

WOLSELEY PLC

Interim Management Statement for the 3 Months to 31 October 2012

4 December 2012

Quarter ended 31 October (£m)		2012	2011	Growth	Like-for-like Growth ⁽¹⁾
Revenue	Ongoing ⁽²⁾	3,325	3,294	+0.9%	+2.1%
	Sold	-	347		
		3,325	3,641		
Trading Profit⁽³⁾	Ongoing	198	184	+7.6%	
	Sold	-	1		
		198	185		
Net debt		87	523		

¹The increase or decrease in revenue excluding the effect of currency exchange, acquisitions and disposals, sales days and branch openings and closures.

²Throughout this report 'ongoing businesses' excludes businesses sold.

³Before exceptional items and the amortisation and impairment of acquired intangibles.

First quarter highlights

- Like-for-like revenue growth of 2.1%.
- Gross margin of 27.2% in line with the same period last year.
- Trading profit up 7.6% at £198 million.
- Continued strong cash generation with net debt of £87 million.
- Two acquisitions in the USA for total consideration of £80 million.
- After the end of the period agreed to acquire 22 Burdens branches, subject to OFT approval.
- Restructuring charges committed to date in Continental Europe of £33 million.

Commenting on the trading outlook, Ian Meakins, Chief Executive said:

“Wolseley has continued to generate good growth in the USA and Canada though revenue has declined in Continental Europe as a result of continuing tough market conditions, particularly in the Nordics and France, and unfavourable currency movements. Improvements to customer service continued to drive market share gains in our largest business units. In the current macroeconomic environment we are working hard to protect gross margins and to drive further operating efficiencies to protect profitability. Cash generation is a key focus and the strength of our balance sheet provides opportunities to invest selectively where we can generate good returns.”

First quarter trading performance (ongoing businesses)

During the quarter the Group generated revenue of £3,325 million, 2.1% ahead of last year on a like-for-like basis. We have grown market share in key regions and continue to implement initiatives to protect gross margins which were in line with the same period last year despite continued pricing pressure. Headcount was 677 lower than in July after including 282 new employees from acquisitions. Operating expenses include a £3 million one-off insurance charge. Trading profit of £198 million was £14 million higher than last year. The number of trading days was the same as last year. Movements in foreign exchange rates reduced revenue by £81 million (2.5%) and trading profit by £4 million in the quarter.

Geographical analysis

£ million	Q1 2012 Revenue	Q1 2011 Revenue	Change	Like-for- like Change	Q1 2012 Trading Profit	Q1 2011 Trading Profit
USA	1,678	1,531	+9.6%	+7.1%	122	99
Canada	247	235	+4.8%	+3.1%	18	17
UK	428	428	-	(0.3%)	24	23
Nordic	532	592	(10.1%)	(4.8%)	34	38
France	250	302	(17.1%)	(8.2%)	(1)	3
Central Europe	190	206	(7.8%)	+1.3%	13	14
Central and other costs	-	-			(12)	(10)
Ongoing businesses	3,325	3,294	+0.9%	+2.1%	198	184
Sold	-	347			-	1
Group	3,325	3,641			198	185

Quarterly like-for-like revenue growth trend by region

	Q1 Last year	Q2 Last year	Q3 Last year	Q4 Last year	Q1 This year
USA	+10.2%	+7.4%	+9.4%	+6.7%	+7.1%
Canada	+1.7%	+4.9%	+7.9%	+4.5%	+3.1%
UK	(3.3%)	(2.4%)	(0.4%)	+3.5%	(0.3%)
Nordic	+2.3%	+6.6%	(1.7%)	(2.9%)	(4.8%)
France	+2.5%	+4.4%	(6.1%)	(5.6%)	(8.2%)
Central Europe	+0.5%	+2.2%	(0.1%)	+0.7%	+1.3%
Ongoing businesses	+4.8%	+5.0%	+3.8%	+2.9%	+2.1%

USA

In the USA like-for-like revenue growth was 7.1%. Blended Branches continued to take market share generating strong like-for-like revenue growth and improving gross margins which contributed to good profit flow through. Waterworks also took market share growing strongly, holding its gross margin and improving its trading performance. Growth was weaker in the Industrial business partly due to lower activity levels in the shale gas sector. B2C continued to perform very strongly. Headcount was 80 higher than at the end of July, including the impact of acquisitions, and good cost control contributed to trading profit of £122 million, £23 million ahead of last year.

Two bolt-on acquisitions were completed during the period: Davis and Warshow, a Blended Branches business based in New York, and Power Equipment Direct an online retailer of generators and power equipment. These businesses had combined annual revenue and trading profit of £125 million and £10 million respectively.

Canada

Canada revenue grew by 3.1% on a like-for-like basis with the Blended Branches, Waterworks and Industrial businesses all ahead. Gross margins improved and expenses were kept under control. Trading profit of £18 million was £1 million ahead of last year.

UK

Revenue in the UK was in line with last year. Demand remained weak in the heating market and this was reflected in slightly lower gross margins. Headcount was 148 lower than in July and operating expenses were lower as we continued to focus on operating efficiency. Trading profit was £24 million, £1 million ahead of last year.

After the end of the period we agreed to acquire the property, stock and vehicle assets of 22 sites from Burdens Limited, a leading supplier of drainage and civil engineering products in the UK. This is being held separately pending approval by the Office of Fair Trading.

Nordics

Like-for-like revenue declined by 4.8% in the Nordics as construction markets and consumer sentiment weakened across the region. Despite significant pricing pressure gross margins were ahead and operating expenses were tightly controlled. Headcount was 433 lower than in July as a result of lower seasonal activity. We are continuing to work to reduce the cost base to mitigate the declines in revenue. Trading profit of £34 million was £4 million behind last year, principally due to foreign exchange movements.

During the period we disposed of two small non-core businesses for consideration of £10 million. In the year ended 31 July 2012 these businesses had combined revenue of £34 million and trading profit of £2 million.

France

Like-for-like revenue in France declined by 8.2% with those parts of the business serving new construction markets particularly affected. Gross margins were also lower reflecting lower rebate levels from suppliers. We continued to focus on lowering the cost base but tight cost control measures were not sufficient to prevent profits declining. The business incurred a trading loss of £1 million (2012 : trading profit of £3 million).

The strategic review of our operations in France is ongoing.

Central Europe

In Central Europe like-for-like revenue grew by 1.3%. Our plumbing and heating businesses in Switzerland, Austria and Holland all grew modestly. Gross margins were in line with last year and costs were well contained, resulting in trading profit of £13 million, £1 million behind last year due to foreign exchange movements.

Restructuring actions

We are continuing to ensure that our cost base is appropriate to the challenging market conditions in Continental Europe and in the financial year to date we have approved restructuring projects with associated charges of £33 million. Further restructuring charges are expected, as well as the costs of integrating the Burdens branches in the UK after approval of the transaction by the Office of Fair Trading.

Financial position

Net debt at 31 October 2012 was £87 million (31 October 2011: £523 million). The final ordinary dividend of £115 million was paid on 30 November 2012 with the special dividend of £350 million due on 31 December 2012. There have been no other significant changes in the financial position of the Group.

For further information please contact

Wolseley plc

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Investor conference call

A conference call with John Martin, CFO, will commence at 9am UK time on 4 December 2012. The call will be recorded and available on our website after the event www.wolseley.com.

Dial in number:	UK	+44 (0)20 7136 2056
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Ask for the Wolseley call quoting : 4566356

Notes

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 in North America, the UK and Continental Europe. Ongoing Group revenue for the year ended 31 July 2012 was £12.7 billion and trading profit was £658 million. Wolseley approximately 41,000 employees, is listed on the London Stock Exchange (LSE: WOS) and is in the FTSE 100 index of listed companies. For more information, please visit www.wolseley.com or follow us on Twitter <https://twitter.com/wolseleyplc>.

The Group will issue its interim results on Tuesday 26 March 2013.

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