WOLSELEY

The name the world builds on

Trading update for the five months ended 31 December 2008

26 January 2009

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.

Introduction

- Continue to act decisively and rapidly in response to unprecedented market conditions
- Remain focused on achieving compliance with banking covenants
- Outlook for 2009 remains extremely challenging
- Despite this, current cycle presents significant opportunities for Wolseley

Overview

Trading for 5 months ended 31 December 2008

- Unprecedented events in global financial market and negative GDP trends continue to impact Wolseley's trading environment
- Further market deterioration, particularly in Europe
- Group revenue up around 3% and trading profit down around 45%
- Nebt debt up 22% since 31 July 2008 to £3bn due to £557m adverse currency exchange effect
- Working capital cash to cash days improved, in line with 10% reduction target for FY2009
- Further restructuring decisions and actions to mitigate exchange risk on debt have been taken since interim management statement
- Management emphasis continues to concentrate on cash generation and cost reduction

North America

North American revenue up 6%, trading profit down by around 16% primarily due to Stock loss

- Ferguson continued to outperform the market. In US dollars revenue down 10% and underlying trading profit down around 13%
- Stock revenue down around 23% and trading loss for period around $110m
- Stock restructuring now completed apart from 2 locations which will close in the next few weeks
- Further deterioration in Stock's markets
- Despite slowing markets, Canada has achieved increase in organic sales of around 4%, trading profit is slightly lower due to lower gross margin

Europe

European revenue broadly flat, trading profit down by around 60%

- UK and Ireland - revenue down by around 12%, trading profit down around 80%
- UK restructuring actions well underway to deliver expected benefits
- French revenue in euros around 4% lower, trading profit down over 60%
- DT revenue in local currency down around 13%, trading profit down around 40%
- Central and Eastern European revenue flat, trading profit down around 85%

Actions taken to reduce net debt

- Wolseley UK has entered into a receivables factoring arrangement which reduced net debt at 31 December 2008 by £72m
- Group entered into just over €1.7 billion zero cost collar transactions at protective floor limits of €1.05 and €1.02
- Further transaction to convert £200m of euro denominated debt to sterling completed to reduce the adverse effect of the depreciation of sterling
  - Brings the cumulative total to £300m of US dollar denominated debt and £700m of euro denominated debt converted to sterling
- Net debt at 31 January should be lower
- Group projections continue to show compliance with banking covenants at 31 January 2009

Exceptional costs and benefits from restructuring actions identified – 1 August to 31 December 2008

	Cost £m	Headcount reduction	Benefit £m 2009	Benefit £m pa
UK and Ireland	51	2,170	47	88
Nordic	-	550	27	33
Central and Eastern Europe	17	180	4	6
Europe	68	2,900	78	127
US plumbing and heating	14	1,100	20	29
US building materials	126	3,430	54	81
North America	140	4,530	74	110
Total	208	7,430	152	237

- Since IMS (Nov 2008) recent actions in the period to 31 December 2008 have resulted in additional exceptional costs in H1 of around £39m and annualised savings of around £93m.

Outlook

- Expect macro economic conditions to deteriorate in the short term
- Until conditions stabilise the Group is unlikely to see any upturn in its markets
- Until consumer confidence returns and availability of finance for customer projects improves, the Group expects performance in North America to decline.
- Conditions in the UK expected to deteriorate and performance in Europe also likely to remain under pressure
- Continue to concentrate on actions to enhance cash generation and reduce costs
- Continue to evaluate options and implement actions necessary to position the balance sheet appropriately for the medium term
- Next few months critical in providing further evidence to access how the downturn may evolve
- Objective remains to continue to operate competitively and maintain investment so that we can participate in the recovery when it comes

Q&A