    

# Wolseley plc

## Interim management statement for the 3 months ended 31 October 2009

# Overview

- Market trends and trading environment remain in line with management expectations at the full year results announcement
- Revenue from continuing operations down 13% to £3,395m, 20% in constant currency
- Trading profit from continuing operations down 41% to £104m, 46% in constant currency
- Underlying trading profit down 28%
- Profit from continuing operations before tax, exceptional items and amortisation and impairment of acquired intangibles down 45% to £76m, 50% in constant currency
- Exit rates show improved sales trends
- Net debt increased to £1,223m primarily due to seasonality of working capital
- Business Change Programme currently being reviewed, could result in an impairment at the half year stage
- Resource allocation project on track

# North America

- North America revenue down 17% and trading profit down 44%. In constant currency c.24% and 49% lower respectively

- Ferguson
  - Revenue in local currency down c.26% and underlying trading profit excluding property profits down c.47%
  - Commercial and Industrial market experienced further decline due to continued shortage of funds for project finance
  - Residential market showing increasing signs of stabilisation
  - Gross margin slightly lower and pricing pressure likely to continue

- Canada local currency revenue down c.16% and trading profit down c.33% due to lower levels of sales and lower gross margin

# Europe

- European revenue in sterling down c.10% and trading profit down by c.23%. In constant currency would have been c.16% and c.30% lower

- UK and Ireland
  - Revenue down c13%, trading profit, excluding £5m of restructuring costs was up by c.17% due to benefits of cost reduction actions in the prior year. Gross margin c.2% lower
  - Residential and RMI markets seeing increasing signs of stabilisation. Commercial and Industrial segment continues to decline at a more modest rate
  - UK Lightside trading profit marginally up despite a lower gross margin and Heavyside division showing improving sales and profit trends. Industrial and Commercial division profits affected by aggressive price competition and competitive tendering
  - Irish market continues to be extremely challenging although rate of trading losses has stabilised

- Nordic region
  - Local currency revenue down c.19% and trading profit down c.14%
  - Danish market is the most challenging with Sweden improving
  - Despite pricing pressure underlying gross margin slightly ahead of Q1 last year

# Europe continued

- France
  - Revenue down 17% and gross margin marginally down due to Brossette, while Heavyside held its gross margins
  - Management action continues to focus on lowering the cost base, implementing the social plans, repositioning the business towards renewable energy products and improving customer service
  - France made a trading loss of £9m in Q1 (Q1 last year was break even, after excluding £4m profit on disposal) largely as a result of continued underperformance in the Lightside division

- CEE
  - Local currency revenue down c16% and trading profit down c.33%
  - Recently completed the disposal of Belgium and Slovakian Lightside businesses to a single purchaser. Disposal of Czech Lightside business underway and expected to complete in the next few weeks
  - Q1 10 proforma revenue down 7% and trading profit down 28%

# Outlook

- Market conditions expected to remain challenging due to tight credit conditions and continued high unemployment
- New Residential and RMI markets expected to move towards stabilisation. The majority of the Group's Commercial and Industrial markets are likely to deteriorate further in the short term
- The Group will continue to focus on delivering improved service to customers, protecting share and gross margin, driving further cost reductions and delivering a good cash performance


# Q&A


The name the world builds on