DuluxGroup Limited

ABN 42 133 404 065

ASX Announcement

13 May 2013

DULUXGROUP DELIVERS A STRONG FIRST HALF, DRIVEN BY MARKET SHARE GAINS IN CORE PAINTS BUSINESSES

DuluxGroup today reported statutory net profit after tax (NPAT) of $32.9 million, for the six months ended 31 March 2013. The result included $10 million, after tax, in non-recurring costs related to the acquisition of the Alesco businesses in December 2012.

Excluding these non-recurring items, NPAT was $42.9 million, an increase of 8.9% over the 2012 equivalent NPAT of $39.4 million.

Earnings before interest and tax (EBIT) decreased 16.6% to $60.2 million. Excluding non-recurring items EBIT increased 12.2% to $72.4 million. This result was driven by 7.1% EBIT growth from heritage (i.e. pre-Alesco) DuluxGroup businesses, together with a $3.3m EBIT contribution from the Alesco businesses for the four months post-acquisition.

Sales revenue increased by $162.3 million or 30.7%. Heritage DuluxGroup businesses grew 6.6% in generally soft markets, due largely to market share gains. The remainder of the growth related to the addition of sales from the Alesco businesses for four months.

The Board has declared an interim dividend of 8.0 cents per share fully franked, which represents a 70% payout ratio on NPAT before non-recurring items.

DuluxGroup Managing Director Patrick Houlihan said the result was very strong in generally soft markets, with the heritage DuluxGroup businesses, in particular, delivering solid growth and outperforming the market in most segments.

"Our Heritage DuluxGroup businesses have continued to deliver strong sales and earnings growth in generally flat or declining markets. To achieve further profitable market share gains is particularly pleasing, and this has combined with disciplined cost management to deliver a really solid result for these businesses. We are also happy with the initial contribution from the Alesco businesses for the four months that we have owned them, although they are seasonally quite weak months for these businesses," said Mr Houlihan.

DuluxGroup also provided "pro forma" figures for the Alesco business, representing trading for the full six months of the half, with comparisons to the prior year.

On this proforma basis, the Alesco businesses delivered a sales decline of 2.1% in weak markets. Proforma EBIT for the Alesco businesses declined $1.2m or 9.4%, largely due to weaker revenue, with the non-core Robinhood appliance business contributing $0.6m of the decline.

Review of Operating Segments

Paints Australia increased sales by 4.6%, despite the overall Australian decorative paint market declining 2% in volume terms. EBIT was $56.1 million, an 8.9% increase on the prior year (adjusted for the flood insurance uplift received in the 2012 first half).

After several years of decline, the New Zealand decorative paint market grew by approximately 12% during the first half. This was partly driven by Christchurch reconstruction and partly by an overall pick-up in residential building activity generally. Paints New Zealand grew EBIT by 44.9% to $7.1 million, reflecting strong sales growth, driven by market growth, together with market share gains in both retail and trade channels.

Selleys Yates sales increased 3.7% to $126.6 million, largely as a result of market share gains in relatively subdued markets. EBIT was flat, at $12.1 million. Although Selleys delivered strong EBIT growth, the overall result was impacted by margin pressure in the Yates business.

Pro forma EBIT for the Garage Doors and Openers business declined 9.3% to $7.8 million, reflecting flat revenue in a declining market. The business has invested in sales and marketing, which has it well placed to benefit from market recovery.

Pro forma sales for the Parchem Construction Chemicals and Equipment business increased 2.1% to $58.7 million, while pro forma EBIT was flat at $2.8 million. Growth in Western Australia was offset by more subdued conditions elsewhere.

Pro forma sales revenue for the Lincoln Sentry Cabinets and Windows Products business declined 7.8%. However disciplined pricing and margin management delivered an EBIT increase of 15.4% to $3 million, despite lower market activity levels.

DuluxGroup's 'Other Businesses' segment comprises: DGL Camel in China and Hong Kong; the Papua New Guinea (PNG) business; the Dulux Powder, Refinish and Industrial Coatings business in Australia and New Zealand; the South East Asian business; and the Robinhood appliances business which was acquired as part of Alesco. Sales for this segment grew 17.9%, predominantly driven by growth in DGL Camel. However equity share of EBIT declined 13.3% to $3.9 million, largely due to the Robinhood business and some market softness in PNG.

Outlook

"While lead market indicators for New Zealand are positive, overall we expect our core Australian markets to remain subdued in the short term. Ongoing investment in the business fundamentals has our heritage DuluxGroup business well placed to continue to outperform," said Mr Houlihan.

"With the addition of the Alesco businesses, more than 60% of our revenue continues to come from the maintenance and improvement of existing residential homes. This sector has proven to be relatively resilient, even in tough conditions in the overall housing and construction market.

"The integration of Alesco is progressing well. We have identified cost synergies ahead of our original estimates and strategic reviews of all of the new businesses have now been completed. We are now firmly focussed on the growth opportunities and positioning the businesses for the full benefit of market recovery."

Subject to economic conditions and excluding non-recurring items associated with the acquisition of Alesco, we expect 2013 net profit after tax to be broadly in line with analyst consensus of ~$89M.

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DuluxGroup Limited results for the half year ended 31 March 2013

Results [1]	Half year ended 31 March		
A$M	**2013 Actual**	**2012 Actual**	**% Change**
Statutory results [2]			
Sales revenue	690.8	528.5	30.7%
EBITDA [3]	75.9	83.3	(8.9%)
EBIT [4]	**60.2**	**72.2**	**(16.6%)**
EBIT before non-recurring items [5]	*72.4*	*64.5*	*12.2%*
Net interest expense	(13.3)	(10.6)	(25.5%)
Tax expense	(15.9)	(15.3)	(3.9%)
Non-controlling interests	1.9	1.6	18.8%
Net profit after tax (NPAT) [6]	**32.9**	**47.9**	**(31.3%)**
NPAT before non-recurring items [7]	*42.9*	*39.4*	*8.9%*
Operating cash flow	23.1	51.4	(55.1%)
Operating cash flow before non-recurring items [8]	*35.2*	*33.7*	*4.5%*
Net debt [9] (closing)	456.7	223.7	(104.2%)
Diluted earnings per ordinary share (EPS) (cents)	8.8	13.0	(32.3%)
Diluted EPS before non-recurring items (cents)	*11.5*	*10.7*	*7.5%*
Interim dividend per share (cents)	8.0	7.5	6.7%

Result Summary

- **Sales revenue** of $690.8M increased by $162.3M (+30.7%) on the prior year corresponding period ('pcp'). Of this sales growth, $127.6M relates to four months' sales from the Alesco Corporation Limited (Alesco) businesses acquired in December 2012. Excluding this amount, sales from the heritage DuluxGroup businesses (heritage DuluxGroup) grew 6.6%, driven by outperformance in generally soft markets.
- **EBIT** [4] of $60.2M, decreased by 16.6%. Excluding non-recurring items, EBIT increased by $7.9M (+12.2%) on the pcp. Heritage DuluxGroup EBIT increased by 7.1%, largely due to revenue growth.
- **Net profit after tax (NPAT)** [6] was $32.9M, a decrease of 31.3%. NPAT before non-recurring items [6] was $42.9M, an increase of 8.9% over the pcp equivalent of $39.4M.
- **Operating cash flow before non-recurring items** [7] of $35.2M increased by $1.5M.

Note: Numbers in this profit report are subject to rounding. nm = not meaningful.

1. Other than as indicated in subsequent footnotes, the financial information contained in this document is directly extracted or calculated from the Financial Statements included in the Appendix 4D which has been subject to review.
2. Statutory results – represent results directly extracted from the Appendix 4D, and are unadjusted.
3. EBITDA – represents 'profit from operations' plus 'depreciation and amortisation expense' per Appendix 4D.
4. EBIT – the equivalent of 'Profit from operations' per Appendix 4D.
5. EBIT before non-recurring items – for 2013 represents 'profit from operations', excluding transaction and integration costs associated with the acquisition of Alesco, and excluding non-recurring Alesco Purchase Price Allocation (PPA) adjustments. In 2012, profit from operations excludes an uplift resulting from insurance recoveries being in excess of profit and loss charges for the period ('insurance uplift'). Directors believe that the result excluding these items provides a better basis for comparison from period to period.
6. Net profit after tax (NPAT) – represents 'Profit for the half year attributable to ordinary shareholders of DuluxGroup Limited'.
7. NPAT before non-recurring items – for 2013 represents NPAT, excluding Alesco transaction and integration costs and non-recurring PPA adjustments per page 14. In 2012, NPAT before non-recurring items represents NPAT, excluding a tax consolidation benefit and an insurance uplift. Directors believe that the result excluding these items provides a better basis for comparison from period to period.
8. Operating cash flow before non-recurring items – the equivalent of 'Net cash inflow from operating activities' per Appendix 4D, less the non-recurring items outlined on page 6.
9. Net debt – represents 'interest bearing liabilities' less 'cash and cash equivalents'.

Result Summary

Sales and EBIT for the period have three main components:

- Heritage DuluxGroup, which relates to the DuluxGroup businesses before the addition of the Alesco businesses;
- Alesco, being the result for the Alesco businesses, which are only included in the financial results from December 2012 (i.e. four months); and
- Non-recurring items, which all relate to the Alesco acquisition in 2013 and the last of the flood insurance accounting and tax consolidation adjustments in 2012 (refer later for detail).

The split of sales and EBIT between these components is detailed below. NPAT is split between continuing business and non-recurring items.

Components of Sales, EBIT and NPAT	**Half year ended 31 March**		
A$M	**2013 Actual**	**2012 Actual**	**% Change**
Sales Revenue			
Heritage DuluxGroup	563.2	528.5	6.6%
Alesco (4 mths in 2013)	127.6	-	
Total	**690.8**	**528.5**	30.7%
EBIT			
Heritage DuluxGroup	69.1	64.5	7.1%
Alesco (4 mths in 2013)	3.3	-	
Non-recurring items	(12.2)	7.7	
Total	**60.2**	**72.2**	(16.6%)
NPAT			
NPAT before non-recurring items	42.9	39.4	8.9%
Non-recurring items	(10.0)	8.6	
Total	**32.9**	**47.9**	(31.3%)

Proforma Results for Alesco Businesses

Given that the statutory results include only four months of operating performance for the Alesco businesses in the current period, **proforma** results for 2013 and 2012 are presented below to provide six months' operating performance. The figures are based on unaudited management accounts and exclude non-recurring items.

Proforma Results - Alesco	**Half year ended 31 March**		
A$M	**2013 Proforma**	**2012 Proforma**	**% Change**
Sales	214.6	219.3	(2.1%)
EBIT	11.6	12.8	(9.4%)

Most of the commentary in this report in relation to Alesco is based around these proforma figures given that they provide a full six months' performance and a comparison to the prior period.

Result Summary

Key Drivers of the Result

For Heritage DuluxGroup:

- Sales growth of $34.7M (+6.6%). Outperformance in most segments despite generally soft markets, driven by profitable share gains; and
- EBIT growth of $4.6M (+7.1%). Growth largely due to the flow-through impact of revenue growth, together with some margin improvement due to cost management and input cost relief.

For Alesco:

- A decline in proforma sales of $4.7M (-2.1%), driven largely by subdued market conditions; and
- A $1.2M reduction in proforma EBIT (-9.4%), largely reflecting the flow through of the sales decline, with generally good margin and cost control. The Robinhood appliances business, which is non-core, made a small loss and contributed $0.6M of the EBIT decline.

Other items

Net interest expense [1] of $13.3M reflects an average cost of debt of 6.3%. Interest expense was $2.7M higher than the pcp largely due to the increase in debt associated with the acquisition of Alesco, partly offset by lower prevailing interest rates.

Income tax expense of $15.9M. Excluding the tax impact associated with the non-recurring items, tax expense would otherwise be $18.1M, representing an effective tax rate of 30.6% (30.0% in the pcp).

Interim dividend of 8.0 cents per share fully franked, which represents a 70% payout ratio based on NPAT before non-recurring items.

Blended proforma figures

The following table shows the sales and EBIT results before non-recurring items based on heritage DuluxGroup results on an **actual** basis and Alesco results on a **proforma** basis.

	Half year ended 31 March		
A$M	**2013 Actual**	**2012 Actual**	**% Change**
Sales Revenue			
Heritage DuluxGroup - Actual	563.2	528.5	6.6%
Alesco - Proforma	214.6	219.3	(2.1%)
Total	**777.8**	**747.8**	4.0%
EBIT			
Heritage DuluxGroup - Actual	69.1	64.5	7.1%
Alesco - Proforma	11.6	12.8	(9.4%)
Total	**80.7**	**77.3**	4.4%

1. Net interest expense – represents 'net finance costs' per Appendix 4D.

Result Summary

Segment revenue and EBIT – blended proforma basis

DuluxGroup's operating segments now include the Alesco businesses. The Robinhood appliance business is now included within the 'Other businesses' segment.

Segment results are shown below (based on proforma figures for Alesco businesses and actual figures for heritage DuluxGroup businesses) and are discussed further later in this report.

	Half year ended 31 March		
A$M	**2013 Actual/ Proforma**	**2012 Actual/ Proforma**	**% Change**
Sales revenue			
Paints Australia	324.5	310.2	4.6%
Paints New Zealand	45.4	38.0	19.5%
Selleys Yates	126.6	122.1	3.7%
Garage Doors & Openers (proforma)	76.4	76.5	(0.1%)
Parchem (proforma)	58.7	57.5	2.1%
Lincoln Sentry (proforma)	70.9	76.9	(7.8%)
Other businesses (proforma for Robinhood)	84.2	76.7	9.8%
Eliminations	(8.8)	(10.1)	12.9%
Total Proforma sales revenue	**777.8**	**747.8**	**4.0%**
EBIT			
Paints Australia	56.1	51.5	8.9%
Paints New Zealand	7.1	4.9	44.9%
Selleys Yates	12.1	12.0	0.8%
Garage Doors & Openers (proforma)	7.8	8.6	(9.3%)
Parchem (proforma)	2.8	2.8	0.0%
Lincoln Sentry (proforma)	3.0	2.6	15.4%
Other businesses (proforma for Robinhood)	2.1	3.0	(30.0%)
Corporate - DuluxGroup	(8.7)	(6.8)	(27.9%)
Corporate - Alesco	(1.5)	(1.3)	(15.4%)
Total Proforma EBIT (pre non-recurring items)	**80.7**	**77.3**	**4.4%**

Balance Sheet

Balance Sheet A$M	March 2013 Actual	Sept 2012 Actual	March 2012 Actual
Inventories	195.4	129.2	137.1
Trade debtors	210.5	154.7	149.4
Trade creditors	(165.6)	(151.4)	(143.8)
Total trade working capital [1]	240.2	132.5	142.7
Non trade debtors [4]	18.0	11.7	9.1
Tax balances (DTA, ITP and DTL)	39.2	28.1	22.9
Property, plant & equipment	264.2	199.1	198.4
Intangible assets	225.5	96.8	97.4
Investments	4.2	40.6	3.5
Non trade creditors [5]	(51.5)	(34.8)	(24.9)
Defined benefit fund liability	(12.4)	(20.9)	(20.1)
Provisions (excluding tax)	(69.6)	(39.9)	(39.8)
Net debt	(456.7)	(230.3)	(223.7)
Net other assets	0.1	-	0.1
Net Assets	**201.2**	**182.9**	**165.6**
Total equity attributable to ordinary shareholders of DuluxGroup Limited	189.9	169.9	151.3
Non-controlling interest in controlled entities	11.3	13.0	14.3
Total Shareholders' Equity	**201.2**	**182.9**	**165.6**

Balance sheet movements are compared to either March 2012 (for items where there is a seasonal impact, for example working capital) or September 2012 (where seasonal impacts are minimal).

Given the significant impact the Alesco acquisition has had on the Group's balance sheet, movement analysis has been conducted on significant underlying movements, rather than headline movements.

- **Trade working capital** [1] (TWC) increased by $97.5M from March 2012, predominantly due to the acquisition of Alesco. The movement in TWC for heritage DuluxGroup businesses was an increase of $3.6M, which represented an improvement in the half year end percentage to sales from 13.8% to 13.3%.
- **Rolling TWC to rolling sales** [2, 3] increased from 12.8% in March 2012 to 15.2% (proforma), driven by the addition of Alesco, which operates at over 20%. Heritage DuluxGroup rolling TWC to rolling sales was flat at 12.9%.
- In total, **intangible assets** increased by $128.7M from September 2012 due to the acquisition of Alesco.
- **Investments** reduced by $36.4M from September 2012, as the initial 19.96% interest in Alesco acquired on 30 April 2012 was reversed upon completion of the Alesco acquisition.
- The **defined benefit fund liability** decreased by $8.5M from September 2012 due to actuarial reassessment of the fund liability at March 2013.
- **Net debt** increased largely due to the acquisition of Alesco.

1. Trade working capital (TWC) – 'trade receivables' plus 'inventory', less 'trade payables'.
2. Rolling TWC – the 12 month rolling average of month end TWC balances.
3. Rolling TWC to rolling sales – calculated as the rolling TWC (above) divided by the most recent 12 months sales revenue. This figure is not directly extracted from the Appendix 4D.
4. Non trade debtors – represents the 'other receivables' portion of 'trade and other receivables', and 'other assets' per Appendix 4D.
5. Non trade creditors – represents the 'other payables' portion of 'trade and other payables', per Appendix 4D.

Cash Flow

Statement of Cash Flows	Half year ended 31 March		
A$M	**2013 Actual**	**2012 Actual**	**% Change**
Net operating cash flows			
EBITDA	75.9	83.3	(8.9%)
Trade working capital movement	(14.3)	(3.3)	nm
Non trade working capital movement	(12.8)	(5.4)	nm
Other non cash	2.8	(0.7)	nm
Income taxes paid	(16.7)	(14.2)	(17.6%)
Net interest paid	(11.7)	(8.2)	(42.7%)
Operating cash flow	**23.1**	**51.4**	(55.1%)
Investing cash flow	**(155.3)**	**(15.4)**	nm
Financing cash flow before debt movement	**(18.5)**	**(34.9)**	47.0%
Total cash flow before debt movement	**(150.7)**	**1.2**	nm
Cash conversion [1]	**61%**	**67%**	

The operating cash flow in the current year was adversely impacted by non-recurring items relating to the acquisition of Alesco (transaction and integration costs). In 2012, the operating cash flow was positively impacted by insurance receipts relating to the Queensland flood (refer to the March 2012 Profit Report for further details).

The table below isolates the non-recurring items in 2013 and 2012 and shows that operating cash flow before non-recurring items increased for the period.

Operating Cash Flow	Half year ended 31 March		
A$M	**2013 Actual**	**2012 Actual**	
Cash flow before non-recurring items	**35.2**	**33.7**	4.5%
Non-recurring Alesco costs	(12.1)	-	
Non-recurring flood impacts	-	17.7	
Total operating cash flow	**23.1**	**51.4**	(55.1%)

Key drivers of the remainder of the cash flow are below:

- Investing cash outflows increased by $139.9M, due largely to the acquisition of Alesco in December 2012.
- Financing cash outflows decreased by $16.4M as share capital was issued in 2013 to satisfy the Dividend Reinvestment Plan, whereas in 2012 shares were bought back on market.

Refer to the Appendix for a full cash flow.

1. Cash conversion is calculated as adjusted EBITDA, add/less movement in working capital and other non cash, less minor capital spend (excluding flood related capital spend), as a percentage of adjusted EBITDA. Adjusted EBITDA excludes insurance uplift, Alesco transaction and integration costs and PPA adjustments.

Segment Commentary – Paints Australia

EBIT of $56.1M, up 8.9% (before prior year flood insurance uplift).

Continued growth in a declining market.

Paints Australia	**Half year ended 31 March**		
A$M	**2013 Actual**	**2012 Actual**	**% Change**
Sales revenue	324.5	310.2	4.6%
EBITDA before flood insurance uplift	61.8	57.0	8.4%
EBIT	56.1	59.2	(5.2%)
EBIT before flood insurance uplift	56.1	51.5	8.9%
*EBIT % Sales **	*17.3%*	*16.6%*	

** EBIT % Sales for 2012 has been calculated by taking the EBIT before insurance uplift, divided by Sales revenue. This provides a more accurate assessment of underlying margin performance because it removes the distortion effect of flood insurance accounting.*

Sales revenue up $14.3M (+4.6%)

- The Australian decorative paint market declined approximately 2% in volume terms, with the retail component showing some growth but the trade channel experiencing further decline.
- Despite the market weakness, revenue growth was driven predominantly by continued gains in market share in trade paint. The rest of the business (retail paint, woodcare, protective coatings and texture coatings) also performed well.

EBIT increase of $4.6M (+8.9%) before flood insurance uplift in 2012

- Margins improved slightly through procurement benefits driven by internal efficiency programs, some raw material price relief from the highs of early 2012 and cost control. Investment in marketing increased.

Segment Commentary – Paints New Zealand

Paints New Zealand EBIT of $7.1M, up 44.9%.

A strong result driven by share gains in an improving market.

Paints New Zealand	**Half year ended 31 March**		
A$M	**2013 Actual**	**2012 Actual**	**% Change**
Sales revenue	45.4	38.0	19.5%
EBITDA	8.4	6.3	33.3%
EBIT	7.1	4.9	44.9%
EBIT % Sales	*15.6%*	*12.9%*	

Sales revenue up $7.4M (+19.5%)

- After several years of decline, the New Zealand decorative paint market grew by approximately 12% during the half year, driven partially by Christchurch reconstruction activity and partially by increased residential building activity in general.
- Market share gains in both retail and trade channels also contributed to the revenue result.

EBIT growth of $2.2M (+44.9%)

- EBIT improvement was driven by the strong growth in revenue and the resultant leverage over the cost base of the business.

Segment Commentary – Selleys Yates

Selleys Yates EBIT flat at $12.1M.
Stabilisation of operating performance.

Selleys Yates	**Half year ended 31 March**		
A$M	**2013 Actual**	**2012 Actual**	**% Change**
Sales revenue	126.6	122.1	3.7%
EBITDA	13.7	13.8	(0.7%)
EBIT	12.1	12.0	0.8%
EBIT % Sales	*9.6%*	*9.8%*	

Sales revenue up $4.5M (+3.7%)

- A return to sales growth predominantly driven by market share gains in relatively soft markets.

EBIT flat at $12.1M

- Selleys grew EBIT through favourable product mix and strong management of input costs.
- Product mix continued to challenge margins in Yates, resulting in an EBIT decline.

Segment Commentary – Garage Doors and Openers

Garage Doors and Openers proforma EBIT $7.8M, down 9.3%.

Flat revenue in a declining market; business investing for anticipated market recovery.

Garage Doors & Openers	**Half year ended 31 March**		
A$M	**2013**	**2012**	**% Change**
Statutory (4 months in 2013)			
Sales revenue	46.3	-	
EBITDA	5.0	-	
EBIT	2.7	-	
EBIT % Sales	*5.8%*	-	
Proforma (6 months in 2013 & 2012)			
Sales revenue	76.4	76.5	(0.1%)
EBITDA	11.0	11.7	(6.0%)
EBIT	7.8	8.6	(9.3%)
EBIT % Sales	*10.2%*	*11.2%*	

Proforma sales revenue down $0.1M (-0.1%)

- The Australian market declined, outweighing a market rebound in New Zealand. Share outcomes were mildly positive, led by B&D Australia in its core residential market.
- Pricing disciplines were maintained.

Proforma EBIT decline of $0.8M (-9.3%)

- EBIT declined primarily due to an investment in sales capability and marketing.

Segment Commentary – Parchem

Parchem proforma EBIT flat at $2.8M.

Solid result in subdued market conditions.

Parchem	**Half year ended 31 March**		
A$M	**2013**	**2012**	**% Change**
Statutory (4 months in 2013)			
Sales revenue	34.9	-	
EBITDA	1.3	-	
EBIT	0.2	-	
EBIT % Sales	*0.6%*	-	
Proforma (6 months in 2013 & 2012)			
Sales revenue	58.7	57.5	2.1%
EBITDA	4.4	4.1	7.3%
EBIT	2.8	2.8	-
EBIT % Sales	*4.8%*	*4.9%*	

Proforma sales revenue up $1.2M (+2.1%)

- The Australian market was flat with growth in WA offset by subdued conditions elsewhere. The New Zealand market improved in line with the Christchurch rebuild and improvements in the housing market.
- Core Construction Products and Decorative Concrete businesses performed well in Australia, growing approximately 4%, with the equipment business (~20% of sales) weaker.

Proforma EBIT flat at $2.8M

- Favourable product mix and procurement initiatives, together with tight control of fixed costs (despite higher trade store costs following store refurbishment) resulted in margins being held.

Segment Commentary – Lincoln Sentry

Lincoln Sentry proforma EBIT up 15.4% to $3.0M.

EBIT growth due to cost control in weak markets.

Lincoln Sentry	**Half year ended 31 March**		
A$M	**2013**	**2012**	**% Change**
Statutory (4 months in 2013)			
Sales revenue	41.4	-	
EBITDA	0.7	-	
EBIT	(0.1)	-	
EBIT % Sales	*(0.2%)*	-	
Proforma (6 months in 2013 & 2012)			
Sales revenue	70.9	76.9	(7.8%)
EBITDA	4.1	3.5	17.1%
EBIT	3.0	2.6	15.4%
EBIT % Sales	*4.2%*	*3.4%*	

Proforma sales revenue down $6.0M (-7.8%)

- Revenues were adversely impacted by subdued levels in the key renovation and new housing markets.

Proforma EBIT up $0.4M (+15.4%)

- Disciplined pricing and margin management programs and a fixed cost reduction program implemented in April 2012 significantly contributed to the favourable EBIT result.

Segment Commentary – Other businesses

Other businesses equity share of EBIT down 13.3% to $3.9M.

Decline due to Robinhood and some market softness in PNG.

Other businesses	**Half year ended 31 March**		
A$M	**2013**	**2012**	**% Change**
Statutory (includes 4 months of Robinhood in 2013)			
Sales revenue	80.5	68.3	17.9%
EBITDA	4.5	5.0	(10.0%)
EBIT	2.1	2.9	(27.6%)
EBIT % Sales	*2.6%*	*4.2%*	
Equity share of EBIT [1]	3.9	4.5	(13.3%)
Proforma (includes 6 months of Robinhood in 2013 & 2012)			
Sales revenue	84.2	76.7	9.8%
EBITDA	4.6	5.4	(14.8%)
EBIT	2.1	3.0	(30.0%)
EBIT % Sales	*2.5%*	*3.9%*	
Equity share of EBIT [1]	3.9	4.6	(15.2%)

The Other businesses segment consists of DGL Camel in China and Hong Kong, the Papua New Guinea business, the Dulux Powder, Refinish and Industrial Coatings Australia and New Zealand business (Powder Coatings), the South East Asian business, and (for the first time) the Robinhood appliance business (acquired as part of Alesco).

Sales revenue up $12.2M (+17.9%)

- Revenue growth for this segment was predominantly driven by DGL Camel. Approximately $6M of the revenue growth related to the December 2011 timing of the DGL Camel merger (the current period contained six months of the merged entity; the pcp contained four months).
- Powder Coatings revenue was marginally up, with a stronger New Zealand market being mostly offset by soft conditions in Australia.
- Papua New Guinea revenue was marginally lower than the pcp due to a slowdown in the local economy as the construction phase of the ExxonMobil LNG project nears completion.
- Robinhood contributed to statutory revenue growth. On a proforma basis, Robinhood revenue grew slightly in weak markets.

Equity share EBIT decline of $0.6M (-13.3%)

- Earnings for DGL Camel were marginally lower than last year (and flat on an equity share basis).
- Powder Coatings EBIT showed solid improvement, driven by revenue growth and disciplined margin management in a continuing tough trading environment.
- Papua New Guinea EBIT declined due to lower sales and increased costs, as this business invests in resources to support future sales growth.
- Robinhood EBIT declined $0.6M to a small loss on a proforma basis, driven largely by increased supply chain and support costs following the separation from Parbury (which was divested by Alesco in April 2012). Work is underway to reduce operating costs.

1. Equity share of EBIT represents the Group's share of EBIT in the Other businesses segment, after accounting for the 49% non-controlling interest in DGL Camel International.

Non-recurring items

The non-recurring items are detailed below:

Non-recurring items	**Half year ended 31 March**	
A$M	**Pre-tax**	**Post-tax**
2013		
Non-recurring Alesco PPA adjustments	(1.7)	(1.2)
Alesco transaction costs	(5.7)	(5.5)
Alesco integration costs	(4.8)	(3.3)
Total	**(12.2)**	**(10.0)**
2012		
Insurance uplift	7.7	5.4
Tax consolidation adjustment	-	3.2
Total	**7.7**	**8.6**

Non-recurring Alesco PPA adjustments refer to the non-recurring component of the Purchase Price Allocation adjustments that have been made as part of the Alesco acquisition accounting process. These primarily relate to the fair value adjustment to finished goods inventory sold in the period.

Alesco transaction costs refer to the incurred transaction costs associated with the acquisition of Alesco.

Alesco integration costs refer to the incurred costs associated with integrating the Alesco businesses into DuluxGroup.

The **insurance uplift** amount in 2012 relates to the last of the insurance proceeds following the 2011 flood at Rocklea. The figure refers to the difference between insurance income of $15.0M and the flood-related profit and loss expenses of $7.3M. There was no impact relating to this item in the current period.

Tax consolidation adjustment refers to the tax effect of recognising a deferred tax asset (associated with the revaluation of certain non-current assets for tax purposes) on the formation of the Australian tax consolidated group upon demerger.

Outlook

The short-term outlook for the Australian paint market is hard to predict, but is expected to remain subdued, particularly in Trade. The business continues to focus on profitable market share gains across all businesses (retail paint, trade paint, woodcare, protective coatings and texture coatings).

Lead market indicators continue to point to further market growth in New Zealand. It is important to note that New Zealand paints business is more seasonal than the Australian paints business, with the first half typically 55-60% of revenue and 60-70% of EBIT.

The market outlook for Selleys Yates broadly mirrors that of the paints businesses. Selleys is well-placed and Yates will continue to focus on delivering margin improvement initiatives over the next 1-2 years.

For the Alesco businesses, market conditions are expected to continue to remain subdued. Some investment in the second half is expected in fixed costs in Garage Doors & Openers and Lincoln Sentry to underpin sales growth initiatives.

Market conditions in China remain soft, but product localisation initiatives are progressing.

Subject to economic conditions and excluding non-recurring items associated with the acquisition of Alesco, we expect 2013 net profit after tax to be broadly in line with analyst consensus of ~$89M.

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Appendix

Cash flow

Statement of Cash Flows	Half year ended 31 March		
A$M	2013 Actual	2012 Actual	% Change
Net operating cash flows			
EBIT	60.2	72.2	(16.6%)
Add: Depreciation	13.2	10.2	29.4%
Add: Amortisation	2.5	0.9	177.8%
EBITDA	75.9	83.3	(8.9%)
Trade working capital movement	(14.3)	(3.3)	nm
Non trade working capital movement	(12.8)	(5.4)	nm
Other non cash	2.8	(0.7)	nm
Income taxes paid	(16.7)	(14.2)	(17.6%)
Net interest paid	(11.7)	(8.2)	(42.7%)
Operating cash flow	**23.1**	**51.4**	(55.1%)
Net investing cash flows			
Capital expenditure [1]	(9.8)	(13.4)	26.9%
Acquisitions/disposals [2]	(145.5)	(2.0)	nm
Investing cash flow	**(155.3)**	**(15.4)**	nm
Net financing cash flows			
Share capital movements	10.7	(7.4)	nm
Dividends paid	(29.2)	(27.5)	(6.2%)
Financing cash flow before debt movement	**(18.5)**	**(34.9)**	47.0%
Total cash flow before debt movement	**(150.7)**	**1.2**	nm

1. Capital expenditure - represents the 'payments for property, plant and equipment'. 'payments for intangible assets' and 'proceeds from sale of property, plant and equipment'.
2. Acquisitions/disposals – represents 'payments for purchase of businesses and controlled entities' and 'investments in listed equity securities'.