DuluxGroup

2014 Half Year Results Announcement

19 May 2014

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Result Overview 1

Strong result in improving markets

- NPAT before non-recurring items[1] up 33.6% to $56.1M
- Revenue growth of 3.9% and EBIT growth of 12.5% for heritage DuluxGroup
- Pro forma revenue growth of 6.4% and EBIT growth of 7.4% for Alesco businesses
- Net debt to EBITDA at 1.89 times, compared to 1.98 times at September 2013
- Interim dividend of 10 cents per share, fully franked, up 25%
- Non-recurring items of $3.9M (post-tax)

Numbers in this presentation are subject to rounding
[1] NPAT before non-recurring items – represents net profit after tax, excluding the non-recurring items outlined on page 18. Directors believe that the result excluding these items provides a better basis for comparison from period to period.
Refer to Appendix for definitions

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DuluxGroup financial performance

Half year ended 31 March (A$M)	*2014 Actual*	*2013 Actual*	*%*	↕
Sales	**804.5**	690.8	*16.5*	↑
EBIT	**93.9**	59.1	*58.9*	↑
Net profit after tax (NPAT)	**60.0**	32.0	*87.7*	↑
Operating cashflow	**18.1**	23.1	*(21.6)*	↓
EBIT before non-recurring items [1]	**90.8**	71.2	*27.5*	↑
NPAT before non-recurring items [1]	**56.1**	42.0	*33.6*	↑
Operating cashflow before non-recurring items [1]	**36.0**	35.2	*2.3*	↑
Net debt	**391.6**	456.7	*14.3*	↓
Net debt to EBITDA	**1.89**	2.36	*19.9*	↓
Interim dividend per share (cents)	**10.0**	8.0	*25.0*	↑

- **Sales, EBIT and NPAT include Alesco for four months in 2013, and both years are impacted by non-recurring items**
- **NPAT growth before non-recurring items of 33.6%**
- **Net Debt: EBITDA improving from 1.98 times at September 2013**
- **Interim dividend up 25% to 10 cents per share, fully franked**

[1] EBIT before non-recurring items represents reported 'profit from operations' less non-recurring items (refer page 18 for details of non-recurring items). These figures are not extracted from Appendix 4D. NPAT before non-recurring items represents profit for the period attributable to ordinary shareholders of DuluxGroup Limited, adjusted for the same items. Operating cashflow before non-recurring items represents 'net cash inflow from operating activities' adjusted for the cash component of these items.

Result: Heritage DuluxGroup and pro forma Alesco

Half year ended 31 March (A$M)	*2014 Actual*	*2013 Actual*	*% ↕*
Heritage DuluxGroup results			
Sales	**585.3**	563.2	*3.9* ↑
EBIT	**87.5**	77.8	*12.5* ↑
Pro forma results - Alesco [1]			
Sales	**219.1**	206.0	*6.4* ↑
EBIT	**14.6**	13.6	*7.4* ↑
Corporate	**(11.4)**	(11.3)	*(0.9)* ↓
Consolidated pro forma results [1]			
Pro forma sales revenue	**804.5**	769.2	*4.6* ↑
Pro forma EBIT (before non-recurring costs)	**90.8**	80.0	*13.5* ↑

- **Strong heritage DuluxGroup result in positive market conditions**
- **Solid Alesco result, with EBIT growth driven by revenue growth, cost improvement programs, synergies and lower depreciation**

[1] Results exclude Robinhood in 2013.

Safety & Sustainability

Rolling 12 months		*March 2014*	*September 2013*
Recordable Injury Rate - Total Group	-	**1.83**	**1.81**
Near Miss (Hazard) Reporting [1]	✓	**+ 4%**	**+ 15%**
Waste Generation (% change) [1]	✓	**- 19%**	**- 15%**
Water Consumption (% change) [1]	✓	**- 15%**	**no change**

- **Focus across the company remains on Fatality Prevention, Process Safety, Personal Safety and Sustainability**
- **Multi-year improvement in pro-active near miss hazard reporting underpins hazard identification and continuous improvement**
- **Continued reduction in waste generation and water usage**

[1] These measures exclude statistics for the acquired Alesco businesses, and for September 2013 vs prior year, the Camel business.

Segment Performance 2

Segment EBIT (before non-recurring items)

Half year ended 31 March (A$M)	2014 Actual	2013 Actual	% ↕	
Paints Australia	**61.6**	56.1	*9.8*	↑
Paints New Zealand	**9.5**	7.1	*33.8*	↑
Selleys Yates	**14.0**	12.1	*15.7*	↑
Other businesses (Heritage DuluxGroup only)	**2.4**	2.6	*(7.7)*	↓
Heritage DuluxGroup	**87.5**	77.8	*12.5*	↑
Garage Doors & Openers (pro forma) [1]	**7.5**	7.8	*(3.8)*	↓
Parchem (pro forma) [1]	**3.8**	2.8	*35.7*	↑
Lincoln Sentry (pro forma) [1]	**3.4**	3.0	*13.3*	↑
Pro forma Alesco [2]	**14.6**	13.6	*7.4*	↑
Corporate [3]	**(11.4)**	(11.3)	*(0.9)*	↓
Total Pro forma EBIT (pre non-recurring items)	**90.8**	80.0	*13.5*	↑

1 2013 represents reported 'profit from operations' for each segment, less one-off PPA adjustments applicable to that segment, add two months of earnings(October and November 2012) to enable a like-for-like comparison. Figures are not directly extracted from the Appendix 4D.

2 Results exclude Robinhood in 2013.

3 Both 2014 and 2013 represent reported 'loss from operations' relating to the Unallocated segment, which is total Corporate, less non-recurring items relating to Corporate. In 2014, these are Alesco integration costs incurred and the reversal of an excess NZ OCN tax provision. In 2013, these are Alesco integration/transaction costs incurred and one-off PPA adjustments relating to Corporate, adding two months of costs (October and November 2012) to enable a like-for-like comparison. Figures are not directly extracted from the Appendix 4D.

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Paints Australia

Half year ended 31 March (A$M)	*2014 Actual*	*2013 Actual*	*%*	↕
Sales	**339.2**	324.5	*4.5*	↑
EBITDA	67.7	61.8	*9.5*	↑
EBIT	**61.6**	56.1	*9.8*	↑
EBIT margin	***18.2%***	*17.3%*	*0.9 pts*	↑

- **Revenue growth due to a combination of improving markets, positive mix outcomes and pricing discipline**
- **Margin improvement driven by some short term input cost relief (TiO2), procurement benefits and leverage of the fixed cost base**
- **Continued investment in key business fundamentals, including marketing, innovation and sales initiatives**

Paints New Zealand

Half year ended 31 March (A$M)	*2014 Actual*	*2013 Actual*	*%*	↕
Sales	**53.9**	45.4	*18.7*	↑
EBITDA	**10.9**	8.4	*29.8*	↑
EBIT	**9.5**	7.1	*33.8*	↑
EBIT margin (%)	***17.6%***	*15.6%*	*2.0 pts*	↑

- **Significant benefits from a strong New Zealand dollar, with foreign exchange translation contributing to approximately 15% of the sales growth**
- **Local currency sales up 4%, driven by market growth**
- **EBIT increase from foreign exchange translation benefits, some short term input cost relief and fixed cost management**

Selleys Yates

Half year ended 31 March (A$M)	*2014 Actual*	*2013 Actual*	*% ↕*
Sales	**124.9**	126.6	*(1.3)* ↓
EBITDA	**15.5**	13.7	*13.1* ↑
EBIT	**14.0**	12.1	*15.7* ↑
EBIT margin (%)	***11.2%***	*9.6%*	*1.6 pts* ↑

- **Sales were flat excluding the transfer of Selleys Trade revenue to Parchem**
- **Revenue growth in Selleys [1] in improving markets and favourable NZ FX translation**
- **Selleys EBIT growth due to fixed cost control, partly offset by input cost pressures**
- **Yates sales declined slightly due to a focus on product mix initiatives**
- **Yates EBIT growth due to the impact of the margin improvement program**

[1] Excluding transfer of Selleys Trade revenue to Parchem

Garage Doors and Openers

Half year ended 31 March (A$M)	*2014*	*2013*	*%*	↕
Pro forma Results (6 months in 2013) [1]				
Sales	**81.0**	76.4	*6.0*	↑
EBITDA	**10.4**	11.0	*(5.5)*	↓
EBIT	**7.5**	7.8	*(3.8)*	↓
EBIT margin (%)	***9.3%***	*10.2%*	*(0.9) pts*	↓
Statutory Results (4 months in 2013)				
Sales	**81.0**	46.3	*nm*	-
EBITDA	**10.4**	5.0	*nm*	-
EBIT	**7.5**	2.7	*nm*	-

- **Sales up 6% on pro forma 2013 in mixed markets. Share was mildly negative due to a focus on exiting lower margin business with price outcomes positive**
- **EBIT up ~5%, excluding prior year net insurance gains of $0.7M, including increased sales and marketing investment and lower depreciation**

[1] Excludes non-recurring items in 2013

Parchem

Half year ended 31 March (A$M)	2014	2013	%	↕
Pro forma Results (6 months in 2013) [1]				
Sales	**61.3**	58.7	*4.4*	↑
EBITDA	**4.9**	4.4	*11.4*	↑
EBIT	**3.8**	2.8	*35.7*	↑
EBIT margin (%)	***6.2%***	*4.8%*	*1.4 pts*	↑
Statutory Results (4 months in 2013)				
Sales	**61.3**	34.9	*nm*	-
EBITDA	**4.9**	1.3	*nm*	-
EBIT	**3.8**	0.2	*nm*	-

- **Sales growth of 4.4% on pro forma 2013, inclusive of the transferred Selleys Trade revenue in 2014. Excluding this, sales were broadly in line with the prior year. Core markets for construction chemicals and decorative concrete both declined.**
- **EBIT grew, led by procurement initiatives, tight cost control and lower depreciation**

[1] Excludes non-recurring items in 2013

Lincoln Sentry

Half year ended 31 March (A$M)	*2014*	*2013*	*%*	↕
Pro forma Results (6 months in 2013) [1]				
Sales	**76.8**	70.9	*8.3*	↑
EBITDA	**4.5**	4.1	*9.8*	↑
EBIT	**3.4**	3.0	*13.3*	↑
EBIT margin (%)	***4.4%***	*4.2%*	*0.2 pts*	↑
Statutory Results (4 months in 2013)				
Sales	**76.8**	41.4	*nm*	-
EBITDA	**4.5**	0.7	*nm*	-
EBIT	**3.4**	(0.1)	*nm*	-

- **Revenue growth on pro forma 2013 driven by market share gains, due to investment in marketing and sales effectiveness programs implemented over the past year, in moderately improving markets**
- **EBIT up $0.4M due to sales growth and tight control of costs, despite unfavourable foreign exchange pressures on cost of goods**

[1] Excludes non-recurring items in 2013

Other businesses

Half year ended 31 March (A$M)	*2014*	*2013*	*%*	↕
Excluding Robinhood in prior period				
Sales	**76.6**	75.5	*1.5*	↑
EBITDA	**4.6**	4.9	*(6.1)*	↓
EBIT	**2.4**	2.6	*(7.7)*	↓
EBIT margin (%)	***3.1%***	*3.4%*	*(0.3) pts*	↓
Robinhood EBIT	-	(0.5)	*nm*	-

- **DGL Camel revenue grew 2.3%, despite disposing of the Opel Woodcare business during the period, assisted by foreign exchange translation benefits. EBIT improved due to margin improvements and fixed cost savings**
- **Powder Coatings revenue and EBIT both grew, led by favourable conditions in New Zealand and mild growth in the Australian market**
- **A slowdown in the PNG economy and a lower Kina continues to impact the PNG results, with a reduction in both revenue and EBIT. Despite the result, the PNG business remains a profitable market leader in decorative paints**
- **South East Asia produced a flat EBIT result on higher sales, due to fixed cost investment**

Other Financial Information 3

Corporate costs

Half year ended 31 March (A$M)	*2014 Actual*	*2013 Pro forma*	*%*	*↕*
Corporate costs	**(11.4)**	(11.3)	*(0.9)*	↓

- Corporate costs broadly in line with the prior year
- Costs of fringe benefits tax relating to debt forgiveness on the close-out of the 2010 Long Term Equity Incentive Scheme ($1.5M) and share matching costs of the Employee Share Investment Plan ($0.9M) were offset by further Alesco corporate cost synergies
- Changes in accounting standards have impacted the accounting treatment of the Group's defined benefit superannuation scheme (reflected in both periods)
- Second half Corporate costs expected to be slightly higher than the first half, due to timing of spend

Capital management – key measures

Balance Sheet (A$M)	Mar-14 Actual	Sept-13 Actual	
Net debt	**391.6**	388.7	Marginally higher due to seasonal factors and the impact of non-recurring items
Proforma Rolling TWC to sales	**15.0%**	15.0%	Consistent trade working capital performance
Net Debt: EBITDA (times) [1]	**1.89**	1.98	Continued improvement
EBIT Interest cover (times) [1]	**7.0**	5.7	

Cash Flow and P&L (A$M)	Mar-14 Actual	Mar-13 Actual	
Operating cash before non-recurring items	**36.0**	35.2	
Cash conversion before non-recurring items	**58%**	61%	Within expectations – anticipated to be circa 80% by year end
Net interest expense	**12.9**	13.5	
Average net interest rate	**5.4%**	6.3%	

Key metrics remain sound

[1] EBITDA and EBIT have been adjusted for non-recurring items in both periods and are calculated on a pro forma basis.

Explanation of non-recurring items

Half year ended 31 March (A$M)	*EBIT*	*NPAT*	*Op. Cash*
2014			
Alesco integration costs	**(2.4)**	**(1.7)**	**(3.1)**
Reversal of excess NZ OCN tax provision	**5.6**	**5.6**	**(8.4)**
Sale of Opel Woodcare	**-**	**-**	**(6.4)**
Total	**3.1**	**3.9**	**(17.9)**
2013			
Non-recurring Alesco PPA adjustments	(1.7)	(1.2)	-
Alesco transaction/ integration costs	(10.5)	(8.9)	(12.1)
Total	(12.1)	(10.0)	(12.1)

Cash flow

Half year ended 31 March (A$M)	*2014 Actual*	*2013 Actual*	*$*	↕
Cash flow before non-recurring items	**36.0**	35.2	*0.8*	↑
Non-recurring items	**(17.9)**	(12.1)	*(5.8)*	↓
Net operating cash flows	**18.1**	23.1	*(5.0)*	↓
Capital expenditure	**(13.9)**	(9.8)	*(4.1)*	↓
Acquisitions	**-**	(145.5)	*145.5*	↑
Disposals	**11.8**	-	*11.8*	↑
Net investing cash flows	**(2.1)**	(155.3)	*153.2*	↑
Share capital movements	**6.4**	0.4	*6.0*	↑
Dividends paid	**(24.1)**	(18.9)	*(5.2)*	↓
Financing cash flows before debt movements	**(17.7)**	(18.5)	*0.8*	↑

- **Non-recurring items impacted operating cash flow in both periods**
- **Excluding non-recurring items, all movements were within expectations**
- **Capital expenditure for 2014 includes a full six months of Alesco business capital spend and capital spend on IT integration activities**
- **Disposals largely reflects the sale of the Opel business in China**

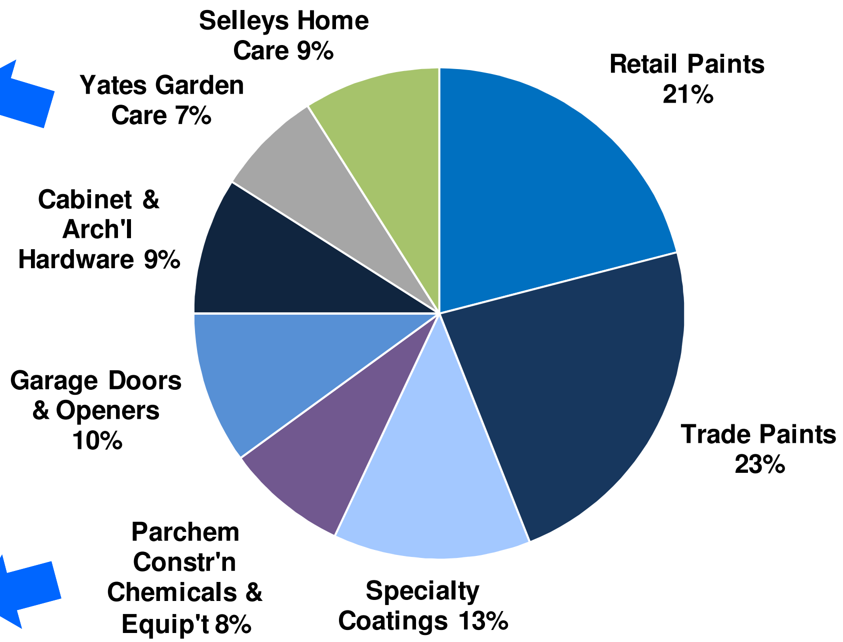
Capital expenditure

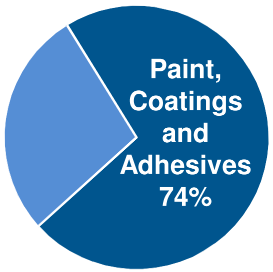
Capital expenditure (A$M)	*Half Year 2014 Actual*	*Half Year 2013 Actual*	*Full Year 2014 Outlook*
Minor capital expenditure	13.9	9.7	27-30
Renewal / growth capital expenditure	-	0.2	
Total capital expenditure	**13.9**	**9.8**	
Depreciation and amortisation	16.7	15.6	34-37

Strategic Growth Priorities 4

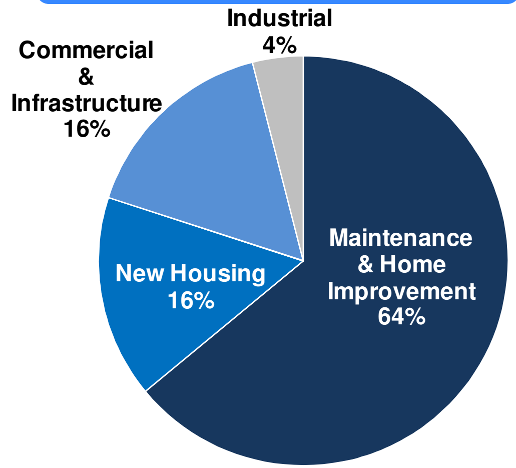
Products, channels and end-markets. Over 60% of business related to the existing home

Product and Channels

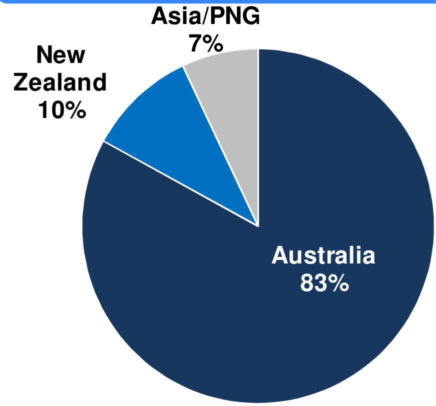




End Markets



Geography



Note: Based on 2013 pro forma revenue

Our strategy is to build on and leverage the core and establish longer term growth options

Paint, Specialty Coatings & Adhesives (ANZ, PNG)

- Continue to build on premium, branded, market-leading positions via retail (DIY) and trade (DIFM) channels focused largely on residential homes (bias to existing homes)
- Extend speciality products into construction, engineering and infrastructure markets

Paints ANZ | Consumer & Construction Products | Powder Coatings | Papua New Guinea

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Capability-led Growth (ANZ)

- Focused on premium, branded consumer products for residential home improvement
- Value-add through leveraging existing "go-to-market" capabilities (e.g. retail hardware management, trade distribution model – stores, tradesmen, specification)

Garage Doors & Openers | Lincoln Sentry | Yates

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Niche Coatings and Adhesives (Asia)

- Building on our foothold position in China – Camel merger a key step
- Also seeking to build upon our existing positions in SE Asia
- Measured approach for the medium to longer term

China | South East Asia

New Segment from 1 April 2014

Part of 'Other Businesses' segment

Underpinned by brands, innovation and customer service

DuluxGroup Strategic Imperatives

Extend market leadership

- Continuing to invest in our business fundamentals of marketing and innovation, sales and distribution effectiveness and customer service to earn greater profitable market share
- Cost and pricing discipline to maintain margins

Alesco upside delivery

- Achieve cost synergies and integrate within budget
- Lock down growth priorities, structure businesses appropriately, step up marketing, sales and systems investment

Lock down medium term growth

- Execute next phase of Construction Chemicals growth
- Granular growth at SBU level supported by strategic M&A where appropriate
- Continue to develop China and Asia for the longer term

Address performance hot spots

- Margin improvement projects (e.g. Yates)
- Maintain appropriate balance between short term profit pressures and required investment (e.g. China)

Maximise organisational leverage

- Particular focus on effectively sharing group capabilities (e.g. consumer engagement, retail hardware channel management, trade distribution optimisation) whilst maintaining business autonomy
- Continued “fit for purpose” approach to processes, systems and costs

Outlook

- The markets in which DuluxGroup operate in Australia remain generally positive, with new housing (16% of DuluxGroup revenue) particularly strong
- Market growth is expected to continue in New Zealand, driven by new housing growth. Further FX translational gains are likely
- We are yet to see material market growth in our main product areas in China, and PNG is likely to continue to experience softness
- Input cost increases are expected across most businesses in the second half
- New reporting segments were effective from 1st April 2014. Historical data to be provided

Subject to economic conditions and excluding non-recurring items, we continue to expect that 2014 net profit after tax will be higher than 2013 net profit after tax of $94.1M, excluding non-recurring items

Questions

Appendices

Definitions of non-IFRS terminology

- Acquisitions/disposals represents payments for purchase of businesses and controlled entities, investments in listed equity securities and proceeds from sale of property, plant and equipment
- Average net interest rate is calculated as net interest expense as a percentage of average daily debt
- Capital expenditure represents payments for property, plant and equipment and payments for intangible assets
- Cash conversion is calculated as EBITDA less non-recurring items, add/less movement in working capital and other non cash items, less minor capital spend, as a percentage of EBITDA less non-recurring items
- EBIT is the equivalent of profit from operations in the Appendix 4D
- EBIT Margin is calculated as EBIT as a percentage of sales revenue
- EBITDA is calculated as EBIT plus depreciation and amortisation
- Interest cover is calculated using like for like EBIT, divided by net interest expense
- Minor capital expenditure is capital expenditure on projects under A$5M
- Net debt is calculated as interest bearing liabilities, less cash and cash equivalents
- Net debt : EBITDA is calculated by using period end net debt divided by pro forma EBITDA before non-recurring items
- Net interest expense is equivalent to net finance costs in the Appendix 4D
- Net profit after tax represents Profit for the period attributable to ordinary shareholders of DuluxGroup Limited per the Appendix 4D
- Non-recurring items are outlined within the presentation
- Non trade working capital is equivalent to the sum of non trade debtors (represents the 'other receivables' portion of 'trade and other receivables', and 'other assets' per Appendix 4D); non trade creditors (represents the 'other payables' portion of 'trade and other payables', per Appendix 4D) and total provisions (excluding tax provisions), per Appendix 4D
- nm = not meaningful
- Operating cash flow is calculated as EBITDA, add/less movements in working capital and other non cash items, less income tax and interest paid
- Other non cash refers to non cash items within the other line items in the cash flow statement
- Recordable Injury Rate is calculated as the number of injuries and illnesses per 200,000 hours worked
- Renewal/growth capital expenditure is capital expenditure on projects over A$5M
- Rolling TWC to sales is calculated as a 12 month rolling average trade working capital, as a percentage of annual sales
- Share capital movements represents proceeds from issue of ordinary shares, payments for shares bought back as treasury shares for LTEIP and ESIP plans and proceeds from employee share plan repayments
- Trade Working Capital (TWC) is the sum of trade receivables plus inventory, less trade payables