NEWS RELEASE

Restructuring of US Building Materials Business, Stock Building Supply ("Stock")

10/23/2008

Wolseley plc, the world's largest specialist trade distributor of plumbing and heating products to professional contractors and a leading supplier of building materials, today announces plans for a significant restructuring of its US Building Materials Business, Stock Building Supply ("Stock"), following the conclusion of the Board's fundamental review of the business. The restructuring of Stock does not affect any of the other operations in the Group and a trading update for the three months ended 31 October 2008 will be announced on the day of the AGM, on 18 November 2008.

Background

Stock is one of the leading distributors of building materials in the USA, with operations in 33 states. It generates more than 70% of its revenues from new residential construction and has consistently outperformed the markets in which it operates. However, US housing starts have fallen 64% from an annual rate of 2.3 million in January 2006 to an annualised 817,000 in September 2008. Despite cutting headcount by around 40% and closing 70 branches since the market peak in January 2006, Stock reported a trading loss of $246 million (£123 million) in the year ended 31 July 2008, on revenues of $3,471 million (£1,735 million). Consequently, on 22 September 2008, the Group announced that a fundamental review of the Stock business was to be undertaken.

Conclusions of the review

The Board believes that for the foreseeable future there is likely to remain significant over-capacity in the building materials distribution segment, in which Stock operates. Despite this, the Board concluded that there remains significant potential to create long term value in the business. Over the last six months, the Board has explored four principal options, including outright disposal, a joint venture with another party, complete closure and a significant restructuring of the business. Given the current unprecedented conditions in the global financial markets, concluding a transaction with a third party that recognises this long term value and that is financeable, has not proved possible. In addition, it was decided that closing the operations entirely is not an appropriate strategy, since it would be highly destructive of shareholder value, by depriving shareholders of the opportunity to benefit from a market recovery.

Accordingly, the Group has decided to carry out a fundamental restructuring of Stock to further downsize its operations in line with the deteriorating market conditions. It will focus on maintaining a presence in those markets where it is a leading player and where it will benefit most from any market recovery. For example, Stock will remain in its top states, namely North Carolina, Florida, Texas, California, Utah and South Carolina, but will exit Louisiana, where it does not have a significant presence.

The Board will keep an open mind on any future options it may choose to maximise long term value creation.

The restructuring of the business will involve:

- closure of 86 branches, taking the branch numbers to 209
- exiting of 16 markets in 6 states, leaving a presence in 27 states
- further headcount reductions of around 3,000 to leave around 8,700 employees, bringing the cumulative reductions since the peak in 2006 to 55%, or 10,600.

Based on average annual housing starts of 750,000 and lumber prices of $240, these actions are expected to reduce the annualised run rate of losses by around $100 million and result in losses of less than $200 million, for Stock, in the year ending 31 July 2009. Exceptional restructuring costs of around $225 million are expected to be incurred before 31 January 2009, in relation to provisions for leasehold termination costs and headcount reductions. Included in this figure are the associated cash costs that are estimated to be around $20 million. This cash impact is expected to be more than offset by cost savings and working capital reductions, in the six months ended 31 January 2009. In addition, there is likely to be a further impairment of more than $100 million in the carrying value of Stock's goodwill and acquired intangible assets.

The 86 branches to be closed represent around 25% of Stock's revenue and 28% of its headcount.

Chip Hornsby, Group Chief Executive of Wolseley, said:"With the on-going decline in US new residential construction, significant over-capacity in the industry and the consequential negative impact that Stock is having on the Group's results, it is imperative that we take further action to restructure this business. The measures we are taking will move us back towards profitability, while still keeping a presence in key districts for when the market recovers."

The exchange rate used in this announcement was the translation rate for the year ended 31 July 2008 of $2.00 to the £1.

There will be an analyst and investor call at 0930 (UK time) today, accessed by:
UK free phone dial-in number: 0800 028 1277
US free phone dial-in number: 1888 935 4577
Rest of the World dial-in number: +44 (0)20 7806 1955

Presentation slides used in the call can be downloaded in **PDF** and **Powerpoint** format.

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 Continental Europe. Group revenue for the year ended 31 July 2008 was approximately £16.5 billion and operating profit, before exceptional items and the amortisation and impairment of acquired intangibles, was £683 million. Wolseley has around 74,000 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 2008.

Enquiries:

Analysts/Investors:

Guy Stainer, Group Investor Relations Director +44 (0)7739 778187
Tel: +44 (0)118 929 8744

John English, Vice President, Investor Relations
Tel: +1 513 771 9000
Tel: +1 513 328 4900

Media:

Mark Fearon, Director of Corporate Communications
Tel: +44 (0)118 929 8787

Brunswick:

Andrew Fenwick
Tel: +44 (0)20 7404 5959

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