WOLSELEY

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Pre close trading update for the eleven months to 30 June 2008

16 July 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

- Trading conditions have deteriorated since May
- US commercial and industrial markets have held up
- European markets have softened, particularly the UK
- Continuing actions to reduce cost base
- Strong working capital improvement and cash flow
- Board to recommend no final dividend, saving £150 million
- Focus remains on cost reduction and generating cash to stay within banking covenants

Group financial summary

Eleven months to 30 June 2008

- Revenue up 1%
- Trading profit down 28%
- Profit before tax and amortisation and impairment of acquired intangibles down 35%
- Spot cash to cash days improved to 52.6 days (30 June 2007: 57.4 days) and cash conversion more than 170%
- Cautious approach to acquisitions. Reduced capex
- Three businesses sold for £18m and 21 properties disposed of for £40m
- Good progress in reducing debt to £2,711m (31 January 2008: £2,894m) and gearing to 77% (31 January 2008: 84%)
- £1bn of undrawn borrowing facilities available
- Interest charge of £124m and interest cover of 4.4 times

One-off costs and benefits – FY 2008

		Cost £m	Headcount reduction	Benefit £m pa	Benefit £m ytd
Completed H1	Stock	1	1,750	26	19
	Ferguson	1	1,575	38	19
	Canada	2		1	1
	France	3	75	1	1
	H1 actions	**7**	**3,400**	**66**	**40**
Completed May-June	Ferguson	16	200	5	
	Ireland	9	150	7	
	Other/Business improvement	2	N/A	17	
	May/June total	**27**	**350**	**29**	
To be actioned in July	France	18	400	11	
	Canada	3	50	2	
	Other/Business improvement	2	N/A	28	
	July total	**23**	**450**	**41**	
	H2 actions	**50**	**800**	**70**	
	Natural attrition	**-**	**1,800**	**N/A**	**N/A**
	FY 2008 total	**57**	**6,000**	**136**	**40**

North America

- US housing remains challenging although non-residential holding up
- Ferguson continued to take market share
  - Local currency revenue up slightly, due to acquisitions
  - Organic revenue decreased 3%
  - Trading profit 10% lower, including £16m restructuring cost
  - 75 branches closed with loss of 200 headcount
- Stock reported a trading loss of £102m reflecting lower gross margins and 25% lower revenue
  - Average housing starts down 28% to 1.1m (2007:1.5m)
  - Continued market outperformance
- Wolseley Canada revenue was marginally higher although trading profit was 19% lower
  - A further £3m restructuring cost in July with 15 locations to be closed/consolidated

Europe

- Consumer confidence is deteriorating and affected trading, particularly the UK
- UK and Ireland revenue up slightly reflecting the slower new housing and RMI markets. Trading profit was 17% lower, including £9m of one-off restructuring costs in Ireland
- Wolseley France improving with revenue marginally up but trading profit was down 15% including £3m restructuring cost
  - £18m of further restructuring in July to close 43 branches and remove 400 jobs
- Growth rates in Nordic markets are slowing with June disappointing. DT achieved revenue of £2,007m and trading margin around 6.5%
- Central and Eastern Europe achieved modest constant currency revenue growth but trading profit was around 60% lower

Outlook

- Many markets are likely to deteriorate
- In the USA commercial and industrial markets should remain stable for the next few months
- Focus on executing actions necessary to remain compliant with borrowing covenants

Q&A

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