

Preliminary Results for the Year Ended 31 July 2007

9/24/2007

Financial highlights

	Year to 31 July 2007 £m	Year to 31 July 2006 £m	Reported %	Change in constant currency(1) %
Group revenue	16,221	14,158	14.6	21.2
Group trading profit(2)	877	882	(0.6)	5.5
Group operating profit	753	834	(9.7)	(4.2)
Group profit before tax, before exceptional items and amortisation and impairment of acquired intangibles	758	817	(7.3)	(1.5)
Group profit before tax	634	769	(17.6)	(12.5)
Earnings per share, before exceptional items and amortisation and impairment of acquired intangibles	87.80p	98.90p	(11.2)	(6.9)
Basic earnings per share	73.52p	90.77p	(19.0)	(15.1)
Total dividend per share (interim paid, final proposed)	32.40p	29.40p	10.2	10.2

Overview

- Results demonstrate the benefits of the Group's diversity and its ability to react swiftly to the challenging US housing market, the weaker dollar and price deflation in lumber and panels.
- Strong revenue growth although trading profit, after currency translation, held back by the above factors and £28 million of restructuring and other one-off costs. Constant currency trading profit up 5.5%.

- Operating cash flow up 53% to £1,299 million (2006: £850 million) reflecting increased focus on cash flow to finance future growth.
- Strong financial position with gearing(3) of 71.5% (2006: 75.2%) and interest cover(4) of 7 times (2006: 14 times).
- Increase in dividend of 10.2% for the full year to 32.40 pence per share (2006: 29.40 pence) reflecting the Board's confidence in the future prospects of the Group.
- Benefits of the Group's Earn, Turn, Grow initiative, announced earlier this year, will become increasingly apparent in driving towards the minimum 7% trading margin target by 2011.

Operating highlights

- Market share gains by all of the Group's principal businesses.
- Increased diversity as the Group has expanded its activities into eight new European countries.
- North American revenues declined slightly overall. This reflects the difficult trading conditions for Stock caused by the slowing US residential market, partly offset by strong growth in Ferguson which achieved 5.5% organic growth. Trading profit was down 19% due to Stock's lower profitability and the effect of currency translation.
- Ferguson's trading margin of 7.2% is a record for the business.
- Revenue growth of 46.8% in Europe included 31.4% from the acquisition of DT Group and 8.8% organic growth. Trading profit was up 36.9%, of which 31.4% was DT Group. Trading margin was lower, reflecting restructuring charges in UK and Italy.
- Good progress in France with 10.3% increase in local currency revenue and 13.1% in trading profit, with Brossette achieving €1 billion of revenue for the first time.
- DT Group performing ahead of expectations and Central and Eastern Europe achieved 22.4% increase in revenue, including 11.7% organic growth.
- Further leverage of the Distribution Centre ("DC") investment in the UK, France and Italy. A total of 638 new branches added.
- Bolt on acquisition investment of £379 million for 43 acquisitions completed, which are expected to add £671 million of revenues in a full year. This is in addition to the £1,339 million acquisition of DT Group completed on 25 September 2006.

Outlook

- Recent events relating to the subprime market in the USA and the subsequent concerns over liquidity in global financial markets have created uncertainty which is reflected in less favourable recent sales trends for a number of the Group's businesses. It is too early to assess whether these trends will continue.
- There are no signs yet of any upturn in the US housing market and the repairs, maintenance and

improvement (“RMI”) market is now beginning to soften. The commercial and industrial market should remain positive, albeit at lower rates of growth. The strength and diversity of the Group’s US operations and their ability to respond rapidly to the changing operating environment will enable them to continue to outperform the market.

- Generally in Europe, the underlying fundamentals of the construction markets remain sound and Wolseley’s operations are expected to show further good progress.
- Irrespective of market conditions, the Group will continue to execute its strategy of value creation through a combination of organic growth and acquisitions. The Group is confident that it will generate competitive advantage by pursuing the initiatives relating to supply chain, sourcing and private label. The rigorous focus on cash flow maximisation and cost efficiency will continue as will the swift and decisive action in response to prevailing market conditions. The Group is positioned well to benefit from any improvement in business and consumer confidence.

Chip Hornsby, Group Chief Executive of Wolseley said:

“Despite the ongoing difficulties in the US housing market, we have produced a very creditable performance. Europe continues to progress, achieving strong profit improvement and benefiting from acquisitions during the period, whilst in the US we have been fast and decisive in reducing our cost base in reaction to deteriorating market conditions. We will not be deflected from the rigorous execution of our long term strategy to create competitive advantage and a truly world class company.”

Pre-recorded interviews with Chip Hornsby and CFO Steve Webster can be viewed and an **on-demand version of the webcast** is available in both flash and non-format formats.

FULL RESULTS

Download the full results (pdf)