

Galiform

2007 Preliminary Results

6 March 2008

Galiform

Mark Robson

Finance Director

Highlights

£m	2007	2006
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Continuing operations:

Group revenue	976.5	733.0
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incl Howden Joinery	768.4	676.3
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Gross profit*	456.2	362.5
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Operating profit*	88.1	65.7
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Profit before tax*	79.8	57.2
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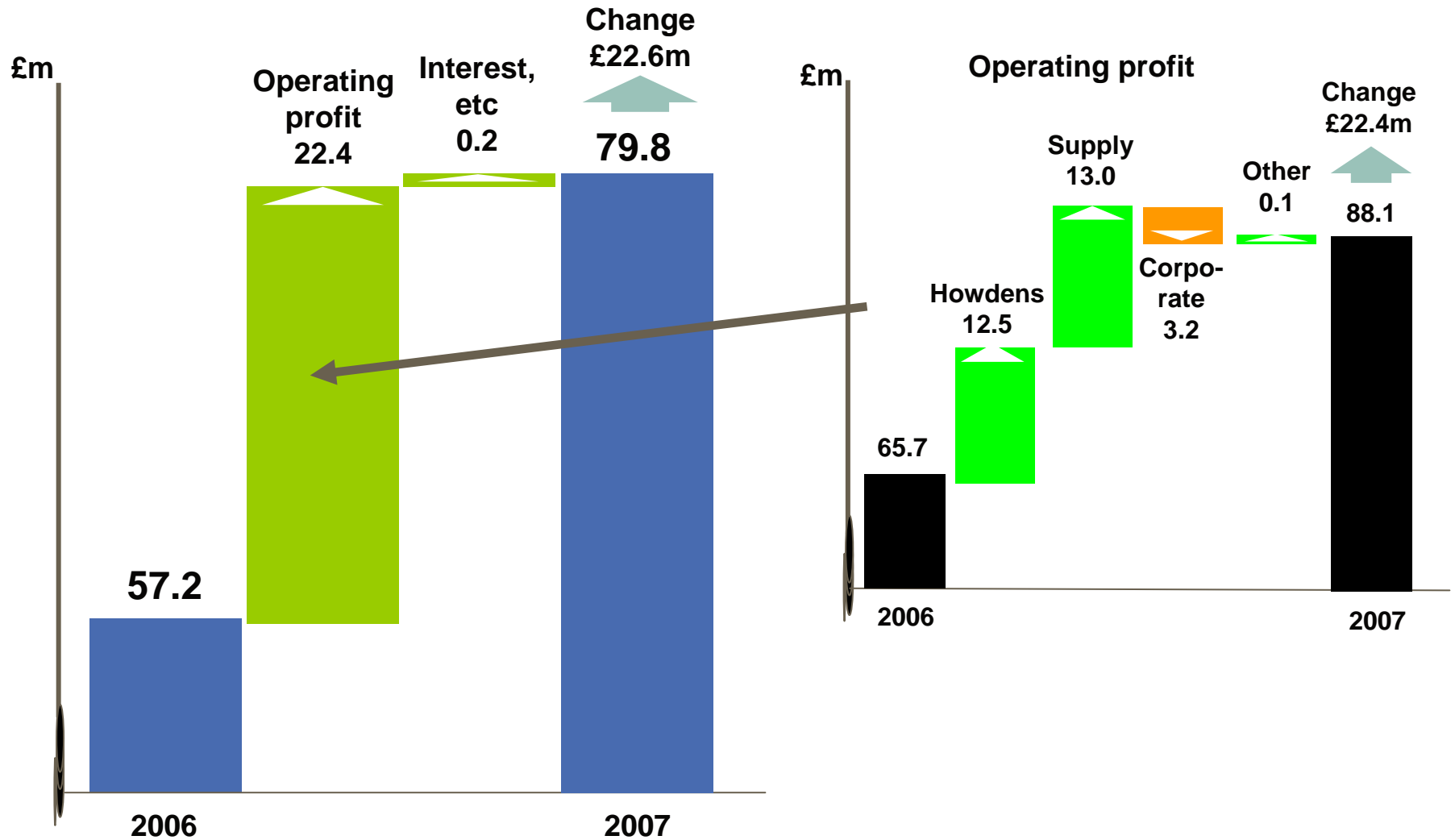
* Before exceptionals

£m	29 Dec 2007	30 Dec 2006
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Net borrowings	3.3	4.1
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after one-off payments and contribution to pension deficit

Profit before tax and exceptional items*



* Continuing operations

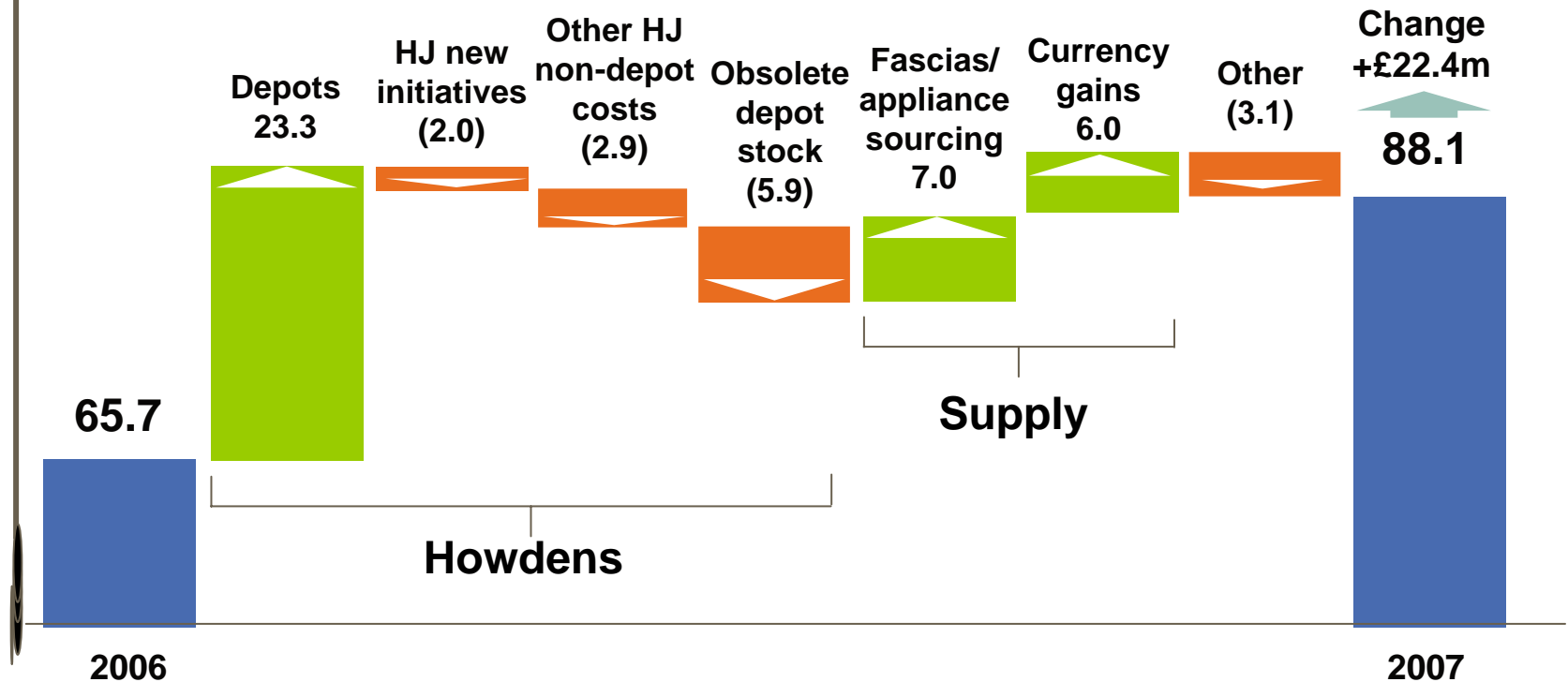
Group operating performance

Operating profit
£m

Howdens' revenue £768.4m

- total +13.6%
- LFL +8.9%

Gross margin as per 2006



Income Statement

£m	2007	2006
Continuing operations:		
Operating profit	88.1	65.7
Net interest and other finance charges	(8.3)	(8.5)
Profit before tax and exceptional items	79.8	57.2
Tax	(25.5)	(20.9)
Profit after tax before exceptional items	54.3	36.3
Exceptional items before tax	(35.4)	(32.2)
Tax credit re. exceptional items	10.1	2.0
Exceptional tax credit	23.9	-
Profit after tax	52.9	6.1
Discontinued operations:		
Loss after tax	(9.0)	(176.8)
Profit/(loss) for the year	43.9	(170.7)

Earnings per share and dividend

Pence

2007

2006

Earnings per share

Continuing operations:

- excluding exceptionals	9.1	6.1
- including exceptionals	8.8	1.0

Continuing and discontinued operations:

- excluding exceptionals	9.1	(0.6)
- including exceptionals	7.3	(28.7)

Dividend

Final dividend of 0.5p per ordinary share proposed

– last dividend paid October 2005

Borrowings and cash flow

£m	2007	2006
Opening net borrowings	(4.1)	(55.5)
Operating cashflows before movements in working capital (note 1)	110.2	64.6
Working capital (note 2)	(54.8)	37.2
Capital expenditure	(21.2)	(30.3)
Asset disposals	-	12.0
Sale of subsidiaries	-	(2.1)
Receipt from Revenue & Customs	-	21.8
Other exceptional items	(11.9)	(44.5)
Interest (note 2)	(7.1)	(2.8)
Other (note 1)	(14.4)	(4.5)
Closing net borrowings	(3.3)	(4.1)

Note 1: 2007 Pension contribution was made up as follows:

Current service charge	£8.7m
Additional cash payment	£18.2m
Total cash contribution	£26.9m

Note 2: 2007 Payment to MEP was made up as follows:

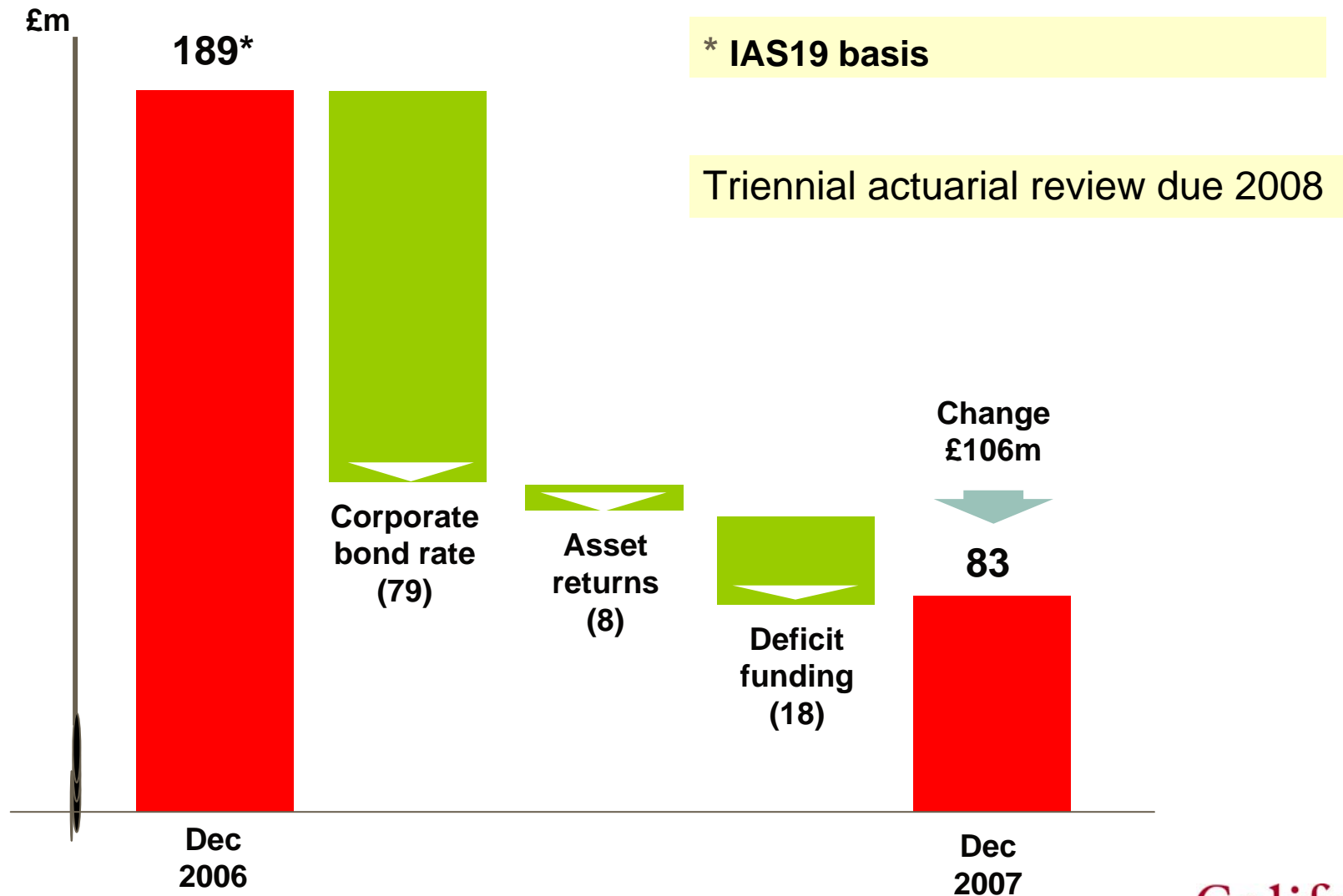
Agreed dowry payment	£50.0m
Interest	£3.1m
Total cash payment	£53.1m

Working capital

Working capital up £54.8m

- stock down £25.1m
- debtors up £19.9m
- creditors down £60.0m
 - incl. MEP dowry payment

Pension scheme deficit



MEP claim

Notified of claims totalling £57m over last 12 months

Thorough external investigation of each claim

Court action instigated by MEP

Believe claim is grossly inflated

2006 provision remains adequate

2008

Exchange rates

Additional 'stranded' logistics costs

MEP payment, cash restructuring cost

Satisfactory start to year

- total sales +11.8%, same depot sales +7.1%

Summary

Financial performance showed good progress in 2007

- profit growth and cash management

Business model most appropriate for market

- sell to builders
- set apart from competition
- position of strength

Satisfactory start to 2008

- continue to grow business and strengthen competitive position

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Matthew Ingle
Chief Executive

Howdens

“To supply from local stock nationwide the small builder’s routine kitchen and joinery requirements, assuring no call back quality and best local price”

Howdens

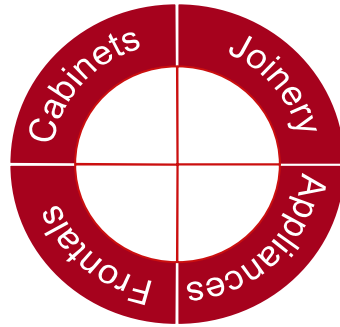
- A business with scale
- A focused business
- A worthwhile business
- A business with opportunities
- Outlook
- Summary
- One last thought

A business with scale

- Builders 2x more likely to recommend Howdens
- 14% of retail market
- Grown £0 → £0.75bn – 12 years – 430+ depots
 - Service, quality, design, price
- In house design / sourcing / manufacture
 - Don't supply third parties
- 4m boxes – 400,000 kitchens – 2m doors
- Cash generative – look at what we've done
 - 54 depots
 - Restructuring
 - Pensions
 - Dowry
- Growth – ongoing 11% +

A focussed business

- Kitchens and joinery



- To builders
 - Local business basis
 - Only way to get the job done
- From local stock
- Result
 - Well fitted
 - On time
 - To budget

A financially worthwhile business

- End User
 - Working kitchen
 - Owner
 - Adds value to property
 - Builder
 - Confidential discount
 - No retail
 - Stock
 - Monthly a/c
 - No call back quality
 - Depot
 - Low cost
 - £5 / sq ft
 - no showroom
 - High margin
 - P&L incentives
 - only local price wars
 - no national advertising
 - project management
 - Supply
 - Long runs
 - Predictable
 - Scale
 - One customer
- Makes money*
Project manager
- LCP & LCS*
Barrier to entry

A business with opportunities

- Organic
 - 7 years to depot maturity
 - Product
 - Sophisticating
 - choice
 - function
 - Time
 - DIY → DFY
 - Geography
 - 430+ depots → 600+ depots
 - + 50 depots in 08
 - Market segments
 - Landlord / tenant
 - Larger landlords
 - New build
 - Retail
 - Re-focussed
 - Restructure – opportunity
 - Proportion of manufactured product 50% → 16%
 - Employees directly engaged in manufacturing 2400 → 680
 - Total headcount in Supply 3400 → 1300
 - Focus on market/customer requirements
- Over 2 yrs
Apr 06-Apr 08*

Outlook

- Adaptive leadership
 - SAP
 - MFI – stabilized
 - MFI → Howden
 - Vertical → commercial → complete restructuring
 - 0 → 450 depots
 - 8 ranges – 40 ranges (same space)
 - CAD
 - Expo
 - Based on relationships
 - Suppliers – logistics
 - Staff – customers
 - Margin for all concerned
 - £12.99 door → £10,000 kitchen
 - Underlying market growth
 - Housing shortage
 - Demographics
 - Sophistication
 - Legislation
 - Like-for-like growth
- £0.75bn*

Summary

- ▶ **Howdens has taken market share** from everywhere and everyone, in an increasingly sophisticated and growing market, by supplying builders who depend on our products and services to make a living
- ▶ **The combination of Howdens and small builders** answers the requirements of a very demanding and developing market
- ▶ ...whilst at the same time realigning our cost base around the emerging business model
- ▶ Good start to 08
- ▶ Well positioned

One last thought

An original concept

- others have tried and failed

Based on customer service

- and opportunities for all individuals involved in that goal

“To supply from local stock nationwide the small builder’s routine kitchen and joinery requirements, assuring no call back quality and best local price”

A unique trade business model that has access to all market segments

- because we recognise that only the combination of Howdens and the small builder resolves the issues associated with today’s fitted kitchens for users and owners alike and provides margin for all concerned in this endeavour

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Appendix

Revenue – continuing operations

£m unless stated	2007	2006	Total	Same depot
Howden Joinery	768.4	676.3	+13.6%	+8.9%
Supply ¹	200.1	50.8		
Other	8.0	5.9		
Total	976.5	733.0		

Notes

1. External sales – Hygena Cuisines from Feb 2006, MFI from Oct 2006.

Operating profit/(loss)* - continuing operations

£m	2007	2006
Howden Joinery	145.1	132.6
Supply	(26.6)	(39.6)
Corporate	(27.4)	(24.2)
Other	(3.9)	(4.1)
	87.2	64.7
Share of joint venture	0.9	1.0
Operating profit	88.1	65.7

* Before exceptionals

Capital expenditure

£m

2007

2006

Howden Joinery

13.2

6.9

Supply

4.2

2.9

Corporate

8.7

3.3

Other

0.2

0.3

Total – continuing operations

26.3

13.4

Depreciation and amortisation

£m	2007	2006
Howden Joinery	6.2	5.1
Supply	5.9	8.7
Corporate	6.0	9.3
Other	0.5	0.5
Total – continuing operations	18.7	23.6

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