NEWS RELEASE

Joint Venture of Stock Building Supply

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Wolseley PLC
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WOLSELEY ANNOUNCES JOINT VENTURE OF STOCK BUILDING SUPPLY

Highlights

- Agreement signed with affiliates of The Gores Group, LLC to enter into a Joint Venture (“JV”) of Stock Building Supply, with Wolseley retaining a 49% equity interest
- Joint venture structure preserves Wolseley's shareholder participation in long-term value potential of the business whilst deconsolidating losses and conserving cash
- Sale and recapitalisation will be effected with a pre-packaged Chapter 11 reorganisation to facilitate sale through restructuring resulting in payment in full of all trade creditors
- Wolseley to retain ownership of the construction loans business with a view to a future exit when appropriate
- £375 million additional covenant headroom created by the transaction based on 31 January 2009 results; pro forma Net debt to EBITDA (post capital raising closed on22 April 2009) as at 31 January 2009 of 1.7 times

Chip Hornsby, Group Chief Executive of Wolseley, said:

"I am pleased we have partnered with The Gores Group to create a solution that will allow Wolseley to exit Stock. This is in line with our stated strategy and we believe is in the best interests of the business and the Group's shareholders, customers and employees. In particular, the transaction allows Wolseley shareholders to participate in the long-term value potential of the business while strengthening the Group's financial position. A Chapter 11 pre-packaged reorganisation is a frequently used procedure to sell and recapitalise businesses in the US and should enable an orderly transaction while honouring our commitments to our trading partners."

Alec Gores, founder and chairman of The Gores Group, said:

"We are enthusiastic to partner with Wolseley and the Stock management team on this transaction. We believe that given Stock's leadership in the marketplace, it is well positioned to benefit from a recovery in the sector. Wolseley has already taken aggressive actions to mitigate the effects of the US housing downturn on the Stock business by continuing to diversify its exposure to new residential construction and streamline its operations. We believe the steps already taken by Wolseley in tandem with Gores' focus and operational expertise, will position Stock well to continue to provide high quality products and service to its customers and to return to profitability when the economy improves."

Overview

Wolseley today announces that it has sold 100% of the shares of Stock Building Supply Holdings LLC ("Stock") to a joint venture company ("NewCo") in exchange for 49% of the common equity of NewCo and nominal consideration. The Gores Group, an American investor, will own a majority interest in NewCo and has also committed to making further investments in the business conditional upon approval of a reorganisation under a Chapter 11 pre-packaged arrangement. These are outlined below.

Gores will control NewCo and Wolseley will have 2 board seats out of a total of 7. The business will continue to use the Stock Building Supply brand, and be led by the existing Stock management team including Joe Appelmann as President.

The transaction gives Stock a positive future with a new partner whilst Wolseley's minority interest in NewCo preserves Wolseley shareholders' ability to participate in the long-term value potential of the business and strengthens the Group's financial position.

Chapter 11 Pre Packaged Arrangement

Under the Agreement Gores has committed to make additional investments in the Stock business conditional upon completion of a restructuring of Stock by way of a standard pre-packaged Chapter 11 reorganisation ("pre-

pack"). The additional investment would be in the form of preferred equity of $US 75 million and a revolving line of credit bridge facility in an amount up to $US 125 million. The Board believes that the recapitalisation of Stock through a pre-pack is in the best interests of the Group and its shareholders, customers and employees.

A pre-pack is a frequently used procedure to sell and recapitalise businesses in the US and will facilitate an orderly change of control transaction. All leases for locations previously closed by Stock and certain additional locations which are marked for closure will be rejected as provided within the bankruptcy code. The pre-pack will provide for payment in full of all trade creditors and the full allowed amount of other creditors, as provided for under the bankruptcy code, which will allow Stock to continue to conduct business during the Chapter 11 process. It will create a substantially lower cost base, allowing Stock to emerge financially stronger and better able to weather the remainder of the current housing downturn.

To provide Stock with cash to meet its obligations to customers, employees and suppliers during the pre-pack period, (expected to last 45-60 days), Wolseley has agreed to provide a funding facility of up to $US 100 million of funding (known as debtor in possession financing) for the duration of the pre-pack process. Wolseley plc and its other subsidiaries including its Ferguson business in the US will not be affected by this process. The pre-pack is subject to approval of the bankruptcy court. No other approvals are required for the transaction to proceed.

Strategic rationale of the transaction

On 6 March 2009 Wolseley announced its intention to exit Stock, in line with its strategy to focus on its core businesses of North American Plumbing and Heating, UK and Ireland, France and the Nordic businesses and to conduct a strategic review of its Central and Eastern European division. The Board concluded that Stock has fundamental differences from the rest of Wolseley's portfolio; it derives a high concentration of revenue from the US new residential housing market and its profitability is highly sensitive to the price of lumber.

Consistent with this announcement, this transaction gives Wolseley's shareholders an opportunity to participate in

the long-term value potential of the business whilst ensuring deconsolidation of Stock's operating losses and conserving cash.

Financial effects of the disposal

The Stock business will be deconsolidated from Wolseley's financial statements from 5 May 2009 and the Group's 49% interest in NewCo will be recognised as an equity interest in an associate company.

The transaction will further improve the Company's headroom position with respect to its banking covenants, which require the ratio of Net Debt to EBITDA to not exceed 3.5 times. Applying the transaction on a pro forma basis to the covenant calculation at 31 January 2009 would have increased headroom by approximately £375 million and, taking into account the net proceeds of approximately £1 billion of the capital raising which closed on 22 April 2009, the pro forma Net Debt to EBITDA ratio would have been 1.7 times. Stock's operating losses, other than those that arise on the construction loan portfolio, will be excluded from the EBITDA calculation for the covenant tests as at 31 July 2009 and 31 January 2010.

Wolseley's consolidated financial accounts for the year ending 31 July 2009 will contain a pre-tax exceptional loss on disposal, which will be dependent on the final agreed value of assets and liabilities including working capital, transferred to NewCo and is not expected to exceed £175 million. There will also be a further exceptional provision relating to the impairment of the construction loans receivable which will be determined in conjunction with the year end audit. The consolidated financial statements for the year ending 31 July 2009 will also include a restatement of the 2008 comparatives in which the Stock business (excluding the construction loan portfolio) will be classified as a discontinued operation.

Construction lending arrangements

Over the past 44 years Stock has offered a construction lending service to selected customers which are used by them to finance primarily residential construction projects. Both new loan originations and the outstanding loans have been reduced over the past twelve months reflecting a more cautious approach to lending following

the continuing decline in the US housing market. At 31 January 2009 construction lending receivables on Wolseley's balance sheet, financed by an equivalent amount of construction loan borrowings, were $US 391 million (£269 million) (31 July 2008 : $US 470 million (£237 million)).

The construction loans business, which employs 54 people, has been excluded from the transaction and will be retained by Wolseley. The Group intends to continue to operate the business but to effect a phased reduction in the portfolio over the next 2-3 years. It expects to continue to undertake selective lending to allow for an orderly reduction in the scope of the business. The portfolio will also be reduced through a phased withdrawal from selected markets to position the business for a possible future sale. Consequently, the majority of the construction loan management team will be retained.

Information on Stock Building Supply

Stock is the second largest provider of building materials and construction services to professional home builders and contractors in the United States. The Company was formed from Wolseley's acquisition of Carolina Builders in 1986 and has subsequently grown through a series of acquisitions. The business is headquartered in Raleigh, North Carolina and operates from approximately 200 locations in 27 states with 7,250 associates.

For the year ended 31 July 2008 the Stock business being transferred to Newco generated revenue of $US 2,561 million (£1,280 million) and a trading loss of $US 119 million (£59 million). It had gross assets at 31 July 2008 of $US 1,354 million (£682 million) and net assets of $US 960 million (£484 million).

Information on The Gores Group, LLC

Founded in 1987, The Gores Group, LLC is a private equity firm focused on acquiring controlling interests in mature and growing businesses which can benefit from the firm's operating experience and flexible capital base. The firm combines the operational expertise and detailed due diligence capabilities of a strategic buyer with the seasoned M&A team of a traditional financial buyer. The Gores Group, LLC has become a leading investor having demonstrated over time a reliable track record of creating substantial value in its portfolio companies alongside

management. The firm's current private equity fund has committed equity capital of $1.7 billion. Headquartered in Los Angeles, California, The Gores Group, LLC maintains offices in Boulder, Colorado and London. For more information, please visit **www.gores.com**

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 0817

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
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