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Trading Statement

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Wolseley PLC
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Wolseley plc

Pre-Close Period Trading Statement for the

11 months ended 30 June 2009

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 eleven months ended 30 June 2009, prior to entering its close period. The Final Results for the twelve months ending 31 July 2009 are due to be announced on 28 September 2009.

Summary

- Trading environment remains in line with our expectations set out in the May Interim Management Statement
- Revenue from continuing operations down 1.5% or 16% in constant currency
- Trading profit(1) from continuing operations down 47% or 56% in constant currency
- Profit before tax, exceptional items and amortisation and impairment of acquired intangibles from continuing operations down 60%
- Since 30 April 2009 net debt reduced by £108 million to £1,426 million. Further debt reduction expected in July
- Actions to lower the cost base continue with restructuring actions from continuing operations in the 11 months to 30 June 2009 expected to deliver cost savings of £200 million for the year ending 31 July 2009 and annualised benefits of £392 million
- The Group remains on track to deliver a 10% year on year constant currency improvement in working capital cash to cash days(²) at 31 July 2009
- Successful completion of Stock Chapter 11 reorganisation in the period. No further financing commitment by Wolseley
- Outcome of strategic review of Central and Eastern Europe activities announced today
- Ian Meakins, Wolseley's new Chief Executive, started on 13 July.

Outlook

- Market conditions will continue to deteriorate with trading remaining challenging until at least the end of the calendar year
- The following broad trends are developing:
  - New residential markets are showing signs of stabilisation but are unlikely to recover quickly
  - RMI markets are continuing to decline albeit at a slower rate
  - Commercial and industrial markets are expected to decline at a faster rate
- Cost reduction actions already taken in FY 2009 will result in an incremental benefit in FY 2010 of £192 million
- Management will focus on achieving further cost reductions and strong cash flow generation and will position the business to drive competitive advantage through enhanced customer service.

Trading Performance

For the eleven months ended 30 June 2009, Group revenue from continuing operations of £13,250 million was down 1.5% but was down 16% on a constant currency basis. Trading profit(1) from continuing operations of £368 million was 47% lower than last year or down 56% in constant currency, and profit before tax, exceptional items and the amortisation and impairment of acquired intangibles from continuing operations of £233 million was down 60%, or 72% in constant currency.

In North America, Ferguson continued to gain market share, although local currency revenue declined by around 17%, principally as a result of the continued decline of the US commercial and industrial market. Despite increasingly competitive market conditions the gross margin was unchanged. Underlying trading profit, excluding property profits, was down by around 35%. The underlying trading margin for the eleven months was just over 5% (eleven months ended 30 June 2008: 6.6%).

Wolseley Canada saw a c.5% local currency revenue decline, with trading profit over 20% lower as the residential markets continued to soften.

In Europe, revenue in the UK and Ireland deteriorated, principally as a result of the accelerating rate of decline of the commercial and industrial markets in the UK and continuing market challenges in Ireland. The Lightside business gained market share, with recent like for like sales trends in the Heavyside business now being held in line with the market. The UK new residential construction market is showing signs of stabilisation, although the RMI and commercial and industrial markets continue to decline. The Irish construction market remains severely depressed with new housing activity around 70% lower than the equivalent period in the prior year. In the eleven months to 30 June 2009 the Irish business made a trading loss of £20 million. It is now widely expected that the market is unlikely to return to the levels of activity experienced in the past decade and actions continue to adjust the cost base and market position in line with the anticipated future level of sales. Overall, revenue for the UK and Ireland decreased by over 15% in the eleven months ended 30 June 2009 and trading profit was approximately 75% lower than for the equivalent period in the prior year.

In France, the general business environment continues to decline with the Heavyside business performing in line with the market, although the Lightside business is losing market share as restructuring continues. The business saw decreased local currency revenue of around 10% in the eleven month period and trading profit was approximately 70% lower with gross margins continuing to hold up. The focus of the French management team has been on taking action in the Lightside business to reduce the cost base within the parameters of the country's social laws, gross margin management, realigning the market position and specific actions to improve customer service and the product offering.

The Nordic markets continued to deteriorate in May and June although the rate of deterioration is beginning to slow with volumes around 20% lower than the prior year. DT, which continued to trade in line with the market, saw local currency revenue down around 20% and trading profit down around c. 50%, with gross margins flat.

In Central and Eastern Europe local currency revenue was down around 10% and the business incurred a loss in the period. In June 2009 Wolseley disposed of Wasco-Anbuma, a carbon and stainless steel pipe business based in Belgium to local management. The business was loss making and the action resulted in a loss on disposal of £7 million. The loss in the period was largely driven by this and the previously announced loss on disposal of MART of

£10 million.

Cost reduction and cash maximisation

Restructuring actions to continuing operations announced in the eleven months to 30 June 2009 resulted in exceptional one-off costs of £258 million. These actions are expected to deliver cost savings of £200 million for the year ending 31 July 2009 and annualised benefits of £392 million. Further details are set out in the table in the "Notes to statement" section below.

The Group continues to take measures to improve cash flow and drive down debt. Despite the challenging trading backdrop and the increased pressure on receivables collection, the Group remains on track to deliver a 10% year on year constant currency improvement in working capital cash to cash days([2]) at 31 July 2009. Capital expenditure for the current financial year remains on target at around £160 million.

Net debt at 30 June 2009 was £1,426 million (30 June 2008: £2,711 million), representing gearing([3]) of 42.9% (30 June 2008: 77.0%). The reduction in debt over the prior year represents the net proceeds of the capital raising and strong cash generation from improved working capital efficiency. A further reduction in net debt is expected in July. Cash conversion(4) for the eleven months to 30 June 2009 was 282% (eleven months to 30 June 2008: 159%). The Group is in a strong liquidity position with committed facilities as at 30 June 2009 amounting to £3.8 billion.

Stock Building Supply

Stock announced on 1 July 2009 that it had successfully completed its financial restructuring and emerged from Chapter 11. The company's Plan of Reorganisation was confirmed by the United States Bankruptcy Court for the District of Delaware on 15 June 2009. As per the terms of the original transaction, and following completion of the recapitalisation, Gores has invested $75 million in Stock and put in place a $150 million undrawn bank credit

facility. In addition, the $100 million DIP facility provided by Wolseley, which remained undrawn in the period, was cancelled. Wolseley has no remaining finance commitments in relation to the joint venture. The loss from associates before exceptional items but after tax for the period from 6 May to 30 June relating to Wolseley's 49% holding in Stock Building Supply was around £10 million.

As previously announced, Stock's construction loans business was excluded from the sale to The Gores Group and has remained a continuing activity for the Group.

For the 11 months ended 30 June this activity incurred a trading loss of £23 million (2008: £7 million) but earned £8 million (2008: £8 million) in interest income. The receivables loan balance after provisions was approximately £175 million and is currently being assessed for fair value in light of the recent Stock transaction. As previously indicated, Wolseley's results for the 31 July 2009 will contain an exceptional provision relating to any impairment.

Central and Eastern Europe Strategic Review

The review to determine the future strategy for the Lightside businesses in Central and Eastern Europe (CEE) has now been completed. The Company believes that for the foreseeable future market conditions across the CEE region will remain very challenging. Despite this, we have concluded that there remains significant potential to create long term value by focusing on a core of the constituent businesses in CEE as these economies emerge from recession. In particular, Wolseley has determined to focus on those countries where it has built sufficient scale, established leading market positions and can deliver an appropriate financial return.

The Company has decided to sell the Belgium, Slovakian and Czech Republic businesses, which do not meet the criteria discussed above. A number of third parties have recently expressed an interest in the possibility of acquiring these businesses as going concerns. A disposal process has now commenced and is expected to be concluded over the next few months.

The Company has decided to retain a Lightside presence in Switzerland, Austria, Luxembourg, Denmark, Holland and Italy. These businesses operate in markets which we believe have attractive long term market characteristics and will continue to be managed to ensure they fully capitalise on their leading market positions in these territories. Following the review, action has been initiated to strengthen the leadership in Austria and Italy and these businesses will be further restructured. Until this restructuring is completed, no further capital will be allocated for the expansion of these businesses other than maintenance capital expenditure.

The continuing constituent businesses in CEE are expected to make a positive contribution to the Group's results and to be cash positive in FY 2010. On a pro forma basis for the 11 months to 30 June 2009 these businesses had revenues of €919.4 million (2008/2009: €987.4 million) and a trading profit of €11.8 million (2008/2009: €26.1 million).

Outlook

Market conditions will continue to deteriorate with trading remaining challenging until at least the end of the calendar year. The new residential markets are showing signs of stabilisation but are unlikely to recover quickly. RMI markets are likely to continue to decline albeit at a slower rate with commercial and industrial markets expected to decline at a faster rate. Cost reductions actions that have already been taken in fiscal year 2009 which will result in an incremental benefit in fiscal year 2010 of £192 million. Management will focus on achieving further cost reductions and strong cash flow generation and will position the business to drive competitive advantage through enhanced customer service.

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

(2) Working Capital cash to cash days is the net of spot inventory days plus spot receivables days less spot payables days.

(3) Gearing ratio is the ratio of net debt, excluding construction loan borrowings, to shareholders' funds.

(4) Cash conversion is the ratio of operating cash flow to trading profit (including discontinued operations).

Notes to statement

The principal restructuring actions in the eleven months ended 30 June are outlined in the table below:

	Cost £m	Headcount Reduction	2009 Benefit £m	Benefit £m pa
UK and Ireland	126	3,254	72	141
France	2	557	6	12
Nordic	21	1,337	18	43
Central and Eastern Europe	35	498	8	20
Europe	184	5,646	104	216
US plumbing and heating	68	3,609	91	168
Canada	4	120	1	2
North America	72	3,729	92	170
Group head office	2	11	4	6
Total continuing operations	258	9,386	200	392

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 100 index of listed companies.

Analyst and Investor Conference Call

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

Dial in number:	+44 (0)20 7138 0838

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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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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