DuluxGroup Limited

ABN 42 133 404 065

ASX Announcement

18 December 2014

2014 AGM – MANAGING DIRECTOR'S ADDRESS

Thank you Peter.

And good morning ladies and gentlemen. I am also pleased to welcome you here today and report on another successful year at DuluxGroup.

Operating result

A particularly strong operating result was driven by profitable sales growth in strengthening Australian and New Zealand markets, underpinned by solid margin improvement and excellent cash generation.

In discussing the key aspects of the operating result, I will exclude non-recurring items from both 2014 and 2013 to allow a more meaningful comparison and measure of the company's underlying performance.

On this basis, DuluxGroup grew net profit after tax by 21.4% to $111.9 million. Earnings before interest and tax, or EBIT, increased 19.4% on sales that grew 8.5% to just over $1.6 billion. Operating cash flow also increased by 7%.

Key drivers of the results

As Peter mentioned, part of the revenue and profit growth was due to the inclusion of 12 months of operating results for the former Alesco businesses compared with 10 months in 2013.

However, even after normalising for this impact, DuluxGroup pro forma sales grew 3.6% and pro forma EBIT grew 12%.

We saw strong performances across DuluxGroup, with all five of our operating segments delivering solid EBIT growth. The key components of this excellent result include:

- EBIT growth of 12.1% in our largest segment, Dulux Paints and Coatings Australia and New Zealand;

- pro forma EBIT growth of 3.1% in our newly-formed Consumer & Construction Products Division, which includes Selleys and Parchem;

- pro forma EBIT growth of 4.6% for our B&D Garage Doors and ATA Openers division;

- pro forma EBIT growth of 25.4% for our Lincoln Sentry Cabinet and Architectural Hardware business; and

- EBIT growth of 34.1% for the Other Businesses Segment, which includes Yates, China, Papua New Guinea and South East Asia.

These results were achieved in markets that were generally positive, particularly in Australia and New Zealand, though market conditions were more difficult in Papua New Guinea and China.

Further detail on our financial results has been included within the operating and financial review section of our Annual Report.

Safety

Alongside excellent financial results, I am very pleased to report an ongoing improvement in our safety performance. At DuluxGroup, we have a multi-faceted approach to safety, which focuses on process safety, fatality prevention, personal safety and sustainability, all underpinned by a safety leadership culture.

In 2014, this approach resulted in a significant - 30% - reduction in the number of 'serious near miss' incidents associated with fatality hazards such as forklifts and racking equipment. Our injury rate across DuluxGroup also decreased by 15%, with the former Alesco businesses achieving an outstanding 54% decrease.

Strategic progress

We also made great progress against our five near term strategic imperatives during the year.

- The first one – extend our market leadership positions – is part of our DNA. Our strong financial performance across the company in 2014 reflects the benefit of an ongoing focus on consumers and customers, which is centred around our brands, innovation and customer service.

- As Peter mentioned, two years on we are very happy with the Alesco acquisition and the strategic and financial progress we are making. We see further upside from these businesses.

- We continue to focus on a wide range of other growth initiatives, including our construction chemicals strategy and longer term options for China and Asia more broadly.

- During the year we made excellent progress against targeted business improvement areas, including margin improvement initiatives in Yates. We will continue to identify and pursue further opportunities across the Group to improve profitability, support future growth, build capability, reduce risk and optimise our supply chain.

- And, finally, we believe in the power of combining our front-end business unit focus with leveraged Group capability, and we continue to fine tune this model.

Outlook for 2015

Our view on the 2015 market outlook is consistent with our position in November when we released our full year results.

The markets in which DuluxGroup operates in Australia and New Zealand remain generally positive.

DuluxGroup is predominantly exposed to the maintenance and improvement of existing homes, which, in Australia, is around 8 million homes. Over time this large and profitable segment has proven to be quite resilient, and this is expected to continue, underpinned by high levels of home ownership, low interest rates and high house prices.

The new housing construction market is expected to remain strong, though this less profitable segment of the market represents less than 20% of DuluxGroup revenue.

The outlook for commercial and infrastructure, which is approximately 16% of Group revenue, is less positive. In Australia, the outlook for major engineering and infrastructure projects is weak as major capital expenditure projects - particularly in the mining sector - wind down, and the pipeline of new infrastructure projects is still some time away.

Our markets in China and Papua New Guinea are expected to be relatively soft.

On the whole, input cost increases appear to be manageable, and are expected to increase more broadly in line with inflation overall. We continue to monitor the various key drivers, including the potentially adverse impact of a lower Australian dollar, the potentially favourable impact of lower oil prices, and the generally favourable supply-demand balance for other key inputs such as titanium dioxide. As always, we aim to mitigate input cost increases, and we are proud of our past track record in achieving this.

For the first two months of this year, Group revenue is ahead of the same time last year. Some early softness in the Garage Doors & Openers business, ahead of its new product range launch in December, has been more than offset by growth in Paints & Coatings ANZ and the other segments.

We retain our outlook that, subject to economic conditions, and excluding non-recurring items, we expect 2015 net profit after tax to be higher than the 2014 equivalent of $111.9M.

The Executive Team

During the year we welcomed four new people to our executive team.

- Penny Lovett joined DuluxGroup as Executive General Manager Human Resources;
- Jennifer Tucker was promoted to the role of Executive General Manager of Yates;
- Martin Ward re-joined DuluxGroup in the role of General Manager Strategic Marketing, and has now taken up the new role of Executive General Manager of Consumer and Construction Products; and
- Richard Hansen was promoted to Executive General Manager of Dulux New Zealand.

Additionally, Julia Myers, who was already on the Executive as General Manager of Dulux New Zealand, was appointed as Executive General Manager of Selleys.

Thank you

Our employees at all levels have made a significant contribution to another year of profitable growth at DuluxGroup and I would like to thank each of them for their efforts. We are indeed fortunate to have a highly motivated and engaged team, underpinned by a culture of "running the business as your own". Our high levels of employee share ownership also reflect this.

I would like to thank Peter Kirby and the rest of the DuluxGroup Board for its ongoing guidance during the year.

Finally, I thank you, our shareholders for your continued support for DuluxGroup.

Thank you.

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