



Ian Mason
Group Chief Executive

Overview

In May 2005, we committed to a plan to improve the financial performance of the Group significantly. The plan had three main elements:

- > Focus separately on two distinct customer groups: Electronic and Electromechanical (EEM) and Maintenance, Repair and Operations (MRO)
- > Implement the Enterprise Business System (EBS)
- > Create a lower cost infrastructure

This year has seen a step change in the delivery of each element of the plan which has consequently resulted in strong sales and profit growth. The two infrastructure elements of our plan are largely done. The roll out of EBS in Europe is now complete and three quarters of the targeted cost savings have been achieved, with the remainder well in hand. Our focus is on our customers and continuing to build on the enthusiastic response we have had to our improved EEM and MRO offers.

Electronic and Electromechanical (EEM)

Our EEM customers are primarily involved in electronics design and pre and low volume electronics production. Strong electronics market growth, technology proliferation and R&D investment make this an attractive and growing segment to serve, and catalogue-based distribution is the customers' preferred channel. Their primary need is access to as broad, deep and innovative a product range as possible.

During the year, we have updated our EEM product range: 100,000 extended range products have been made available over the web from our North American and Japanese offers; complete ranges of leading edge technologies have been launched (wireless and displays, solid state lighting, power supplies, embedded computing) and the current product ranges have been refreshed and increased in depth. We have improved our EEM offer promotion to make it more targeted and relevant to design engineers and done much more joint supplier promotion to leverage our relationships with strong brands. All of these initiatives are generating significant incremental revenue and re-establishing the Group as the leading EEM distributor. As well as continuing to develop our product range, new tools and flexible packaging options are being developed to better serve these customers' needs.

Maintenance, Repair & Operations (MRO)

Within MRO there is an important customer segment involved in factory automation that primarily uses process control and automation (PCA) products. Both the MRO and PCA segments have been buoyant due to the improved outlook for manufacturing and increased use of automation in the workplace.

Within Europe, an extended range of products from four leading PCA suppliers has been offered over the web and sales and marketing resources, including technology-specific discounts, have been more targeted at factory automation customers. As a result, PCA is growing strongly across Europe. The profitability of the MRO product ranges has been improved through range rationalisation, increasing use of own brand and better buying, with contribution growing faster than sales. These successful initiatives will be scaled up in the coming year to further improve profitability.

Customer Research

Customer research in the UK (soon to be completed in Europe) has demonstrated considerable improvements in customer perceptions across all service measures and value for money relative to competition. The actions we have taken on price and customer discounts have been recognised by the

customer. Our businesses have clearly become more competitive in meeting customers' needs and will continue to do so.

Summary

The Group's strategy is clear and its implementation is leading to strong sales and profit growth. The necessary infrastructure projects are largely behind us, and much preparatory work has been done to enable delivery of the strategy. We will focus on further improving our customer offers to drive growth as well as maintaining our control of costs. While there is much hard work still to do, clear plans are in place and the forthcoming year will be another of further progress.

A handwritten signature in black ink, appearing to read 'Ian Mason'. The signature is stylized and fluid, written over a light background.

Ian Mason
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