

# **James Hardie Industries plc**

**Consolidated Financial Statements**

**as of and for the Year Ended 31 March 2021**

# James Hardie Industries plc

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## **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)	31 March 2021	31 March 2020
<b>Assets</b>		
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	<u>\$ 4,089.0</u>	<u>\$ 4,028.3</u>
<b>Liabilities and Shareholders' Equity</b>		
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	<u>3,028.2</u>	<u>2,993.0</u>
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	<u>1,060.8</u>	<u>1,035.3</u>
Total liabilities and shareholders' equity	<u>\$ 4,089.0</u>	<u>\$ 4,028.3</u>

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

# James Hardie Industries plc

## Consolidated Statements of Operations and Comprehensive Income

(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.

# James Hardie Industries plc

## Consolidated Statements of Cash Flows

(Millions of US dollars)	Years Ended 31 March		
	2021	2020	2019
<b>Cash Flows From Operating Activities</b>			
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
<b>Net cash provided by operating activities</b>	<b>\$ 786.9</b>	<b>\$ 451.2</b>	<b>\$ 304.0</b>
<b>Cash Flows From Investing Activities</b>			
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
<b>Net cash used in investing activities</b>	<b>\$ (120.4)</b>	<b>\$ (203.8)</b>	<b>\$ (864.4)</b>
<b>Cash Flows From Financing Activities</b>			
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)
<b>Net cash (used in) provided by financing activities</b>	<b>\$ (540.2)</b>	<b>\$ (179.0)</b>	<b>\$ 364.2</b>
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
<b>Cash and cash equivalents, restricted cash and restricted cash - Asbestos at end of period</b>	<b>\$ 318.4</b>	<b>\$ 185.8</b>	<b>\$ 123.6</b>
<b>Non-Cash Investing and Financing Activities</b>			
Capital expenditures incurred but not yet paid	\$ 18.0	\$ 8.3	\$ 25.9
<b>Supplemental Disclosure of Cash Flow Activities</b>			
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)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
<b>Balances as of 31 March 2018</b>	<b>\$ 229.5</b>	<b>\$ 185.6</b>	<b>\$ (635.3)</b>	<b>\$ (1.3)</b>	<b>\$ (221.5)</b>
Net income	—	—	228.8	—	228.8
Other comprehensive loss	—	—	—	(29.0)	(29.0)
Stock-based compensation	0.5	12.0	—	—	12.5
Adoption of ASU 2016-16	—	—	1,160.3	—	1,160.3
Dividends declared	—	—	(176.7)	—	(176.7)
<b>Balances as of 31 March 2019</b>	<b>\$ 230.0</b>	<b>\$ 197.6</b>	<b>\$ 577.1</b>	<b>\$ (30.3)</b>	<b>\$ 974.4</b>
Net income	—	—	241.5	—	241.5
Other comprehensive loss	—	—	—	(31.8)	(31.8)
Stock-based compensation	0.6	9.7	—	—	10.3
Adoption of ASU 2016-02	—	—	0.2	—	0.2
Dividends declared	—	—	(159.3)	—	(159.3)
<b>Balances as of 31 March 2020</b>	<b>\$ 230.6</b>	<b>\$ 207.3</b>	<b>\$ 659.5</b>	<b>\$ (62.1)</b>	<b>\$ 1,035.3</b>
Net income	—	—	262.8	—	262.8
Other comprehensive gain	—	—	—	55.5	55.5
Stock-based compensation	0.8	17.2	—	—	18.0
Issuance of ordinary shares	—	0.1	—	—	0.1
Dividends declared	—	—	(310.9)	—	(310.9)
<b>Balances as of 31 March 2021</b>	<b>\$ 231.4</b>	<b>\$ 224.6</b>	<b>\$ 611.4</b>	<b>\$ (6.6)</b>	<b>\$ 1,060.8</b>

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

# James Hardie Industries plc

## Notes to Consolidated Financial Statements

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### 1. Organization and Significant Accounting Policies

#### Nature of Operations

James Hardie Industries plc ("JHI plc") manufactures and sells fiber cement, fiber gypsum and cement-bonded 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.

## **James Hardie Industries plc**

### **Notes to Consolidated Financial Statements (continued)**

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#### **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 asbestos-related 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.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (continued)

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#### 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.

## **James Hardie Industries plc**

### **Notes to Consolidated Financial Statements (continued)**

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#### **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 Asbestos-related 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.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (continued)

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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 liability-classified 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.

## **James Hardie Industries plc**

### **Notes to Consolidated Financial Statements (continued)**

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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.

## **James Hardie Industries plc**

### **Notes to Consolidated Financial Statements (continued)**

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#### **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)

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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.

## **James Hardie Industries plc**

### **Notes to Consolidated Financial Statements (continued)**

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#### 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.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (continued)

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#### 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:

(Millions of shares)	Years Ended 31 March		
	2021	2020	2019
Basic common shares outstanding	443.7	442.6	441.9
Dilutive effect of stock awards	1.7	1.5	1.1
Diluted common shares outstanding	<u>445.4</u>	<u>444.1</u>	<u>443.0</u>

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.

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

**2. Revenues**

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

(Millions of US dollars)	Year Ended 31 March 2021			
	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
<b>Total revenues</b>	<b>\$ 2,040.2</b>	<b>\$ 458.2</b>	<b>\$ 410.3</b>	<b>\$ 2,908.7</b>

(Millions of US dollars)	Year Ended 31 March 2020				
	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
<b>Total revenues</b>	<b>\$ 1,816.4</b>	<b>\$ 418.4</b>	<b>\$ 371.4</b>	<b>\$ 0.6</b>	<b>\$ 2,606.8</b>

(Millions of US dollars)	Year Ended 31 March 2019				
	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
<b>Total revenues</b>	<b>\$ 1,676.9</b>	<b>\$ 446.8</b>	<b>\$ 368.3</b>	<b>\$ 14.6</b>	<b>\$ 2,506.6</b>

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:

(Millions of US dollars)	31 March	
	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	<u>\$ 318.4</u>	<u>\$ 185.8</u>

**4. Accounts and Other Receivables**

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

(Millions of US dollars)	31 March	
	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	<u>\$ 333.2</u>	<u>\$ 363.3</u>

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	<u>\$ 6.1</u>	<u>\$ 4.4</u>	<u>\$ 2.9</u>

**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)
<b>Total inventories</b>	<b>\$ 218.3</b>	<b>\$ 305.1</b>

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	<u>\$ 209.3</u>	<u>\$ —</u>	<u>\$ 209.3</u>

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:

(Millions of US dollars)	31 March	
	2021	2020
Tradenames	\$ 120.6	\$ 113.5
Other	7.4	7.4
<b>Total</b>	<b>\$ 128.0</b>	<b>\$ 120.9</b>

**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)	—
<b>Total</b>	<b>\$ 66.1</b>	<b>\$ (20.2)</b>	<b>\$ 45.9</b>

(Millions of US dollars)	Year Ended 31 March 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer Relationships	\$ 51.4	\$ (6.4)	\$ 45.0
Other	11.6	(10.8)	0.8
<b>Total</b>	<b>\$ 63.0</b>	<b>\$ (17.2)</b>	<b>\$ 45.8</b>

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	\$ 3.5
2023	4.3
2024	4.7
2025	4.8
2026	5.0

## 7. Property, Plant and Equipment

Property, plant and equipment consist of the following components:

(Millions of US dollars)	31 March	
	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	<b>2,465.3</b>	2,290.5
Less accumulated depreciation	<b>(1,093.0)</b>	(948.8)
<b>Property, plant and equipment, Net</b>	<b>\$ 1,372.3</b>	<b>\$ 1,341.7</b>

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.

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

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:

(Millions of US dollars)	Years Ended 31 March		
	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
	<u>\$ 2.0</u>	<u>\$ 64.5</u>	<u>\$ 9.1</u>

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 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 non-cancellable 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
<b>Assets:</b>		
Operating leases, net	\$ 46.4	\$ 40.5
Finance leases, net	2.7	1.7
Total right-of-use assets	<u>\$ 49.1</u>	<u>\$ 42.2</u>
<b>Liabilities:</b>		
Operating leases:		
Current	\$ 7.8	\$ 14.3
Non-Current	53.3	41.4
Total operating lease liabilities	<u>\$ 61.1</u>	<u>\$ 55.7</u>
Finance leases:		
Current	\$ 1.0	\$ 0.5
Non-Current	1.9	1.5
Total finance lease liabilities	<u>\$ 2.9</u>	<u>\$ 2.0</u>
Total lease liabilities	<u>\$ 64.0</u>	<u>\$ 57.7</u>

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

The following table represents the Company's lease expense:

(Millions of US dollars)	Years Ended 31 March	
	2021	2020
Operating leases	\$ 17.0	\$ 18.4
Short-term leases	2.1	1.0
Variable leases	—	0.1
Finance leases	0.9	0.3
Interest on lease liabilities	0.1	0.1
Total lease expense	<u>\$ 20.1</u>	<u>\$ 19.9</u>

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

(In Years)	31 March	
	2021	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	
	2021	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	<u>\$ 78.6</u>	<u>\$ 3.0</u>	<u>\$ 81.6</u>
Less: imputed interest			17.6
Total lease liabilities			<u>\$ 64.0</u>

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

(Millions of US dollars)	Years Ended 31 March	
	2021	2020
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows used for operating leases	\$ 19.2	\$ 18.0
Operating cash flows used for finance leases	0.1	0.1
Financing cash flows used for finance leases	0.8	0.4
<b>Non-cash ROU assets obtained in exchange for new lease liabilities</b>	<b>26.0</b>	<b>12.9</b>
<b>Non-cash remeasurements reducing ROU assets and lease liabilities</b>	<b>(5.1)</b>	<b>(19.4)</b>

**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:

(Millions of US dollars)	31 March	
	2021	2020
Trade creditors	\$ 174.0	\$ 151.3
Accrued interest	4.5	8.6
Accrued customer rebates	80.0	65.5
Other creditors and accruals	48.5	49.3
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 307.0</b>	<b>\$ 274.7</b>

**10. Long-Term Debt**

(Millions of US dollars)	31 March 2021	31 March 2020
<b>Senior unsecured notes:</b>		
Principal amount 4.750% notes due 2025	\$ —	\$ 400.0
Principal amount 3.625% notes due 2026 (€400.0 million)	468.3	440.7
Principal amount 5.000% notes due 2028	400.0	400.0
<b>Total</b>	<b>868.3</b>	<b>1,240.7</b>
Unsecured revolving credit facility	—	130.0
<b>Unamortized debt issuance costs:</b>		
Principal amount 4.750% notes due 2025	—	(4.3)
Principal amount 3.625% notes due 2026 (€400.0 million)	(4.2)	(5.0)
Principal amount 5.000% notes due 2028	(4.3)	(4.9)
Unsecured revolving credit facility	(1.2)	(1.9)
<b>Total Long-term debt</b>	<b>\$ 858.6</b>	<b>\$ 1,354.6</b>
Weighted average interest rate of Long-term debt	4.3 %	4.3 %
Weighted average term of available Long-term debt	4.5 years	5.3 years
Fair value of Senior unsecured notes (Level 1)	\$ 904.7	\$ 1,147.7

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.

## **James Hardie Industries plc**

### **Notes to Consolidated Financial Statements (continued)**

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#### *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	<u>\$ 39.6</u>	<u>\$ 42.4</u>	<u>\$ 46.6</u>

**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)	—	—
<b>Total Asbestos Adjustments</b>	<b>\$ (143.9)</b>	<b>\$ (58.2)</b>	<b>\$ (22.0)</b>

*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:

(Millions of US and Australian dollars, respectively)	Year Ended 31 March 2021	
	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:

(Millions of US and Australian dollars, respectively)	As of 31 March 2021	
	US\$	A\$
Discounted (but inflated) - Low	990.7	1,303.4
Discounted (but inflated) - High	2,229.6	2,933.2
Undiscounted (but inflated) - Low	1,119.4	1,472.7
Undiscounted (but inflated) - High	2,694.4	3,544.8

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	<b>A\$248,000</b>	A\$277,000	A\$262,000	A\$253,000	A\$224,000	
Average settlement amount per case closed	<b>A\$225,000</b>	A\$245,000	A\$234,000	A\$217,000	A\$168,000	
Average settlement amount per settled claim	<b>US\$178,000</b>	US\$189,000	US\$191,000	US\$196,000	US\$168,000	
Average settlement amount per case closed	<b>US\$162,000</b>	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 Assets and Liabilities	Net Unfunded AFFA Liability	Deferred Tax Assets	Income Tax Payable	Net 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 <sup>1</sup>	105.3	—	(105.3)	—	—	—	—	—
Payment received in accordance with AFFA <sup>2</sup>	—	—	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)
<b>Closing Balance - 31 March 2021</b>	<b>\$ (1,135.8)</b>	<b>\$ 49.5</b>	<b>\$ 131.5</b>	<b>\$ (1.9)</b>	<b>\$ (956.7)</b>	<b>\$ 367.4</b>	<b>\$ 35.2</b>	<b>\$ (554.1)</b>

1 Claims paid of US\$105.3 million reflects 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 (A\$156.7 million) and US\$103.0 million (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:

(Millions of US dollars)	Fair Value as of					
	Notional Amount		31 March 2021		31 March 2020	
	31 March 2021	31 March 2020	Assets	Liabilities	Assets	Liabilities
<b>Derivatives not accounted for as hedges</b>						
Foreign currency forward contracts	\$ 456.1	\$ —	\$ 5.5	\$ 8.3	\$ —	\$ —
Interest rate swap contracts	—	25.0	—	—	—	0.1
<b>Total</b>	<b>\$ 456.1</b>	<b>\$ 25.0</b>	<b>\$ 5.5</b>	<b>\$ 8.3</b>	<b>\$ —</b>	<b>\$ 0.1</b>

**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
<b>Total</b>	<b>\$ (4.5)</b>	<b>\$ 0.5</b>	<b>\$ 4.7</b>

**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)

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*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:

(Millions of US dollars)	Years Ended 31 March		
	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:	<u>\$ 412.0</u>	<u>\$ 288.0</u>	<u>\$ 300.6</u>
Income tax expense:			
Current:			
Domestic	\$ (38.5)	\$ (31.1)	\$ (26.6)
Foreign	8.6	39.8	(6.5)
Current income tax (expense) benefit	<u>(29.9)</u>	<u>8.7</u>	<u>(33.1)</u>
Deferred:			
Domestic	(1.4)	(4.5)	(1.3)
Foreign	(117.9)	(50.7)	(37.4)
Deferred income tax expense	<u>(119.3)</u>	<u>(55.2)</u>	<u>(38.7)</u>
Total income tax expense	<u>\$ (149.2)</u>	<u>\$ (46.5)</u>	<u>\$ (71.8)</u>

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	<u>\$ (149.2)</u>	<u>\$ (46.5)</u>	<u>\$ (71.8)</u>
Effective tax rate	<u>36.2 %</u>	<u>16.1 %</u>	<u>23.9 %</u>

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

Deferred tax balances consist of the following components:

(Millions of US dollars)	31 March	
	2021	2020
<b>Deferred tax assets:</b>		
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
<b>Deferred tax liabilities:</b>		
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.

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

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:

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

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 Available for Grant
<b>Balance at 31 March 2019</b>	<b>23,744,816</b>
Granted	(800,437)
<b>Balance at 31 March 2020</b>	<b>22,944,379</b>
Granted	(856,756)
<b>Balance at 31 March 2021</b>	<b>22,087,623</b>

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)	Service Vesting (2001 Plan)	Performance Vesting (LTIP)	Market Conditions (LTIP)	Total	Weighted Average Fair Value at Grant Date (A\$)
<b>Outstanding at 31 March 2019</b>	<b>910,386</b>	<b>1,148,022</b>	<b>2,203,100</b>	<b>4,261,508</b>	<b>14.47</b>
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
<b>Outstanding at 31 March 2020</b>	<b>520,632</b>	<b>864,165</b>	<b>1,777,640</b>	<b>3,162,437</b>	<b>14.64</b>
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
<b>Outstanding at 31 March 2021</b>	<b>593,486</b>	<b>726,288</b>	<b>1,286,922</b>	<b>2,606,696</b>	<b>19.01</b>

## 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	Market	Market	Market	Market
	FY21	FY21	FY20	FY20	FY20
Date of grant <sup>1</sup>	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 trading-day 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 <sup>1</sup>	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:

(Millions of US dollars)	Net Sales Years Ended 31 March		
	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	<u>\$ 2,908.7</u>	<u>\$ 2,606.8</u>	<u>\$ 2,506.6</u>

(Millions of US dollars)	Income Before Income Taxes Years Ended 31 March		
	2021	2020	2019
North America Fiber Cement	\$ 585.5	\$ 429.3	\$ 382.5
Asia Pacific Fiber Cement	124.8	58.5	99.8
Europe Building Products	37.6	11.2	10.0
Other Businesses	—	—	(30.9)
Research and Development	(28.9)	(27.0)	(29.0)
Segments total	<u>719.0</u>	<u>472.0</u>	<u>432.4</u>
General Corporate	(246.2)	(129.5)	(80.8)
Total operating income	<u>472.8</u>	<u>342.5</u>	<u>351.6</u>

**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
<b>Total</b>	<b>\$ 135.0</b>	<b>\$ 131.5</b>	<b>\$ 119.4</b>

(Millions of US dollars)	Total Identifiable Assets 31 March	
	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 <sup>1</sup>	1,671.7	1,636.9
<b>Worldwide total</b>	<b>\$ 4,089.0</b>	<b>\$ 4,028.3</b>

The following is the Company's geographical information:

(Millions of US dollars)	Net Sales Years Ended 31 March		
	2021	2020	2019
North America <sup>2</sup>	\$ 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 <sup>3</sup>	321.7	291.5	283.8
<b>Worldwide total</b>	<b>\$ 2,908.7</b>	<b>\$ 2,606.8</b>	<b>\$ 2,506.6</b>

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

# James Hardie Industries plc

## Notes to Consolidated Financial Statements (continued)

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
	<u>\$ 34.3</u>	<u>\$ 32.8</u>	<u>\$ 37.9</u>

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 <sup>1</sup>	\$ 41.2	\$ 15.0	\$ 5.5	\$ —	\$ 61.7
Right-of-use assets <sup>2</sup>	—	11.2	—	—	11.2
Intangible assets	—	—	—	1.4	1.4
Inventories <sup>3</sup>	—	2.9	—	—	2.9
Goodwill	—	0.2	—	—	0.2
Asset Retirement Obligations <sup>4</sup>	—	5.8	—	—	5.8
Other	—	1.2	—	—	1.2
	<u>\$ 41.2</u>	<u>\$ 36.3</u>	<u>\$ 5.5</u>	<u>\$ 1.4</u>	<u>\$ 84.4</u>

<sup>1</sup> 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.

<sup>2</sup> Relates to the closure of the Penrose, New Zealand plant

<sup>3</sup> 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.

<sup>4</sup> 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.

**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:

(Millions of US dollars)	Years Ended 31 March								
	2021		2020		2019				
Customer A	\$	347.3	12.0 %	\$	306.0	12.0 %	\$	260.5	10.4 %

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)	Cash Flow Hedges	Pension 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
<b>Balance at 31 March 2021</b>	<b>\$ 0.2</b>	<b>\$ 0.4</b>	<b>\$ (7.2)</b>	<b>\$ (6.6)</b>

**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.