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Interim Management Statement

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Wolseley PLC

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Interim Management Statement for nine months ended 30 April 2009

Wolseley plc, the world's largest specialist trade distributor of plumbing and heating products to professional contractors and a leading supplier of building materials, is today issuing its Interim Management Statement for the nine months ended 30 April 2009. In accordance with normal practice, a pre-close end of year trading update will be issued on 27 July 2009.

Overview

As anticipated at the time of the Group's half year results announcement on 6 March 2009, most of Wolseley's markets have continued to weaken in March and April against the background of deteriorating economic conditions. In North America, challenging trading conditions in the US residential and non-residential markets continued. In particular, the US commercial and industrial sectors declined further during the third quarter. All of the Group's European operations have witnessed declining economic activity in the period. Wolseley's markets in the Nordic region and the UK and Ireland have generally shown greater levels of decline than markets elsewhere in continental Europe.

Consequently, the Group has continued to implement cost reduction actions and drive for increased cash generation from tight working capital control and ongoing restraint on capital expenditure. The recently completed capital raising and exit of the Stock US building materials activities leaves Wolseley strongly positioned to meet the current challenging market conditions.

Cost reduction and cash maximisation

In the nine months to 30 April 2009, restructuring actions announced in the period resulted in exceptional costs of £336 million and are expected to deliver cost savings of £316 million for the year ending 31 July 2009. The

expected annualised benefit of these actions is £511 million, further details of which are set out in the table in the "Notes to statement" section below.

During the third quarter, these actions have included the announcement of the rationalisation of the supply chain to reduce overcapacity in the UK through the proposed closure of the Didcot, Chorley, Henfield and Ripon distribution centres resulting in 270 redundancies and further action to lower the cost base in Ireland with planned headcount reductions of 180. During the period France has continued to take action to reduce headcount with an addition reduction of 557 in the quarter. Further cost reduction actions are planned in France for the fourth quarter which are expected to result in annualised benefits of £20 million. As announced at the interim results, actions in DT Group have been initiated to reduce staff and other costs and to restructure the DIY business in Sweden. Given the deteriorating market conditions in the US commercial and industrial sectors, Ferguson continued to take action to lower the cost base during the period with further headcount reductions of 1,171, bringing the total for the nine months to 30 April 2009 to 3,238.

The Group continues to take measures to drive down debt. Despite the very challenging trading backdrop and the increased pressure on receivables collection, the Group remains on track to deliver a 10% year on year constant currency improvement in working capital cash to cash days([2]) at 31 July 2009. Capital expenditure for the current financial year has been further curtailed and is likely to be around £160 million, or £20 million lower than previously indicated.

Net debt at 30 April 2009 was £1,534 million (30 April 2008: £2,875 million), representing gearing([3]) of 38.5% (30 April 2008: 81.2%) despite currency fluctuations which increased the sterling value of debt at that date by £448 million. The reduction in debt over the prior year represents the net proceeds of the capital raising and strong cash generation from improved working capital efficiency. Following the Stock transaction announced on 6 May 2009, the pro forma net debt to EBITDA ratio (after adjusting for the capital raising) as at 31 January 2009 was 1.7 times. Cash conversion(4) for the nine months to 30 April 2009 was 305% (nine months to 30 April 2008: 148%).

Since 6 March 2009 and following the proceeds of the £1 billion capital raising, the Group has cancelled £750 million of committed, but unutilised banking facilities. The Group is in a strong liquidity position with committed

facilities as at 30 April 2009 amounting to £3.6 billion.

Trading Performance

For the nine months ended 30 April 2009, Group revenue of £12,100 million was up 0.2% but was down 15% on a constant currency basis. Trading profit(1) of £189 million was 58% lower or down 65% in constant currency, and profit before tax, exceptional items and the amortisation and impairment of acquired intangibles of £72 million was down 80%, or 88% in constant currency. The above results include £10 million relating to the loss on disposal of MART, Wolseley's Hungarian business.

As previously announced, following the Joint Venture involving Wolseley's US Building Materials business with the Gores Group, Stock's results will be deconsolidated from Wolseley's financial statements with effect from 5 May 2009, except for those activities relating to the construction loans business which has been retained by Wolseley and will continue to be included in the Group's results. On a pro forma basis, Group revenue from continuing operations (excluding Stock but including construction loan losses) for the nine months ended 30 April 2009 was £10,962 million (2008 : £10,799 million) and trading profit was £297 million (2008: £521 million).

In North America, Ferguson continued to gain market share, although local currency revenue declined by 15%. Despite increasingly competitive market conditions the gross margin was only slightly lower with the business focusing on higher margin activities including showrooms, private label and counter sales. Underlying trading profit, excluding property profits, was down by 32%. The underlying trading margin for the nine months was 5.1% (nine months ended 30 April 2008: 6.4%).

Wolseley Canada saw a 2% local currency revenue decline, with trading profit 26% lower as the residential markets began to soften.

In Europe, revenue in the UK and Ireland continued to deteriorate principally as a result of further weakness in the RMI and a recent softening of the commercial and industrial markets. The Irish construction market, in particular, remained severely depressed with activity over 70% lower than the equivalent period in the prior year. Revenue for the UK and Ireland decreased by 15% in the nine months ended 30 April 2009 and trading profit was 75% lower than the equivalent period in the prior year.

In France the business environment has slowed more markedly since the half year. Wolseley France saw decreased local currency revenue of 10% in the nine month period and trading profit was around 70% lower.

The Nordic markets continued to deteriorate in the third quarter although the rate of deterioration has slowed in recent weeks. DT saw local currency revenue down 19% and trading profit down around 50%, although gross margins continue to hold up well.

In Central and Eastern Europe local currency revenue was down 8% and the business incurred a small loss in the period, before taking account of the one off loss of £10 million on the disposal of MART. The strategic review of the cluster is underway and will be announced prior to 31 July 2009.

Discontinued activities

Stock Building Supply continued to be affected by the US housing slow-down and saw local currency revenue fall by 30% with additional pressure on gross margins. Stock's trading loss for the nine months to 30 April 2009, excluding £20 million of losses relating to the construction loans activities, was £108 million.

On 8 May 2009, Stock announced the approval of all of its first-day motions by the United States Bankruptcy Court of Delaware. This approval enables Stock to operate normally through the Pre-Packaged Chapter 11 process and includes access to the Debtor in Possession (DIP) financing provided by Wolseley, up to a maximum of $100

million, to continue to fund its projected cash needs as it proceeds with its recapitalisation for the period of the Chapter 11 process. The financing is secured by a super priority position secured against all of Stock's assets and is expected to be repaid by early August.

Outlook

The Group expects market conditions to continue to deteriorate in the short term and anticipates that trading conditions will remain challenging until at least early 2010. In particular, the commercial and industrial market in the US is expected to soften over the remainder of the calendar year. The Group will continue to drive further cost reductions and take measures to maximise cash flow, as appropriate.

The recent capital restructuring, which raised approximately £1 billion net of expenses, combined with the Group's new debt facilities, leaves Wolseley strongly positioned both to meet the current challenges in the markets and to capitalise on a future market recovery. In addition, the recent exit from Stock Building Supply further strengthens the Group's financial position while enabling Wolseley's shareholders to participate in any future upside value potential.

Chip Hornsby, Group Chief Executive of Wolseley, said:

"Recent trading has proved extremely challenging and we continue to anticipate this will be the case until at least early 2010. In the circumstances our drive for tighter cost control and strong cash generation remains a key area of focus for the Group. These actions, coupled with the Group's recently strengthened financial position through the capital raising and exit of Stock, leaves Wolseley well placed both to meet the current challenges and to capitalise on a future market recovery."

(1) Trading profit, a term used throughout this announcement, is defined as operating profit before the

amortisation and impairment of acquired intangibles. Trading margin is the ratio of trading profit to revenue expressed as a percentage.

(2) Working Capital cash to cash days is the net of spot inventory days plus spot receivables days less spot payables days.

(3) Gearing ratio is the ratio of net debt, excluding construction loan borrowings, to shareholders' funds.

(4) Cash conversion is the ratio of operating cash flow to trading profit.

Notes to statement

The principal restructuring actions in the nine months ended 30 April are outlined in the table below:

	Cost	Headcount	2009 Benefit	Benefit
	£m	Reduction	£m	£m pa
UK and Ireland	84	2,819	71	133
France	-*	557	6	12
Nordic	21	1,287	15	42
Central and Eastern Europe	33	485	12	19
Europe	138	5,148	104	206
US plumbing and heating	46	3,238	92	154
Canada	4	32	1	2
North America	50	3,270	93	156
Group head office	1	11	4	5

Total continuing operations	189	8,429	201	367
Discontinued operations - US building materials	147	5,317	115	144
Total Group	336	13,746	316	511

*The exceptional cost of the headcount reduction in France in the period has been offset by a release of part of a restructuring provision made in the last financial year related to the announcement of the social plans in Q4 2008.

Analyst and Investor Conference Call

There will be an analyst and investor call at 0900 today, accessed by:

Dial in number: +44(0)20 7138 0822

Ask for the 'Wolseley' call

Slides relating to the call will be available on **www.wolseley.com**

The call will be recorded and available on our website after the event.

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Notes to Editors

Wolseley plc is the world's largest specialist trade distributor of plumbing and heating products to professional contractors and a leading supplier of building materials to the professional markets. Group revenue for the year ended 31 July 2008 was approximately £16.5 billion and trading profit was £683 million. At 31 January 2009, Wolseley had around 63,000 employees operating in 27 countries namely: UK, USA, France, Canada, Ireland, Italy, The Netherlands, Switzerland, Austria, Czech Republic, Hungary, Belgium, Luxembourg, Denmark, Sweden, Finland, Norway, Slovak Republic, Poland, Romania, San Marino, Panama, Puerto Rico, Trinidad & Tobago, Mexico, Barbados and Greenland. Wolseley plc is listed on the London Stock Exchange (LSE: WOS) and is in the FTSE 250 index of listed companies.

Certain information included in this announcement is forward-looking and involves risks and uncertainties that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Forward-looking statements include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions

of expected future revenues, financing plans and expected expenditures and divestments. All forward-looking statements in this release are based upon information known to the Company on the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

It is not reasonably possible to itemise all of the many factors and specific events that could cause the Company's forward-looking statements to be incorrect or that could otherwise have a material adverse effect on the future operations or results of an international Group such as Wolseley. Information on some factors which could result in material difference to the results is available in the Company's Annual Report to shareholders for the year ended 31 July 2008.

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This information is provided by RNS
The company news service from the London Stock Exchange

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