

Galiform

2006 Preliminary Results

6 March 2007

A new Group with a new future

CRISIS

2005

Retail sales and margin down 30% in Q4
Borrowings £200m
Pension deficit £300m
Defective systems
Share price collapsed

TRANS-
FORMATION

2006

Stabilized the Group
Created strategic opportunity
Revealed & instigated strategic plan
Continued to grow Howdens

GROWTH

2007

Executing strategic opportunity
Demonstrating value
Growing the business

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Mark Robson

Chief Financial Officer

Highlights

£m unless stated

2006

2005
restated

Continuing operations:

Revenue	733.0	621.8
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Gross profit*	362.5	322.5
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Operating profit*	65.7	54.1
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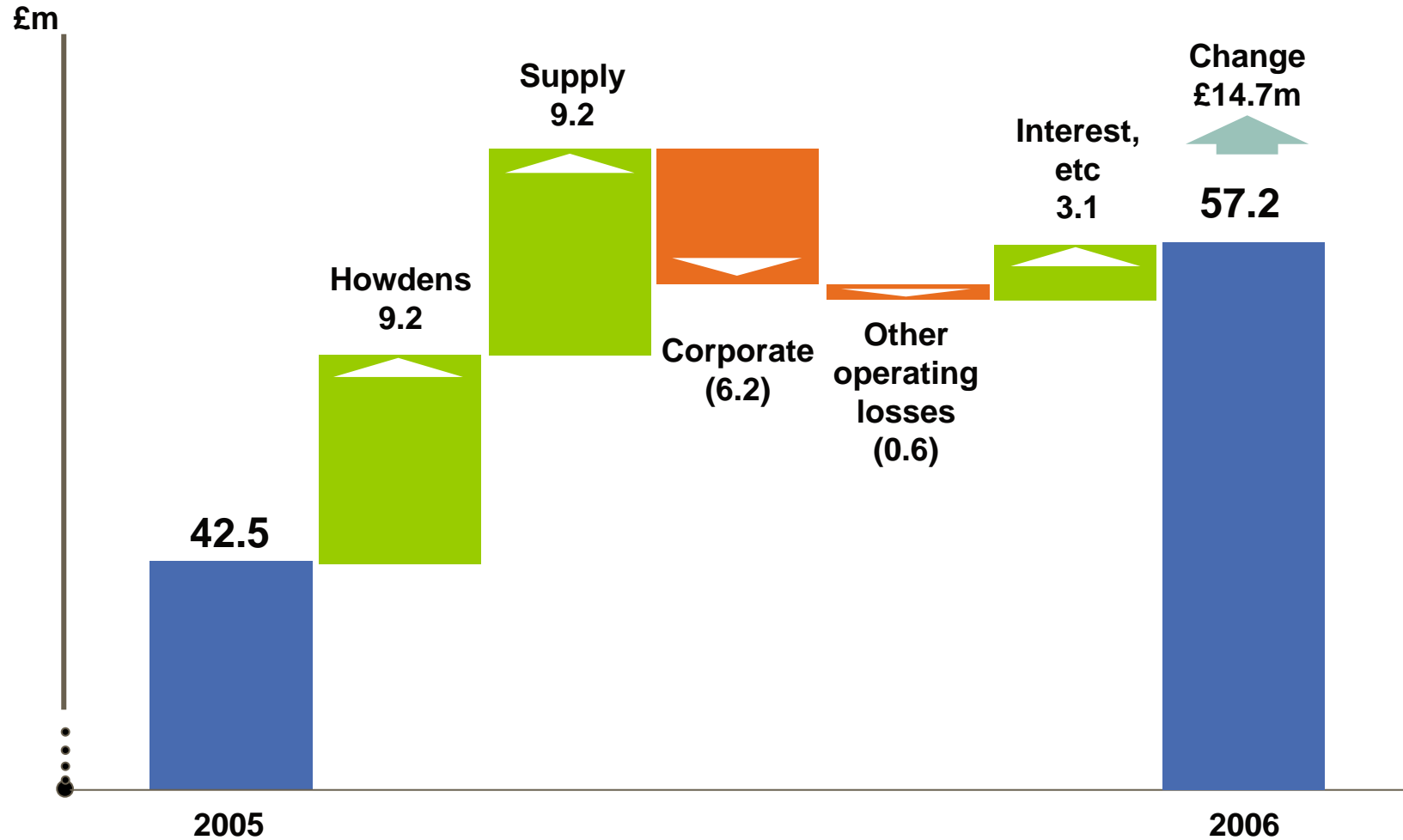
Profit before tax*	57.2	42.5
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Net debt	(4.1)	(55.5)
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* Before exceptionals

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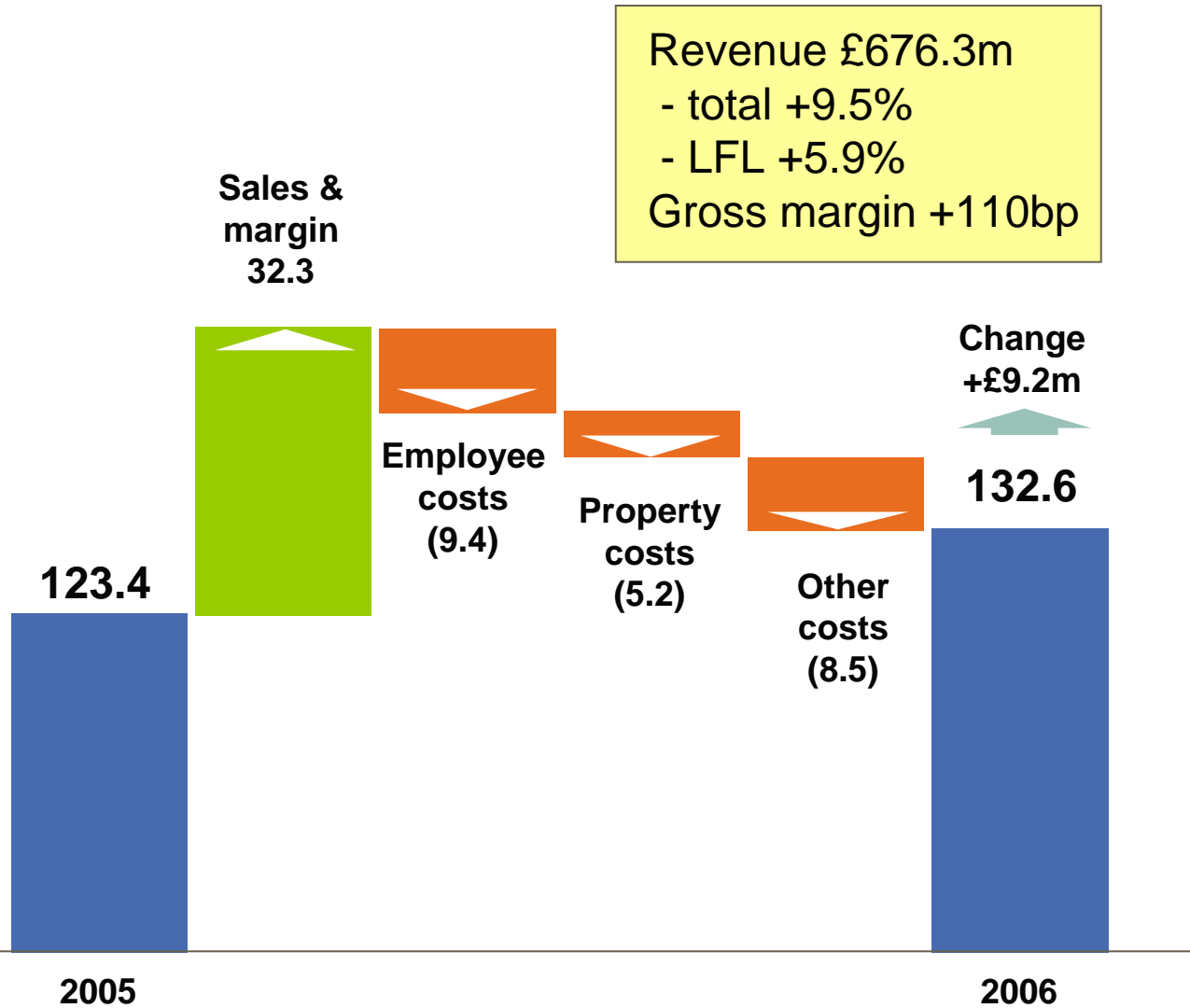
Profit before tax and exceptional items*



* Continuing operations

Howden Joinery operating performance

Operating profit
£m



Supply and Corporate

- ⇒ Net cost of Supply down £9.2m to £39.6m
 - External sourcing of fascias and appliances
- ⇒ Corporate cost up £6.2m to £24.2m
 - share plan costs

Income Statement

£m	2006	2005 restated
Continuing operations:		
Operating profit	65.7	54.1
Net interest and other finance charges	<u>(8.5)</u>	<u>(11.6)</u>
Profit before tax and exceptional items	57.2	42.5
Tax	<u>(20.9)</u>	<u>(14.6)</u>
Profit after tax before exceptional items	36.3	27.9
Discontinued operations:		
Loss after tax before exceptional items	<u>(39.7)</u>	<u>(56.8)</u>
Loss for the period before exceptional items	<u>(3.4)</u>	<u>(28.9)</u>

Continuing operations – exceptional items

£m	2006	2005 restated
Restructuring costs	(30.2)	
Factory closure costs	(36.5)	
Inventory provision	(6.0)	
Gain from lower pension liabilities	38.0	
Profit on disposal	<u>2.5</u>	
Exceptional items pre tax	(32.2)	(12.7)
Tax credit/(charge) on exceptional items	2.0	(8.9)
Profit from continuing operations after tax and exceptional items	6.1	6.3

Discontinued operations

£m	2006	2005 restated
Operating loss before exceptionals after tax	(39.7)	(56.8)
Loss on disposal of Retail	(155.7)	
Provisions on disposal of Retail	(31.7)	
Cost of closure of factory	(9.4)	
Profit on disposal of Hygena Cuisines	62.5	
Other	<u>(0.5)</u>	
Exceptional items pre tax	(134.8)	(77.0)
Tax credit	<u>(2.3)</u>	<u>2.1</u>
	(137.1)	(74.9)
Loss from continuing and discontinued operations after tax and exceptional items	(170.7)	(125.4)

Borrowings and cash flow

£m	2006	2005 restated
Opening net borrowings	(55.5)	(62.2)
Operating cashflows before movements in working capital	64.6	73.7
Working capital *	37.2	(26.4)
Tax	1.6	(3.4)
Capital expenditure	(30.3)	(47.9)
Asset disposals	12.0	57.4
Sale of Hygena Cuisines	74.6	-
Sale of MFI	(78.9)	-
Receipt from Revenue & Customs	21.8	-
Other exceptional items	(44.5)	(19.2)
Dividends	-	(23.4)
Interest	(2.8)	(2.3)
Other	(3.9)	(1.8)
Closing net borrowings	(4.1)	(55.5)

* Stock, debtors and creditors

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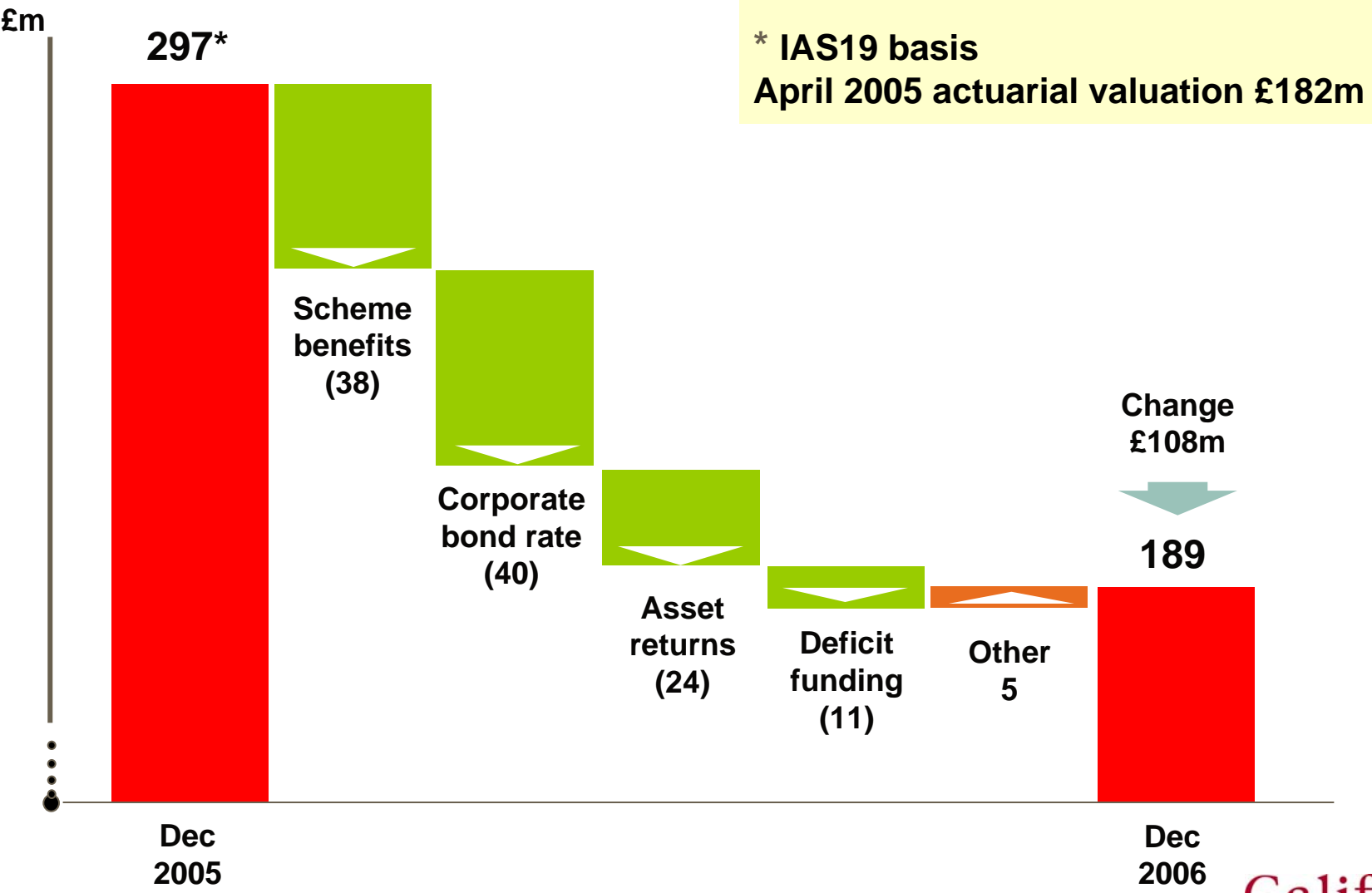
Working capital

⇒ Working capital* down £37.2m

- Stock up £18.6m
- Debtors up £59.6m
- Creditors up £115.4m

* Stock, debtors and creditors

Pension scheme deficit



* IAS19 basis
April 2005 actuarial valuation £182m

Current trading and outlook

- ⇒ Howdens continues to trade well
 - sales up 8.2% (same depot up 4.4%)
 - gross margin similar to 2006
- ⇒ Transitional arrangements with MFI operating satisfactorily
- ⇒ Howdens in 2007
 - favourable market dynamics so far
 - benefit of maturing depots
 - 60 new depots
 - relatively few depots 3 – 4 years old
- ⇒ Supply will see benefit of 2006 outsourcing
 - but, results will depend on MFI demand

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Matthew Ingle

Chief Executive

A foundation for growth

- ⇒ A strong and growing core business
- ⇒ LFL sales increased
- ⇒ Gross margin improved
- ⇒ Net debt reduced

Unlocking profit and value

What's special about Howden?

Our mission

To provide from local stock nationwide the small builder's routine kitchen / joinery requirements: assuring best local price (confidential trade price) and no call back quality

Our special skill

Co-ordinating components that are assembled and installed, **by customers**, in diverse, individual domestic situations nationwide. These components are...

Interdependent and dependent on other products and services. **They** need careful installation by...

Our customers

Skilled tradesmen, with their own networks, who need to make money. **Their** end-customers demand...

Our product

Ever-sophisticating design & requirements
Appropriate ranges
Growing volumes

Total focus required to ensure expectations are achieved

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Expanding Howden

Growing depots successfully

⇒ Managed expansion

- Depots developed locally
- 6 -12 staff per depot

⇒ Accountability

- Local profit
- Depot managers have responsibility for:
 - Tailoring stock selection to customers' needs
 - Managing stock loss
 - Local marketing
 - Creating an effective and motivated team

⇒ Relationships

- Customers feel recognised, valued and welcome
 - A supplier they can trust

A unique model with a strong culture

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Expanding Howden

Significant potential for sales and margin growth

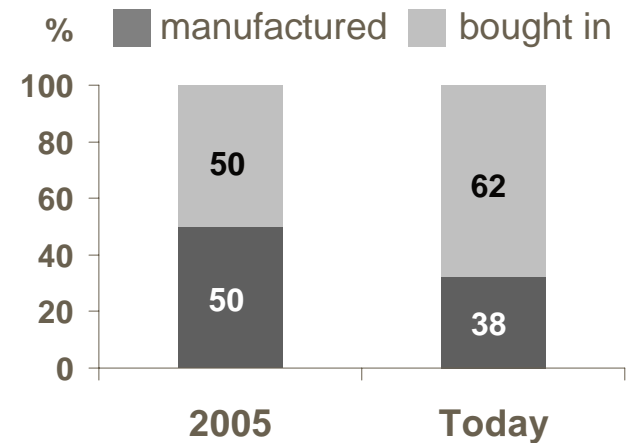
- ⇒ **Layers of depot growth, supported by market trends**
 - Good LFL growth in mature depots (>7 yrs)
 - Progressive growth in more recently opened depots (<7 yrs)
 - Incremental growth from new depots
 - Aiming to open 60 new depots in 2007

- ⇒ **Developing our product**
 - Sophisticating market requirements
 - Basic boxes, but wider range of doors
 - New materials and finishes

- ⇒ **Targeting more customers**
 - Developing new formats to address a wider range of needs
 - Major projects, specifiers, etc

Building a focused Supply business

- ⇒ **Appropriate mix of manufacture / bought in**
 - All doors and appliances now bought in
 - Rigid box manufacture continues and is increasing
 - Lower transport and storage costs
 - Not a commodity product
 - Need to guarantee supply
- ⇒ **Streamlining logistics and systems**
 - Significant reduction in overhead costs anticipated



The shift to global sourcing

In summary ...

- ⇒ Business on completely different footing from one year ago
- ⇒ Re-centred on Howdens
 - A cash-generative business with growing sales and margins
 - Strong position in rapidly developing market
 - Simple customer proposition
 - Proven business model
 - Further potential to grow

A focused business with a strong commercial rationale

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Appendix – Continuing operations

Revenue

£m unless stated	2006	2005 restated	Total	Same depot
Howden Joinery	676.3	617.8	+9.5%	+5.9%
Supply	50.8	3.1		
Other	5.9	0.9		
Total	733.0	621.8		

Operating profit/(loss)*

£m	2006	2005 restated
Howden Joinery	132.6	123.4
Supply	(39.6)	(48.8)
Corporate	(24.2)	(18.0)
Other	(4.1)	(3.1)
	64.7	53.5
Share of joint venture	1.0	0.6
Operating profit	65.7	54.1

* Before exceptionals

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Capital expenditure

£m	2006	2005
Howden Joinery	6.9	9.1
Supply	2.9	7.8
Corporate	3.3	7.1
Other	0.3	2.0
	13.4	26.0

Depreciation and amortisation

£m	2006	2005
Howden Joinery	5.1	4.6
Supply	8.7	10.3
Corporate	9.3	11.2
Other	0.5	0.2
	23.6	26.3