 2021, the Company was in compliance with all covenants contained in the Revolving Credit Facility agreement.

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

## Off Balance Sheet Arrangements

As of 31 March 2021, the Company had a total borrowing base capacity under the Revolving Credit Facility of US $\$ 500.0$ million with outstanding borrowings of nil, and US $\$ 4.7$ million of issued but undrawn letters of credit and bank guarantees. These letters of credit and bank guarantees relate to various operational matters including insurance, performance bonds and other items, leaving the Company with US\$495.3 million of available borrowing capacity under the Revolving Credit Facility.

## Subsequent Event

As of 18 May 2021, the Company had US\$110.0 million drawn under its revolving credit facility, which was used to partially fund the payment of the fiscal year 2021 special dividend.

## 11. Product Warranties

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

The following are the changes in the product warranty provision:

| (Millions of US dollars) | 31 March |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2021 |  | 2020 |  | 2019 |  |
| Balance at beginning of period | \$ | 42.4 | \$ | 46.6 | \$ | 52.8 |
| Increase (Decrease) in accrual |  | 2.4 |  | 0.8 |  | (0.8) |
| Acquired during the period |  | - |  | - |  | 0.5 |
| Settlements made in cash or in kind |  | (5.2) |  | (5.0) |  | (5.9) |
| Balance at end of period | \$ | 39.6 | \$ | 42.4 | \$ | 46.6 |

James Hardie Industries plc
Notes to Consolidated Financial Statements (continued)

## 12. Asbestos

The AFFA was approved by shareholders in February 2007 to provide long-term funding to AICF. For a discussion of the AFFA and the accounting policies utilized by the Company related to the AFFA and AICF, see Note 1.

## Asbestos Adjustments

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

| (Millions of US dollars) | Years Ended 31 March |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2021 |  | 2020 |  | 2019 |  |
| Change in estimates: |  |  |  |  |  |  |
| Change in actuarial estimate - asbestos liability | \$ | (33.0) | \$ | (133.8) | \$ | (73.8) |
| Change in actuarial estimate - insurance receivable |  | 2.0 |  | 5.7 |  | - |
| Change in estimate - AICF claims-handling costs |  | (1.5) |  | 0.1 |  | 1.1 |
| Subtotal - Change in estimates |  | (32.5) |  | (128.0) |  | (72.7) |
| Effect of foreign exchange on Asbestos net liabilities |  | (123.0) |  | 69.0 |  | 49.5 |
| Gain (loss) on foreign currency forward contracts |  | 11.7 |  | 0.8 |  | (0.8) |
| Adjustments in insurance receivable |  | - |  | - |  | 2.0 |
| Other |  | (0.1) |  | - |  | - |
| Total Asbestos Adjustments | \$ | (143.9) | \$ | (58.2) | \$ | (22.0) |

## Actuarial Study; Claims Estimate

AICF commissioned an updated actuarial study of potential asbestos-related liabilities as of 31 March 2021. Based on KPMGA's assumptions, KPMGA arrived at a range of possible total cash flows and calculated a central estimate, which is intended to reflect a probability-weighted expected outcome of those actuarially estimated future cash flows.

The following table sets forth the central estimates, net of insurance recoveries, calculated by KPMGA as of 31 March 2021:

|  | Year Ended 31 March 2021 |  |
| :--- | :---: | :---: |
| (Millions of US and Australian dollars, respectively) | US\$ | A\$ |
| Central Estimate - Discounted and Inflated | $1,339.8$ | $1,762.6$ |
| Central Estimate - Undiscounted but Inflated | $1,545.8$ | $2,033.7$ |
| Central Estimate - Undiscounted and Uninflated | $1,027.6$ | $1,351.9$ |

The asbestos liability has been revised to reflect the most recent undiscounted and uninflated actuarial estimate prepared by KPMGA as of 31 March 2021.

In estimating the potential financial exposure, KPMGA has made a number of assumptions, including, but not limited to, assumptions related to the peak period of claims, total number of claims that are reasonably estimated to be asserted through 2073, the typical cost of settlement (which is sensitive to, among other factors, the industry in which a plaintiff claims exposure, the alleged disease type, the age of the claimant and the jurisdiction in which the action is brought), the legal costs incurred in the litigation of such claims, the rate of receipt of claims, the settlement strategy in dealing with outstanding claims and the timing of settlements. Changes to the assumptions may be necessary in future periods should mesothelioma claims reporting escalate or decline.

## James Hardie Industries plc

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

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

A sensitivity analysis was performed by KPMGA to determine how the actuarial estimates would change if certain assumptions (i.e., the rate of inflation and superimposed inflation, the average costs of claims and legal fees, and the projected numbers of claims) were different from the assumptions used to determine the central estimates. The sensitivity analysis performed in the actuarial report is directly related to the discounted but inflated central estimate and the undiscounted but inflated central estimate. The actual cost of the liabilities could be outside of that range depending on the results of actual experience relative to the assumptions made.

The following table summarizes the results of the analysis:

Potential variation in the estimated peak period of claims has an impact much greater than the other assumptions used to derive the discounted central estimate. In performing the sensitivity assessment of the estimated incidence pattern reporting for mesothelioma, if the pattern of incidence was shifted by two years, the central estimate could increase by approximately $21 \%$ on a discounted basis.

## James Hardie Industries plc

Notes to Consolidated Financial Statements (continued)
Claims Data
The following table shows the activity related to the numbers of open claims, new claims and closed claims during each of the past five years and the average settlement per settled claim and case closed:

|  | For the Years Ended 31 March |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2021 | 2020 | 2019 | 2018 | 2017 |
| Number of open claims at beginning of period | 393 | 332 | 336 | 352 | 426 |
| Number of new claims |  |  |  |  |  |
| Direct claims | 392 | 449 | 430 | 422 | 402 |
| Cross claims | 153 | 208 | 138 | 140 | 155 |
| Number of closed claims | 578 | 596 | 572 | 578 | 631 |
| Number of open claims at end of period | 360 | 393 | 332 | 336 | 352 |
| Average settlement amount per settled claim | A \$248,000 | A\$277,000 | A\$262,000 | A\$253,000 | A\$224,000 |
| Average settlement amount per case closed | A\$225,000 | A\$245,000 | A\$234,000 | A\$217,000 | A\$168,000 |
|  |  |  |  |  |  |
| Average settlement amount per settled claim | US\$178,000 | US\$189,000 | US\$191,000 | US\$196,000 | US\$168,000 |
| Average settlement amount per case closed | US\$162,000 | US\$167,000 | US\$171,000 | US\$168,000 | US\$126,000 |

During fiscal year 2021, mesothelioma claims reporting activity was favorable compared to actuarial expectations and the prior corresponding period, primarily driven by lower direct claims which typically cost significantly more than the cross claims. Consistent with prior years, the claimants ages are increasing which also has had a favorable effect on average claim size.

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

## James Hardie Industries plc

Notes to Consolidated Financial Statements (continued)
The following is a detailed rollforward of the Net Unfunded AFFA liability, net of tax, for the fiscal year ended 31 March 2021:

| (Millions of US dollars) | Asbestos Liability |  | Insurance Receivables |  | Restricted Cash and Investments |  | Other <br> Assets and Liabilities |  | Net Unfunded AFFA Liability |  | Deferred Tax Assets |  | Income Tax Payable |  | Net <br> Unfunded AFFA Liability, net of tax |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Opening Balance - 31 March 2020 | \$ | (986.4) | \$ | 43.5 | \$ | 58.0 | \$ | (2.0) | \$ | (886.9) | \$ | 319.1 | \$ | 23.4 | \$ | (544.4) |
| Asbestos claims paid ${ }^{1}$ |  | 105.3 |  | - |  | (105.3) |  | - |  | - |  | - |  | - |  |  |
| Payment received in accordance with AFFA ${ }^{2}$ |  | - |  | - |  | 153.3 |  | - |  | 153.3 |  | - |  | - |  | 153.3 |
| AICF claims-handling costs incurred (paid) |  | 1.1 |  | - |  | (1.1) |  | - |  | - |  | - |  | - |  | - |
| AICF operating costs paid - non claims-handling |  | - |  | - |  | (1.2) |  | - |  | (1.2) |  | - |  | - |  | (1.2) |
| Change in actuarial estimate |  | (33.0) |  | 2.0 |  | - |  | - |  | (31.0) |  | - |  | - |  | (31.0) |
| Change in claims handling cost estimate |  | (1.5) |  | - |  | - |  | - |  | (1.5) |  | - |  | - |  | (1.5) |
| Impact on deferred income tax due to change in actuarial estimate |  | - |  | - |  | - |  | - |  | - |  | 9.7 |  | - |  | 9.7 |
| Insurance recoveries |  | - |  | (5.8) |  | 5.8 |  | - |  | - |  | - |  | - |  | - |
| Movement in income tax payable |  | - |  | - |  | - |  | - |  | - |  | (33.5) |  | 7.4 |  | (26.1) |
| Other movements |  | - |  | - |  | 9.5 |  | 0.4 |  | 9.9 |  | 0.2 |  | - |  | 10.1 |
| Effect of foreign exchange |  | (221.3) |  | 9.8 |  | 12.5 |  | (0.3) |  | (199.3) |  | 71.9 |  | 4.4 |  | (123.0) |
| Closing Balance - 31 March 2021 |  | (1,135.8) | \$ | 49.5 | \$ | 131.5 | \$ | (1.9) | \$ | (956.7) | \$ | 367.4 | \$ | 35.2 | \$ | (554.1) |

1 Claims paid of US $\$ 105.3$ million reflects $\mathbf{A} \$ 146.5$ million converted at the average exchange rate for the period based on the assumption that these transactions occurred evenly throughout the period.

## AICF Funding

During the fiscal year ending 31 March 2022, the Company anticipates that it will contribute approximately US\$252.6 million to AICF. This amount represents $35 \%$ of the Company's fiscal year 2021 free cash flow which is equivalent to operating cash flows of US $\$ 786.9$ million less an adjustment of US $\$ 65.3$ million, resulting in free cash flow of US $\$ 721.6$ million for fiscal year 2021, as defined by the AFFA.

During the fiscal years ended 31 March 2021, 2020 and 2019, the Company contributed US\$153.3 million (A\$220.9 million), US $\$ 108.9$ million ( $\mathrm{A} \$ 156.7$ million) and US $\$ 103.0$ million ( $\mathrm{A} \$ 138.4$ million), respectively, to AICF.

## Restricted Short-Term Investments

AICF invests its excess cash in time deposits, which are classified as available-for-sale investments until maturity. The following table represents the investments entered into or maturing during the fiscal year ended 31 March 2021:

| Date Invested | Maturity Date | Interest Rate | A\$ Millions |
| :--- | :---: | :---: | :---: |
| October 2020 | 2 July 2021 | $0.59 \%$ | 35.0 |
| July 2019 | 30 April 2020 | $1.70 \%$ | 20.0 |
| July 2019 | 1 June 2020 | $1.70 \%$ | 15.0 |

James Hardie Industries plc
Notes to Consolidated Financial Statements (continued)
At 31 March 2021, AICF's short-term investments were revalued resulting in a mark-to-market fair value adjustment of nil.

## AICF - NSW Government Secured Loan Facility

AICF may borrow, subject to certain conditions, up to an aggregate amount of A $\$ 320.0$ million (US $\$ 243.2$ million, based on the exchange rate at 31 March 2021). The AICF Loan Facility is guaranteed by the Former James Hardie Companies and is available to be drawn for the payment of claims through 1 November 2030, at which point, all outstanding borrowings must be repaid. Borrowings made under the AICF Loan Facility are classified as current, as AICF intends to repay the debt within one year. At 31 March 2021 and 2020, AICF had no amounts outstanding under the AICF Loan Facility.

## 13. Derivative Instruments

## 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.

## 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 impact the estimated fair value. Accordingly, the interest rate swap contracts are categorized as Level 2 within the fair value hierarchy. Gain and loss on interest rate swap contracts are immaterial and included in Other income (expense).

## Derivative Balances

The following table sets forth the total outstanding notional amount and the fair value of the Company's derivative instruments held at 31 March 2021 and 2020:

Fair Value as of

| (Millions of US dollars) | Notional Amount |  |  |  | 31 March 2021 |  |  |  | 31 March 2020 |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Derivatives not accounted for as hedges | 31 March 2021 |  | 31 March 2020 |  | Assets |  | Liabilities |  | Assets |  | Liabilities |  |
| Foreign currency forward contracts | \$ | 456.1 | \$ | - | \$ | 5.5 | \$ | 8.3 | \$ | - | \$ | - |
| Interest rate swap contracts |  | - |  | 25.0 |  | - |  | - |  | - |  | 0.1 |
| Total | \$ | 456.1 | \$ | 25.0 | \$ | 5.5 | \$ | 8.3 | \$ | - | \$ | 0.1 |

## James Hardie Industries plc

Notes to Consolidated Financial Statements (continued)
The following table sets forth the gain and loss on the Company's foreign currency forward contracts recorded in the Company's consolidated statements of operations and comprehensive income as follows:

| (Millions of US dollars) | 31 March |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2021 |  | 2020 |  | 2019 |  |
| Asbestos adjustments (gain) loss | \$ | (11.7) | \$ | (0.8) | \$ | 0.8 |
| Selling, general and administrative expenses |  | 7.2 |  | 1.3 |  | 3.9 |
| Total | \$ | (4.5) | \$ | 0.5 | \$ | 4.7 |

## 14. Commitments and Contingencies

Legal Matters

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

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

## New Zealand Weathertightness Claims

Since fiscal year 2002, the Company's New Zealand subsidiaries have been 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.

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.

In 2015, the Company and/or its subsidiaries were named as the sole defendants in four claims on behalf of multiple defendants, three of which are still pending and each of which allege that the New Zealand subsidiaries' products were inherently defective. The Company believes it has substantial factual and legal defenses to these claims and is defending the claims vigorously.

James Hardie Industries plc

## Notes to Consolidated Financial Statements (continued)

Cridge, et al. (Case Nos. CIV-2015-485-594 and CIV-2015-485-773), In the High Court of New Zealand, Wellington Registry (hereinafter the "Cridge litigation"). In August 2020, trial of phase one of the Cridge litigation commenced in Wellington, New Zealand solely to determine whether the Company's New Zealand subsidiaries had a duty to the plaintiffs and breached that duty. This phase of the trial concluded in December 2020, and a decision by the Wellington High Court is expected to be announced late in the first quarter of FY 2022. We believe we have substantial factual and legal defenses to the claims in the Cridge litigation. While an unfavorable outcome in this phase is possible as litigation is inherently unpredictable, management does not believe that the outcome of this phase of the litigation will have a material adverse effect on the Company's financial position. As of 31 March 2021, the Company has not recorded a reserve related to the Cridge litigation as the chance of loss is not probable and the amount of loss, if any, cannot be reasonably estimated. If an adverse decision is reached by the Wellington High Court, certain factors anticipated to be included in the decision may allow the Company to estimate a reasonable range of liability in the Cridge litigation.

White, et al. (Case No. CIV-2015-404-2981 [2021] NZHC 930), In the High Court of New Zealand, Auckland Registry (hereinafter the "White litigation"). The trial of phase one of the White litigation is scheduled to commence on 17 May 2021 in Auckland, New Zealand solely to determine whether the Company's New Zealand subsidiaries, along with three non-New Zealand Group entities, had a duty to the plaintiffs and breached that duty. As of 31 March 2021, the Company has not recorded a reserve related to the White litigation as the chance of loss is not probable and the amount of loss, if any, cannot be reasonably estimated.

Waitakere, et al. (Case No. CIV-2015-404-3080), In the High Court of New Zealand, Auckland Registry (hereinafter the "Waitakere litigation"). The trial in the Waitakere litigation is currently not scheduled to begin until May 2023 in Auckland, New Zealand. As of 31 March 2021, the Company has not recorded a reserve related to the Waitakere litigation as the chance of loss is not probable and the amount of loss, if any, cannot be reasonably estimated.

A court's decision in one or more of the litigation matters has the potential to impact the accounting treatment regarding the probability of a potential loss and the Company's ability to reasonably estimate a reserve with regards to the other litigation matters discussed above. Furthermore, an adverse judgement in one or more of these litigation matters could have a material adverse impact on our consolidated financial position, results of operations or cash flows.

Readers are referred to Note 1 for further information related to our policies related to asserted and unasserted claims.

## Environmental and Legal

The operations of the Company, like those of other companies engaged in similar businesses, are subject to several 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.

## James Hardie Industries plc

## Notes to Consolidated Financial Statements (continued)

## 15. Income Taxes

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

| L | Years Ended 31 March |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| (Millions of US dollars) | 2021 |  | 2020 |  | 2019 |  |
| Income before income taxes: |  |  |  |  |  |  |
| Domestic | \$ | 241.9 | \$ | 209.6 | \$ | 196.4 |
| Foreign |  | 170.1 |  | 78.4 |  | 104.2 |
| Income before income taxes: | \$ | 412.0 | \$ | 288.0 | \$ | 300.6 |
| Income tax expense: |  |  |  |  |  |  |
| Current: |  |  |  |  |  |  |
| Domestic | \$ | (38.5) | \$ | (31.1) | \$ | (26.6) |
| Foreign |  | 8.6 |  | 39.8 |  | (6.5) |
| Current income tax (expense) benefit |  | (29.9) |  | 8.7 |  | (33.1) |
| Deferred: |  |  |  |  |  |  |
| Domestic |  | (1.4) |  | (4.5) |  | (1.3) |
| Foreign |  | (117.9) |  | (50.7) |  | (37.4) |
| Deferred income tax expense |  | (119.3) |  | (55.2) |  | (38.7) |
| Total income tax expense | \$ | (149.2) | \$ | (46.5) | \$ | (71.8) |

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

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

| (Millions of US dollars) | Years Ended 31 March |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2021 |  | 2020 |  | 2019 |  |
| Income tax expense computed at the statutory tax rates | \$ | (58.1) | \$ | (38.7) | \$ | (48.9) |
| US state income taxes, net of the federal benefit |  | (8.0) |  | (5.7) |  | (3.1) |
| Asbestos - effect of foreign exchange |  | (36.8) |  | 20.9 |  | 14.9 |
| Expenses not deductible |  | (2.0) |  | (5.5) |  | (4.0) |
| Stock and executive compensation |  | (5.5) |  | (1.7) |  | (1.3) |
| Foreign taxes on domestic income |  | (49.8) |  | (43.5) |  | (34.5) |
| Prior year tax adjustments |  | 5.9 |  | (0.4) |  | (0.3) |
| Taxes on foreign income |  | (1.6) |  | 2.7 |  | 4.5 |
| US net operating loss carryback |  | 4.9 |  | 25.5 |  | - |
| Other items |  | 1.8 |  | (0.1) |  | 0.9 |
| Total income tax expense | \$ | (149.2) | \$ | (46.5) | \$ | (71.8) |
| Effective tax rate |  | 36.2 \% |  | 16.1 \% |  | 23.9 \% |

Deferred tax balances consist of the following components:

| (Millions of US dollars) | 31 March |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 2021 |  | 2020 |  |
| Deferred tax assets: |  |  |  |  |
| Intangible assets | \$ | 1,038.7 | \$ | 1,126.4 |
| Asbestos liability |  | 367.4 |  | 319.1 |
| Other provisions and accruals |  | 62.2 |  | 54.1 |
| Net operating loss carryforwards |  | 61.0 |  | 41.3 |
| Foreign and research tax credit carryforwards |  | 122.1 |  | 114.2 |
| Total deferred tax assets |  | 1,651.4 |  | 1,655.1 |
| Valuation allowance |  | (262.7) |  | (262.9) |
| Total deferred tax assets net of valuation allowance |  | 1,388.7 |  | 1,392.2 |
| Deferred tax liabilities: |  |  |  |  |
| Depreciable and amortizable assets |  | (151.7) |  | (117.5) |
| Other |  | (49.1) |  | (48.1) |
| Total deferred tax liabilities |  | (200.8) |  | (165.6) |
| Total deferred taxes, net | \$ | 1,187.9 | \$ | 1,226.6 |

Deferred income taxes include net operating loss carry-forwards. At 31 March 2021, the Company had tax loss carry-forwards in Australia, New Zealand, Europe and the US of approximately US\$61.0 million, that are available to offset future taxable income in the respective jurisdiction.

The Australian net operating loss carry-forwards primarily result from current and prior year tax deductions for contributions to AICF. James Hardie 117 Pty Limited, the performing subsidiary under the AFFA, is able to claim a tax deduction for its contributions to AICF over a five-year period commencing in the year the contribution is incurred. At 31 March 2021, the Company recognized a tax deduction of US $\$ 110.9$ million (A $\$ 154.3$ million) for the current year relating to total contributions to AICF of US $\$ 558.5$ million (A\$771.7 million) incurred in tax years 2017 through 2021.

The Company establishes a valuation allowance against a deferred tax asset if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

At 31 March 2021, the Company had foreign tax credit carry-forwards of US\$119.5 million and research credits of US $\$ 2.6$ million that are available to offset future taxes payable. At 31 March 2021, the Company had a $100 \%$ valuation allowance against the foreign tax credit carry-forwards.

In determining the need for and the amount of a valuation allowance in respect of the Company's asbestos related deferred tax asset, management reviewed the relevant empirical evidence, including the current and past core earnings of the Australian business and forecast earnings of the Australian business considering current trends. Although realization of the deferred tax asset will occur over the life of the AFFA, which extends beyond the forecast period for the Australian business, Australia provides an unlimited carry-forward period for tax losses. Based upon managements' review, the Company believes that it is more likely than not that the Company will realize its asbestos related deferred tax asset and that no valuation allowance is necessary as of 31 March 2021. In the future, based on review of the empirical evidence by management at that time, if management determines that realization of its asbestos related deferred tax asset is not more likely than not, the Company may need to provide a valuation allowance to reduce the carrying value of the asbestos related deferred tax asset to its realizable value.

At 31 March 2021, the Company had prepaid and refundable income taxes of US $\$ 30.5$ million. During the fiscal year ended 31 March 2021, total income tax refunds received, net of withholding tax paid was US\$3.7 million.

The US Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted in March 2020 providing wide ranging economic relief for individuals and businesses. One component of the CARES Act provides the Company with an opportunity to carryback US net operating losses ("NOLs") arising during the years ended 31 March 2021 and 2020 to the prior five tax years. The Company has previously valued its NOLs at the US federal corporate income tax rate of $21 \%$. However, the provisions of the CARES Act provide for NOL carryback claims to be calculated based on a rate of $35 \%$, which was the US federal corporate tax rate in effect in the carryback years. The Company intends to utilize these carryback provisions to obtain an estimated refund of US $\$ 42.3$ million. At 31 March 2021 the Company recorded current taxes receivable of US $\$ 25.3$ million, a reduction of US $\$ 17.0$ million in non-current taxes payable associated with the deferred deemed repatriation tax and an income tax benefit of US\$4.9 million resulting from tax losses being utilized at the higher US federal corporate tax rate applying in the carryback years.

The Company or its subsidiaries files income tax returns in various jurisdictions including Ireland, the United States, Australia and various jurisdictions in Europe and Asia Pacific. Due to the size and nature of its business, the Company is subject to ongoing audits and reviews by taxing jurisdictions on various tax matters. The Company is no longer subject to general tax examinations in Ireland for the tax years prior to tax year 2017, Australia for tax years prior to tax year 2016 and in the US for tax years prior to tax year 2014.

## Unrecognized Tax Benefits

For the fiscal years ended 31 March 2021, 2020, and 2019, the total amount of penalties and interest recorded in Income tax expense related to unrecognized tax benefits were immaterial. The liabilities associated with uncertain tax benefits are included in Other liabilities on the Company's consolidated balance sheets. At 31 March 2021, the total amount of unrecognized tax benefits and the total amount of interest and penalties accrued by the Company that, if recognized, would affect the effective tax rate were US\$0.5 million.

## 16. Stock-Based Compensation

Total stock-based compensation expense consists of the following:

|  | Years Ended 31 March |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| (Millions of US dollars) | 2021 |  | 2020 |  | 2019 |  |
| Liability Awards | \$ | 21.7 | \$ | 2.8 | \$ | (0.6) |
| Equity Awards |  | 18.0 |  | 10.3 |  | 12.5 |
| Total stock-based compensation expense | \$ | 39.7 | \$ | 13.1 | \$ | 11.9 |

As of 31 March 2021, the unrecorded future stock-based compensation expense related to outstanding equity awards was US $\$ 17.1$ million and will be recognized over an estimated weighted average amortization period of 1.8 years.

## James Hardie Industries plc

Notes to Consolidated Financial Statements (continued)

## 2001 Equity Incentive Plan

Under the Company's 2001 Equity Incentive Plan (the "2001 Plan"), which was reapproved to continue until September 2021, the Company can grant equity awards in the form of nonqualified stock options, performance awards, restricted stock grants, stock appreciation rights, dividend equivalent rights, phantom stock or other stock-based benefits such as restricted stock units.

## Long-Term Incentive Plan 2006

The Company's shareholders approved the establishment of a Long-Term Incentive Plan in 2006 (the "LTIP") to provide incentives to certain members of senior management ("Executives"). The Company determines the conditions or restrictions of any awards, which may include requirements of continued employment, individual performance or the Company's financial performance or other criteria. Currently, the plan only allows for RSUs to be granted under the LTIP.

The following table summarizes the Company's shares available for grant as options, RSUs or other equity instruments under the LTIP and 2001 Plan:

|  | Shares <br> Available for <br> Grant |
| :--- | ---: |
| Balance at 31 March 2019 | $\mathbf{2 3 , 7 4 4 , 8 1 6}$ |
| Granted | $(800,437)$ |
| Balance at 31 March 2020 | $\mathbf{2 2 , 9 4 4 , 3 7 9}$ |
| Granted | $(856,756)$ |
| Balance at 31 March 2021 | $\mathbf{2 2 , 0 8 7 , 6 2 3}$ |

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

The following table summarizes the Company's RSU activity:

| (Units) | $\begin{gathered} \text { Service } \\ \text { Vesting } \\ \text { (2001 Plan) } \end{gathered}$ | Performance Vesting (LTIP) | Market Conditions (LTIP) | Total | Weighted <br> Average Fair Value at Grant Date (A\$) |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Outstanding at 31 March 2019 | 910,386 | 1,148,022 | 2,203,100 | 4,261,508 | 14.47 |
| Granted | 24,006 | 273,258 | 503,173 | 800,437 | 18.08 |
| Vested | $(304,591)$ | $(207,271)$ | $(362,973)$ | $(874,835)$ | 16.21 |
| Forfeited | $(109,169)$ | $(349,844)$ | $(565,660)$ | $(1,024,673)$ | 15.21 |
| Outstanding at 31 March 2020 | 520,632 | 864,165 | 1,777,640 | 3,162,437 | 14.64 |
| Granted | 371,806 | 190,376 | 294,574 | 856,756 | 26.56 |
| Vested | $(245,385)$ | $(174,356)$ | $(722,156)$ | $(1,141,897)$ | 13.03 |
| Forfeited | $(53,567)$ | $(153,897)$ | $(63,136)$ | $(270,600)$ | 17.05 |
| Outstanding at 31 March 2021 | 593,486 | 726,288 | 1,286,922 | 2,606,696 | 19.01 |

## James Hardie Industries plc

Notes to Consolidated Financial Statements (continued)
The following table includes the assumptions used for RSU grants (market condition) valued:

| Vesting Condition: | Market FY21 | Market FY21 | Market FY20 | Market FY20 | Market FY20 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Date of grant ${ }^{1}$ | 15 Sep 2020 | 5 Nov 2020 | 25 Feb 2020 | 20 Sep 2019 | 9 Aug 2019 |
| Dividend yield (per annum) | - \% | 1.3 \% | 2.9 \% | 3.1 \% | 3.1 \% |
| Expected volatility | 39.2 \% | 40.1 \% | 26.6 \% | 26.6 \% | 27.8 \% |
| Risk free interest rate | 0.2 \% | 0.2 \% | 1.2 \% | 1.6 \% | 1.6 \% |
| Expected life in years | 2.9 | 2.8 | 2.5 | 2.9 | 2.0 |
| JHX stock price at grant date (A\$) | 30.33 | 37.24 | 29.54 | 24.69 | 21.68 |
| Number of restricted stock units | 167,491 | 127,083 | 6,676 | 477,979 | 18,518 |

Scorecard LTI - CSUs
Under the terms of the LTIP, the Company grants scorecard LTI CSUs to executives and the vesting of awards is based on the individual's performance measured over a three year period against certain performance targets. These awards provide recipients a cash incentive based on an average 20 tradingday closing price of JHI plc's common stock price and each executive's scorecard rating.

The following represents the activity related to the CSUs:

|  | FY21 | FY20 |
| :--- | ---: | :---: |
| Granted | 571,132 | 791,217 |
| Vested | 377,506 | 129,549 |
| Cancelled | 607,253 | 328,935 |

For the fiscal years ending 31 March 2021, 2020 and 2019, US $\$ 8.2$ million, US $\$ 2.0$ million and US $\$ 2.4$ million, respectively, was paid in cash upon vesting of CSU units.

## 17. Dividends

The following table summarizes the dividends declared or paid during the fiscal years 2021, 2020 and 2019:

| (Millions of US dollars) | US Cents/Security | US\$ Millions Total Amount | Announcement Date | Record Date | Payment Date |
| :---: | :---: | :---: | :---: | :---: | :---: |
| FY 2021 special dividend | 0.70 | 309.6 | 10 February 2021 | 19 February 2021 | 30 April 2021 |
| FY 2020 first half dividend ${ }^{1}$ | 0.10 | 44.7 | 7 November 2019 | 18 November 2019 | 20 December 2019 |
| FY 2019 second half dividend | 0.26 | 113.9 | 21 May 2019 | 6 June 2019 | 2 August 2019 |
| FY 2019 first half dividend | 0.10 | 43.6 | 8 November 2018 | 12 December 2018 | 22 February 2019 |
| FY 2018 second half dividend | 0.30 | 128.5 | 22 May 2018 | 7 June 2018 | 3 August 2018 |

## James Hardie Industries plc

## Notes to Consolidated Financial Statements (continued)

## 18. Operating Segment Information and Concentrations of Risk

The Company reports its operating segment information in the format that the operating segment information is available to and evaluated by the Chief Operating Decision Maker. The North America Fiber Cement segment manufactures fiber cement interior linings, exterior siding products and related accessories in the United States; these products are sold in the United States and Canada. The Asia Pacific Fiber Cement segment includes all fiber cement products manufactured in Australia and the Philippines, and sold in Australia, New Zealand, Asia, the Middle East and various Pacific Islands. The Europe Building Products segment includes the Fermacell business and fiber cement product manufactured in the United States that is sold in Europe. The Other Businesses segment ceased to be an operating and reportable segment effective 31 March 2020 due to the Company's completion of its exit of its non-fiber cement manufacturing and sales activities in North America, including fiberglass windows. The Research and Development segment represents the cost incurred by the research and development centers. General Corporate primarily consist of Asbestos adjustments, officer and employee compensation and related benefits, professional and legal fees, administrative costs and rental expense, net of rental income, on the Company's corporate offices. The Company does not report net interest expense for each segment as the segments are not held directly accountable for interest expense.

## Operating Segments

The following is the Company's operating segment information:
Net Sales
Years Ended 31 March

| (Millions of US dollars) | 2021 |  | 2020 |  | 2019 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| North America Fiber Cement | \$ | 2,040.2 | \$ | 1,816.4 | \$ | 1,676.9 |
| Asia Pacific Fiber Cement |  | 458.2 |  | 418.4 |  | 446.8 |
| Europe Building Products |  | 410.3 |  | 371.4 |  | 368.3 |
| Other Businesses |  | - |  | 0.6 |  | 14.6 |
| Worldwide total | \$ | 2,908.7 | \$ | 2,606.8 | \$ | 2,506.6 |

Income Before Income Taxes
Years Ended 31 March

| (Millions of US dollars) | $\mathbf{2 0 2 1}$ |  | 2020 | 2019 |  |
| :--- | ---: | ---: | ---: | ---: | ---: |
| North America Fiber Cement | $\mathbf{\$}$ | $\mathbf{5 8 5 . 5}$ | $\$$ | 429.3 | $\$$ |
| Asia Pacific Fiber Cement | $\mathbf{1 2 4 . 8}$ | 58.5 | 382.5 |  |  |
| Europe Building Products | $\mathbf{3 7 . 6}$ | 11.2 | 99.8 |  |  |
| Other Businesses | - | - | 10.0 |  |  |
| Research and Development | $\mathbf{( 2 8 . 9 )}$ | $(327.0)$ | $(30.9)$ |  |  |
| Segments total | $\mathbf{7 1 9 . 0}$ | 472.0 | $(29.0)$ |  |  |
| General Corporate | $\mathbf{( 2 4 6 . 2 )}$ | $(129.5)$ | 432.4 |  |  |
| Total operating income | $\mathbf{4 7 2 . 8}$ | 342.5 | $(80.8)$ |  |  |

## James Hardie Industries plc

Notes to Consolidated Financial Statements (continued)

| (Millions of US dollars) | Depreciation and Amortization Years ended 31 March |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2021 |  | 2020 |  | 2019 |  |
| North America Fiber Cement | \$ | 89.1 | \$ | 88.7 | \$ | 80.2 |
| Asia Pacific Fiber Cement |  | 13.9 |  | 12.7 |  | 12.8 |
| Europe Building Products |  | 28.0 |  | 25.6 |  | 18.7 |
| Other Businesses |  | - |  | 0.2 |  | 2.3 |
| General Corporate |  | 2.8 |  | 3.2 |  | 4.3 |
| Research and Development |  | 1.2 |  | 1.1 |  | 1.1 |
| Total | \$ | 135.0 | \$ | 131.5 | \$ | 119.4 |
|  |  |  | Total Identifiable Assets 31 March |  |  |  |
| (Millions of US dollars) |  |  | 2021 |  | 2020 |  |
| North America Fiber Cement |  |  | \$ | 1,273.9 | \$ | 1,320.0 |
| Asia Pacific Fiber Cement |  |  |  | 371.0 |  | 314.3 |
| Europe Building Products |  |  |  | 762.1 |  | 748.5 |
| Research and Development |  |  |  | 10.3 |  | 8.6 |
| Segments total |  |  |  | 2,417.3 |  | 2,391.4 |
| General Corporate ${ }^{1}$ |  |  |  | 1,671.7 |  | 1,636.9 |
| Worldwide total |  |  | \$ | 4,089.0 | \$ | 4,028.3 |

The following is the Company's geographical information:
Net Sales
Years Ended 31 March

| (Millions of US dollars) | 2021 |  | 2020 |  | 2019 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| North America ${ }^{2}$ | \$ | 2,040.2 | \$ | 1,817.0 | \$ | 1,691.5 |
| Australia |  | 321.9 |  | 290.4 |  | 315.1 |
| Germany |  | 143.0 |  | 135.7 |  | 137.1 |
| New Zealand |  | 81.9 |  | 72.2 |  | 79.1 |
| Other Countries ${ }^{3}$ |  | 321.7 |  | 291.5 |  | 283.8 |
| Worldwide total | \$ | 2,908.7 | \$ | 2,606.8 | \$ | 2,506.6 |


| (Millions of US dollars) | Total Identifiable Assets 31 March |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 2021 |  | 2020 |  |
| North America ${ }^{2}$ | \$ | 1,279.4 | \$ | 1,324.8 |
| Australia |  | 256.7 |  | 220.0 |
| Germany |  | 527.6 |  | 519.3 |
| New Zealand |  | 46.3 |  | 32.4 |
| Other Countries ${ }^{3}$ |  | 307.3 |  | 294.9 |
| Segments total |  | 2,417.3 |  | 2,391.4 |
| General Corporate ${ }^{1}$ |  | 1,671.7 |  | 1,636.9 |
| Worldwide total | \$ | 4,089.0 | \$ | 4,028.3 |

1. Included in General Corporate are deferred tax assets for each operating segment that are not held directly accountable for deferred income taxes and Asbestos-related assets.
2. The amounts disclosed for North America are substantially all related to the USA.
3. Included are all other countries that account for less than $5 \%$ of net sales and total identifiable assets individually, primarily in the Philippines, Switzerland and other European countries.

Research and development expenditures are expensed as incurred and are summarized by segment in the following table. Research and development segment operating income also includes Selling, general and administrative expenses of US\$2.9 million, US $\$ 3.0$ million and US\$2.3 million in fiscal years 2021, 2020 and 2019, respectively.

| (Millions of US dollars) | Years Ended 31 March |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2021 |  | 2020 |  | 2019 |  |
| North America Fiber Cement | \$ | 5.6 | \$ | 5.3 | \$ | 6.5 |
| Asia Pacific Fiber Cement |  | 1.1 |  | 1.8 |  | 2.1 |
| Europe Building Products |  | 1.6 |  | 1.7 |  | 2.6 |
| Research and Development |  | 26.0 |  | 24.0 |  | 26.7 |
|  | \$ | 34.3 | \$ | 32.8 | \$ | 37.9 |

The following represents the Asset impairments by segment for the fiscal year ended 31 March 2020:

| (Millions of US dollars) | North America Fiber Cement |  | Asia Pacific Fiber Cement |  | Europe Building Products |  | General Corporate |  | Total |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Property, plant and equipment ${ }^{1}$ | \$ | 41.2 | \$ | 15.0 | \$ | 5.5 | \$ | - | \$ | 61.7 |
| Right-of-use assets ${ }^{2}$ |  | - |  | 11.2 |  | - |  | - |  | 11.2 |
| Intangible assets |  | - |  | - |  | - |  | 1.4 |  | 1.4 |
| Inventories ${ }^{3}$ |  | - |  | 2.9 |  | - |  | - |  | 2.9 |
| Goodwill |  | - |  | 0.2 |  | - |  | - |  | 0.2 |
| Asset Retirement Obligations ${ }^{4}$ |  | - |  | 5.8 |  | - |  | - |  | 5.8 |
| Other |  | - |  | 1.2 |  | - |  | - |  | 1.2 |
|  | \$ | 41.2 | \$ | 36.3 | \$ | 5.5 | \$ | 1.4 | \$ | 84.4 |

[^4]
## James Hardie Industries plc

Notes to Consolidated Financial Statements (continued)

## Concentrations of Risk

The distribution channels for the Company's fiber cement products are concentrated. The Company has one customer who has contributed greater than $10 \%$ of net sales in each of the past three fiscal years. The following is net sales generated by this customer, which is from the North America Fiber Cement segment:


Approximately 33\%, 34\% and 36\% of the Company's net sales in fiscal year 2021, 2020 and 2019, respectively, were from outside the United States. Consequently, changes in the value of foreign currencies could significantly affect the consolidated financial position, results of operations and cash flows of the Company's non-US operations on translation into US dollars.

## 19. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss is comprised of the following at 31 March 2021:

| (Millions of US dollars) | $\begin{gathered} \text { Cash Flow } \\ \text { Hedges } \\ \hline \end{gathered}$ |  | Pension <br> Actuarial Gain |  | Foreign Currency Translation Adjustments |  | Total |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Balance at 31 March 2020 | \$ | 0.2 | \$ | 0.8 | \$ | (63.1) | \$ | (62.1) |
| Other comprehensive (loss) gain |  | - |  | (0.4) |  | 55.9 |  | 55.5 |
| Balance at 31 March 2021 | \$ | 0.2 | \$ | 0.4 | \$ | (7.2) | \$ | (6.6) |

## 20. Employee Benefit Plan

In the United States, the Company sponsors a defined contribution plan, the James Hardie Retirement and Profit Sharing Plan (the "401(k) Plan") which is a tax-qualified retirement and savings plan covering all US employees, including the Senior Executive Officers, subject to certain eligibility requirements. In addition, the Company matches employee's contributions dollar for dollar up to a maximum of the first $6 \%$ of an employee's eligible compensation.
For the fiscal years ended 31 March 2021, 2020 and 2019, the Company made matching contributions of US\$11.1 million, US\$11.1 million and US\$10.6 million, respectively.

In January 2021, the Company established a deferred compensation plan for its executives whereby the plan assets are held in a rabbi trust. The deferred compensation is funded to the rabbi trust which holds investments directed by the participants and are accounted for as held for sale. The Company will match up to a maximum of the first $6 \%$ of an employee's eligible compensation that would not be eligible in the 401(k) Plan due to internal revenue service contribution limits so long as the participant defers eligible compensation to the deferred compensation plan. As of 31 March 2021, the assets held in trust and related deferred compensation liability recorded in the accompanying consolidated balance sheets are immaterial.


[^0]:    1 Also includes cement bonded board net sales

[^1]:    1 Includes tax adjustments related to the amortization benefit of certain US intangible assets, asbestos, and other tax adjustments

[^2]:    Page 3

[^3]:    Excludes restructuring expenses

[^4]:    ${ }^{1}$ Excludes US $\$ 2.8$ million of impairment charges in North America Fiber Cement segment on individual assets that were included in Cost of goods sold. Refer to Note 7 for further details.
    ${ }^{2}$ Relates to the closure of the Penrose, New Zealand plant
    ${ }^{3}$ The US $\$ 2.9$ million charge primarily relates to the estimated costs associated with pallets and raw materials, with the closing of the New Zealand plant and exit of James Hardie Systems.
    ${ }^{4}$ The total Asset Retirement Obligation balance at 31 March 2020 of US $\$ 8.0$ million is recorded in the Asia Pacific Fiber Cement segment in Other liabilities - non-current and relates to the New Zealand plant. This balance is inclusive of the impairment amount above.

