

## WOLSELEY PLC

29 May 2012

### Results for the third quarter to 30 April 2012

£ million		Q3 2012	Q3 2011	Growth	Like-for-like Growth <sup>(1)</sup>
<b>Revenue</b>	Ongoing <sup>(2)</sup>	3,069	2,930	+4.7%	+3.8%
	Sold or held for sale	128	341		
		<b>3,197</b>	3,271		
<b>Trading Profit<sup>(3)</sup></b>	Ongoing	139	126	+10.3%	
	Sold or held for sale	2	5		
		<b>141</b>	131		
<b>Net debt</b>		<b>277</b>	591		

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

<sup>2</sup>Throughout this report 'ongoing businesses' exclude businesses sold or held for sale.

<sup>3</sup>Before exceptional items and the amortisation and impairment of acquired intangibles.

### Third quarter highlights (ongoing businesses)

- Revenue increased by 4.7% and like-for-like growth was 3.8%.
- Gross margin of 27.7% held at last year's level.
- Operating costs were 3.6% higher than last year.
- Trading profit of £139 million, 10.3% ahead of last year.
- Net debt of £277 million, £314 million better than 30 April 2011.
- Completed previously announced sale of Brossette and sold Bathstore for £15 million.
- Two small bolt-on acquisitions completed in the third quarter in US and Denmark.

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

*"Wolseley has continued to make decent progress in the third quarter, with good growth in the USA and Canada partly offset by Europe. We held our gross margin overall and controlled costs to generate 10 per cent trading profit growth in the ongoing business. We will continue to pursue operating efficiencies and remain focused on customer service, gaining market share and protecting our gross margins. Given the uncertain economic outlook in Europe we will remain vigilant on the cost base while continuing to drive growth initiatives in the more robust markets."*

### Third quarter trading performance (ongoing businesses)

During the quarter the Group generated revenue of £3,069 million, 4.7% ahead of last year and 3.8% ahead on a like-for-like basis. The impact of inflation on Group revenue was approximately 2%. The gross margin of 27.7% was unchanged, despite a continuing tough pricing environment. We have grown market share in key regions and continue to implement initiatives to hold or improve margins. Operating costs were 3.6% higher than last year including increases in employee share scheme expenses of £4 million and £2 million of one-off restructuring charges. Headcount continues to be tightly controlled, particularly where markets are deteriorating. In light of tough markets in Europe, as noted at the half year, the

Group may incur further restructuring charges in the fourth quarter though these are unlikely to be material in the context of the Group's full year results. Trading profit of £139 million was £13 million or 10.3% higher than last year. The trading margin improved to 4.5% (2011: 4.3%). The number of trading days in the period was the same as last year.

£ million	Q3 2012 Revenue	Q3 2011 Revenue	Change	Like-for- like Change	Q3 2012 Trading Profit	Q3 2011 Trading Profit
USA	1,505	1,328	+13.3%	+9.4%	95	76
Canada	189	175	+8.0%	+7.9%	6	4
UK	420	413	+1.7%	(0.4%)	26	23
Nordic	471	488	(3.5%)	(1.7%)	7	15
France	320	356	(10.1%)	(6.1%)	9	15
Central Europe	164	170	(3.5%)	(0.1%)	5	7
Central and other costs	-	-	-	-	(9)	(14)
Ongoing operations	3,069	2,930	+4.7%	+3.8%	139	126
Sold	128	341			2	5
Group	3,197	3,271			141	131

#### Quarterly like-for-like revenue growth trend by region

	Q3 Last year	Q4 Last year	Q1 This year	Q2 This year	Q3 This year
USA	+10.0%	+7.4%	+10.2%	+7.4%	<b>+9.4%</b>
Canada	(0.4%)	(2.2%)	+1.7%	+4.9%	<b>+7.9%</b>
UK	+0.5%	(2.9%)	(3.3%)	(2.4%)	<b>(0.4%)</b>
Nordic	+5.8%	+1.8%	+2.5%	+7.0%	<b>(1.7%)</b>
France	+9.1%	+1.7%	+2.5%	+4.4%	<b>(6.1%)</b>
Central Europe	(0.3%)	+0.6%	+0.5%	+2.2%	<b>(0.1%)</b>
Ongoing operations	+6.5%	+3.3%	+4.9%	+5.1%	<b>+3.8%</b>
Group	+6.1%	+3.3%	+4.5%	+4.7%	<b>+3.3%</b>
UK excl. last year's contract loss	+1.9%	+1.4%	+1.4%	+1.8%	<b>+1.9%</b>

## USA

In the USA like-for-like revenue growth was 9.4% and most of the key businesses continued to take market share. While Repair, Maintenance and Improvement (RMI) markets were broadly flat, the modest recovery in new residential markets continued. The Blended Branches business generated strong like-for-like revenue growth and improved gross margins with profit strongly ahead. The Industrial and Waterworks businesses also made good progress, benefiting from recent acquisitions and improving its trading performance. The Heating, Ventilation and Air Conditioning (HVAC) business also grew well although revenue and gross margins were lower reflecting the removal of government tax incentives for higher specification equipment. The B2C business continued to perform strongly. Overall US trading profit of £95 million was £19 million ahead of last year.

As at the date of this statement no significant claims have arisen from the unintentional supply of mislabelled gaskets notified in December 2011.

On 23 April 2012 the business acquired Reese Kitchens, Inc. of Indianapolis, which has three showrooms catering for the residential remodelling market.

## **Canada**

Revenue in Canada in the quarter grew by 7.9% on a like-for-like basis. Blended Branches generated decent like-for-like revenue growth and improved gross margins which contributed to good profit flow though. The Industrial business was particularly strong as it continued to benefit from the buoyant oil, gas and mining sectors and made good progress. Improving market conditions also benefited the Waterworks business although growth trends were slightly weaker in HVAC. Trading profit of £6 million was £2 million ahead of last year.

## **UK**

Like-for-like revenue in the UK excluding last year's contract loss was 1.9% driven by Plumb and Parts Center which also improved gross margins, despite weaker demand. Pipe and Climate Center and Drain Center performed well generating good growth. Headcount was 68 lower than at 31 January 2012 as we continued to focus on the cost base. Trading profit for the quarter was £26 million, £3 million ahead of last year due principally to lower bad debt charges. Operating expenses included £1 million of one-off restructuring charges.

## **Nordics**

In the Nordic region like-for-like revenue decreased by 1.7%. The seasonal pick up in new residential construction markets in Denmark was weaker than last year although the business continued to hold market share. Growth rates were also held back in Sweden and Finland in lacklustre markets, though the businesses protected gross margins. In Norway demand was subdued although it continued to be underpinned by a strong oil and gas sector. Gross margins were lower overall due to some lower margin direct sales. In light of the tough conditions we continue to focus on lowering the cost base. Trading profit was £7 million in the quarter, £8 million below last year.

During the quarter we completed the acquisition of a single branch building materials business in Denmark.

## **France**

Like-for-like revenue in France declined by 6.1% as new construction markets weakened. Government stimulus activity is now coming to an end which may have an effect on activity levels going forward. Revenue declined in Reseau Pro though, despite intense pricing pressure, the business improved gross margins. Revenue was also lower in the Wood Solutions business as activity levels continued to slow. We continue to focus on lowering the cost base and headcount continues to be tightly controlled, being 48 lower than at 31 January. Trading profit was £9 million in the quarter, £6 million below last year and included £1 million of one-off restructuring charges.

## **Central Europe**

In Central Europe like-for-like revenue was flat as price deflation on Euro sourced products in Switzerland constrained sales, but gross margins were ahead of last year. In Austria the business generated higher revenues and held gross margins in the period. Like-for-like revenue was flat in challenging markets in Holland. Trading profit of £5 million in the quarter was £2 million below last year.

## Central and other costs

Central costs were £5 million lower than last year, £3 million of which arose from the write-off of historical IT costs last year.

## Nine months trading performance

£ million	YTD 2012 Revenue	YTD 2011 Revenue	Change	Like-for- like Change	YTD 2012 Trading Profit	YTD 2011 Trading Profit
USA	4,471	4,006	+11.6%	+9.0%	268	222
Canada	615	583	+5.5%	+4.5%	31	27
UK	1,272	1,271	+0.1%	(2.1%)	70	71
Nordic	1,569	1,508	+4.0%	+2.5%	54	63
France	926	940	(1.5%)	(0.1%)	17	26
Central Europe	541	531	+1.9%	+0.9%	25	24
Central and other costs	-	-	-		(24)	(36)
Ongoing operations	9,394	8,839	+6.3%	+4.6%	441	397
Sold	644	1,061			10	9
Group	10,038	9,900			451	406

## Financial position

Net debt at 30 April 2012 was £277 million (30 April 2011: £591 million). There has been no other significant change in the financial position of the Group since 31 January 2012.

## Exchange rates

The Group's earnings are denominated in a number of currencies including Sterling, US dollar, Canadian dollar, Euro and Swiss franc. Some of these currencies have been volatile in the period and notably the Euro has depreciated against sterling. The average Euro / Sterling rate in the fourth quarter last year was 1.13 and if current rates apply throughout the period then fourth quarter profit growth will be adversely impacted. The Group's Euro-denominated earnings principally derive from France, Finland, Austria and Holland.

## For further information please contact

### Wolseley plc

John Martin, Chief Financial Officer  
Mark Fearon, Director of Corporate Communications and IR

Tel: +41 (0) 41 723 2230  
Mobile: +44 (0) 7711 875070

### Brunswick (Media Enquiries)

Mike Harrison, Sophie Brand

Tel: +44 (0)20 7404 5959

## Investor conference call

A conference call with John Martin, CFO will commence at 9am UK time on 29 May 2012. The call will be recorded and available on our website after the event [www.wolseley.com](http://www.wolseley.com).

Dial in number:	UK	+44 (0)20 3140 8286
	Switzerland	+41 (0)22 567 5431

Ask for the Wolseley call quoting **4250374**

## Notes to statement

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. Group revenue for the year ended 31 July was £13.6 billion and trading profit was £622 million. Wolseley has around 40,000 employees, is listed on the London Stock Exchange (LSE: WOS) and is in the FTSE 100 index of listed companies.

The Group will issue its full year results on Tuesday 2 October 2012.

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*Certain information included in this announcement is forward-looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Forward-looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans, expected expenditures and divestments, risks associated with changes in economic conditions, the strength of the plumbing and heating and building materials market in North America and Europe, fluctuations in product prices and changes in exchange and interest rates. Forward-looking statements can be identified by the use of forward-looking terminology, including terms such as "believes", "estimates", "anticipates", "expects", "forecasts", "intends", "plans", "projects", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. All forward-looking statements in this announcement are based upon information known to the Company on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward-looking statements, which speak only at their respective dates. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Services Authority), the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws*