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Trading Statement

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Wolseley plc
Pre-Close Period Trading Statement for the five months ended
31 December 2007

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 issues its regular trading statement for the five months ended 31 December 2007, prior to entering its close period. The half year results for the six months ending 31 January 2008 are due to be announced on 17 March 2008.

Summary for five months ended 31 December 2007:

? Group
  ? Revenue up 2%, c.4% in constant currency
  ? Trading profit down c.25%
  ? Profit before tax and amortisation and impairment of acquired intangibles down almost a third
  ? Decisive management actions taken to further reduce the cost base of the Group
  ? Strong operating cash flow performance
  ? 10 bolt-on acquisitions announced and completed for an aggregate consideration of approximately ?170 million.

? North America
  ? Revenue down c.10%, c.5% in constant currency
  ? Trading profit down more than 40%, c.40% in constant currency
  ? Previously announced headcount reduction of 3,000 people achieved in year to date, giving annualised savings of ?60 million.

? Europe
  ? Revenue up c.17%, c.15% in constant currency
  ? Trading profit up 1%
  ? Good performance in UK, Nordic region, Switzerland and the Netherlands offset by lower profits in France, Austria and Italy.

? Outlook
  ? Market conditions are likely to worsen
  ? Continuing action to be taken to cut cost base and curtail capital spend.

Chip Hornsby, Group Chief Executive of Wolseley, said:

"We have acted decisively and rapidly in response to the challenging market conditions to take cost out of the Group and will continue to do so. We remain committed to our strategy and are confident that with our size, scale, financial strength and operating efficiencies, we will emerge from this slowdown as a stronger Group with an excellent platform for future growth."

Overview

For the five months ended 31 December 2007, the Group's results continued to be affected by the worsening US housing market, low consumer confidence arising from global credit restrictions and the weakness of the US dollar. Whilst the liquidity squeeze has particularly affected the USA, consumer uncertainty is also having some impact on European markets. Against this background, the Group

has taken further action to adjust its cost base and has continued to focus on exploiting opportunities for profitable organic growth, value-enhancing acquisitions and strong cash flow generation.

A variety of management actions have been taken to adjust the Group's cost base in response to the deteriorating market conditions. Over the last year, in the USA, significant headcount reductions in Stock and in Ferguson, have been achieved. In Europe, more modest headcount reductions have been implemented. In France and Central and Eastern Europe, further rationalisation and integration of businesses has been undertaken. In both continents, there is a general headcount freeze and decisions have been taken to reduce discretionary revenue spending and capital spend. As previously announced, action has also been taken to streamline central management resource.

Group revenue in the five months ended 31 December 2007, including acquisitions, increased by 2% compared to the corresponding period in the prior year. Trading profit was down by around 25%. In constant currency, revenue and trading profit would have been around 2% higher than the reported figures in sterling.

The rigorous focus on cash flow and working capital improvement continues. Operating cash flow for the first five months of the year showed a strong increase compared to the equivalent period in the prior year. As a result, the interest charge for the first five months is only marginally up on the corresponding period, despite higher interest rates and the full period impact of financing the acquisition of DT Group.

The Group's financial position remains strong, with net debt at 31 December 2007 around 15% higher than at 31 July 2007 following bolt-on acquisitions made during the period, giving gearing of 82% (31 July 2007: 72%). Interest cover was 4.5 times.

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 five months ended 31 December 2007 in sterling, including acquisitions, decreased by around 10% compared to the corresponding period in the prior year. Trading profit was down by more than 40% reflecting the loss reported by Stock, lower profitability in Ferguson and currency translation. In constant currency, the revenue and trading profit decline would have been around 5% and 3% lower, respectively, than for the reported figures in sterling.

The Group's US results have been affected by the continuing decline in US housing starts, falling consumer confidence and a weakening US dollar.

Ferguson continued to gain market share and, although benefiting from the commercial and industrial sector that continued to grow, was adversely impacted by a weakening new residential market and a slowing repairs, maintenance and improvement (RMI) market. Revenue in local currency for the five months ended 31 December 2007 was up around 3% due to acquisitions, with organic revenue growth being down around 3%. Trading profit was also around 3% lower. Since 1 August 2007 headcount has been reduced by 1,500 which will give rise to annualised savings of ?38 million.

At Stock, local currency revenue and trading profit have been impacted by the continuing slowdown in the new residential market, which has also created increased price competition. Housing starts in the USA have fallen 26% from an average annual rate of around 1.614 million in the five months ended 31 December 2006 to 1.196 million in the five months ended 31 December 2007.

Stock's revenue is down by just over 25%, principally reflecting a 26% decline in organic sales volumes, including the effect of previous branch closures (4%) and price fluctuations in lumber and panels. Despite reducing headcount by a further 1,500 in the first quarter, Stock's trading loss for the five month period was just over ?25 million compared to a trading profit of around ?45 million in the comparable period in the prior year. These headcount reductions will give rise to annual savings of ?22 million. Acquisitions contributed around ?20 million (2%) to revenue growth. Stock has made progress in diversifying its business, both organically and by acquisition, and continues to outperform in most of its major markets.

The Canadian residential market continued to hold up well and has not been significantly impacted by the factors affecting the US housing market. Wolseley Canada achieved local currency revenue growth of more than 3%, although trading profit was around 15% lower, due to branch closure costs of around C$4 million (?2 million) and the inclusion of property gains in the comparative period.

Europe

The global liquidity squeeze has had some impact on European consumer confidence, although the effect has not been as significant as that in the USA. Revenue in sterling for Europe, including acquisitions, increased by around 17% in the five months ended 31 December 2007, whilst trading profit was up 1%. Excluding DT Group, which was acquired on 25 September 2006, European revenues were up by around 4% whilst trading profit was almost 20% lower due to a disappointing performance in France and some initial disruption, now diminishing, caused by the IT systems implementation in Austria and the new distribution centre (DC) in Italy.

Revenue for the UK and Irish businesses increased by 3%, the majority of which was organic growth with a positive performance in the UK being partly offset by tougher trading conditions in Ireland where housing starts were around 50% lower

and the RMI market is also weaker. Overall trading profit was up by around 1% but the trading margin was slightly lower, as a result of the lower profitability in Ireland.

There are increasing signs that the UK housing market is slowing in response to the lower availability and increased cost of mortgage financing. In addition, the rate of growth in the UK RMI market has been weakening in response to deteriorating consumer sentiment and tighter credit conditions. Government expenditure on social housing, health and education remains positive.

Wolseley France had a slower start to the financial year, partly reflecting previously announced internal restructuring and start up issues at the new national DC in Orleans, but also reflecting a generally less positive business environment, including the effect of French national industrial disruption. However, the performance of the DC continues to improve. Constant currency revenue for the five months ended 31 December 2007 was marginally up on the prior year and trading profit is down by around 35%, including previously announced restructuring costs of ?4 million (?3 million) relating to headcount reductions.

Overall, markets in the Nordic region have generally held up well. The Danish new housing and DIY markets continued to slow in response to higher interest rates and the recent rate of growth in the professional market has been more modest. The Swedish DIY market has also started to slow but other markets in the Nordic region remained robust. DT Group continues to perform well with growth in revenue and trading margin compared to last year. For the five months ended 31 December 2007 reported revenue, in sterling, was ?879 million with a trading margin of just over 6%. This reflects the seasonal nature of the business compared to the trading margin of more than 7% reported for the first three months.

The Group's Central and Eastern European businesses showed modest revenue growth due to acquisitions. Trading profit was higher in Switzerland and the Netherlands, with strong market outperformance, but was down in the other regions. Overall for the division, trading profit in the period was almost half that in the comparable period as a result of lower than expected revenue growth, business disruption associated with the new IT systems implementation in Austria and adjusting the infrastructure to accommodate the DC in Italy. During the continuing integration process there will be further rationalisation opportunities and subsequent cost reductions.

Acquisition Update

Since the beginning of the financial year on 1 August 2007, a total of 10 bolt-on acquisitions in Europe and North America have been announced and completed for an aggregate consideration of approximately ?170 million. These 10 acquisitions are expected to add approximately ?219 million to Group revenue in

a full year and will be beneficial to the Group's trading margin in the current financial year.

Outlook

The Board expects business conditions in a number of the Group's markets to become more challenging over the next few months. Action will continue to be taken in the remainder of the current financial year to reduce the Group's cost base and to curtail capital expenditure.

In the USA, the housing market is likely to deteriorate further until the current high levels of unsold inventory have declined and the full effects of problems in the sub-prime market have been assimilated. These conditions, together with reduced availability of credit, are expected to put further pressure on the RMI market. The commercial and industrial market is expected to show modest growth for the majority of the current financial year given the longer lead times of many large projects within this sector. The Group expects to continue to drive competitive advantage and increased market share from the distribution centre network, customer focus and to exploit opportunities arising from the impact that weakening markets will have on competitor positions.

There are signs of further weakening in some European markets as a result of lower consumer confidence, credit pressures and the increased cost of credit. The majority of the Group's activity in Europe is driven by the RMI and commercial and industrial segments which are expected to be more robust, although the rate of growth in RMI activity is likely to slow.

Management will continue to focus on opportunities for profitable growth whilst achieving strong cash flow generation and an efficient cost base, appropriate to the market conditions. The Board is confident that the Group will emerge from the downturn as a stronger organisation with an excellent platform for future growth.

There will be an analyst and investor meeting at 0930 (UK time) today at UBS, 1 Finsbury Avenue, London, EC2M 2PP. The meeting can also be accessed by conference call:

UK free phone dial-in number:	0800 032 4094
US free phone dial-in number:	1866 239 0750
Rest of the World dial-in number:	+ 44 (0)20 7138 0809

Password: Wolseley/4115336

Slides relating to the meeting will be available on www.wolseley.com.

The meeting will be recorded and available on www.wolseley.com after the event. It will also be available for playback until 28 January 2008 on the following numbers:

UK free phone number:	0800 559 3271 4115336#
US free phone number:	1866 883 4489 4115336#
UK/European replay dial-in number:	+44 (0)20 7806 1970 4115336#

Exchange Rates

The average profit and loss account translation rate for the five months ended 31 December 2007 was $2.03 to the ?1 compared to $1.91 for the comparable period last year, a weakening of 5.9%, and ?1.43 to the ?1 compared to ?1.48, a strengthening of 3.4%, compared to the prior year.

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

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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 in North America, the UK and Continental Europe. Group revenue for the year ended 31 July 2007 was approximately ?16.2 billion and operating profit,

before amortisation and impairment of acquired intangibles, was ?877 million. Wolseley has around 77,000 employees operating in 28 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, Croatia, 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 2007.

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This information is provided by RNS
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