

Galiform

2008 Preliminary Results
5 March 2009

Galiform

Matthew Ingle

Chief Executive

Agenda

⇒ Group results

- Managing the MFI legacy

⇒ Howdens

- Solid underlying performance
- Gaining market share
- New product focussed on small builder's needs
- Lowest cost manufacture and distribution
- Efficient supply chain management
- Further opportunities for development

A business strategically positioned for growth

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Mark Robson

Finance Director

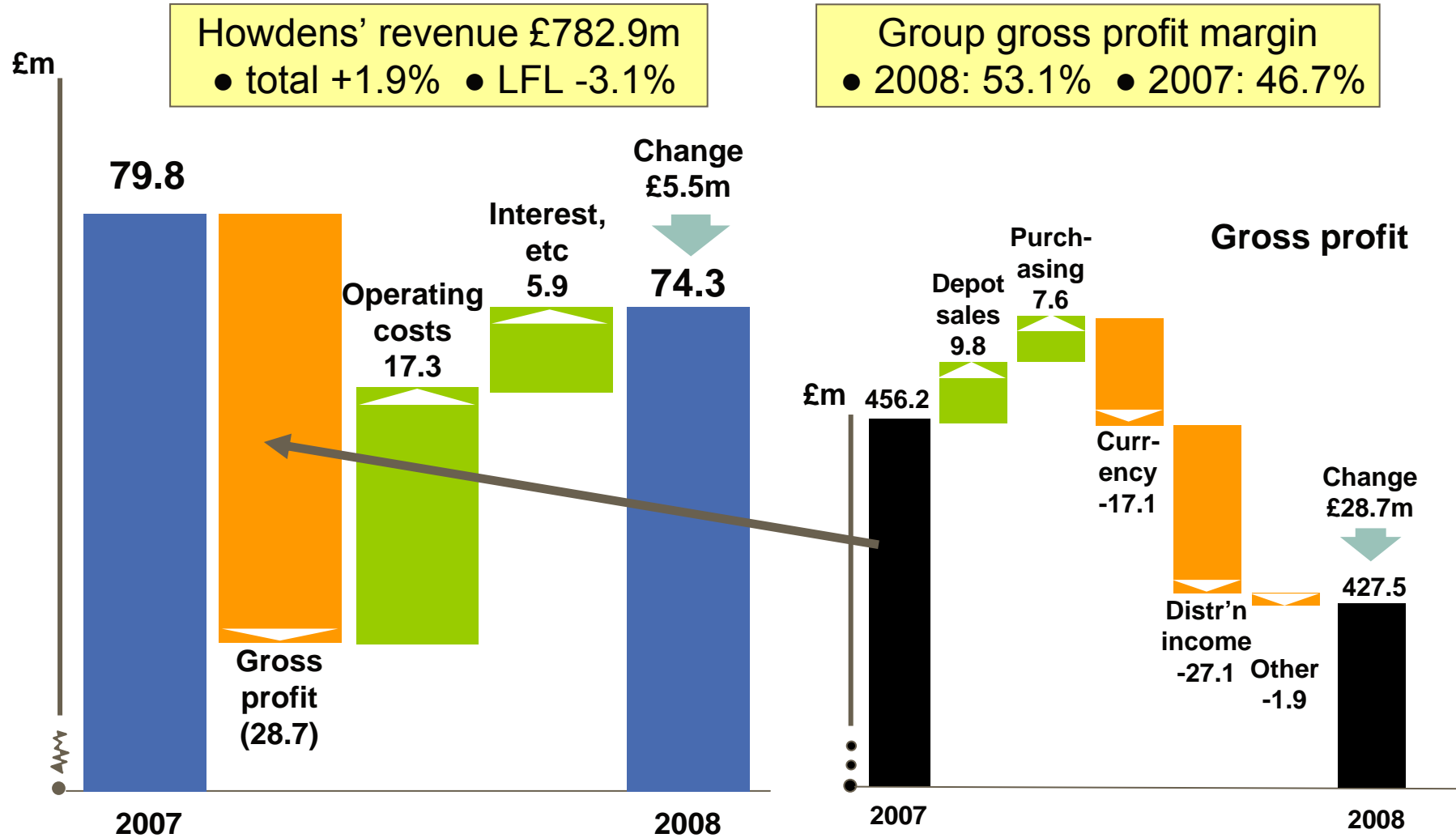
Context of financial results

- ⇒ Resilient performance by Howdens business seen in operating profit and operating cashflow
- ⇒ Results continue to be impacted by legacy issues
 - Cash flow impact of MEP payments, supply restructuring, pension deficit funding and guaranteed properties
 - Earnings impact of guaranteed properties

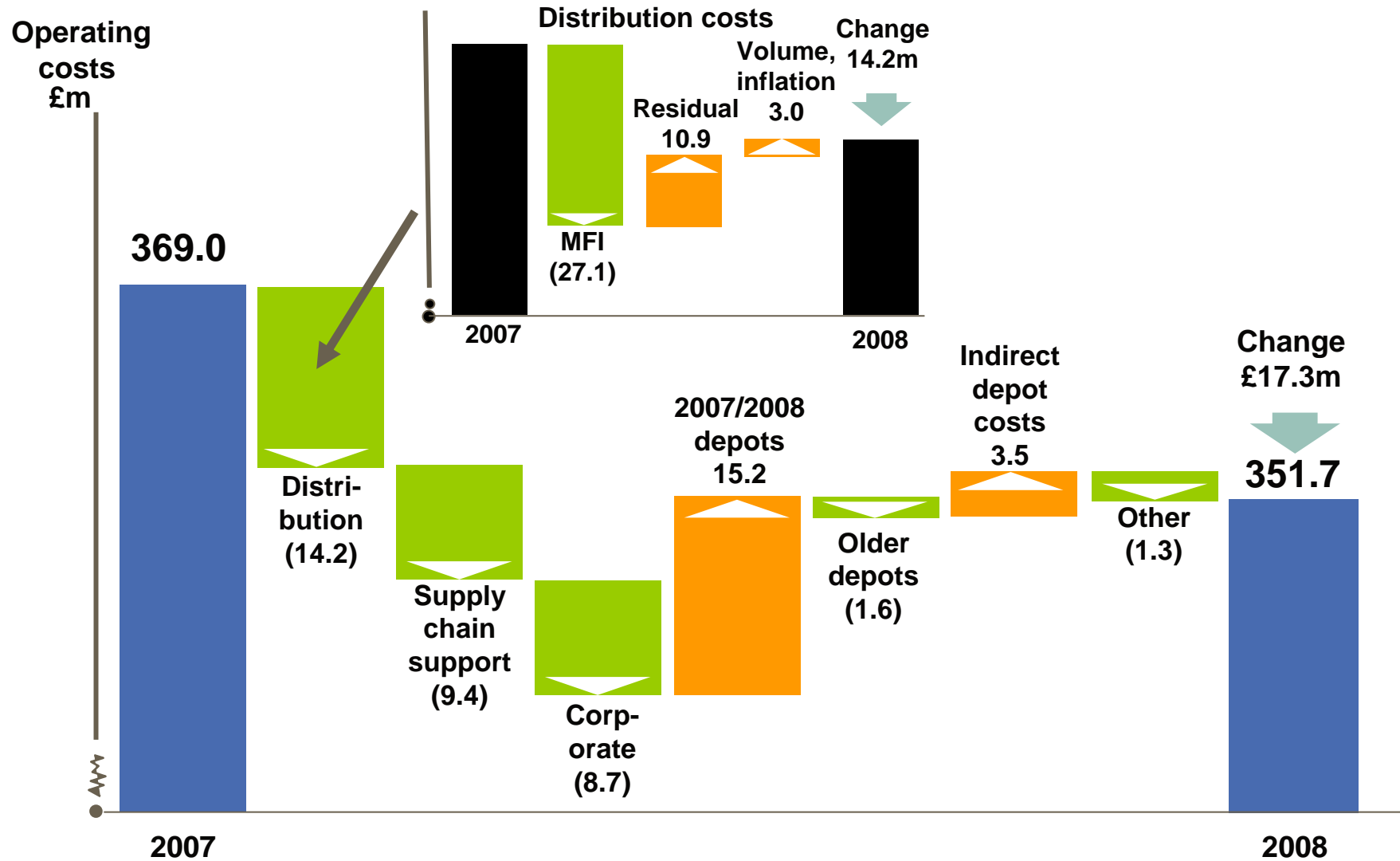
Highlights

£m * Before exceptionals	2008	2007
Revenue		
Howden Joinery	782.9	768.4
MFI/Hygena Cuisines	11.1	200.1
Group	805.7	976.5
Operating profit*	75.9	88.1
Profit before tax*	74.3	79.8
Exceptional charge (discont'd operations)	(108.8)	(11.1)
Net borrowings		
£m	27 Dec 2008	29 Dec 2007
Net borrowings	61.2	3.3
after one-off payments (£45.6m), contribution to pension deficit (£24.3m) and guaranteed properties payments (£10.4m)		

Profit before tax and exceptional items



Operating costs



Income statement

£m	2008	2007
Continuing operations:		
Profit before tax and exceptional items	74.3	79.8
Tax	(23.3)	(25.5)
Profit after tax before exceptional items	51.0	54.3
Exceptional items before tax	4.8	(35.4)
Tax	(0.8)	34.0
Profit from continuing operations	55.0	52.9
Discontinued operations:		
Exceptional items before tax	(108.8)	(11.1)
Tax	2.6	2.1
Loss from discontinued operations	(106.2)	(9.0)
(Loss)/profit for the year	(51.2)	43.9

2008 exceptional charge – P&L impact

- ⇒ £109m charge to ‘discontinued operations’
 - c.£100m guaranteed properties
 - c.£9m other legacy issues

- ⇒ Liability for 56 guaranteed properties when MFI sold in 2006
- ⇒ Crystallised when MFI failed in late 2008
- ⇒ 46 remaining properties

- ⇒ Covers rent, rates and other associated costs already incurred and in the future, and ‘one-off’ payments

2008 exceptional charge – cash flow impact

⇒ £10.4m cash payments to landlords in 2008

- £5.8m lease exit
- £4.6m rent

⇒ Future cash payments to landlords spread over life of remaining leases

As at	Current	1 Jan 2012	1 Jan 2015	1 Jan 2020	1 Jan 2025
Guaranteed properties	39	34	17	11	1
Net annual rent & rates, £m*	17.8	16.4	8.3	5.2	0.3

* Before mitigating action

Borrowings and cash flow

£m	2008	2007
Opening net borrowings	(3.3)	(4.1)
Operating cashflows before movements in working capital	98.5	110.3
'Underlying' working capital	(43.9)	(54.8)
MEP creditor	(34.8)	-
Supply restructuring creditor	(10.8)	-
	(89.5)	(54.8)
Pension deficit contribution	(24.3)	(18.2)
Other exceptional items	(11.7)	(11.9)
Capital expenditure	(19.4)	(21.2)
Asset disposals	3.5	-
Interest	(7.0)	(7.1)
Tax (paid)/reclaimed	(10.8)	0.3
Dividend	(3.0)	-
Other	5.8	3.4
Closing net borrowings	(61.2)	(3.3)
Legacy costs – c.£80m		

Working capital

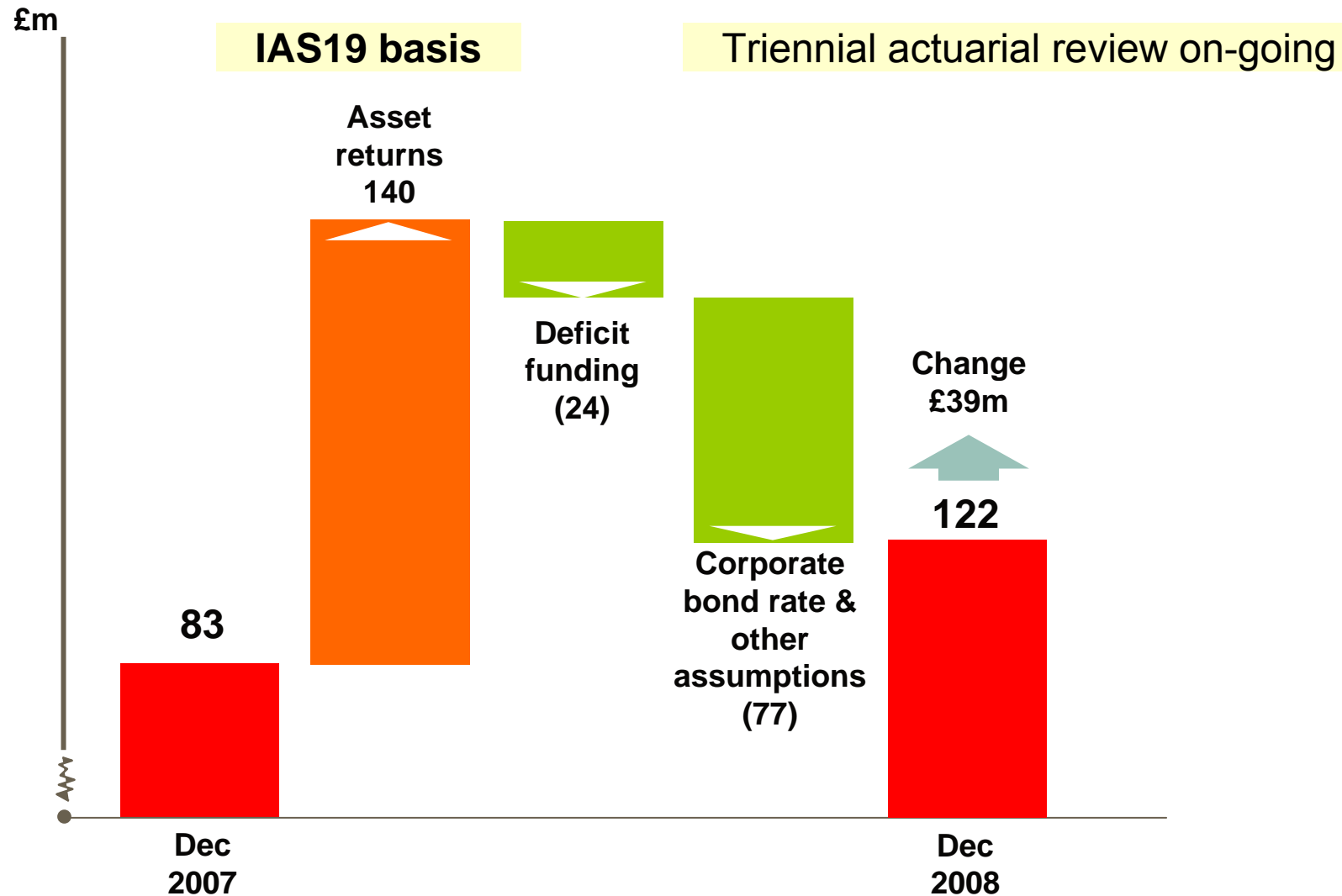
⇒ 'Underlying' working capital up £44m

- Stock up £19m
- Debtors down £22m
- Trade/other creditors down £47m

⇒ MEP (£35m) and restructuring (£11m) payments

⇒ Reported working capital cash outflow of £89.5m

Pension scheme deficit



Reducing our property liabilities

	1 October 2006			1 February 2009		
	No of properties	Net rent and rates liability £m	Floor area m ft ²	No of properties	Net rent and rates liability £m	Floor area m ft ²
Guaranteed (gross)	56	25	1.8	39	18	1.2
Guaranteed (net)			1.5			1.1
Residual						
Vacant	15	4	0.5	7	1	0.1
Tenanted	18		0.3	11		0.1
HDCs						
Vacant	2	1	0.1	5	4	0.4
Tenanted	5		0.4	1		0.1
Howden Kitchens						
Occupied by Group	12	18	4.0	3	12	2.7
Vacant	2		0.1	3		0.2
Tenanted	1		0.1	2		0.1
Total	111		7.2	71		4.8

Legacy properties

- ⇒ 39 guaranteed properties
 - Net annual rent and rates c.£18m
- ⇒ 6 home delivery centres
 - 1 occupied
 - 5 vacant
 - Net annual rent and rates c.£4m
 - £12m provision booked at time of MFI sale
- ⇒ 18 'excluded' properties (not included in MFI sale)
 - 11 occupied
 - 7 vacant
 - Net annual rent and rates c.£1m
 - Provisions booked pre-MFI sale
- ⇒ Sofa Workshop stores*
 - 12 stores – annual rent and rates c.£1½m

* contingent liability

Outlook for 2009

⇒ Sales in first two periods of 2009 (total: -9.1%, LFL: -10.6%) consistent with last three periods of 2008 (Oct-Dec)

Period	Jan-May 2008	Jun-Sept 2008	Oct-Dec 2008	Jan-Feb 2009
Total sales vs corresponding period in previous year	+ 10.7%	+ 2.6%	- 8.2%	- 9.1%*

* Affected by heavy snowfall

⇒ Expect market to remain challenging

- Will manage business accordingly
- Prudent approach to capital expenditure – no new depots

⇒ Exchange rate weak vs last year

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Chief Executive

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⇒ Group results

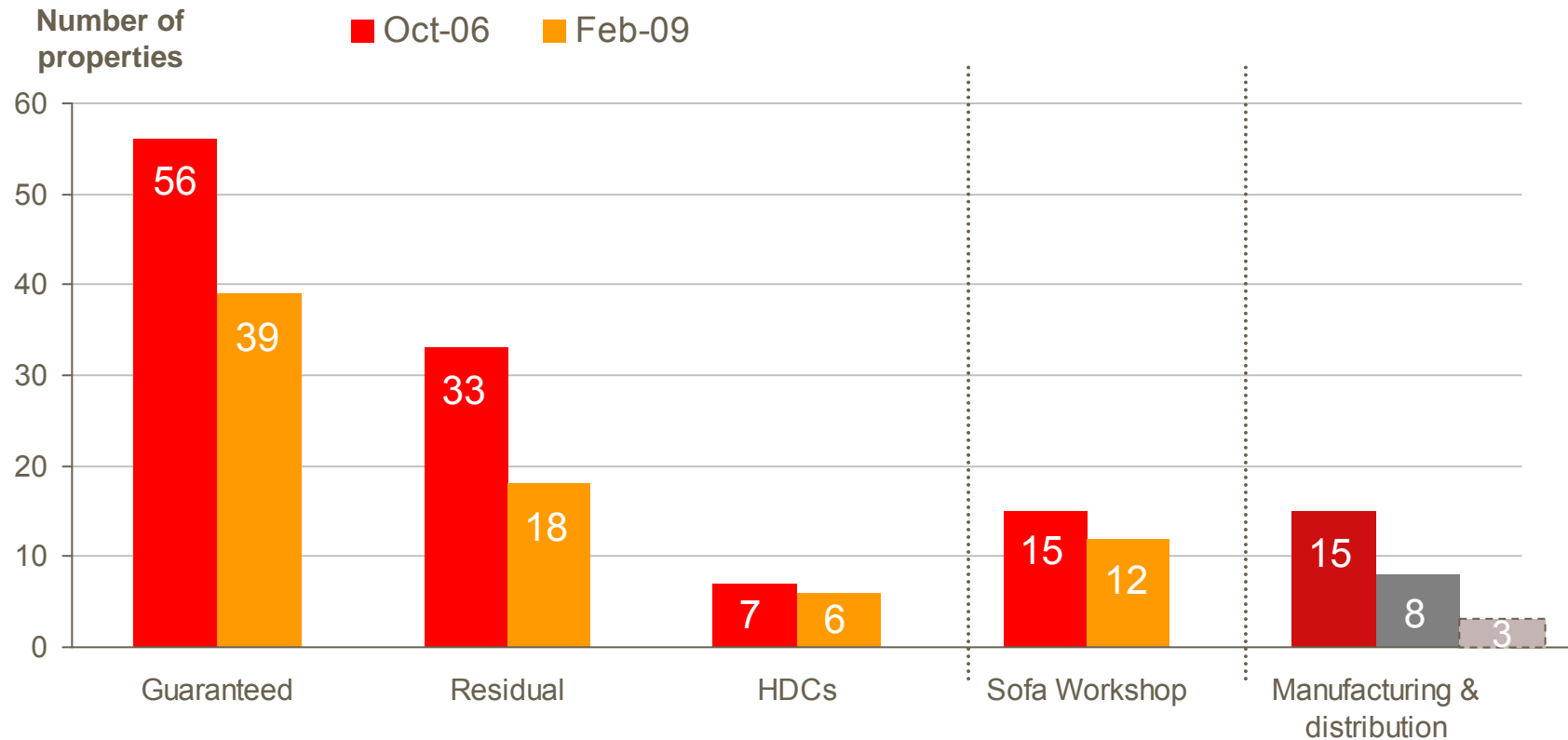
- Managing the MFI legacy

⇒ Howdens

- Solid underlying performance
- Gaining market share
- Lowest cost manufacture and distribution
- New product focussed on small builder's needs
- Efficient supply chain management
- Further opportunities for development

A business strategically positioned for growth

Reducing our property liabilities



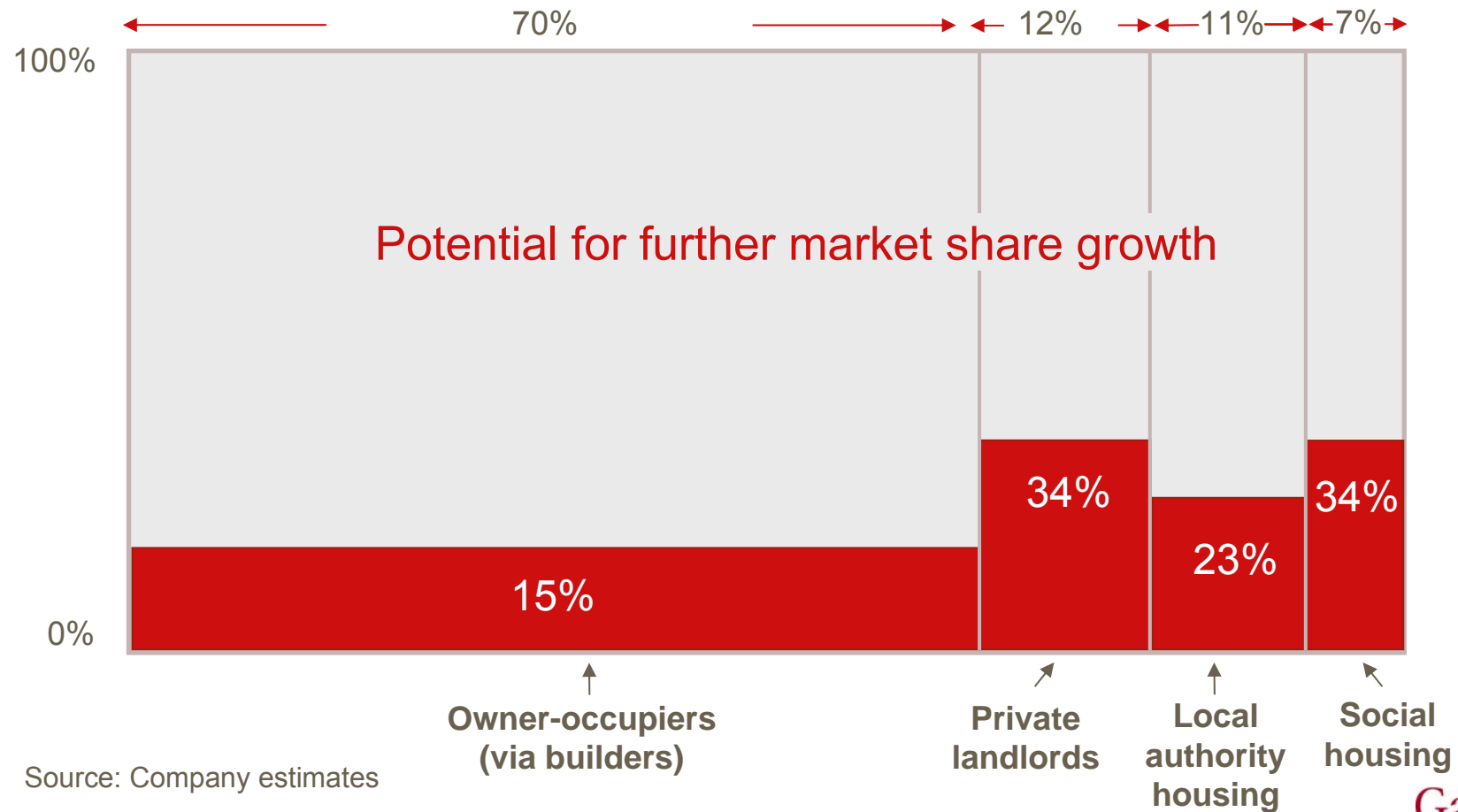
- Total number of legacy properties reduced from 111 to 71, resulting in significant reduction in net annual rent and rates

Actively managing the pensions issue

- ⇒ An issue we have been managing for over 3 years
 - December 2005 c.£300m; December 2008 £122m
 - Contributed deficit funding of c.£24m in 2008
- ⇒ Total pension fund valued in 2008 at c.£450m
 - Annual payout of c.£9m
- ⇒ Expect to reach agreement with pension trustees

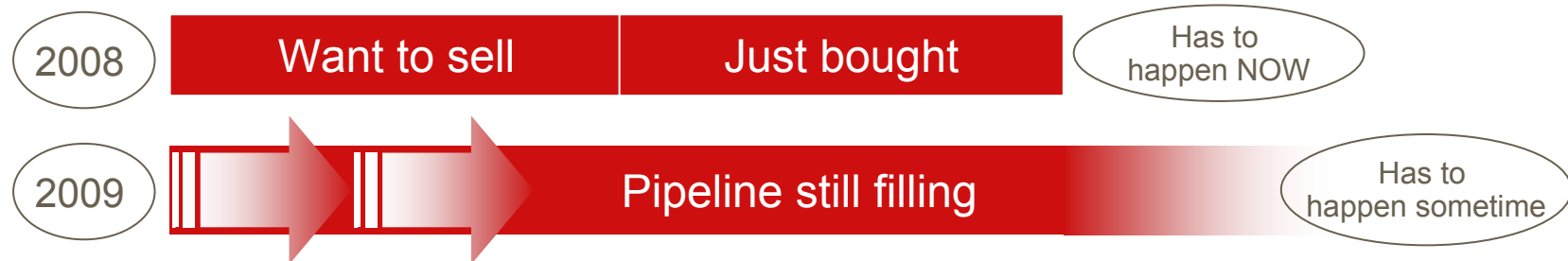
Howdens UK market share

⇒ A major player across all market segments



Current trends in our market

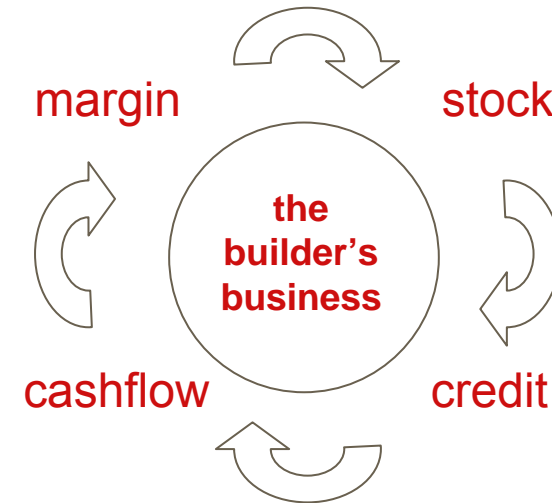
- ⇒ A change in the rhythm of business
 - From move to improve: buy / sell imperative diminished



- ⇒ Public sector budgets maintained for 2009
 - Tenants still need to be housed and re-housed
- ⇒ Tighter credit markets are driving builders towards us

Customer account management

- ⇒ 240,000 customers
 - 178,000 credit accounts
 - 62,000 registered cash traders
- ⇒ Average of 400 accounts per depot – close control
 - Opportunities to increase number and value of accounts
- ⇒ Total cost of credit control = 1% of sales
 - Same level as H1 08
 - No deterioration in bad debt profile



The Howdens model
- a virtuous circle

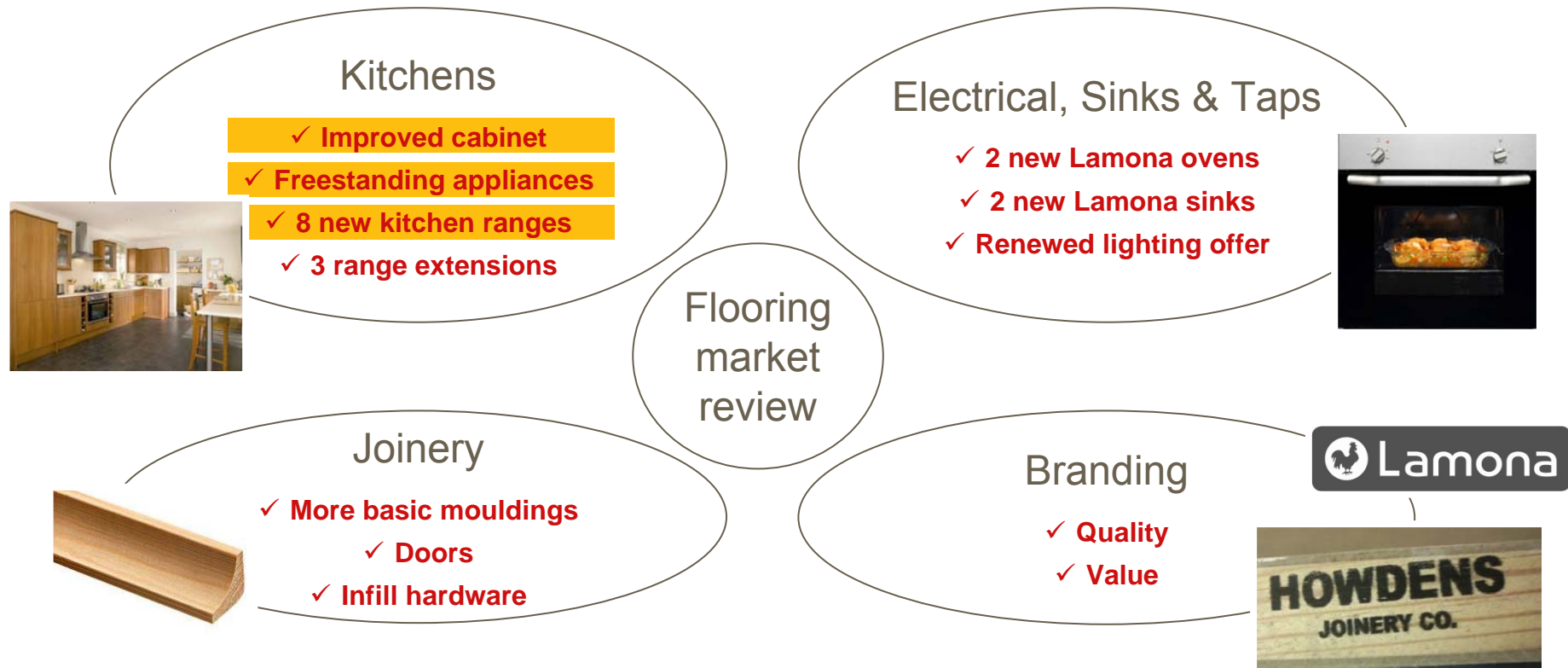
Depot development

- ➔ Further opportunities for local sales growth and cost reduction
 - Improve sales & margin per depot, even in mature depots
 - Reduce absolute stock levels
 - Improve stock-to-sales ratio
- ➔ Straightforward property model
 - 10,000 sq ft, £5 / sq ft
 - Easy to find and fit out
 - Depth of property expertise



- 20 new depots in 2008
- No further openings in 2009
- Still aiming for 600+ depots

Focused product development

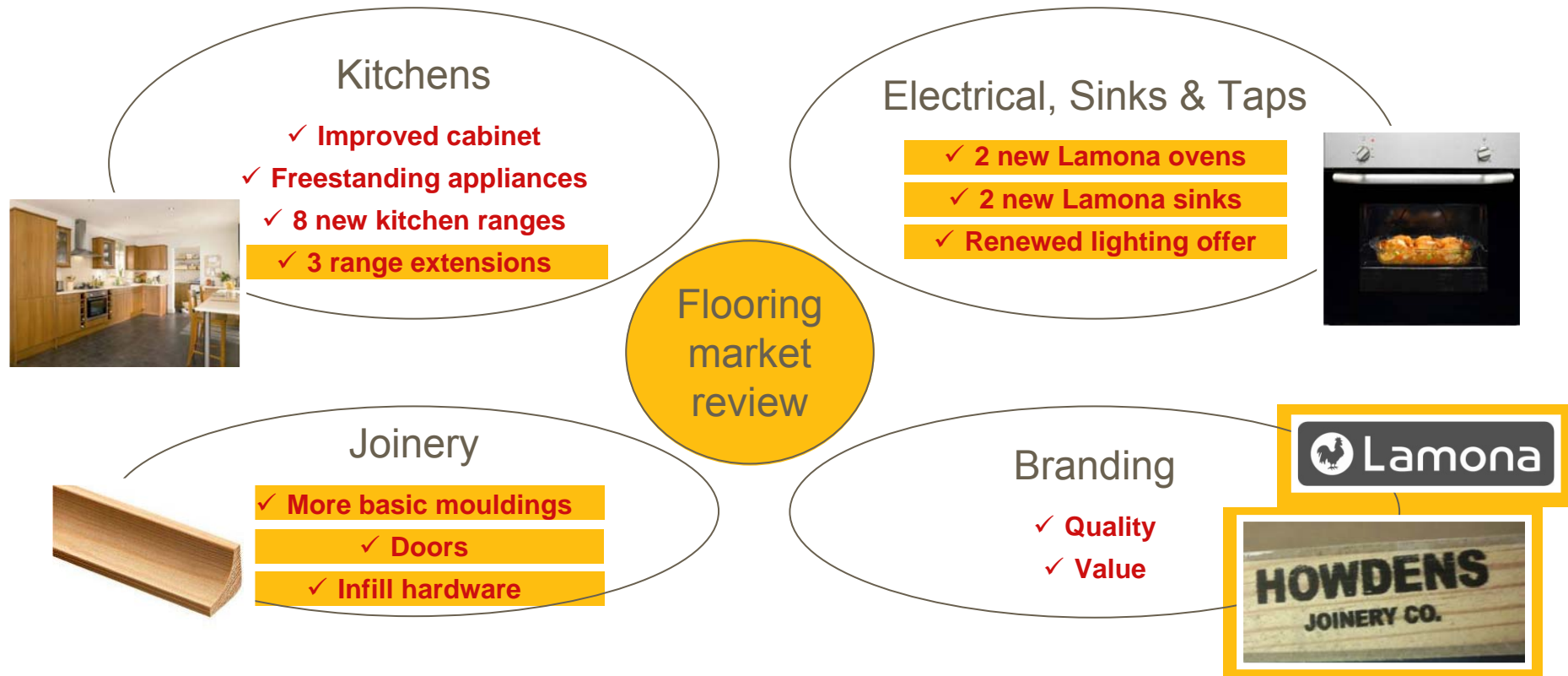


Building on our success in volume product

New kitchen ranges: Saponetta White



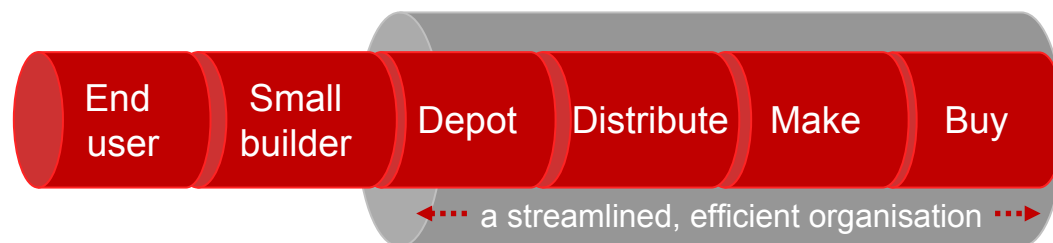
Focused product development



Building on our success in volume product

Lowest cost manufacturing and distribution

- ⇒ 4 million cabinets p.a. built in UK
 - Efficient, volume operation wholly focussed on Howdens needs
- ⇒ Managing suppliers to ensure stock availability
- ⇒ Exchange rate impact
 - Close focus on appropriate geographical sourcing



Map: 1 Howden, 2 Runcorn, 3 Northampton (distribution), 4 Egger (supply)

Working systems

- ⇒ Underpins in-stock model: must be fit for purpose
- ⇒ Complete review of systems following MFI exit
- ⇒ New depot IT system
 - More information-sharing and faster communication
- ⇒ New warehouse management system
 - Shorter lead times
 - Better stock management
 - Improved depot replenishment

Progressive implementation to ensure smooth operations

Summary

- ⇒ Trading well in difficult market conditions
 - Managing the MFI legacy
 - Gaining market share
 - New product focussed on small builder's needs
 - Lowest cost manufacture and distribution
 - Efficient supply chain management
 - Further opportunities for development
 - **Local accountability**

A focussed and adaptive business
strategically positioned for growth

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