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Interim Management Statement

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Wolseley PLC

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Interim Management Statement

Summary for three months ended 31 October 2009:

Overview

- Market trends and trading performance remain in line with management's expectations set out in the full year results announcement in September.
- Revenue from continuing operations down by 13% to £3,395 million, or 20% in constant currency and trading profit from continuing operations down by 41% to £104 million, or 46% in constant currency.
- Underlying trading profit down 28%.
- Profit from continuing operations before tax, exceptional items and amortisation and impairment of acquired intangibles down 45% to £76 million, 50% in constant currency.
- Net debt increased from 31 July 2009 to £1,223 million primarily due to seasonality of working capital.

Outlook

- The Group expects market conditions to remain challenging, particularly in the Industrial and Commercial segment.
- The New Residential and RMI markets are expected to continue to move towards stabilisation; although the majority of the Group's Commercial and Industrial markets are likely to deteriorate further in the short term.

- The Group will continue to focus on delivering improved service to customers, protecting share and gross margin, driving further cost reductions and delivering a good cash performance.

Ian Meakins, Group Chief Executive of Wolseley, said:

"The overall trading environment continues to be extremely tough and we remain firmly focused on driving operational performance. We will continue to focus on delivering improved service to our customers, protecting share and gross margin, driving further cost reductions and delivering a good cash performance.

"At the same time, we are making good progress in evaluating our businesses to prioritise future investment."

Overview

For the three months ended 31 October 2009, market trends and trading performance remain in line with management expectations set out in the full year results announcement in September. Overall the like for like sales trends in the first quarter are more favourable than the fourth quarter of the prior year.

Group revenue in the three months ended 31 October 2009 was £3,395 million, down 13% compared to the corresponding period in the prior year. In the main, the majority of the Group's business units maintained or improved their market share in the quarter. The overall gross margin was 50 basis points down from the equivalent period in the prior year and it is likely that this pricing pressure will continue. Trading profit was down by 41% to £104 million reflecting lower profitability in Ferguson due to the further decline in the Commercial and Industrial market. On a constant currency basis revenue declined by 20% and trading profit was 46% lower than the corresponding period in the prior year.

The Group continues to focus on maintaining tight control on costs. During the first three months, restructuring costs of £10 million (Wolseley UK £5 million, North America £3 million, France £1 million and Central and Eastern Europe £1 million) have been incurred and charged against trading profit. These costs may be reclassified as exceptional in subsequent periods if further similar costs are incurred and they become material in aggregate to the Group. In the prior year, a profit of £4 million on the disposal of businesses in France was included in trading profit in the first quarter, which was later reclassified as exceptional. In addition, the prior year included a one off property profit of £13 million at Ferguson. Excluding the effect of all of these items underlying trading profit was down 28%.

As anticipated, net debt at 31 October 2009 was higher at £1,223 million than at 31 July 2009 (£959 million). The level of net debt is expected to be lower at the half year stage and should be further reduced by 31 July 2010.

Operating cash flow for the first three months was down on the equivalent period in the prior year as a result of the lower level of trading profit and a seasonal reversal in the strong working capital performance at the year end. We continue to expect a modest inflow of cash relating to working capital for the year ending 31 July 2010.

Plans for the deployment of the Group's Business Change Programme in Ferguson over the remainder of the financial year are currently being reviewed in order to defer costs and avoid business disruption in difficult markets. This is likely to impact the deployment of this programme which could result in an impairment at the half year stage. The carrying value of this asset on the Group balance sheet is currently £140 million.

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 2009 in sterling, was down 17% compared to the corresponding period in the prior year. Trading profit was down by around 44% reflecting lower profitability in Ferguson and the one off property profit in the prior year previously mentioned. On a constant currency basis, revenue and trading profit were around 24% and 49% respectively, lower than the corresponding period in the prior year.

Ferguson experienced a further decline in the Commercial and Industrial market in the three months ended 31 October 2009 due to continued shortage of funds for project financing available. However, most of the Residential markets are showing increasing signs of stabilisation. Revenue in local currency for the three months ended 31 October 2008 was down around 26% and underlying trading profit excluding property profits for the quarter was down around 47%. The gross margin was marginally lower compared to the first quarter of FY2009 and it is likely that the increasing pricing pressure will continue.

Local currency revenue for Wolseley Canada decreased by around 16% with trading profit down around 33% due to the lower level of sales and a lower gross margin.

Europe

Revenue in sterling for Europe was down by around 10% in the three months ended 31 October 2009, whilst trading profit was down by around 23%. On a constant currency basis revenue and trading profit declined by approximately 16% and 30% compared to the corresponding period in the prior year.

While revenue for the UK and Ireland decreased by about 13%, trading profit excluding £5 million of restructuring costs was up by around 17%, due to the benefits of cost reduction actions in the prior year. The overall gross margin was around 2% lower than the first quarter of the prior year due to the competitive pricing pressure. There are increasing signs of stabilisation in the Residential and RMI markets in the UK and there has recently been a slowing in the rate of decline in the Commercial and Industrial market. Trading profit in the Lightside division was marginally up in the first quarter despite a lower gross margin, and the Heavyside division is showing improving sales and profit trends. Trading profit in the Commercial and Industrial division continues to be

affected by aggressive price competition and competitive tendering. The Irish market continues to be extremely challenging, although the rate of trading losses has stabilised and is broadly in line with the corresponding period in the prior year.

For the three months ended 31 October 2009, the Nordic region reported revenue, in local currency down around 19% with trading profit down around 14%. Market conditions in Denmark continue to be the most challenging within the region, while revenue in Sweden almost reached the level of the prior year. Despite some pricing pressure, the underlying gross margin was slightly ahead on the equivalent period in the prior year as a result of a better mix and improved rebate terms negotiated with suppliers.

In France, revenue in local currency for the three months ended 31 October 2009 was down by 17%. The gross margin was marginally down on the equivalent period in the prior year due to the Lightside division, while Heavyside continued to hold its gross margin. Management action continues to focus on lowering the cost base by implementing the social plans launched in June and July, repositioning the business towards renewable energy products and improving customer service. Wolseley France made a trading loss of £9 million for the three months ended 31 October 2009 (2008: breakeven position excluding £4 million profit on disposal) mainly as a result of continued underperformance in the Lightside division.

Revenue in Central and Eastern Europe (C&EE), in local currency was down around 16% with trading profit down around 33%. Wolseley has recently completed the disposal of the Belgium and Slovakian Lightside businesses. The disposal of the Czech Lightside business is also underway and is expected to be completed in the next few weeks. The loss on disposal arising from these actions was provided as an exceptional cost in the prior year. In the year ended 31 July 2009 these businesses generated revenue of £66 million. On a pro forma basis, revenue in local currency for the first quarter for the continuing businesses in C&EE was down 7% and trading profit was down 28%.

Outlook

The Group expects market conditions to remain challenging, particularly in the Industrial and Commercial segment. The New Residential and RMI markets are expected to continue to move towards stabilisation; although the majority of the Group's Commercial and Industrial markets are likely to deteriorate further in the short term. The Group will continue to focus on delivering improved service to customers, protecting share and gross margin, driving further cost reductions and delivering a good cash performance.

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Analyst and Investor Conference Call

There will be an analyst and investor call at 0830 UK time today, accessed by:

Dial in number:	+44 (0)20 7138 0842
Ask for the ‘Wolseley’ call	

Slides relating to the call will be available on the corporate website from 8:15am.

http://www.wolseley.com/investor-centre/presentations-and-webcasts/2009.aspx

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

About Wolseley

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 Continental Europe. Group revenue for the year ended 31 July 2009 was approximately £14.4 billion and operating profit, before exceptional items and the amortisation and impairment of acquired intangibles, was £447 million. At 31 July 2009 Wolseley had around 51,000 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 is listed on the London Stock Exchange (LSE: 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.

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 2009.

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

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