

# Decorative paints market overview

Our Decorative Paints business supplies a full range of interior and exterior decoration and protection products for both the professional and do-it-yourself (DIY) markets, including paints, lacquers and varnishes, as well as products for surface preparation (pre-deco products).

## Market and business characteristics

The size of the global market for decorative paints is around €30 billion.

## Architectural coatings

Interior and exterior wall paints and trim paints (lacquers) for consumers and professionals.

## Woodcare and specialty products

- Lacquers and varnishes for wood protection and decoration
- Specialty coatings for metal, concrete and other critical building materials.

## Pre-deco products

Fillers, wall treatments, sealants and putties for consumers and professionals.

## Building adhesives

- Tile and floor adhesives and floor leveling compounds used in the building and renovation industry
- Supplied for professional workers such as tile, floor and parquet layers, interior decorators and painters
- Direct to medium-sized enterprises, wholesalers, specialized retailers.

## Customers

Our end-users can broadly be segmented into homeowners (either DIY or BIY – buy it yourself), professional painters serving homeowners and commercial contractors. They

are served through a variety of outlets ranging from big box chains such as The Home Depot, Walmart, B&Q and Leroy Merlin (serving mainly homeowners) to independent dealers (serving both homeowners and professionals) and company-owned stores focused on serving professionals.

## Global market drivers and developments

- Growing populations and GDP growth
- Activity of residential and commercial new-build and home sales
- Global increase in importance of home and interior decoration
- Rise of middle class in high growth markets
- Legislative/regulatory pressures on environmental and health issues (VOC, REACH) driving innovation
- Increasing importance of large-scale outlets
- Growth of importance of women as decision-makers
- Increasing importance of internet.

## Drivers for buying decision

### Retailers

- Strong brands that attract customers
- Innovation that drives demand and basket spend
- Category management capability.

### Trade customers

- Product quality, consistency and innovation
- Product availability and service
- Technical and business support
- Strong brands supporting loyalty.

## Innovations

### Consumer market

- Dulux Weathershield Keep Cool – heat-reflective exterior paint with energy-saving properties
- Dulux All Round Guard – absorbs harmful elements from the air to create a safer home environment
- New Glidden paint – reformulated and now includes less VOCs and better hide, durability and washability.

### Support professional painters with tailor-made products and services

- Sikkens object analysis, design support and marketing programs for painters

- The Dulux Trade Environmental Wash System and DDC (Dulux Decorator Centers) Paint Can Recycling – professional paint waste management systems
- Herbol Façade Certification Program
- Glidden SpeedWall – highly efficient interior wall paint with superior properties for the professional painter.

## Eco-premium portfolio

Recent initiatives:

- Dulux Trade Ecosure – water-based, high performance professional paint
- Sikkens Rubbol XD – VOC-reduced, ultra durable professional trimpaint
- The Freshaire Choice – zero-VOC consumer wall paint
- Dulux Light & Space – highly light reflective, energy-saving wall paint.

## Key raw materials

- Binders/resins
- Titanium dioxide
- Packaging materials

## Price drivers

- Energy, oil and raw material prices
- Steel prices

## Market leadership positions

### Europe

1st	Continental Europe
	Northern and Eastern Europe
	UK, Ireland and South Africa

### Americas

1st	Canada
2nd	United States
	Latin America

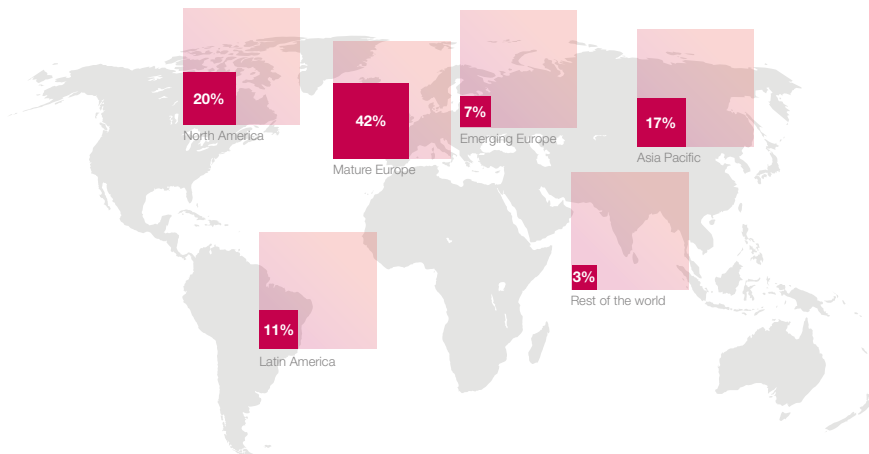
### Asia

1st	South East Asia and Pacific
2nd	India and South Asia
	China and North Asia

# Key developments 2010

- Signed a deal with Walmart to become the retailer's primary paint supplier in the US
- Dulux Trade won contract to paint the London 2012 Olympic Games site
- Leading coatings supplier for the Commonwealth Games in India
- Signed a landmark agreement with the Forest Stewardship Council
- Let's Color campaign continued to gather momentum
- Presence in China increased to more than 600 cities

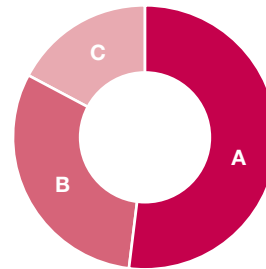
## Geo-mix revenue by destination



## Key figures in € millions

	2009	2010
Revenue	4,573	4,968
EBITDA	487	548
EBITDA margin (in %)	10.6	11.0
EBIT	298	343
EBIT margin (in %)	6.5	6.9
Operating income	133	275
Moving average ROI (in %)	4.7	5.2

## Revenue breakdown by business unit in %

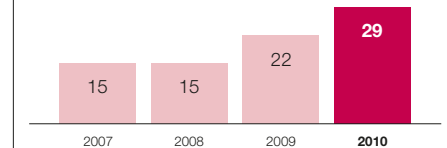


<b>A</b> Decorative Paints Europe	52
<b>B</b> Decorative Paints Americas	31
<b>C</b> Decorative Paints Asia	17

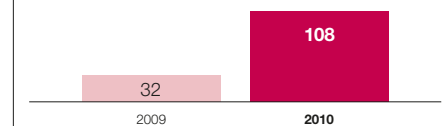
## Employees by region at year-end

	2009	2010
US and Canada	5,100	5,100
Latin America	1,700	1,800
China	1,200	1,500
Other Asian countries	2,000	2,200
The Netherlands	1,000	1,100
Germany	1,600	1,300
Sweden	600	600
UK	2,200	2,200
Other European countries	5,400	5,100
Other regions	1,100	1,100
<b>Total</b>	<b>21,900</b>	<b>22,000</b>

## Product: Eco-premium solutions % of revenue



## Key value chains with carbon footprint assessment



## Total reportable rate of injuries per million hours

