

Capital restructuring and unaudited half year financial results for the six months ended 31 January 2009

3/6/2009

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Along with the Half Year Results, a comprehensive package of measures is announced today to strengthen Wolesey's balance sheet and position the Group strongly for the future including:

1. Financial restructuring

- Proposed fully underwritten firm placing and rights issue to raise aggregate net proceeds of approximately £1 billion to reduce net debt.
- Pro forma net debt/EBITDA¹ of 1.9x and pro forma gearing² of 36.1% as at 31 January 2009.
- New €1 billion committed 2 year forward start debt facility to be provided by 5 core relationship banks from 1

August 2011 conditional upon completion of the firm placing and rights issue.

- Total committed debt facilities at 31 January 2009 of £4.3 billion providing liquidity headroom of £1.6 billion.

2. Clear strategic focus

- Focus on Wolseley's core businesses of North American Plumbing and Heating, UK and Ireland, Nordic and France, where it has built sufficient scale and can deliver appropriate financial return.
- No further expansionary capital to be allocated to France until financial performance improves.
- Process underway to dispose of or exit Stock by 1 August 2009. The Board's preference is to identify a joint venture partner for the business.
- Central and Eastern Europe business under strategic review.

3. Action to right size the cost base and reduce debt continues

Since 1 August 2007, the Group has:

- Implemented restructuring measures, including headcount reductions of around 17,000 and branch closures of 713.
- Net debt/ EBITDA is the ratio of net debt to trading profit plus depreciation and the amortisation of software and a full year trading profit of subsidiaries acquired in the period less the trading profit of subsidiaries disposed of in the period.
- Gearing ratio is the ratio of net debt, excluding construction loan borrowings, to shareholders' funds.
- Illustrative pro forma net debt/ EBITDA and gearing assuming that the anticipated proceeds of the share issue are used to pay down the Group's financial debt as at 31 January 2009.
- Initiated actions up to 31 January 2009 which are expected to deliver annualised cost savings of £572 million.
- Generated cash from working capital of £789 million including the benefit of receivables funding.

Half Year 2009 Financial Results

- Revenue of £8,284 million, up 3.2% on same period last year (2008: £8,029 million), 12.1% down in constant currency.
- Trading profit⁵ of £182 million, down 42.7% on same period last year (2008: £318 million), down 51.4% in constant currency.
- Profit before tax, exceptional items and amortisation and impairment of acquired intangibles down to £97 million, 61.4% down on same period last year, 65.6% in constant currency.
- Operating loss before tax of £880 million after exceptional items of £262 million and impairment and amortisation of acquired intangibles of £800 million.
- Significant working capital inflow in the period of £383 million resulting in net debt at 31 January 2009 of

£2,486 million after £409 million adverse effect of currency exchange.

- Group continues to operate within its banking covenants with net debt/EBITDA of 3.1x (31 July 2008: 2.7x).
- Excluding the effects of currency translation, the improvement in working capital cash to cash days at 31 January 2009 compared to FY 2008 is in line with the 10% improvement target for FY 2009.
- Capital expenditure reduced to £87 million (2008: £155 million) and is expected to be around £180 million in FY 2009.
- In light of adverse market conditions no interim dividend to be paid.

Outlook

- The Board is confident that the measures announced today represent a comprehensive package to strengthen the balance sheet and strongly position the Group for the future.
- The Board believes that the downturn in the UK, Irish and Nordic economies is likely to be generally more severe than that experienced in the remainder of Continental Europe.
- If markets deteriorate further than anticipated, the Board will ensure further actions will be taken to mitigate the resulting impact.
- Whilst actions will continue in our core businesses to reduce costs and generate cash, there will be a clear focus on margin management, serving the customer base and developing market opportunities.

Chip Hornsby, Wolseley plc Group Chief Executive said: "Our markets have been hit hard in recent months and in response we have continued to take prompt and decisive action to reduce both costs and debt. Following the completion of the comprehensive financial restructuring announced today, the Company's balance sheet will be substantially strengthened. In addition, the clear focus on those core markets where Wolseley has built leading positions will enable the Group to maintain investment in our key most profitable markets and remain strongly positioned to capitalise on future market recovery."

Photographs of Chip Hornsby, Group Chief Executive and Steve Webster, Chief Financial Officer are available at: www.newscast.co.uk and www.wolseleyimages.com

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