NEWS RELEASE

Interim Management Statement

11/18/2008

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 to coincide with its **Annual General Meeting** at noon today, at Haberdasher's Hall, 18 West Smithfield, London, EC1A 9HQ.

Presentations to analysts, investors and shareholders and a podcast can be downloaded from our **Presentations and Webcasts** page.

Summary for three months ended 31 October 2008:

Overview

- Overall pattern and scale of current market deterioration is broadly in line with the Group's expectations at the time of the September outlook statement.
- As expected, there has been a further deterioration in the trading environment particularly in the UK and Nordic regions.
- The Group continues to progressively implement cost reduction measures to appropriately size the cost base.

Operating Highlights

- Revenue up 2%, down 8% in constant currency and trading profit down around 30%, 40% in constant currency.
- Profit before tax, exceptional items and amortisation and impairment of acquired intangibles down around 45%, 50% in constant currency.
- Net debt up 8% since 31 July 2008 to £2,685m due to adverse currency exchange and seasonality of working capital.
- Group remains on track to achieve 10% reduction in working capital cash to cash days in 2009 and the level of debt is expected to be lower at the half year stage.

Restructuring Actions

- Actions initiated in first quarter have resulted in combined exceptional restructuring charges of £163 million, annualised savings of £134 million and headcount reductions of around 5,000.
- Further actions announced today will incur exceptional restructuring charges of £45 million, generate annual savings of £103 million and headcount reductions of over 2,300, the majority of which are in the UK.

Outlook

- The Group expects the markets in which it operates to continue to deteriorate in the short term.
- Action will continue to be taken to right size the Group's businesses over the remainder of this financial year.
- Appropriate actions will be pursued to reduce debt to ensure continued compliance with banking covenants.

Chip Hornsby, Group Chief Executive of Wolseley, said:

"While these results reflect a further deterioration in the business environment in the first quarter it was not unexpected, and, we continue to react swiftly to market conditions with aggressive but measured cost reduction. In these unprecedented circumstances, the key priorities remain driving cost reduction and enhancing cash flow to ensure the Group remains compliant with its banking covenants."

Overview

For the three months ended 31 October 2008, the Group's results continued to be affected by the unprecedented events in the financial markets and their wide ranging impact on the housing market and consumer sentiment. As expected, these factors have caused a further deterioration in the trading environment since September, particularly in the UK and Nordic regions.

Group revenue in the three months ended 31 October 2008 was up 2% compared to the corresponding period in the prior year. Gross margins continue to hold up relatively well and are only marginally down from the equivalent period in the prior year. Trading profit was down by around 30% primarily due to lower profitability in Stock Building Supply and Wolseley UK. In constant currency, revenue would have been 8% lower and trading profit 40% lower than the corresponding period in the prior year.

Our objective remains to ensure the appropriate sizing of the cost base in line with the expected market environment. In addition, we continue to focus on driving strong cash generation to reduce net debt. The principal actions in the first quarter are set out below:

1. Restructuring actions

In the three months ended 31 October 2008, further cost reduction actions were implemented across the Group resulting in £163 million of exceptional restructuring charges and headcount reductions of around 5,000. The actions are expected to save £93 million in the current year and generate annualised savings of £134 million. This includes the restructuring of Stock Building Supply announced on 23 October 2008.

In addition, further actions are being announced today in the UK and Nordic regions which are detailed by division below. These will incur exceptional restructuring charges of £45 million, generate annual savings of £103 million and headcount reductions of over 2,300.

2. Cash maximisation

Net debt at 31 October 2008 is 8% higher than at 31 July 2008, primarily due to currency translation and seasonality, with gearing higher at 74.7% compared with 73.5% at 31 July 2008. The Group has committed and undrawn banking facilities available of over £1 billion as at 31 October 2008 and has no need for additional facilities until after the year ended 2011. An additional facility of $230 million has recently been arranged and is available until 2011.

The Group's overall level of net debt is sensitive to movements in exchange rates. Since July, the US dollar has strengthened markedly against sterling and the euro. Transactions to convert £300 million of US dollar denominated debt and £500 million of euro denominated debt to sterling were completed to reduce the adverse effect of any further depreciation of sterling. The weakness of sterling has had a favourable translation effect on trading profit of £23 million in the first quarter.

Operating cash flow for the first three months was down on the equivalent period in the prior year as a result of a lower level of trading profit and a seasonal reversal of the strong working capital performance at the year end. In 2009, the Group has set an overall target to reduce working capital cash to cash days by more than 10% and is on track to achieve this.

Capital expenditure in the first quarter was lower than the corresponding period last year, and is in line with a targeted spend of around £180 million for the full year (2007/2008: £317 million).

We continue to explore further receivables factoring transactions in Europe. In addition, selective property and business disposals will be made where appropriate value can be derived. As previously announced, during the first quarter, eight properties were sold for £43 million with a profit of £11 million.We expect the level of debt to be lower at the half year stage. Further details of market conditions and financial performance in each of the Group's businesses are set out below.

North America

In North America, revenue in the three months ended 31 October 2008 in sterling, was marginally up compared to the corresponding period in the prior year. Trading profit was down by around 15% reflecting a first quarter loss reported by Stock. In constant currency, revenue and trading profit would have been around 10% and 22% lower than the corresponding period in the prior year.

The Group's US results have continued to be affected by the ongoing decline in US housing starts and falling consumer confidence. Despite the slowing new residential and RMI markets, Ferguson performed well in the first quarter. Revenue in US dollars for the three months ended 31 October 2008 and underlying trading profit excluding property profits for the quarter were down around 10%. The gross margin was slightly up on the first quarter of 2007/2008, reflecting the benefits of continued focus on increasing private label sales and refining the pricing matrix which more than offset the effect of lower commodity prices. The trading margin was slightly lower than the corresponding period in the prior year.

Ferguson continued to gain market share, benefiting from its strong market positions, against a background of increasing signs of competitor distress. During the first quarter Ferguson also benefited from the stability of the commercial and industrial market. Given the slowing economy and the expected decline in the commercial and industrial segment in the early part of 2009, a further programme of cost reduction has been implemented by Ferguson in the first quarter.

To date, this includes an additional headcount reduction of 1,100 employees and 50 branch closures. These actions are expected to result in annualised savings of £29 million.

At Stock, revenue and trading profit in US dollars have been impacted by the continuing slowdown in the new residential market. Stock's revenue was down by around 20%, principally reflecting a similar decline in same store sales volumes. Sales in the new residential market now only account for 65% of Stock's total revenues (Q1 2007/2008 : 74%). This reflects the combined effect of expanding Stock's presence in the RMI and the Commercial and Industrial segments and lower sales in new residential construction.

Stock's trading loss for the three months ended 31 October 2008 was around $60 million (Q1 2007: loss of around $6 million). The housing starts figure for September 2008 was 817,000 units and the lumber price fell to $234 for October 2008, which represents declines of 31.1% and 11% respectively on the corresponding levels a year ago. However the gross margin shows increasing signs of stabilising.

The fundamental restructuring of the Stock business to further downsize its operations in line with the deteriorating market conditions has largely been completed and the balance of the branch closures should be completed by the end of November 2008. Cumulative headcount reductions initiated in the first quarter were around 3,400, with exceptional costs of £126 million, targeting annualised savings of £81 million.

The Canadian residential market continues to hold up well and has not been significantly impacted by the factors affecting the US housing market. Wolseley Canada achieved modest local currency revenue and trading profit growth.

Europe

Revenue in sterling for Europe was marginally up in the three months ended 31 October 2008, whilst trading profit was down by around 50% mainly as a result of the lower level of profitability in the UK.

Revenue for the UK and Ireland decreased by about 10% with trading profit down by around 65%. There has been a rapid deterioration in UK market activity although our expectation of the likely scale of the downturn has not changed materially since our outlook statement at the final results announcement in September 2008.

Trading patterns were mixed across the three UK segments. The heavyside building materials brands, such as Build Center and Brooks (Ireland), continued to be affected by the rapid deterioration in new residential construction. This was particularly true in Ireland, where housing starts were down by over 60% on the equivalent quarter of the prior year. Across the lightside plumbing and heating brands, Bathstore, which is geared to consumer markets, reported a significant deterioration in revenue in the first quarter. However, Plumb Center continues to show its resilience, with more than two thirds of revenues relating to the residential RMI market and, in particular, the heating segment which remains relatively robust. The Commercial and Industrial business continues to hold up well. The gross margin is slightly up on the first quarter of the prior year, although there are increasing signs of competitive pricing pressure.

During the first quarter, headcount reductions of 170 were made at a cost of £6 million and expected annualised savings of £8 million. Wolseley UK is announcing today a further programme of cost reduction which will reduce annualised costs by at least £80 million. In anticipation of further market decline, the restructuring will be phased over the next few months and when completed is expected to result in headcount reductions of around 2,000, subject to employee consultation, over 200 branch closures and consolidations and exceptional costs of £45 million.

In France, reported revenue in euros for the three months ended 31 October 2008 was marginally up. Consumer sentiment continued to weaken. The underlying gross margin was slightly up on the equivalent period in the prior year. Excluding €10 million, relating to the phasing of accounting estimates, the effects of which will reverse by the half year, the trading profit was marginally down, including the additional cost of the receivables factoring arrangements. Over the last six months, the Heavyside division outperformed the market by approximately 2%. The Lightside division underperformed the market by a similar amount due to continued repositioning of its traditional heating business.

The previously announced headcount reduction programme has now been largely completed. The remaining 200 redundancies will be phased over the next six months.

For the three months ended 31 October 2008, DT Group reported revenue, in local currency down around 10% with trading profit down around 25%. The market environment in the Nordic region has deteriorated significantly since the Group's final results announcement in September. Over the summer months macro-economic conditions remained favourable, but negative economic news flow has precipitated a rapid deterioration in all four new residential construction markets in the region. This has included the withdrawal of developers from a large number of construction projects across the region. The RMI markets are currently less affected, although DIY markets, which represent about 13% of Nordic revenues, are continuing to slow.

Given the rapidly deteriorating market conditions actions taken in the first quarter have resulted in headcount reductions of 170 and expected annualised savings of £10 million. Actions are currently underway which are expected to reduce headcount by a further 380 in the second quarter resulting in additional annualised savings of £23 million and further measures will be taken in the next few months. Revenue in Central and Eastern Europe, in local currency was flat with trading profit down around 50%. This was primarily as a result of competitive pressure on margins, and an increase in bad debt provisions. A cost reduction programme commenced in the first quarter targeting headcount reductions of 180 and aannualised savings of £6 million. The programme is expected to be complete by the end of January 2009.

Outlook

Given the growing impact of the recent turmoil in the financial markets on the broader world economy and the construction industry, the Group expects the markets in which it operates to continue to deteriorate. However, the overall pattern and scale of current market deterioration is broadly in line with the Group's expectations at the time of the September outlook statement.

Action will continue to be taken to appropriately size the Group's cost base over the remainder of this financial year. In addition to the focus on continuing cost reduction, the Group will pursue selective actions to reduce debt to ensure it remains compliant with its banking covenants.

A conference call for analysts and investors was held earlier.

Slides relating to the call are available. A podcast of the conference call in MP3 format may be downloaded.

Slides relating to the AGM presentation can be viewed or **downloaded**.

Exchange Rates

The average profit and loss account translation rate for the three months to 31 October 2008 was $1.79 to the £1 compared to $2.03 for the comparable period last year, a strengthen of 13.2%, and €1.26 to the £1 compared to €1.45, a strengthening of 15.3%, compared to the comparable period last year.

Trading profit, a term used throughout this announcement, is defined as operating profit before exceptional items the amortisation and impairment of acquired intangibles. Trading margin is the ratio of trading profit to revenue stated as a percentage.

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 in North America, the UK and Ireland and Continental Europe. Group revenue for the year ended 31 July 2008 was approximately £16.5 billion and trading profit was £683 million. At that time Wolseley had around 75,000 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 and New York Stock Exchanges (LSE: WOS, NYSE: WOS) and is in the FTSE 100 index of listed companies.

Certain information included in this release 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.

A **copy of this release**, together with all other recent public announcements can be found on Wolseley's web site Copies of the presentation given to institutional investors and analysts **are also available** on this site.

FULL ANNOUNCEMENT

Download Interim Management Statement (pdf)

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