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PATRICK HOULIHAN, MANAGING DIRECTOR AND CEO, DULUXGROUP: Good morning, everyone, and thank you for joining us today. My name is Patrick Houlihan, and I'm the Managing Director and CEO of DuluxGroup Limited. Welcome to the presentation of DuluxGroup's financial results for the year end September 30, 2014. As usual we've got attendees both here and Sydney, and also others joining us via webcast, and we thank you for your attendance.

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I'm joined by DuluxGroup Chief Financial Officer, Stuart Boxer. I'll provide, as usual, a brief overview of Group and segment performance, and then I'll pass to Stuart to give you an update of the financial details in greater context. I'll then conclude with comments on our strategy and outlook and, following the presentation, we'll have ample time for questions.

Now, starting with the results, I'm pleased to report that DuluxGroup has delivered a strong operating result, growing net profit after tax by 21.4% to AUD111.9 million before non-recurring items. Stuart will touch on the non-recurring items later on.

The result was driven by a pro forma revenue growth of 3.6% and margin expansion leading to pro forma EBIT growth of 12%. Cash flow and cash conversion was strong, and net debt to EBITDA is now well under 1.6 times, which is getting down towards pre-Alesco acquisition levels.

The DuluxGroup Board has declared a final dividend of AUD$0.105 per share fully franked, taking the full year dividend to AUD0.205 fully franked, which is a 17.1% increase on the prior year.

So turning to the result in a little more detail, we are delighted that every line on this chart shows improvement on the prior year. As we discussed at the half, the shape of the numbers and the sales and EBIT growth rates reflect both underlying growth within the businesses plus the timing of the Alesco acquisition, with the prior year including only 10 months contribution compared to a full 12 months this year.

Notwithstanding this we were very happy with the overall outcomes: sales growth of 8.5%, EBIT growth of 19.4% before non-recurring items, NPAT growth of 21.4%, also before non-recurring items, and strong operating cash flows.

On this slide we're outlining two things: the non-recurring items and the adjustments between headline and pro forma sales and EBIT in 2013. Stuart will cover the non-recurring items later on, but I will briefly comment on the non-cash impairment of our China business.

We've now fully written off the goodwill associated with our China business. We took around half of the goodwill impairment last year and, with revenue performance this year below the business plan level, and with the growth outlook for China softening, we've taken the remaining amount this year.

We still carry the Camel brand name, which has been around for 80 years, and the fixed assets and working capital on our balance sheet. We remain committed to this business and continue to work towards achieving a break even outcome in the near term and growth beyond that.

This year we improved margins and reduced the EBIT loss, just not fast enough to satisfy our impairment models. In terms of the pro forma growth rates, overall we were pretty pleased, and I will go through the segment details shortly.

The margin expansion is especially satisfying as it reflects both margin improvement strategies in businesses such as Yates and China, as well as our continued focus on high value end markets.

The safety score card is equally as satisfying as the financial outcomes. We genuinely believe that our balance score card focus and our strategy around fatality prevention, process safety, personal injury reduction and sustainability delivers the right outcomes for DuluxGroup.

This year we've made significant progress in raising key fatality risk standards across the business. We've also made progress in our product stewardship program, achieving many improvements to product design and impact. Our injury rate has improved, with particularly strong improvement from the Alesco businesses.

And, finally, our focus on and improvement in lead indicators such as near miss hazard reporting is of equal importance to the improvement we achieved in the various flag indicators such as injury rate, waste generation and water usage.

Now turning the performance of our respective operating segments: this table shows the make-up of our results under our new segments. Again, a very satisfying score card with improvement across all of the operating segments.

Paints & Coatings Australia and New Zealand consists of what you previously knew as Paints Australia, Paints New Zealand and our powder coatings business, which was previously in the other business segment. The result for this segment was excellent, with EBIT growth of 12.1% on revenue growth of 6.1%.

The markets we operate in grew around 4% in volume terms, which was above the long term trend of 1% to 1.5%. This was relatively consistent across Australia, New Zealand and powder coatings.

In Australia the strongest growth was in the new housing sector, which grew around 10%. The main part of the market -- which is the renovation and improvement of existing homes -- grew at around 2.5%, and commercial was slightly stronger.

We generally held share within our target end markets. However, given the high growth of the new housing sector -- where our share of this less profitable sector is strategically lower -- our overall market share dropped slightly. In New Zealand our share outcome was flat, and the stronger New Zealand dollar also contributed to the revenue growth by about 1.5 points.

The margin growth for the segment overall reflects a number of items. First of all, our focus on the most profitable end markets, which has been central to the performance and growth of the Company over the last 15 years, and remains central to our strategy. We've also had some first half relief in import costs, though as we foreshadowed at the half, import cost increased broadly in line with inflation in the second half.

Then, finally, we continue to balance cost control with the ongoing investment in marketing, innovation and sales.

Consumer and construction products consist of Selleys and Parchem, which were put under the same divisional umbrella whilst maintaining their separate strategic business unit focus, in April this year. Whilst the result shows relatively modest EBIT growth of 3.1% on sales, it was slightly adverse to the prior year.

We actually made good progress within the individual businesses. For Selleys we saw growth in revenue and EBIT in markets that were generally positive. The business has stepped up its focus on its key sub-brands and the launch of Liquid Nails Heavy Duty, as an example, has been a great success.

For Parchem its top line performance was impacted by the decline in engineering and construction markets, driven by the tailing off of CapEx projects in the mining sector. This impacted the second half in particular.

The business, however, did a good job on procurement improvements and fixed costs in general to largely offset the impact of the decline in revenue, and as a result EBIT declined slightly. We're also now starting to see some of the benefits of putting the two businesses into the same segment, including technology sharing and joint innovation.

For the B&D garage door and openers business the result reflected not only the market which grew, but also the benefits of some of the strategic progress that this business is making, which I'll discuss later on in the presentation.

We've enhanced the B&D accredited dealer channel and we are seeing strong gains with this aligned network. The EBIT result was particularly pleasing given that the business weathered increases in import costs and continued to invest in marketing, with B&D back on television this year for the first time for many years.

In addition, the prior year included the final insurance income payment following the Christchurch earthquake. Excluding this AUD700,000 amount, pro forma EBIT growth would have been 8.9%, and this segment would have, like all the other segments, shown EBIT margin growth.

The result for Lincoln Sentry was excellent, continuing its strong turnaround performance. Revenue growth reflected market share gains, particularly in the cabinet hardware part of the business, in markets that also grew. EBIT growth of 25% reflected the flow-through of the revenue growth and tight cost control. The business also absorbed import cost pressures, particularly on Euro denominated input.

Finally, the other business segment also grew EBIT strongly. This segment now includes Yates and excludes powder coatings, which is now part of the Paint and Coatings ANZ segment. The inclusion of Yates here simply reflects the divisional alignment of Selleys and Parchem, which are more natural cousins of each other, and the materiality of Yates on a stand alone basis relative to the disclosure thresholds.

In contrast to some analysts' perspectives, the separation of Yates is not indicative of any other view to continue to hold and invest in that business, and the Executive General Manager of Yates reports to me and sits on our executive team.

In terms of the result, the Yates garden care business continued on its margin improvement strategy, achieving solid growth in EBIT on sales that were generally flat. This reflected a focus on premium product mix and was achieved despite increasing marketing expenditure.

In **China** DGL Camel sales were impacted by the divestment of the Opel business during the year.

Excluding this impact sales for this business were flat in local currency. EBIT improved largely due to margin improvement initiatives. The Papua New Guinea business EBIT declined, with market softness and the weaker local currency drivers, particularly in the first half, with the second half showing improvement. We reiterate that this is an excellent market leading business.

And, finally, our small South East Asian business was flat in EBIT terms, with higher sales offset by the costs associated with broadening the distribution base. It is worth noting that excluding the **China** business, which is loss making, the remaining businesses in this segment collectively generate EBIT margins of over 10%.

At this point I would like to pause and hand over to Stuart Boxer to take you through more financial detail.

STUART BOXER, EXECUTIVE DIRECTOR AND CFO, DULUXGROUP: Thanks, Pat, and good morning, everybody. The final piece of the EBIT equation is corporate costs. Whilst the figure has increased by 8% on the prior year, the key drivers of the increase were the costs associated with the close out of the 2010 long term incentive plan and the costs associated with the broader employee share plan, with the final piece of the Alesco synergies partially offsetting.

In relation to the long term incentive plan the incremental AUD1.5 **million** cost as shown relates to the fringe benefits tax associated with loan forgiveness for relevant corporate employees that was recognised on vesting of the 2010 shares.

We foreshadowed this at last year's AGM and mentioned it at the first half. In short, DuluxGroup's long term incentive plan is a loan plan that includes the potential for forgiveness of up to 30% of the loan based on superior relative total shareholder return performance.

At the close out of the 2010 plan DuluxGroup was in the 93rd percentile in terms of relative total shareholder return performance with our comparative group, which is what led to the full 30% loan forgiveness and this FBT cost.

We also decided to provide a one to one match for employees who participated in our broader employee share plan. We have a very strong share ownership culture within DuluxGroup, with over 70% of eligible employees also being shareholders in Australia and New Zealand.

We believe that initiatives such as these, together with our minimum shareholding guidelines for Directors and senior managers, are positive mechanisms for further increasing employee share ownership. As also noted on the slide, a change in accounting standards has impacted how we account for our defined benefit superannuation scheme.

As required, last year's numbers in our accounts have been restated to include this, which is why net profit after tax and excluding non-recurring items for 2013 is now shown as AUD92.2 **million** compared to the

AUD94.1 million that we showed in last year's annual report under the old accounting standard. We reiterate that the defined benefit plan is closed to new members.

Just to touch on the non-recurring items, the table shows that P&L impacted both EBIT and NPAT level, and also shows the impact on operating cash flow. So starting at the top we've now spent the AUD15 million of integration costs, consistent with our guidance. Whilst there will continue to be further work on systems integration of the Alesco businesses over time, this will be funded out of day to day operating budgets.

The second item relates to the settlement of the Alesco New Zealand OCN tax matter in the first half. From a P&L perspective the gain represents the reversal of an excess provision, and the cash represents the cash settlement.

As Pat mentioned earlier, we've taken a further non-cash impairment of the goodwill in China. Whilst we are still carrying on our balance sheet the Camel brand name in tangible assets, we have now written the goodwill down to zero.

Finally, the sale of the loss making Opel business in China and the subsequent restructure had a neutral P&L impact and an overall positive cash outcome. However, the sale had an adverse impact on operating cash flow, given the structure of the sale, with the sale proceeds recognised further down in the cash flow.

From a capital management perspective we're happy with all the metrics. Net debt reduced by over AUD40 million, bringing our debt to EBITDA down to 1.53 times. Cash conversion at 84% was ahead of our stated target of over 80%.

I often receive questions around how we use the interest rate we disclose to calculate the interest expense. We've mentioned this in the past, but what we recommend is that you take the average of the opening half year and closing balances, add AUD50 million to take account of the interim cash flow timing, and multiply by the interest rate we show you on this slide, adjusted, of course, for your own outlook on underlying interest rate movements. To get the interest expense in the P&L you then need to add the component relating to discounting of provisions, which is disclosed separately in the accounts.

We announced during the half that we completed a US private placement notes issue for the first time. We raised the equivalent of AUD201 million with a blend of 7, 10 and 12 year maturities, and cancelled the AUD220 million syndicated facility that we put together to fund the Alesco acquisition.

The raising was heavily over-subscribed and well priced. We fully hedged the US dollar component, the principal and the interest at a rate of just under AUD0.93. Notwithstanding the significant lengthening of our debt maturity profile, our overall AUD cost of funding, including the cost of the hedges, is basically unchanged, which we think is an excellent outcome.

In addition, we have in the last couple of weeks refinanced our local borrowings, extending the AUD100 million tranche that was due to expire in November 2015 by three years, to November 2018, and tightening pricing across the overall AUD400 million local syndicated facility.

So now looking at the cash flow itself, we've already been through in some form the key components, including the non-recurring items within the operating cash flow. In short, the strong cash generation leading to a reduction in our net debt and debt to EBITDA was a highlight.

Whilst not shown on the slide, as we noted at the half, tax paid was higher than the prior year, with the key driver being a legislated transition from quarterly to monthly payments which, effectively, meant that the year included the equivalent of 14 months of cash tax payments compared to 12 months in the prior period. As an aside, I should also point out that our P&L tax rate was 30% this year, and we expect this to be the level going forward.

Cash interest was also higher, largely due to various timing impacts associated with the transition from our syndicated debt to the USPP late in the year. The rest of the cash flow is self-explanatory.

Briefly, on capital expenditure, it was higher than the prior year, largely due to a full 12 months of Alesco CapEx. Depreciation and amortisation has also increased, largely for the same reason. And, finally, we expect minor capital expenditure for the 2015 year to be similar to what we spent last year.

Finally, we thought we would pause to recap on the Alesco acquisition. Pat will talk through some of the strategic progress a little later on, but I also thought it was worth revisiting the financial metrics.

In total the acquisition enterprise value, being the cost of the equity in the debt that we acquired, was just under AUD260 million. However, after taking account of the transaction costs, the integration costs, the settlement of the New Zealand tax case and the proceeds from the sale of Robinhood, the overall gross cost was the order AUD290 million.

We achieved a AUD9 million of cost synergies as forecast. From a metrics perspective we think that less than two years on the metrics are heading in the right direction. Whilst we haven't disclosed a total EBITDA for the business in 2014, given our new reporting segments, you can get pretty close from what we have disclosed, and you could calculate that the EBITDA multiple is less than six times on the enterprise value and just over six times on the total costs, and the EBIT return on the enterprise value is around 14%. And what is also pleasing is that we still see plenty of up side for these businesses.

And, finally, as I said earlier, we've rounded off the integration and related costs, and any further work in the future will be covered under our operating budgets.

I'll now hand back to Pat to go through the strategic priorities and the outlook.

PATRICK HOULIHAN: Thank you, Stuart. We've used the form of this product channel and market slide for a number of years, and the numbers here have been updated to reflect our 2014 performance. The changes are relatively minor, with the key change being that given a strong growth in new housing as a sector, it represents a slightly higher proportion of our 2014 business, at 18% compared to the 16% we showed in 2013.

I don't plan to go through this in any detail, but I do want to reiterate, per the pie chart on the top right, that over 60% of our revenue, as shown in dark blue, relates to the maintenance and improvement of the existing home.

In Australia this market segment consists of approximately eight million homes, and we have found it to be a resilient and profitable end market sector where consumers tend to be relatively risk averse and use brands they trust on their greatest asset, their home.

We've also used what we often call our playing field slide for a number of years. This year we've slightly modified the language but, in essence, the slide remains consistent. Firstly, our heritage derives from paints, specialty coatings and adhesives, which you may have noticed on the previous slide represents around three quarters of our revenue.

We have well established market leading positions in Australia, New Zealand and Papua New Guinea, and seek to continue to build on those positions whilst extending into the adjacent specialty coatings and construction chemicals markets.

Secondly, capability led growth opportunities within the home improvement space, businesses where DuluxGroup can be the natural owner and generate growth by embedding improved capabilities in areas such as marketing and sales management in both our retail and trade channels.

And, finally, we'll continue to seek out opportunities to develop offshore business as a potential future growth platform. The current components of this within our portfolio are China and South East Asia.

Our near term areas of strategic focus are again consistent with what we have disclosed previously. I'll take you through some further detail in relation to the Alesco businesses shortly, but with the integration now behind us our focus is increasingly on investing for growth.

We've also broadened the fourth box to focus on business improvement opportunities. Margin improvement in under-performing businesses is a component, but with margins improving in 2014 for both Yates and China -- which we called out as performance hot spots last year -- our focus is moving to more proactive opportunities to further improve business performance and resilience.

As Stuart touched on earlier, we're very happy with the financial metrics of the Alesco acquisition, almost two years on. We're also pleased strategically. For Parchem the business has been restructured to address end markets such as structural and remediation and trade construction chemicals, decorative concrete and tools and equipment. We have found this end market approach has worked well for us in our other businesses, and the signs in Parchem are also good.

The creation of the new consumer construction chemical division has provided the platform for technology transfer between Selleys and Parchem, an example of which is leveraging Selleys core sealants and adhesives technologies into Parchem's trade markets, resulting in an enhanced high performance range of products such as fire and acoustic rated sealants.

Further to this, Parchem has brought to market new products including the new (Emer) range of waterproofing and the new (SewperCoat) high performance coating system for protection of sewerage infrastructure. Parchem is building lead sales, specification and project management capability by integrating DuluxGroup's proven systems and tool into its business and, importantly, Parchem has shown strong improvement in safety performance.

For B&D we've spent considerable time strengthening the foundation of the business. We continue to increase investment in the B&D brand, which was back on mainstream television in 2014, for the first time in many years.

We are pleased that despite the lack of investment over recent years prior to our ownership, B&D is a clear industry leader in brand awareness in Australia and this has improved following the advertising campaign.

We're also building a strong footprint of highly branded accredited dealers, with inspirational product selection showrooms as shown in the pictures on the right-hand side of this slide.

We are currently relaunching our product range included in the new premium panel lift icon door, the new INSUL-SHIELD fully-insulated garage door, and new door openers with improved features and benefits, including the new smartphone and tablet app that gives our consumers the ultimate in garage door and gate control.

We've also leveraged the Dulux colour offer with the new Luxe Design range of decorative options and there is still more to be done, but we are confident that this business is heading in the right direction.

Finally, at Lincoln Sentry we have also focused on the fundamentals. As we showed you earlier as part of the financial results, the business has arrested a multi-year sales and market share decline and delivered strong revenue and EBIT growth. In addition to the growth in the Blum range of cabinet hardware products, we've also broadened our range, releasing new complimentary own brand products under the Finista brand, including bins, drawer inserts and shelving systems.

We've also stepped up marketing, not only through the updating of our catalogues which were well out of date, but also through loyalty programs and our investment in a display at the Australian Woodworking Industry Suppliers Association Conference this year, as shown in the photograph. This conference is the key opportunity to showcase our products range and capability to our customers to cabinetmakers. The investment was both well-received and productive. Stuart and I went along to see this firsthand, and this display was as good as any I've seen across DuluxGroup over my many years.

The business also successfully restructured during the year from its state-based approach to a national and market structure focused on cabinet hardware and architectural hardware respectively.

Finally, our outlook remains positive, particularly in Australia and New Zealand which represents the majority of our business. As I touched on earlier, our core market relates to the supply of higher value premium branded products for the maintenance and improvement of the existing home. We remain positive about the outlook for this generally resilient part of the market in Australia.

New housing is expected to continue to remain strong in Australia, as approvals and commencements flow through to completion. I reiterate that new housing represents around 18% of DuluxGroup revenue in its typically late cycle for DuluxGroup.

Engineering and infrastructure is the one area of weakness, with softness expected as mining projects in particular come to a conclusion. New Zealand growth is also expected to continue and China and Papua New Guinea are expected to remain soft. We expect import costs in general to increase across most businesses.

So given all of that, our outlook statement is as follows: subject to economic conditions and excluding non-recurring items, we expect that 2015 net profit after tax will be higher than the 2014 equivalent of AUD111.9 million.

That now concludes the formal part of the presentation. I will now open up the meeting to questions alternating between questions from the floor here in Sydney and questions on the phone. We'll start with a question from the floor here in Sydney from Mark Wilson from Deutsche Bank.

Questions and Answers

MARK WILSON, ANALYST, DEUTSCHE BANK: Thanks very much. Just wondering if you could comment on the profit on asset sale that was taken in the period, what it actually related to and the difference in accounting treatment with the China write-down. Also, do you have any comments on the recent price discounting that we've seen in the architectural and decorative paint market, just how you're positioned there and aligning yourself, and just what the general strategy is and who may be funding this at the first instance?

STUART BOXER: I'll take the first one in terms of the profit on the asset sale. It's a disclosure in the accounts on this. It relates to China but what actually happened is that the net wash up of the sale was actually neutral, but the profit on the sale -- there was a profit on the sale but then when you took account of the costs that occurred subsequent to the sale in terms of exiting the site and Shanghai etcetera, the overall wash up was neutral. I think it was a few hundred thousand dollars or less -- less than AUD100,000 it impacted so it was basically a wash.

PATRICK HOULIHAN: So in terms of the price discounting question, I suppose let me make a few facts. Firstly, there's always been cheap low quality paint in the market, and as you know, amongst our own product offers we've got a whole suite of brands and products and we play at that end as well. Even before Master's current campaign, Bunnings, our primary big box partner in the Australian decorative market place, was selling spring flat paint for less than AUD19 for four litres. So this is not something that's new.

In terms of the market overall, I've talked to a number of you about this over the years, but if you think about the entry priced low quality products, they represent less than 5% of the volume in the market and less than 2% of the value in the market.

Conversely, the premium branded products represent over 85% of the volume in the market and in excess of 90% of the value in the market. For us as DuluxGroup, we're disproportionately skewed even stronger at the premium end and relatively less even at that relatively low numbers I gave you for the entry price point end.

I think if we look at paint not just in Australia but internationally, the consumer dynamics of the categories is what is core here. It's really slow moving consumer goods not fast moving consumer goods. If you buy a Mars Bar today and you don't like it tomorrow you can go and buy a Snickers.

People paint interior once every five years; they paint exterior once every eight years. In terms of existing homes, two out of three people do it themselves, and if you've ever done it yourself it takes a long time to do it and get it right so you don't want to spend the time again. For the one-third that use a trade painter it costs a lot of money, so it's either a time and/or money risk adverseness there.

But the main thing is that 70% of Australians by the time they're 40 either own a home or are paying one off, and if you know yourself people's relationship to their home is a huge emotional connection about an extension of oneself.

So ultimately the wash up here is it's a category highly disposed to reassurance and trust and brands therefore, and again this is not just an Australian phenomena. You can go to England; you can look at what's going on in various other countries around the world.

The final point I want to make is the Dulux business overall is extremely well-positioned in this context. As I mentioned, our business is biased even more to the premium end. If I think about the Dulux brand, I mentioned before that in terms of spontaneous brand awareness, if you ask someone to name a brand of paint, over 80% of people will say Dulux which is double of that of our competitors and even our own British Paints offer we have exclusive in Bunnings.

But even arching over and above that, if you look at something like the independent Readers Digest survey that's been long running in Australia, for the second year in a row Dulux not only won the most trusted paint brand in Australia, it's the fourth most trusted brand in all brands in Australia.

So I think we're really well-positioned, so there's a little bit in that, but again I think it's not new, it's always been there. There's always been six litre offers at entry price points and mid price points and even some of the premium branded offers. I think the point around the proportionality at the entry end versus the bias to the premium end, and I think again goes back to fundamental consumer dynamics. Even for tradesmen, the cost of the actual paint is a relatively small part of the cost of the job. The biggest job for the tradie is the time involved.

So we will focus on it as we do with every other variation of what comes up in the competitive landscape, but equally we feel quite assured about our track record of being able to focus on the right things in terms of our long term well-established strategy.

Thanks Mark. Is there a question from the phone?

OPERATOR: We'll now begin the question and answer session for the phone participants. (Operator Instructions). Your first question comes from the line of Brent Walsh from Merrill Lynch. Your line is open, please go ahead.

BRENT WALSH, ANALYST, MERRILL LYNCH: I had a quick question on potential raw material of cost inflation which I guess you flagged and I'm assuming that partially related to a weaker Aussie dollar. My question is do you have a fair bit -- do you have a bit of your input cost price in Aussie dollars, and is that a relative advantage or a comparative advantage to say your main competitors in the core decorative paints market?

PATRICK HOULIHAN: I'll comment on just a little bit of detail about the components to the decorative market and I'll let Stuart then add to it, both in terms of decorative and more broadly.

But back at the half, we described and I reiterated today our import costs for decorative paint, which represents about 43% of the revenue of DuluxGroup -- our import costs here in Australia were essentially flat. You might remember at that time I said TI02 which represents a quarter of the import cost of paint, decreased in price in the order of 12% so a weighted average 3% favourable, but the other 75% of the import costs -- steel cans and latex resin and other ingredients -- went up mid-single digits so the weighted average was flat.

In the second half we foreshadowed to you and it played out this way: that we expected TI02 to be flat after that peak we've seen in recent times a relative bottoming of that. So you had a quarter of the import costs bucket flat. You still had though, as we foreshadowed, the other 75% going up in the order of mid-single digits as the FX had some impact, and the wash up was we saw inflationary type increases in import costs.

As we look forward for next year, we expect our overall basket of decorative import costs to rise in line with inflation, and consistent with our strategies in recent years, we would look to mitigate that.

STUART BOXER: So just to build on and answer the other part of your question Brent, when we think about our import costs, the order of 20% to 30% of our import costs are linked to foreign currency. Most is US dollars but we also have links to the Euro and some to the Renminbi as well. In fact, if you go back a couple of years and have a look at the annual report before we bought Alesco, it was about the same number, although more heavily focused on the US dollar. So that gives you a sense as to how exposed we are, and as Pat said, we tend to manage through that and aim to mitigate in the way that we manage our margins.

In terms of your question specifically about our competitors, I can't really comment on exactly how they're structured, but I think broadly you would expect that it would be unlikely that it would be a material advantage for us in our paint business. Relative to our competitors they'd probably be buying in similar currencies to what we are in this market.

BRENT WALSH: Okay, terrific.

PATRICK HOULIHAN: We'll take a question from the floor here in Sydney.

STUART JACKSON, ANALYST, JPMORGAN: Just looking at the trade side of the business, we saw a period say a year or so ago where the competitors had pulled back and looked for a bit of margin and they seemed to have got a bit more aggressive in that space again more recently. So how are you seeing your share in that channel and margins playing out, given that's the growth space? Then with that part of the industry growing faster than the traditional renovator, how do we look at margin mix on a go-forward basis? Are you going to get enough uplift from a fixed cost leverage perspective to offset that negative mix on a trade channel basis?

PATRICK HOULIHAN: So if I think about -- let me describe this broadly. So existing homes we've said in the presentation grew about 2.5% and that's two-thirds retail do-it-yourself and one-third where people go and get a tradie to do it, and that adds up to three-quarters of the overall market. So that grew 2.5%. In the first half that was flat. In the second half that grew 5%.

Now really I suppose when I look at it and I take into account things like the timing of Easter which was biased to the second half this year versus the first half. When I take into account some of the selling of things like promotional activity at the cheap end which is sales in, not sales out, which will be interesting to watch out in the longer term around what that does to the market. We tend to look at that market more through an MAT type lens.

So you say it grew 2.5%, I've seen enough choppiness over the 25 years I've been in the business to not read too much into single halves at 2.5%. If you back out that promotional activity that went in there, the probably underlying market was at about 2%. That is higher than that long term position -- 1% to 1.5%. As I mentioned, that was bias more to the do-it-yourselfer than to the trade area where you don't need to get formal alterations and approval go ahead. That alternate additions as Rob Sindel talked about last week in the CSR presentation that is relatively flat in the year just gone. So I'll bias a bit more to do-it-yourself than do it for me.

When we get into the new housing part of the paint market which represents about 20% of the paint market that grew 10%. In the first half we saw that grow 7%. In the second half we saw that grow 13%. Now when we try and look at some of the correlators to that, we take things like the commencement data and we'll lag at one quarter or even two quarters. If you do that, you tend to come up with numbers for the full year that would say it should be about 12%. I'm saying for the full year it was around 10%.

If I jump forward and I look at the forward forecast for commencement data, that shows commencement slowing as completions now catches up a bit. Depending, if you take a one or two quarter lag, you can come up with numbers anything from 3% to 6%. So you can form your own views on that but it looks like the relative indicators of the growth of new housing would suggest there's some slowing there. In that new housing area, we held our 25% market share of that market.

Remember I mentioned back in about the year 2000, our trade business was losing money. One of the things we did to really focus on profitability was to pull back share. We got to share. That was in that segment as low as 10% of the market. Over recent years through a focus on premium branded activity, working with the likes of Metricon as an example, working through the strength of our trade distribution network, we got up to 25% and we've been able to do that in a sense of think of it as profitable top slicing of that new housing market. Weighted average of both new housing and existing homes still has our market share above the mid 40%s mark.

So that hopefully gives you enough to work there in terms of where we're at. Really trying to look at exit rates in a sense, my main messages are existing homes don't read too much year-in/year-out into half one/half twos. I read some analysts reports this week that focused on the fact that half one was flat. I've seen -- and take the MATs -- well that's what we do in terms of looking at the business and when you take that 2.5%, take out the promotional activity too, you take the new housing, you see it go from 7% to 13% but again you'll form your own view on lags on commencement data and that gives you the shared context that sits around it. We'll take a question from the phone.

OPERATOR: There are no questions on the phone.

Is there another question from the floor in Sydney? We have another question from Stuart from J.P. Morgan.

STUART JACKSON: In terms of the synergy realisation, have you captured all of those? They all flowed through in 2014 or were there some more residual ones to actually flow through from 2015 onwards?

STUART BOXER: They've pretty much flowed through the big ones we talked about at the start. Obviously as we continue to operate these businesses, we'll aim to extract further benefits if you like but as far as we're concerned, it's done and dusted and now it's really just into operating.

STUART JACKSON: In terms of those one-off costs -- the LTIP sort of stuff that came through in the corporate cost lines, should we look at a lower number, treat that as a one off for the moment unless of course your share price goes bananas and run it around that 23% mark going forward or should we use this as a more sustainable base.

STUART BOXER: It's a very good question. I'd probably just run with the FY2014 number as a reasonable base.

STUART JACKSON: Okay thanks.

PATRICK HOULIHAN: Do we have any more questions on the phone?

OPERATOR: Yes. James Rutledge, Morgan Stanley.

PATRICK HOULIHAN: Hello James.

JAMES RUTLEDGE, ANALYST, MORGAN STANLEY: Thank you. Good morning. Just my questions firstly relate to your earlier comments on price competition. Would it be fair for me to assume that you're indicating that you're not expecting a widening of that price competition to those more premium end brands? What is your experience historically with that? Secondly, just my other question related to share gains and just what your expectations for share ex new housing going forward would be? Thanks.

PATRICK HOULIHAN: Yep okay. Look in terms of the question around the entry price point low quality paint. As I mentioned, we're fortunate to have a suite of brands and products across all price points from Dulux to the likes of British and Berger, Accent with Mitre 10 right through the (inaudible), some of the retail trade offers -- Spring and Ultimate and Breeze and so on down at the entry price point end.

So our experiences over the years are in whatever we need to do ourselves and with our channel partners in those various price point segments we can do because we've got the flexibility there. So we don't need to, for example, use the likes of Dulux and British to tackle what might be going on down at that entry price point level. We can tackle that through spring and as I mentioned that's quite a tiny proportion of our business in volume and even if it was to double, the maths on what that means as share of value is extremely negligible still. So we have the flexibility in that regard and I think that's where it's at.

If I think back over the years, we've had not only my earlier comment around there's always been cheap, low quality paint in some form but we've had for those that have been covering us for some time both under the Orica days and stand alone, you'll remember the significant discount in the ASX listed -- Wattle was doing for many years chasing volume. We grew significant share in that context pre demerger and post demerger and that was share discount in both things like 6 litre packs, that was taking **Solar** Guard and dropping the price of it and we continue to focus on the fundamentals around Weathershield. So whether it's the premium end or tactically in that mid end or what you do in that tiny bit of the low quality manned market, we have a good track record of being able to have a lot of tools in our kit bag, a lot of knowledge around our strategies and we've got confidence that we can continue to execute our strategies in that context.

In terms of share gains excluding new housing, I suppose when you think about the retail channel part of the market to start with, our three key strategic distribution partners in that space are Bunnings in the big box space where we have over 60% or closer to something like two thirds of the shelf space in that store. In Mitre 10 which is owned by Metcash in the independent hardware sector, on average we'd have 70% something of the share there. In the pain specialist channel where we are aligned to the Inspirations Group, who on the trade side of our business act as our trade agent where we don't have our own centre, in return they give us 90% of the share of their business.

So by having weighted shares in those channels above our current average share, we work with those channels to make sure consumers demand our offer and we help those channels execute their strategy over the medium to long run. Ultimately, if we execute that, our weighted average share continues to increase. So that's something you've seen play out for many years and that's still our intended focus in that regard.

When I come to the quarter -- the third of the existing home market which is where people will get a trade painter to do it, where we obviously have a higher share because of the offsetting in some ways the lower share we have in new housing, the sheer strength of the Dulux trade network, the size of it in terms of number of stores, the continued investment in it over many years. This year we opened some more Dulux trade centres around the country.

So we continued to invest in that. We are continuing to invest in the sales force and ultimately things like our long standing Dulux accredited program where we accredit leading painters with the Dulux brand to be part of our partners in the whole process and sharing the leads we get to our website. Which by the way we get enough traffic on that to represent every single person who's in the painting process each year comes to our website at least once. They're the sort of dynamics to kick in that regard as we've continued to focus on share.

I'll just conclude though by saying our longstanding statement I've said year in/year out where we've never been focused on share for shares sake. We'll always focus on profitable market share and our mantra internally has been to focus both on our gross margins and our share position and use the collective combination of that to leverage our fixed cost base. Where in paint we not only get the fixed cost leverage of being the largest paint player, but then you get a collective overlay of having the fixed cost leverage of the broader Dulux Group where as Dulux, Selleys, Yates and Cabot's, we for example send all of our products on the same delivery to a Bunnings store as an example. So you can get co-delivery, co-location benefits, other things you couldn't do even if you were just the leading paint manufacturer in its own right.

JAMES RUTLEDGE: That's great detail, yeah thanks. Sorry, just one further follow-up. On the trade side, what percentage of your trade business as you define it would go through like a retail outlet like a Bunnings or is there no -- under that definition no trade business going through say Bunnings?

PATRICK HOULIHAN: So well in excess of 95% of our trade business would go through our Dulux trade network which is the combination of our Dulux trade centres where it makes sense to have your own store on the ground. Then through our primary partner inspiration which is a Dulux trade agency. In terms of the retail channels, you get what we might call for the purpose of this discussion, some grey trade where you've got the ute brigade, the handyman, the smaller painter who might buy some trade through those channels. Not just here in Australia but again if you go around the world, trade paint has been best executed and best serviced through a focused manufacturer led model. That would be the case by the way for our respective competitors in this market as well.

JAMES RUTLEDGE: Okay thanks Pat.

PATRICK HOULIHAN: We have a question from the floor here in Sydney.

ANDREW PEROS, ANALYST, CREDIT SUISSE: Thank you, good morning. Andrew Peros, Credit Suisse. Just a question on the balance sheet and I appreciate some of the comments you made around the strategic initiatives but you also made the comment that some of your gearing metrics are down to levels pre-Alesco and I guess the cycle is still providing a bit of a tail **wind** at the moment. So presumably that should improve throughout the balance of the year. Just wondering what your thoughts are around further **M**&A or failing that whether there's scope for additional capital management.

PATRICK HOULIHAN: Yes so in terms of - Stuart is there anything on the credit metrics. Yes I think you've summed that up well. In terms of **M**&A, I suppose our focus is really always staying true to the mantra that **M**&A is a means to an end. I think we've seen too many companies over the years who get caught up in **M**&A being an end into itself for growth and it's really not driven by strategy.

So I'd like to think two years on or coming up to two years on from the Alesco **acquisition**, even though it was a bit of a step out for people to get their head around initially why would a paint **company** own a garage door **company**? As we said ultimately, the go to market model of taking premium branded and frequently purchased products to a homeowner in terms of what needs to be done around sales and marketing and bringing that in that case to a home owner through a trade model, is identical and we can add capability.

So when we tend to think about **M**&A, we very much have that on our agenda. Ultimately, the slide I showed you before that had the three playing fields on there really is how -- the lenses we looked through. So remember the first bucket was around paint specialty coatings and adhesives. In that in terms of our existing Heritage business -- Dulux, Selleys, Cabot's which is mainly in the home improvement space, there's opportunities potentially for some smaller bolt-ons but in terms of other broader opportunities, the fact that we're now looking at driving our construction chemical strategy in the AUD1 **billion** plus construction chemicals market where we have relatively low share in our own backyard here in Australia, could present interesting opportunities let alone in specialty coatings. So there are things in that bucket.

If I think about the middle bucket which was focusing on ANZ home improvement in different categories, in the way now we've got a garage door business and a cabinet hardware business, what else could we potentially do. At the end of the day that's an interesting lens for growth. Then obviously in the third bucket there's what we're doing offshore although our focus to date and our mantra has been anything offshore is inherently longer term and I think it's really about just making sure you take a very measured approach to anything in that regard. So hopefully that gives you the perspective of how we tend to look at strategic growth and then think about organic and/or acquisitive vehicles as a way to get there.

ANDREW PEROS: Failing that, would you consider capital management?

STUART BOXER: So I think to the extent that we find ourselves down the track with even lower levels of gearing, then clearly if there's nothing either that the Board things is on the horizon or that we've spent the money on, that's something the Board will look at, at the appropriate time.

PATRICK HOULIHAN: Are there any questions on the phone?

OPERATOR: Yes. Brent Walsh, Merrill Lynch.

BRENT WALSH: No sorry guys, Andrew just asked my question around the balance sheet and **M**&A so that's great thanks.

PATRICK HOULIHAN: Thanks Brent. Are there questions? Michael Ward here in Sydney.

MICHAEL WARD, ANALYST, COMMONWEALTH BANK OF AUSTRALIA: Yep thanks, just a quick question. You talk a lot about cost initiatives. If you look at the Australia and New Zealand paint businesses margins improved, but it seems to really just be bouncing out a bit of a trough that was a function I guess of the Queensland flood in 2012 and it's just coming back to levels maybe prior that. Can you outline what maybe some of the cost initiatives are going forward that might drive further margin expansion in that business?

PATRICK HOULIHAN: In terms of historically what we've shown, I'**m** not sure your comment is accurate but I'll ask Stuart to clarify it in a minute in that historically paints Australia has continued to see EBIT margin expansion over recent years. The last time we reported Paints Australia which last year was obviously the full year, it was essentially over that --

MICHAEL WARD: Anyway that doesn't really matter I guess. I guess the cost initiatives going forward, can you give us a bit of detail around those?

PATRICK HOULIHAN: Yes, so in terms of -- well I suppose if I think through our lens, our focus has always been in a market in Australia that typically has grown 1% to 1.5% in volume terms although as I mentioned it's growing higher than that at the moment. We've looked to on top of that grow profitable market share, we've always got a component through price, we've always looked to where we've optimised our gross margin percent strategically hold that. Then leverage our fixed cost base to the question that was asked earlier whilst continuing to invest in marketing and so on. So if I think about the Paints Australia business, I think the EBIT margins on that have been in a very good position if you look at it even when we reported it in its own right.

When I think about Paints New Zealand, historically even pre demerger as we mentioned before, it had EBIT margin at or even above historically where Paints Australia was at. It dipped down during that protracted recession in New Zealand. It got down into the order of 10% maybe even just a touch lower. As we were continuing to report to you Paints New Zealand again the same sort of prescriptive model, the EBIT margins were bouncing back off the fixed cost leverage as the New Zealand economy came back. So that's weighted into that as well. Even though it's relatively small powder coatings again because it's a business that's more exposed to cyclical housing and construction type activity, we've had some bounce back in that as well.

So as you look at the EBIT margins of the new segment, that's representing again the strong starting position of Paints Australia and the improvement in those other two contributions. So there's no structural cost outs in the mix for that paint and coatings segment if that starts to touch on what you're asking. It's more continuing to invest in the right things and continuing to drive profitable top line growth to leverage the fixed cost base.

MICHAEL WARD: Thanks.

PATRICK HOULIHAN: Thanks Michael. Do we have any questions on the phone?

OPERATOR: There appears to be no further questions.

PATRICK HOULIHAN: Are there any further questions here in Sydney? Alright well that being the case, I'd like to thank you for your attention and we'll conclude the call. Thank you.

STUART BOXER: Thank you.

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