DuluxGroup

2011 Full Year Results Announcement

14 November 2011

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Important Note: Impact of floods on DuluxGroup's 2011 result and demerger on 2010 result

Queensland Flood Supply Disruption

The 2011 result has been impacted by the supply disruption at our Rocklea decorative paint factory due to the Queensland Flood in January 2011. Further information is provided in this document, the Profit Report and the Appendix 4E Full Year Report.

Prior Year Statutory Figures impacted by Demerger restructuring

The results for the prior period (2010) as outlined in the Full Year Report are impacted by the restructuring activities in preparation for the demerger from Orica. In general, the prior year figures presented in this presentation are 'pro forma' to represent a full twelve months' performance. Please refer to the Appendix in this document and the Profit Report for further information.

Please note also that figures in this presentation may not add due to rounding

Result Overview 1

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Key achievements

- Strong operating result, with earnings increasing despite supply disruption at Rocklea (Queensland flood) and softness in New Zealand, Powder Coatings and China markets
- Rapid and effective supply recovery post-Rocklea flooding, with market share intact
- The resilience of the home maintenance and improvement sector has again been demonstrated – clear differentiation to both new construction and discretionary retail
- Australian market leadership position enhanced, with strong momentum across all major categories and both retail and trade channels
- Significant capital program completed, including the New Zealand paint factory upgrade, the new Melbourne protective coatings factory and post-flood Rocklea rebuild activity
- China platform enhanced through merger with Camel
- Debt facility renegotiated with longer and more evenly spread maturity profile and at lower cost

DuluxGroup financial performance

Full year ended 30 September (A$M)	2011 Actual	2010 Pro forma	%	↕
Sales	**996.4**	963.9	3.4	↑
Other Income	**67.5**	1.5	nm	↑
EBIT	**139.2**	123.5	12.7	↑
Net profit after tax	**93.2**	68.7	35.7	↑
EBIT before insurance uplift	**134.7**	123.5	9.1	↑
NPAT pre one-off items [1]	**77.6**	71.5	8.5	↑
Operating cashflow (excl. tax and interest)	**137.3**	149.3	(8.1)	↓
Net debt	**222.1**	204.9	8.4	↑

- **Sales growth despite flood impacts (estimated at ~2% of sales)**
- **Increase in Other Income relates to flood insurance recoveries ($65M)**
- **EBIT and NPAT both up ~9% before $4.5M 'insurance uplift' and $12.5M favourable tax consolidation adjustment**
- **Cash flow strong despite some adverse flood-related impacts**
- **Final dividend of 7.5 cents per share (fully franked) – 70% payout ratio for the year**

[1] One-off items in 2011 consist of the tax consolidation adjustment ($12.5M) and the insurance gain ($3.1M net of tax); one-off items in 2010 consists of demerger costs ($2.8M net of tax).

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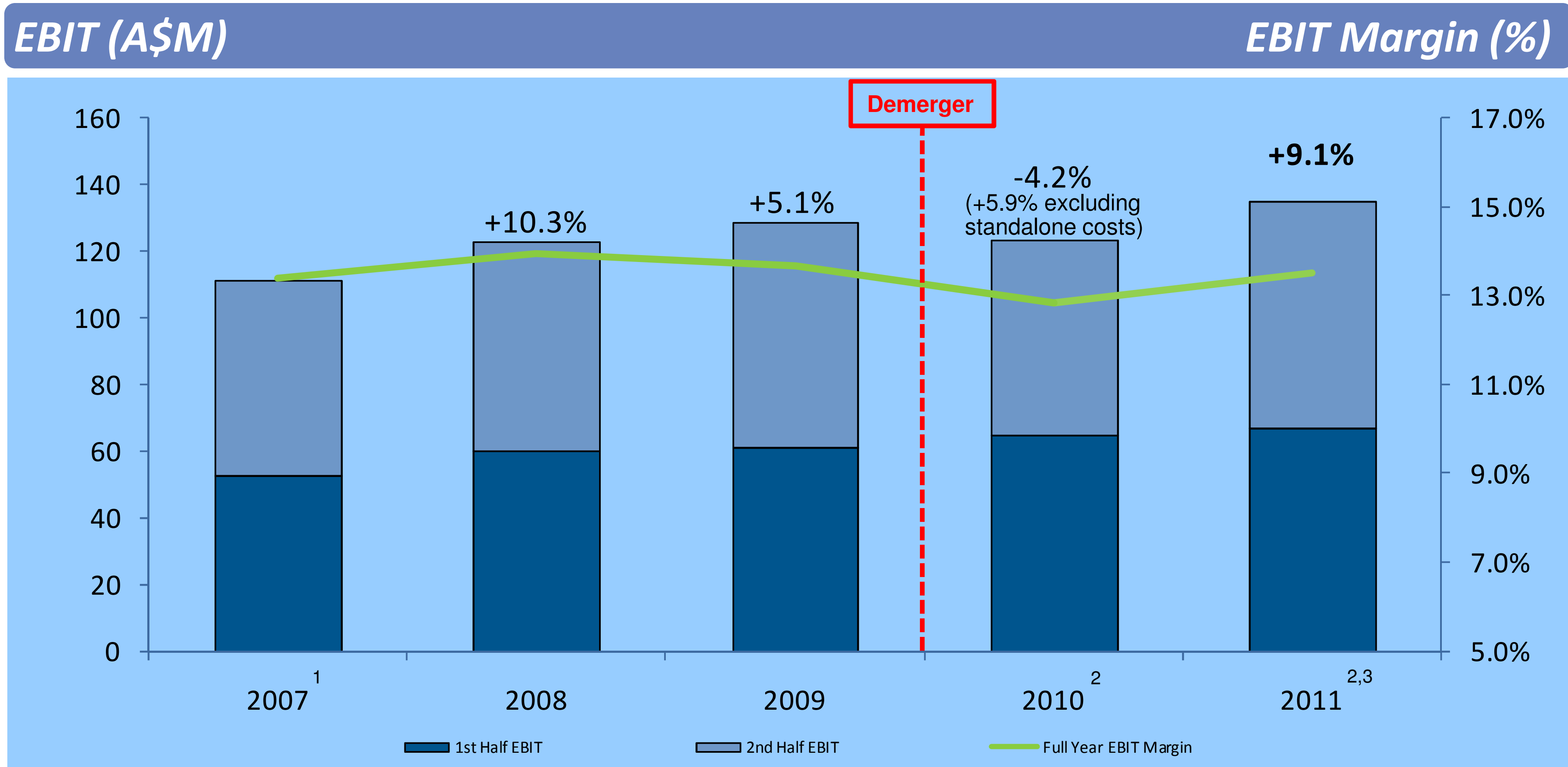
EBIT growth – consistency continues



[1] Excludes impact of Yates restructuring costs ($9.5M).
[2] From 2010, EBIT includes ongoing standalone costs following the demerger from Orica (pro forma in 2010, actual in 2011). In 2010, EBIT growth before these new costs was +5.9%
[3] EBIT in 2011 excludes the $4.5M insurance uplift

Safety & Sustainability – "A Future Without Harm"

		2011	2010
Recordable Injury Rate	x	**1.96**	1.81
Near Miss (Hazard) Reporting	✓	**+45%**	+110%
Waste Generation (% change)	x	**+14%**	-13%
Water Consumption (% change)	✓	**-4%**	-3%
Product Distribution Incidents	✓	**1**	5

- **Recordable Injury performance disappointing**
- **Other metrics positive, with waste generation only adverse due to Rocklea post-flood clean-up. Variance was favourable excluding this abnormal event**
- **Focus remains on key improvement strategies:**
  - Fatality Prevention; Personal Safety; Process Safety; and Sustainability

Refer to Appendix for definitions.

Segment Performance 2

Segment EBIT

Full year ended 30 September (A$M)	*2011 Actual*	*2010 Pro forma*	*%*	↕
Paints Australia (before insurance uplift)	**102.4**	91.9	*11.4*	↑
Paints New Zealand	**9.7**	10.3	*(5.8)*	↓
Selleys Yates	**30.5**	28.9	*5.5*	↑
Offshore and Other	**7.7**	9.9	*(22.2)*	↓
Corporate costs	**(15.6)**	(17.5)	*11.0*	↑
EBIT before insurance uplift	**134.7**	123.5	*9.1*	↑
Paints Australia insurance uplift	**4.5**	-	*nm*	↑
Reported EBIT	**139.2**	123.5	*12.7*	↑

Like for like EBIT growth 9.1%

Paints Australia

Full year ended 30 September (A$M)	*2011 Actual*	*2010 Pro forma*	*%*	↕
Sales	**580.6**	556.5	*4.3*	↑
EBITDA	**116.5**	101.0	*15.3*	↑
EBIT	**106.9**	91.9	*16.3*	↑
EBIT excluding insurance uplift	**102.4**	91.9	*11.4*	↑
EBIT margin (excl. insurance uplift) (%) [1]	***~17%***	*16.5%*		

- **Strong revenue and EBIT result, despite flood impacts (estimated at 3% of segment sales)**
- **Resilient retail and trade market sectors, with solid volume growth over prior year**
- **Market share momentum continued across the business**
- **EBIT margin maintained despite input cost pressures**

[1] EBIT margin for 2011 is calculated by excluding the insurance uplift of $4.5M benefit and adding back the estimated value of lost sales due to the flood.

Paints New Zealand

Full year ended 30 September (A$M)	*2011 Actual*	*2010 Pro forma*	*% ↕*
Sales	**82.5**	79.4	*3.9* ↑
EBITDA	**12.0**	12.7	*(5.5)* ↓
EBITDA margin (%)	***14.5%***	*16.0%*	*(1.4) pts* ↓
EBIT	**9.7**	10.3	*(5.8)* ↓
EBIT margin (%)	***11.8%***	*13.0%*	*(1.2) pts* ↓

- **Challenging market conditions, with another year of market decline**
- **Result was impacted by a number of unusual factors**
  (including production for Australia following the Queensland flood, transfer of protective coatings manufacture to Australia, fixed costs and depreciation associated with the factory upgrade, Christchurch earthquake costs and adverse FX impact on translation)
- **For the base continuing business, sales in local currency were flat and EBITDA declined ~8%, largely due to margin pressure (input costs and trade store investment)**
- **Excluding the various unusual items, baseline continuing sales are ~A$70M**

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Selleys Yates

Full year ended 30 September (A$M)	*2011 Actual*	*2010 Pro forma*	*%*	↕
Sales	**248.9**	230.8	*7.8*	↑
EBITDA	**34.2**	32.6	*4.9*	↑
EBITDA margin (%)	***13.7%***	*14.1%*	*(0.4) pts*	↓
EBIT	**30.5**	28.9	*5.5*	↑
EBIT margin (%)	***12.3%***	*12.5%*	*(0.3) pts*	↓

- **Top line growth due to new product development, market share gains and improved gardening conditions**
- **Slight margin contraction largely due to product mix, particularly in Selleys**

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Offshore and Other

Full year ended 30 September (A$M)	*2011 Actual*	*2010 Pro forma*	*% ↕*	
Sales	**113.8**	123.5	*(7.9)*	↓
EBITDA	**11.5**	13.8	*(16.7)*	↓
EBITDA margin (%)	***10.1%***	*11.2%*	*(1.1) pts*	↓
EBIT	**7.7**	9.9	*(22.2)*	↓
EBIT margin (%)	***6.8%***	*8.0%*	*(1.2) pts*	↓

- **PNG earnings grew in local currency and A$**
- **A weaker result in China, driven by revenue softness, raw material price increases and ongoing investment in capability for longer term growth**
- **A weaker result for Powder Coatings, largely attributable to market softness**

Other Financial Information 3

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Impact of Queensland Flood

Full year ended 30 September (A$M)	*2011 Actual*
Flood Loss recognised in 2011 (before insurance income)	
2011 Profit and Loss impact (P&L costs + profit on lost sales)	60.5
less ... Fixed asset write-off (non-cash)	(6.6)
add ... 2011 Capital expenditure on replaced assets	17.5
Total 2011 Loss	**71.4**
Insurance income recognised in 2011	
Insurance income received in cash	53.5
add ... Insurance income receivable (Balance Sheet)	11.5
Insurance income recognised in 2011 Profit and Loss	**65.0**
Insurance 'uplift' calculation	
Insurance income recognised in 2011 Profit and Loss	65.0
less ... 2011 Profit and Loss impact	(60.5)
Net Profit and Loss insurance uplift	**4.5**
Estimated cash flow impact due to the flood (refer later)	**(34.8)**

2012 Expectation

- **Additional P&L income expected to cover difference between $65M booked in 2011 and final loss agreed with insurers**
- **Additional expenditure in 2012 due to completion of works and final payments**
- **Cash inflows due to expected receipt of $11.5M insurance receivable, plus 2012 insurance income less remaining expenditure**

Corporate costs

Full year ended 30 September (A$M)	*2011 Actual*	*2010 Pro forma*	*%*	*↕*
Corporate costs	**(15.6)**	(17.5)	*11.0*	↑

- **Favourable variance reflects some savings, some favourable non-recurring variances, and some timing (ramp up of standalone costs)**
- **2012 corporate costs expected to be approximately $17M**

Capital management – key measures

Balance Sheet (A$M)	*Sept-11 Actual*	*Sept-10 Actual*	
Net debt	**222.1**	204.9	Flood impacts ~$35M adverse (refer next page)
Rolling TWC to sales	**12.1%**	12.0%	In line with 'low 12%' target level
Net Debt: EBITDA (times)	**1.4**	1.4	
Interest cover (times)	**5.8**	5.6	

Cash flow and P&L (A$M)	*Sept-11 Actual*	*Sept-10 Pro forma*	
Operating cash (excl. tax and interest)	**137.3**	149.3	Impacted by adverse cash flow relating to Qld flood
Cash conversion	**77.7%**	92.3%	
Net interest expense	**23.1**	22.1	Average daily debt balance ~$40m higher than 'straight average' Debt now re-financed. Interest rate saving >1%
Average P&L net interest rate	**9.3%**	8.7%	

- **Cash flow adversely impacted by the effects of the flood**
- **Underlying metrics sound**

TWC = Trade working capital. Refer to Appendix for definitions of ratios.

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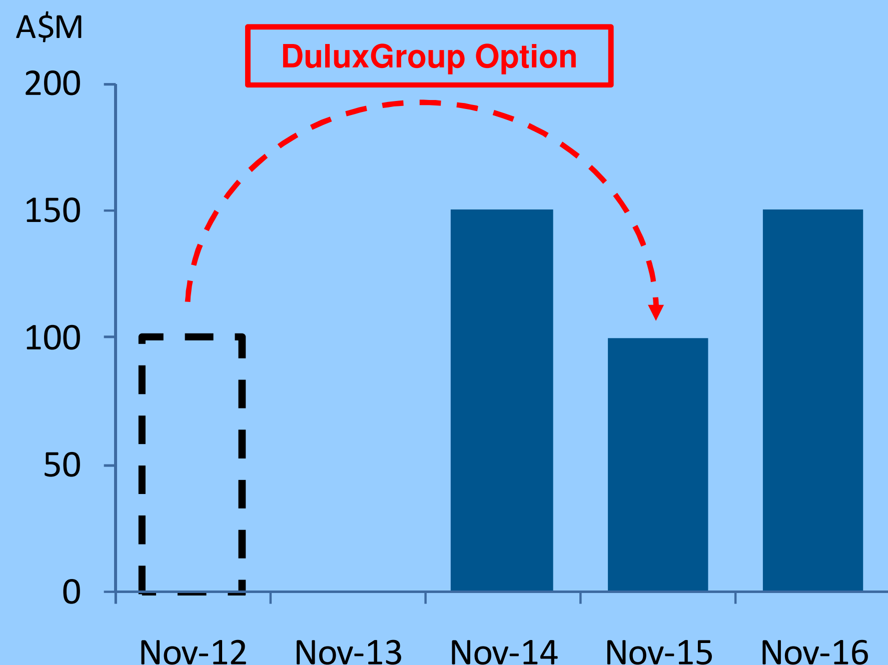
$400M debt facility has been favourably renegotiated

Debt Facility Maturity Profile



- Previous facility was due to expire in April 2013 ($300M) and April 2015 ($100M)
- Renegotiated facilities remain at $400M, but now have a more evenly spread maturity profile
- Initial $100M tranche expires in November 2012, but can be extended by a further three years at DuluxGroup's option
  - This approach was adopted to provide flexibility
  - Pricing on the extension has been agreed up front
- Banking group is largely unchanged
- Pricing is improved, with effective interest rate expected to be at least 1% lower than under the previous facility

Cash flow – adversely impacted by the flood (~$35M)

Full year ended 30 September (A$M)	*2011 Actual*	*2010 Pro forma*	*$ ↕*	*2011 Flood Impact*	
EBITDA	**159.2**	143.0	*16.2* ↑	**4.5**	**Insurance uplift**
Trade working capital movement	**(18.9)**	(0.6)	*(18.2)* ↓	**(9.0)**	**Additional inventory**
Non-trade working capital movement	**(10.6)**	5.4	*(16.0)* ↓	**(11.5)**	**Insurance receivable**
Other non cash	**7.5**	1.5	*6.0* ↑	**6.6**	**Fixed asset write-off**
Operating cash flows (before tax and interest)	**137.3**	149.3	*(12.1)* ↓	**(9.4)**	
Income tax paid	**(25.6)**	*	*		
Interest paid	**(25.6)**	*	*		
Net operating cash flows	**86.1**	*	*	**(9.4)**	
Capital expenditure	**(62.0)**	(33.6)	*(28.4)* ↓	**(25.4)**	**Replacement assets + Glen Waverley site**
Acquisitions/disposals	**(4.3)**	-	*(4.3)* ↓		
Dividends from associates	**0.5**	0.5	- ↔		
Net investing cash flows	**(65.9)**	(33.1)	*(32.8)* ↓	**(25.4)**	
Proceeds from issue of ordinary shares	**1.3**	*	*		
Dividends paid	**(38.6)**	*	*		
Financing cash flows before debt movements	**(37.3)**	*	*		
Net debt decrease/(increase)	**(17.2)**	*	*	**(34.8)**	

* Not calculated for 2010 . The 2010 pro forma figures exclude interest, tax and all financing items such as dividends and debt movements.

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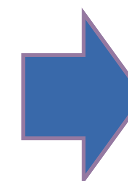
Capital expenditure

Capital expenditure (A$M)	*2011 Actual*	*2010 Pro forma*		*2012 Outlook*
Minor capital expenditure	13.5	17.3		15 - 20
Renewal / growth capital expenditure	23.1	16.3		4 - 5
Subtotal	**36.6**	**33.6**		**20 - 25**
Rocklea flood-related capital expenditure	17.5	-		4 - 5
Glen Waverley site	7.9	-		
Total capital expenditure	**62.0**	**33.6**		**25 - 30**
Depreciation and amortisation	20.0	19.5		23 - 24

- **Minor capital expenditure was lower than prior year given other capex priorities**
- **2012 minor capex is expected to remain below depreciation and amortisation**
- **Renewal / growth capex relates to the New Zealand paint factory upgrade and the new protective coatings factory in Australia (final payments to flow in 2012)**

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Tax expense – current year impacted by entry into tax consolidation

- Income tax expense $12.5M lower due to one-off benefit as a result of entry into Australian tax consolidation regime post-demerger
- Tax rate excluding this adjustment was 30.5%

Strategic Growth Priorities 4

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Consistency of earnings continues to be underpinned by our well-established business fundamentals

Resilient Market	Home improvement market, which encompasses both retail "do it yourself" (DIY) and trade "do it for me" (DIFM), has proven to be relatively resilient
Leadership Position	Leading share and premium focus - brands, innovation & customer service
Channel Breadth	Broad distribution across retail channels (55%) and our trade network (45%)
Product Breadth	Paint (60%), Other coatings (15%), Selleys (15%) and Yates (10%)
Financial Discipline	Consistent margins and strong cash generation
People & Culture	Extensive industry experience and culture of delivery

Our growth strategy looks to build on and leverage the Core

Build on Aust, NZ and PNG market-leading positions

- Increased focus on driving category growth – long term trend 1.5%, less than GDP
- Further profitable market share growth opportunities exist across all businesses
- Innovation, marketing and customer service are key drivers
- Maintain margins through appropriate pricing discipline and cost control

Logical Aust, NZ Additions

- Bolt-on, cost synergy-driven M&A in existing categories
- Category expansion opportunities, leveraging existing channels (retail and trade), relationships and internal capabilities

Asia for medium to long term growth

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

DuluxGroup aims to continue to deliver solid growth and strong cash flows from the existing businesses *and* develop and action further options for growth, in a measured low risk manner

Our recent merger to create DGL Camel International will create a stronger growth platform in China

- Our strategy
  - Continue to build on existing premium position in woodcare, texture coatings (AcraTex) and sealants (Selleys)
  - Within paint, focus on mid-tier and (over time) the lower end of premium. The mid-tier market consists largely of local players, and is less brand-driven
  - Our broad product portfolio (woodcare, paint, exterior, Selleys, protective coatings), technology and more sophisticated category management capability are points of difference with distributors
- How does the Camel merger help?
  - Camel brings a complementary product range and an additional local paint brand. The combined range will be more balanced between woodcare and paint products
  - Geographic coverage is also complementary, with Camel having greater strength in Southern China and Hong Kong and a lesser presence in our core Shanghai market
  - Camel management, who will continue in the business, will provide increased local knowledge in decorative and industrial markets. We have a history of working with Camel, having been joint venture partners in a small Chinese powder coatings joint venture since 2004
  - The businesses are of similar size and the additional scale will generate meaningful synergies

Outlook

- We aim to continue to outperform in modestly growing markets in Australia
- The New Zealand market remains uncertain, with some hope for improvement in 2012
- In China we will focus on consolidating our merger with Camel
- Paint input costs are expected to increase ahead of inflation (driven by Titanium dioxide), though we will aim to mitigate
- Our strategic focus will centre consumer insight-driven innovation and on identifying sustainable new growth opportunities

Subject to economic conditions we expect 2012 DuluxGroup underlying net profit after tax to be higher than that reported in 2011 ($77.6 million)

Appendix

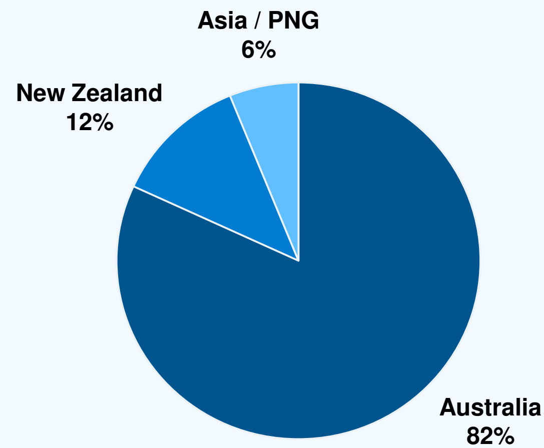
Definitions

- Cash conversion is calculated as EBITDA add/less movement in working capital and other non cash items, less sustenance capital spend, as a percentage of EBITDA.
- Interest cover is calculated using EBIT, divided by net interest expense.
- Net Debt : EBITDA is calculated by using period end net debt divided by annual EBITDA.
- nm = not meaningful
- Operating cash flow is calculated as EBITDA, add/less movements in working capital and other non cash items, and is prior to income tax and interest paid.
- Recordable Injury Rate is calculated as the number of injuries and illnesses per 200,000 hours worked.
- Rolling TWC to sales is calculated as a 12 month rolling average trade working capital, as a percentage of annual sales.

Resilience and earnings quality underpinned by strategic positions

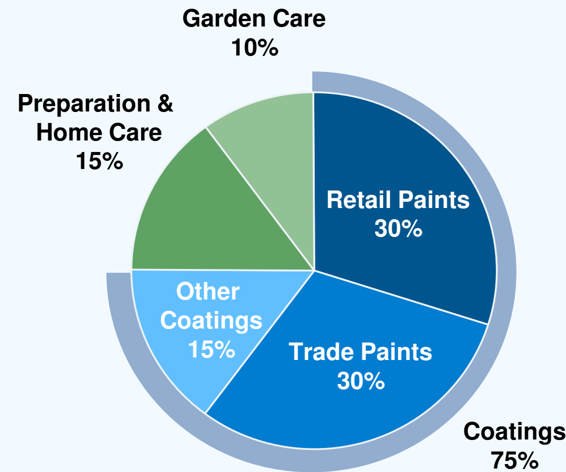
Mainly Australia / NZ

Sales by geography



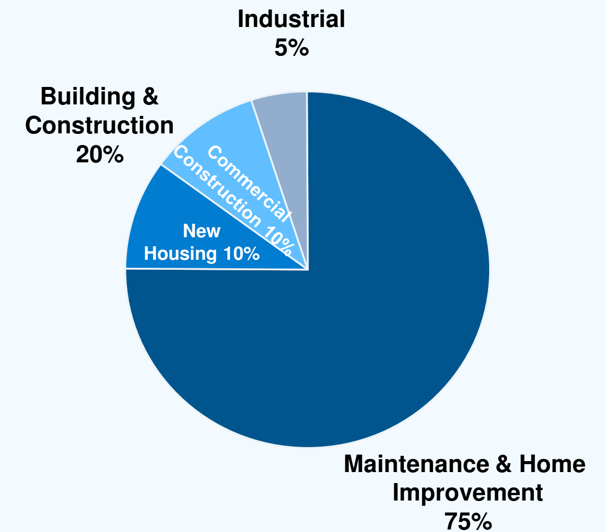
Coatings approximately 75% of sales

Sales by business sectors



Mainly maintenance and home improvement

Sales by end-market



Note: Based on 2011 revenue

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P&L comparison between statutory (Appendix 4E) and pro forma in 2010 (prior year)

Full year ended 30 September (A$M)	*2010 Appendix 4E*	*2010 Pro forma*
Revenue	775.7	963.9
EBIT	**103.1**	**123.5**
Net interest	(13.4)	(22.1)
Tax expense	(25.6)	(29.9)
NPAT	**64.1**	**71.5**

- The key difference relates to the progressive transfer of operations into DuluxGroup during 2010.

Cash Flow comparison between statutory (Appendix 4E) and pro forma in 2010 (prior year)

Full year ended 30 September (A$M)	*2010 Appendix 4E*	*2010 Pro forma*
EBITDA	119.5	143.0
Movt in trade working capital	(81.9)	(0.6)
Movt in non trade working capital	7.1	5.4
Net interest paid	(9.0)	*
Income taxes paid	(25.1)	*
Other	-	1.5
Net cash inflow from operating activities	**10.7**	**149.3**
Payments for property, plant and equipment	(29.8)	(33.6)
Payments for intangibles	(0.7)	*
Purchase of businesses and controlled entities	(310.7)	*
Proceeds from sale of property, plant and equipment	0.7	*
Proceeds from joint venture distributions	0.5	0.5
Net cash outflow from investing activities	**(340.1)**	**(33.1)**
Net cash inflow from financing activities	**371.9**	*

- Key differences relate to the progressive transfer of operations into DuluxGroup during 2010
- Investing and financing cash flows also include the payments for and funding of the transfer of operations from Orica into DuluxGroup.