

PRESS RELEASE

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Asbestos Injuries Compensation Fund Limited

ACN 117 363 461

Level 6, 56 Clarence Street
Sydney NSW 2000 Australia

Telephone (02) 9277 6600
Fax (02) 9277 6699

PO Box A962
Sydney South NSW 1235 Australia

Asbestos Injuries Compensation Fund Announces Plans to Propose an Approved Payment Scheme Due to Anticipated Shortfall

The Asbestos Injuries Compensation Fund (AICF) today announced it will seek NSW Supreme Court approval to establish an approved payment scheme for the payment of claims from 1 July 2015, due to an anticipated shortfall in future funding.

Since the formation of AICF in February 2007, AICF has paid almost \$800 million in claim settlements and settled almost 4,000 claims. Since its formation, AICF has received approximately \$720 million worth of funding from the James Hardie Group including \$120 million received on 1 July 2014.

AICF has determined that it is necessary that an approved payment scheme be put in place before a projected shortfall in funding claims, expected to arise in 2017.

Presently, based on advice received from KPMG Actuarial, AICF estimates the net present value of its future claims to be paid over the next 30 years at \$1.87 billion. The estimate includes a projected rise in mesothelioma claims, which have grown 20 per cent over the past year.

In addition to funding from the James Hardie Group, the NSW Government and the Commonwealth of Australia made a \$320 million commitment to AICF in 2010 to allow the funding of claims payments through drawings under a standby loan facility agreement.

However, one of the provisions under the loan facility signed in 2010 stipulates that the maximum amount that can be lent to AICF is the amount of the potential proceeds of future insurance recoveries that may be available to AICF. By this provision, the loan facility is presently limited to \$214 million (as valued by KPMG Actuarial) and is expected to decline as insurance recoveries continue to be realised.

AICF has been in consultation since December 2012 with the NSW Government to increase the loan commitment from \$214 million in 2014 to \$320 million.

Based on current estimates of future claims and forecast contributions by James Hardie drawn from advice received from KPMG Actuarial, if the loan facility is increased to the original commitment amount of \$320 million, AICF presently expects (based on that advice) it can continue to fulfil claims as they fall due without an approved payment scheme and service its loan facility with the NSW Government.

In view of the anticipated cash shortfall in 2017, AICF has sought independent advice from KPMG Actuarial. After extensive modelling, KPMG Actuarial has concluded that AICF may

incur a cash shortfall in 2017 totalling \$184 million (and this shortfall is expected to grow in subsequent years), excluding draw-downs from the standby loan facility, which is estimated to be worth approximately \$183 million at that time.

This shortfall would occur after the payment of a projected further \$500 million worth of claims over the next three years.

After careful consideration, AICF determined that it would be prudent to commence to take steps towards implementing an approved payment scheme, under the legislation and agreements governing AICF, with the approved payment scheme to take effect in relation to the payment of personal asbestos claims from 1 July 2015.

For more information visit www.aicf.org.au.

Issued By:

Tim Allerton

City PR

(02) 9267 4511

Important Notice

The information included in this communication has been prepared for general informational purposes only. While it is not intended to be relied upon, every attempt has been made to ensure that the information conveyed herein is accurate and complete, as the circumstances in relation to the proposed approved payment scheme presently permit. Consequently, before acting on the information in this communication, you should consider the appropriateness of the information in view of your own situation and needs, and if you consider it necessary, seek and obtain appropriate professional advice. AICF will endeavour to update claimants further once the proposed approved payment scheme is approved. This information may contain statements about future matters. Such statements have been based on reasonable grounds, however, are not intended to be a forecast nor any guarantee that any particular outcome will be achieved in the future (including that claims against AICF will be paid in full or on time). The circumstances (including financial circumstances) of AICF involve inherent uncertainty. Circumstances can change and this may render the information in this document inaccurate with the passage of time.