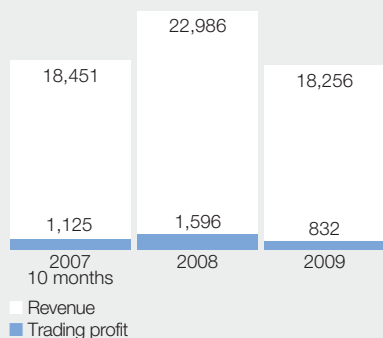


## European operations – Nordic

### Performance

		% of Group
Revenue	<b>£2,113m</b>	14%
Trading profit	<b>£96m</b>	19%

### DKKm



### Business strengths

#### Strong brand and market position

- ▶ A leading retailer and distributor of building materials in the Nordic markets
- ▶ Stark and Bejer are market leaders in Denmark and Sweden respectively
- ▶ Starkki is No.2 in Finland

#### Attractive market dynamics

- ▶ Fragmented building materials market

#### Established business model

- ▶ Industry leading working capital management
- ▶ Strong and experienced management team
- ▶ Well placed branch network
- ▶ Significant operational leverage on the upside
- ▶ Operating cash flow of DKK1.7 billion over the last 12 months

### Scale

# 296

Number of branches

# 6,749

Number of employees

### Key brands



Silvan is a Danish chain of DIY stores, represented broadly in Denmark, with a wide and well assorted product range targeting primarily DIY consumers.



Stark is a nationwide Danish chain of builders' merchants with sale of timber, building materials and tools, providing professional advice on building and logistics solutions to professional and DIY builders.



Starkki is a Finnish chain of builders' merchants with a wide and well assorted product range targeting professional builders, consumers, home builders, industry and distributors.



Bejer Byggmaterial is a Swedish chain of builders' merchants, which operate through combi-stores with a wide and well assorted product range targeting both professional customers and consumers.



Neumann Bygg is a Norwegian chain of builders' merchants trading with consumers, professional customers as well as industry and retailers.



Woodcote is a chain of builders' merchants and specialist stores in Central Europe trading from outlets across Poland, the Czech Republic, Slovakia, Hungary and Romania, providing heavyside building materials and internal systems to professional contractors throughout the region.

### Business profile

DT Group operates in Denmark, Finland, Sweden and Norway. Since 1 August 2008 the Woodcote business, which operates in the Czech Republic, Poland, Slovakia, Hungary and Romania, has reported through DT Group, as the product lines and customer profiles are similar.

The cluster trades through seven principal brands:

- Stark is the number one building materials distributor in Denmark, with 2009 revenue of DKK7.4 billion through 93 branches.
- Starkki is the second largest building materials distributor in Finland, with 2009 revenue of DKK3.5 billion through 22 branches.
- Bejer is the number one distributor of building materials in Sweden, with 2009 revenue of DKK3.3 billion through 64 stores.
- Silvan is a DIY and retail chain in Denmark, with 2009 revenue of DKK1.6 billion from 40 stores.
- Neumann Bygg is a Norwegian builders' merchant, with 2009 revenue of DKK1 billion through 14 stores.
- Woodcote is an Eastern European builders' merchant, with 2009 revenue equivalent to DKK0.7 billion revenue, with 42 branches.
- Cheapy is a Swedish DIY and retail chain of 20 stores, with 2009 revenue of DKK0.3 billion.



## Fundamentally attractive business sector

DT Group is a leading retailer and distributor of building materials in the Nordic markets. Its Stark and Beijer brands are market leaders in Denmark and Sweden respectively, with Silvan the number one DIY retailer in Denmark and Starkki, the second largest builders' merchant in Finland. DT Group has a well-placed branch network and a strong and experienced management team who have been responsible for driving cost and capital efficiency and establishing strong working capital management.

During the downturn, DT has continued to perform at least in line with the markets in which it operates. These are highly fragmented and the medium and long-term outlook for the construction market in this region is expected to be positive. There are future opportunities to further consolidate DT's leading market positions and benefit from its operational leverage once the market recovers.

## Market opportunities

The total construction market for the Nordic region was estimated by Euroconstruct at €107 million in calendar year 2008. While Euroconstruct has forecast an overall contraction of 8 per cent for calendar year 2009, with growth in civils and infrastructure partly compensating for a 30 per cent reduction in new residential building, Wolseley's experience has been that the market decline has been even steeper than this. In Denmark, government policies are aimed at supporting consumer confidence: tax rates have reduced as well as interest rates and mandatory savings schemes have been relaxed. The Swedish government has also provided support to consumers, increasing borrowing by the equivalent of 6.5 per cent of GDP. The recession in Finland is expected to last longer than in the other Nordic territories. In the longer term, population growth, particularly in Denmark and Sweden, which have recently had high levels of immigration, is expected to support the market.

## Strengths and strategy

The cluster has an established business model, strong brands and well-located branches in a large market which, because of its fragmentation, has attractive dynamics. In the current weak markets the focus has been on preserving cash and closing loss-making stores or divisions, while capturing market share from smaller operators. There are opportunities to build further on strong customer relationships, for example by providing services as well as products to private customers with larger projects and providing premium delivery services to professional customers and also to increase the share of own-brand products. As markets recover there will be opportunities to expand the branch network and to make acquisitions.

## Performance

Given the challenging market backdrop the Nordic region, which includes the Eastern European heavyside businesses of Woodcote, achieved a resilient performance in 2009, with all Nordic countries at least tracking in line with the market. For the year ended 31 July 2009 revenue for the Nordic cluster fell from DKK22,986 million (£2,290 million) to DKK18,256 (£2,113 million) reflecting an organic revenue decline of 18.4 per

cent. Trading profit of DKK832 million (£96 million) was 47.1 per cent lower than the prior year of DKK1,596 million (£159 million). Overall the gross margin was flat and the trading margin was 4.6 per cent (2008: 6.9 per cent) as management demonstrated its ability to reduce costs as business growth slowed. During the year there has been some benefit from government intervention to stimulate activity, particularly in Sweden, but with a negligible impact on the Nordic market.

In response to market conditions, the Nordic region reduced its headcount by 1,205 during financial year 2009. Restructuring actions taken will give rise to estimated annualised savings of DKK376 million. During the year action was taken to exit the DT Group's DIY business in Sweden trading under the Silvan brand, which was loss making. This resulted in the closure of eight branches with the conversion of three branches to Beijer Builders' stores.

Cash flow performance was strong, with a further reduction in cash-to-cash days achieved in the year ended 31 July 2009.

The Nordic cluster had 296 branches as at 31 July 2009 including 42 Woodcote branches (2008: 324).