WOLSELEY

The name the world builds on

Trading update for the five months ended 31 December 2007

21 January 2008

This presentation contains certain forward-looking statements. By their nature, such statements involve uncertainty; as a consequence, actual results and developments may differ from those expressed in or implied by such statements.

Overview

- Results affected by worsening US housing, low consumer confidence and weakness of US$
- Market conditions remain difficult to read
- Swift action to cut costs and preserve cash
  - 3,000+ jobs lost ytd
  - Reduce capex to below last year
- No change in strategy
- Emerge from downturn with fewer competitors and in a strong position to benefit from recovery

Financial summary

- Revenue up 2%
- Trading profit down by c25%
- Adverse currency impact 2%
- Group profit before tax and amortisation and impairment of acquired intangibles almost a third lower
- Strong operating cash flow with cash conversion of c120% (75%)
- Strong financial position with net debt c15% higher than in July due to 10 bolt-on acquisitions for £170m
  - Interest cover 4.5 times
  - Gearing 82%

North America

- Revenue in sterling down around 10% and trading profit down more than 40%
- Headcount reduction of 3,000 (ytd) giving annual savings of £60m
- Housing starts continue to decline and inventory of unsold homes remains high
- Ferguson continued to take market share, although organic growth was around 3% negative
  - Local currency revenue up c3% and trading profit c3% lower
- Stock reported a loss of just over $50m reflecting a further decline in housing starts and price competition
  - Local currency revenue down by just over 25%
- Wolseley Canada achieved revenue growth of more than 3% although trading profit was c15% lower

Europe

- Revenue up c17% and trading profit up 1%, including acquisitions
- UK and Ireland revenue up 3% and trading profit up c1% reflecting the slower Irish markets
- Wolseley France had slow start following further restructuring, start up issues at the new DC and a generally less positive business environment. Revenue was marginally up but trading profit was down by c35%
- Overall Nordic markets held up well and DT achieved revenue of £879m and trading margin above 6%
- Modest revenue growth in Central and Eastern Europe due to acquisitions; trading profit almost halved due to disruptions associated with new IT systems implementation, integration and adjusting the infrastructure for the Italian DC

Outlook

- Likely that business conditions in a number of markets will become more challenging over the next few months
- In the USA new housing is likely to deteriorate further, RMI is likely to slow but commercial and industrial markets should grow over the current financial year
- Expect to increase market share and exploit opportunities created by weaker markets
- In Europe there are signs of weakening in some housing markets, however RMI, commercial and industrial markets should provide growth opportunities but at a slower rate
- Focus on opportunities for profitable growth whilst achieving strong cash flow generation and an efficient cost base

Appendices

North American headcount reductions

Costs and benefits

	Cost (£m)	FY08 saving (£m)	Annual cost saving (£m)
Ferguson	(0.3)	19.2	38.1
Stock	(0.4)	16.7	22.2
Total	(0.7)	35.9	60.3