

6 March 2009

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**Wolseley plc**

**Wolseley announces a comprehensive package of measures to strengthen the Group's  
balance sheet and position it strongly for the future**

**Unaudited Half Year Financial Results for the six months ended 31 January 2009**

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**Overview**

Along with the Half Year Results, a comprehensive package of measures is announced today to strengthen Wolseley's balance sheet and position the Group strongly for the future including:

**1. Financial restructuring**

- Proposed fully underwritten firm placing and rights issue to raise aggregate net proceeds of approximately £1 billion to reduce net debt.
- Pro forma net debt/EBITDA<sup>1</sup> of 1.9x and pro forma gearing<sup>2</sup> of 36.1% as at 31 January 2009.<sup>3</sup>
- New €1 billion committed 2 year forward start debt facility to be provided by 5 core relationship banks from 1 August 2011 conditional upon completion of the firm placing and rights issue.
- Total committed debt facilities at 31 January 2009 of £4.3 billion providing liquidity headroom of £1.6 billion.

**2. Clear strategic focus**

- Focus on Wolseley's core businesses of North American Plumbing and Heating, UK and Ireland, Nordic and France, where it has built sufficient scale and can deliver appropriate financial return.
- No further expansionary capital to be allocated to France until financial performance improves.
- Process underway to dispose of or exit Stock by 1 August 2009. The Board's preference is to identify a joint venture partner for the business.
- Central and Eastern Europe business under strategic review.

**3. Action to right size the cost base and reduce debt continues**

- Since 1 August 2007, the Group has:
  - Implemented restructuring measures, including headcount reductions of around 17,000 and branch closures of 713.

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<sup>1</sup> Net debt/ EBITDA is the ratio of net debt to trading profit plus depreciation and the amortisation of software and a full year trading profit of subsidiaries acquired in the period less the trading profit of subsidiaries disposed of in the period.

<sup>2</sup> Gearing ratio is the ratio of net debt, excluding construction loan borrowings, to shareholders' funds.

<sup>3</sup> Illustrative pro forma net debt/ EBITDA and gearing assuming that the anticipated proceeds of the share issue are used to pay down the Group's financial debt as at 31 January 2009.

- Initiated actions up to 31 January 2009 which are expected to deliver annualised cost savings of £572 million.
- Generated cash from working capital of £789 million including the benefit of receivables funding.

### Half Year 2009 Financial Results

- Revenue of £8,284 million, up 3.2% on same period last year (2008: £8,029 million), 12.1% down in constant currency.<sup>4</sup>
- Trading profit<sup>5</sup> of £182 million, down 42.7% on same period last year (2008: £318 million), down 51.4% in constant currency.
- Profit before tax, exceptional items and amortisation and impairment of acquired intangibles down to £97 million, 61.4% down on same period last year, 65.6% in constant currency.
- Operating loss before tax of £880 million after exceptional items of £262 million and impairment and amortisation of acquired intangibles of £800 million.
- Significant working capital inflow in the period of £383 million resulting in net debt at 31 January 2009 of £2,486 million after £409 million adverse effect of currency exchange.
- Group continues to operate within its banking covenants with net debt/EBITDA of 3.1x (31 July 2008: 2.7x).
- Excluding the effects of currency translation, the improvement in working capital cash to cash days at 31 January 2009 compared to FY 2008 is in line with the 10% improvement target for FY 2009.
- Capital expenditure reduced to £87 million (2008: £155 million) and is expected to be around £180 million in FY 2009.
- In light of adverse market conditions no interim dividend to be paid.

### Outlook

- The Board is confident that the measures announced today represent a comprehensive package to strengthen the balance sheet and strongly position the Group for the future.
- The Board believes that the downturn in the UK, Irish and Nordic economies is likely to be generally more severe than that experienced in the remainder of Continental Europe.
- If markets deteriorate further than anticipated, the Board will ensure further actions will be taken to mitigate the resulting impact.
- Whilst actions will continue in our core businesses to reduce costs and generate cash, there will be a clear focus on margin management, serving the customer base and developing market opportunities.

<sup>4</sup> Constant currency percentage changes are calculated by retranslating prior year amounts at the exchange rates used in the preparation of the financial statements for the six months ended 31 January 2009.

<sup>5</sup> Trading profit, a term used throughout this announcement, is defined as operating profit before exceptional items and the amortisation and impairment of acquired intangibles. Trading margin is the ratio of trading profit to revenue expressed as a percentage. Organic change is the total increase or decrease in the year adjusted for the impact of exchange rates and the incremental impact of acquisitions in 2008.

Chip Hornsby, Wolseley plc Group Chief Executive said:

“Our markets have been hit hard in recent months and in response we have continued to take prompt and decisive action to reduce both costs and debt.

Following the completion of the comprehensive financial restructuring announced today, the Company’s balance sheet will be substantially strengthened. In addition, the clear focus on those core markets where Wolseley has built leading positions will enable the Group to maintain investment in our key most profitable markets and remain strongly positioned to capitalise on future market recovery.”

**ENQUIRIES:**

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There will be an analyst and investor meeting at 0900 (UK time) today at Deutsche Bank, The Auditorium, 1 Great Winchester Street, London EC2N 2DB. A live audio cast and slide presentation of this event will be available at 0900 on [www.wolseley.com](http://www.wolseley.com). We recommend you register at 0845.

Photographs of Chip Hornsby, Group Chief Executive and Steve Webster, Chief Financial Officer are available at: [www.newscast.co.uk](http://www.newscast.co.uk) and [www.wolseleyimages.com](http://www.wolseleyimages.com)

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The securities referred to herein have not been and will not be registered under the US Securities Act of 1933, as amended (the “Securities Act”) and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered in the United States absent registration or pursuant to an exemption from, or in transactions not subject to, the registration requirements of the Securities Act.

## NEWS RELEASE

6 March 2009

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### Wolseley plc

#### **Wolseley announces a comprehensive package of measures to strengthen the Group's balance sheet and position it strongly for the future**

#### **Unaudited Half Year financial results for the period ended 31 January 2009**

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#### **Overview**

Given the severity and breadth of the current global macroeconomic crisis, and the current uncertain outlook for the Group's business, the Directors have determined that it is appropriate that the Group should recapitalise its business now, through an issue of equity by way of a share issue, comprising a fully underwritten firm placing and a rights issue, in order to raise in aggregate approximately £1 billion (net of expenses). This will strengthen Wolseley's capital base, to create a more stable position from which the Group can take advantage of any recovery in its markets.

In addition, the Company has arranged a new €1 billion multi currency committed 2 year forward start debt facility to be provided by 5 core relationship banks from 1 August 2011 subject to, among other things, completion of the share issue. This significantly extends the Company's debt maturity profile and reduces any refinancing risk in the period to 1 August 2011.

Wolseley is also announcing today a clear strategic focus on its chosen core businesses of North America Plumbing and Heating, UK and Ireland, Nordic and France, where the Board believes it has built sufficient scale and can deliver an appropriate financial return. The Group historically has achieved higher returns where it has consolidated its position, building strong local brands and a critical mass which delivers significant cost and scale advantages. A process is underway to find a joint venture partner for its US Building Materials business, Stock, or to exit the business by 1 August 2009. In addition, the Board has initiated a strategic review of the Central and Eastern Europe businesses. This approach recognises that the Group needs to prioritise its resources in a challenging economic environment. The measures announced today are intended to enable Wolseley to maintain investment in its core businesses, while remaining well positioned to capitalise on any future market recovery.

#### **Rationale for the share issue**

From early 2007 onwards, a continuing deterioration in the US housing market has continued to have an impact on the Group's US Building Materials business and consequently on the Group's trading performance and financial results. In recent months the weakening in the Group's trading environment has intensified as a result of the turmoil that continues to affect global capital markets and the severe impact of this on the wider economy. In particular, the Group's performance has been affected by the continued significant deterioration of the US residential housing market, price deflation in lumber, worsening consumer sentiment arising from global credit restrictions and the consequential weakening of the UK and European construction markets for building materials. In addition, recent weakness of sterling against the euro and the US dollar has had an adverse impact on the Group's net debt position.

The Directors have determined that it is now appropriate that the Group should recapitalise its business through an issue of equity in order to strengthen the Group's capital base, in particular to ensure adequate headroom in respect of the Group's banking covenants, while positioning the Group to take advantage of a future recovery in its markets.

Specifically, the share issue is intended to enable Wolseley to:

- Substantially strengthen its balance sheet and overall financial position.
- Allow the Group to focus on investment in its core businesses.
- Return to a profitable focused growth strategy as markets recover.
- Improve future access to sources of capital.

The Directors have considered a range of alternative options to raising equity, including the negotiation of amendments to the financial covenants in the Group's existing facilities and the possibility of further disposals of businesses. Notwithstanding the dilutive impact on the number of shares in issue, the Board has determined that the share issue is necessary to provide the clearest path to achieving financial stability for the Group within an appropriate time frame and in a manner that best preserves long term shareholder value.

### **Key highlights of the proposed share issue**

The £1 billion share issue, which is fully underwritten, comprises a £270 million firm placing at 120p per share and an 11 for 5 rights issue to raise £781 million. The details of the share issue are as follows:

- A firm placing of 225 million new shares of 25p nominal value with institutional investors. The new shares issued as a result of the firm placing will have the right to participate in the rights issue. The firm placing is:
  - subject to approval by shareholders of the firm placing and the rights issue;;
  - at a price per existing share of 120p per share at a 27% discount to the closing price of 165p per share on 5 March 2009 (the "Closing Price");
  - fully underwritten.
- A capital reorganisation under which:
  - each existing share (including those to be issued under the firm placing) will be subdivided and converted into one interim share of 1p nominal value ("Interim Share") and one deferred share of 24p nominal value; and
  - immediately thereafter, the Interim Shares will be consolidated on a one for 10 basis into new ordinary shares of 10p nominal value ("10p Ordinary Shares").
- A fully underwritten rights issue of 11 new 10p Ordinary Shares for every 5 10p Ordinary Shares at an issue price of 400p per share:
  - the issue price is equivalent to 40p per share pre-capital reorganisation;
  - the issue price represents a discount to the theoretical ex-rights price of:
    - 47% based on the Closing Price, taking account of the firm placing; and
    - 38% based on the firm placing price.

- Pro forma net debt/EBITDA<sup>6</sup> of 1.9x and pro forma gearing<sup>7</sup> of 36.1% as at 31 January 2009<sup>8</sup>.

Deutsche Bank and UBS are acting as Joint Corporate Brokers, Joint Sponsors and Joint Bookrunners. RBS Hoare Govett and BNP Paribas are acting as Joint Bookrunners.

Rothschild is acting as financial adviser to Wolseley.

Further details of the firm placing, capital reorganisation and rights issue will be set out in a circular expected to be sent to shareholders shortly and in a prospectus which is expected to be published in due course. Both documents will be available on the Company's website [www.wolseley.com](http://www.wolseley.com)

### **New Debt Facilities**

The Company has arranged a new €1 billion multi currency committed 2 year forward start debt facility to be provided by 5 core relationship banks from 1 August 2011 subject to, among other things, completion of the rights issue. This significantly extends the Company's debt maturity profile and reduces any refinancing risk in the period to 1 August 2011.

The net debt to EBITDA financial covenant for this new facility is 3.5x in common with Wolseley's other debt facilities. There is an additional financial covenant relating to EBITDA to net interest payable at 4x, which applies in relation to the new facility. The terms of the Company's existing banking facilities are unchanged.

The Company intends to seek an investment grade credit rating by 31 January 2010.

### **Clear Strategic Focus**

Notwithstanding the unfavourable short term outlook, the Directors believe that Wolseley remains well positioned in the medium term and that:

- Wolseley operates in a fundamentally attractive business sector.
- Wolseley is a market leader in a highly fragmented industry, has a strong customer franchise, international operations and strategic positions in its core markets.
- Scale advantages such as Wolseley's distribution network and sourcing activities are key competitive advantages and differentiators in the marketplace.
- Wolseley has a track record of building strong local brands and knowledge drive its performance.
- Ferguson is expected to be an early beneficiary from the US recovery and the Directors believe that a number of its competitors will exit the industry, creating opportunity to increase market share without significantly increasing its footprint.

The Board has now determined that significant shareholder value can be generated through an even greater level of focus on Wolseley's core businesses, which it believes present the best

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<sup>6</sup> Net debt/ EBITDA is the ratio of net debt to trading profit plus depreciation and the amortisation of software and a full year trading profit of subsidiaries acquired in the period less the trading profit of subsidiaries disposed of in the period.

<sup>7</sup> Gearing ratio is the ratio of net debt, excluding construction loan borrowings, to shareholders' funds.

<sup>8</sup> Illustrative pro forma net debt/ EBITDA and gearing assuming that the anticipated proceeds of the share issue are used to pay down the Group's financial debt as at 31 January 2009.

opportunities for return on investment in the longer term. The Group historically has achieved higher returns where it has consolidated its position, achieving strong local brands and a critical mass which delivers significant cost and scale advantages.

- Clear strategic focus

The future strategic focus for the Group will be in the North American Plumbing and Heating (Ferguson and Canada), Nordic, UK and Ireland and French businesses where the Board believes Wolseley has built sufficient scale and can deliver an appropriate financial return.

Current indications are that the US economy will be the first to recover from the economic downturn and the Directors believe that Ferguson should be well positioned to benefit from this. The Directors believe that the business does not need to significantly increase its footprint in order to capitalise on the recovery when it occurs due to the operational leverage in the business. As the current downturn continues, the Directors believe that a number of its competitors will exit the industry which should create the opportunity to increase its market share organically. When appropriate, the Directors also intend to grow the business through selective bolt-on acquisitions as well as through using new formats and routes to market such as eCommerce and expanding the product range. Wolseley Canada is now being integrated into the Ferguson business with opportunities identified to increase trading profit through access to infrastructure, sourcing and pricing matrix management.

In the Nordic region, the Directors expect to see strong growth opportunities to further consolidate DT's leading market positions once the market recovers. The business will be grown organically through the use of new formats and expansion of the product range and, when appropriate, DT will make selective bolt-on acquisitions.

Wolseley UK and Ireland will focus on the current portfolio, where it has critical mass and market strength across several trading brands. The Directors intend to further restructure the business and refine the portfolio. Until this restructuring is completed, no further capital will be allocated for the expansion of the business other than maintenance capital expenditure.

Within Wolseley France the process of repositioning the Lightside (Brossette) business around the heating and renewable energy segments is underway. Across both Lightside and Heavyside, opportunities remain to further consolidate the branch network while the priority is to complete the restructuring and repositioning of the business, so that it generates a sufficient level of return. Until this restructuring is completed, no further capital will be allocated for the expansion of the business other than maintenance capital expenditure.

- Disposal or exit of Stock Building Supply

Given the recent further deterioration in market conditions, the Directors have decided to proceed to exit the US Building Materials business (Stock) a move that will conserve cash, reduce losses and strengthen the Group's overall financial position during the current economic downturn. A number of third parties have recently expressed an interest in the possibility of acquiring part or all of the Stock business. A disposal process has now commenced and is expected to be concluded over the next few months. The Directors' preference is to structure any potential transaction in such a way as to enable shareholders to participate in the long term value potential of the business, while ensuring Stock's operating losses are deconsolidated as well as conserving cash. Should the current disposal process not proceed the Directors have committed to exit the business by 1 August 2009.

- Central and Eastern Europe (CEE) Strategic Review

The Directors have recently commenced a review to determine the future strategy for its businesses contained in Central and Eastern Europe. The business was initially intended to

be a growth and investment opportunity with the intention of developing critical mass through acquisitions and new store openings across the region while building common processes and critical mass in the supply chain. However, given market conditions and capital constraints, recent focus has been on intensive restructuring in line with current activity levels and on driving improved working capital efficiency. The Directors expect to announce the outcome of the review by 31 July 2009 and consequently no further expansionary capital will be allocated to the region in the near term.

By announcing these decisions, the Board believes shareholders will benefit from greater clarity and certainty on the Group's future strategy and financial position, enabling Wolseley to protect and focus on its core businesses during the current economic downturn and position the Group to perform strongly as and when markets recover.

### **Continued focus on cost reduction and cash generation**

Within a challenging economic environment, the Directors have taken actions since 1 August 2007, aiming to reduce the Group's cost base, maximise cash generation and protect the balance sheet against currency volatility.

The following actions had been taken in the 18 months between 1 August 2007 and 31 January 2009:

- Restructuring of Group operations, by closing branches and reducing headcount, which resulted in cost savings of £47 million in the year ended 31 July 2008 and £160 million in the six months ended 31 January 2009. A further £291 million saving is expected to be achieved in the remainder of FY 2009 and the expected annualised benefit of all actions initiated to 31 January 2009 is £572 million.
- Improving working capital cash to cash days<sup>9</sup> by 12% between 31 July 2007 and 31 July 2008, from 52 to 46 days, and by a further 7 days or 16%, on a constant currency basis, by 31 January 2009 which has resulted in cash generation from working capital of £789 million in the 18 months.
- Reducing capital expenditure to a maximum spend of approximately £180 million for the year ending 31 July 2009, in constant currency (FY 2008 : £317 million). In the 6 months to 31 January 2009 capital expenditure was £87 million, down from £155 million last year in the first half of FY 2008.
- Entering into receivables funding arrangements in the UK and France, which together have reduced net debt at 31 January 2009 by £217 million.
- Disposing of assets including property, plant and equipment (sold for £179 million, realising a profit of £33 million).
- Disposing of 5 non-core businesses for consideration of £26 million.
- Suspension of acquisitions since February 2008.
- Cancellation of the final FY 2008 dividend.
- Hedging a significant proportion of the Group's debt against further sterling depreciation since late 2008.

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<sup>9</sup> Spot cash to cash days is the net of spot inventory days plus spot receivables days less spot payables days.



## Half Year Financial Results 2009

### Summary

	<u>As at, and for the six months</u> <u>ended 31 January</u>		Change
	2009	2008	
<b>Revenue</b>	<b>£8,284m</b>	<b>£8,029m</b>	<b>+3.2%</b>
<b>Operating profit</b>			
- before exceptional items and amortisation and impairment of acquired intangibles	£182m	£318m	-42.7%
- exceptional restructuring costs	£(262)m	£(18)m	
- amortisation and impairment of acquired intangibles	£(800)m	£(154)m	
<b>Operating (loss)/profit</b>	<b>£(880)m</b>	<b>£146m</b>	
Net finance costs	£(85)m	£(67)m	
<b>Profit before tax</b>			
- before exceptional items and amortisation and impairment of acquired intangibles	£97m	£251m	-61.4%
- exceptional restructuring costs	£(262)m	£(18)m	
- amortisation and impairment of acquired intangibles	£(800)m	£(154)m	
<b>(Loss)/profit before tax</b>	<b>£(965)m</b>	<b>£79m</b>	
<b>Earnings per share</b>			
- before exceptional items and amortisation and impairment of acquired intangibles	10.93p	28.40p	-61.5%
- exceptional restructuring costs	(26.36)p	(1.71)p	
- amortisation and impairment of acquired intangibles	(102.94)p	(16.82)p	
<b>Basic loss per share</b>	<b>(118.37)p</b>	<b>9.87p</b>	
<b>Dividend per share</b>	<b>Nil</b>	<b>11.25p</b>	
<b>Net debt</b>	<b>£2,486m</b>	<b>£2,894m</b>	
<b>Gearing</b>	<b>79.7%</b>	<b>83.9%</b>	
<b>Interest cover (times) <sup>10</sup></b>	<b>2.3x</b>	<b>4.6x</b>	
<b>Operating cash flow</b>	<b>£573m</b>	<b>£367m</b>	
<b>Cash conversion <sup>11</sup></b>	<b>315%</b>	<b>115%</b>	

### Overview

Group revenue for the six months ended 31 January 2009 increased by 3.2% to £8,284 million (2008: £8,029 million). Trading profit was 42.7% lower at £182 million (2008: £318 million) mainly as a result of the trading loss at Stock, the US Building Materials business. The Group's trading margin fell from 4.0% to 2.2%. After deducting exceptional restructuring costs of £262 million (2008 : £18 million) and amortisation and impairment of acquired intangibles of £800 million (2008: £154 million) including an impairment of £735 million relating to Stock (£277 million), DT Group (£349 million), Wolseley UK (£88 million) and Benelux (£21 million), an operating loss of £880 million was recorded (2008: profit of £146 million).

Currency translation increased Group revenue by £1.4 billion (17%) and Group trading profit by £57 million (18%) in the six month period. In constant currency, Group revenue would have been 12% lower and trading profit 51% lower than in the corresponding period in the prior year.

<sup>10</sup> Interest cover is trading profit divided by net finance costs, excluding net pension related finance costs.

<sup>11</sup> Cash conversion is the ratio of operating cash flow to trading profit.

Reported profit before tax and amortisation and impairment of acquired intangibles declined by 61.4% to £97 million (2008: £251 million). Reported loss before tax, after exceptional items and the amortisation and impairment of acquired intangibles, was £965 million (2008: profit of £79 million). Net finance costs of £85 million (2008: £67 million) reflect the higher average debt position and the increased costs of receivables funding. Interest cover was 2.3x (2008: 4.6 times).

The decrease in earnings per share before exceptional items and the amortisation and impairment of acquired intangibles was 61.5%, to 10.93 pence (2008: 28.40 pence), reflecting the lower level of profitability. The basic loss per share was 118.37 pence (2008: earnings per share of 9.87 pence).

Following the significant efforts over the past 6 months to lower net debt, the Group's net borrowings, excluding construction loan borrowings, at 31 January 2009 were £2,486 million compared with £2,894 million at the equivalent time in the prior year and £2,469 million at 31 July 2008. This was achieved as a result of a strong working capital performance and despite adverse currency effects of £409 million. Gearing was 79.7% compared to 73.5% at 31 July 2008 and 83.9% at 31 January 2008. The increase since 31 July 2008 predominantly reflects the strengthening of the euro, in which £540 million of the Group's net debt was denominated on 31 January 2009.

Cash flow conversion improved overall from 115% to 315% due to the ongoing focus on improving working capital and cash flow management throughout the Group. Operating cash flow was higher at £573 million (2008: £367 million). Overall Group working capital cash to cash days were reduced by 7 days or 16%, on a constant currency basis, which is in line with the 10% improvement target for FY2009.

The Group's short term objective remains to ensure the appropriate sizing of the cost base in line with the deteriorating market environment, to drive strong cash flow and to reduce net debt.

## **Operating Review**

Further details of market conditions and financial performance in each of the Group's businesses are set out below.

### **North America (51% of Group revenue)**

The results in Wolseley's North American division were significantly affected by a further slowdown in the US new housing sector and falling consumer confidence.

Reported revenue, in sterling, of the division increased by 6.5% to £4,233 million (2008: £3,973 million), reflecting a 23.2% positive impact of currency translation offsetting an organic revenue decline of 14.3%. Trading profit, in sterling, declined by 20.0% to £123 million (2008: £154 million), 34.7% in constant currency. Cash flow from operations was strong, reflecting the ongoing improvements in working capital. Spot cash to cash days improved by 8% from 60 days to 55 days.

In response to the slowing market conditions, headcount reductions across the division of 6,415, were made. Exceptional costs of £168 million are expected to deliver annualised savings of £245 million. There was a net decrease of 133 branches in North America from 1,921 at 31 July 2008 to 1,788 branches at 31 January 2009, reflecting the closure of branches.

## **US Plumbing and Heating** (37% of Group revenue)

New housing starts have continued to decline and the RMI market has slowed in response to weaker consumer sentiment. The commercial and industrial sectors continued to hold up in the first few months of the financial year although since December the market has weakened due to continued scarcity of finance for projects.

Although Ferguson continued to perform strongly compared to the overall market in the period, local currency revenue in the US Plumbing and Heating operations declined by 11.3% to \$4,928 million (2008: \$5,554 million) with organic revenue being down 11.6%. Underlying trading profit, excluding property profits, was down by 21.4% to \$284 million (2008: \$361 million). Despite the challenging conditions the gross margin was marginally up, reflecting internal process improvement, changes of business mix towards higher margin business generated from showrooms, counter sales and private label products. The underlying trading margin was lower at 5.8% (2008: 6.5%).

In response to the slowing markets in the first half, Ferguson reduced its headcount by 2,067. These reductions equate to around 10% of its total employees and will give rise to estimated annualised savings of \$181 million. This brings the cumulative headcount reduction in Ferguson to around 18% of its employees over the last 18 months ending 31 January 2009. Action has commenced to close approximately 74 additional locations in the second half of the financial year with an expected headcount reduction of 160 which are expected to result in exceptional costs of \$32 million and annualised benefits of \$9 million. The Company will continue to evaluate additional locations for closure in line with market conditions.

Ferguson's total branch numbers decreased by 44 to 1,338 locations (31 July 2008: 1,382).

## **US Building Materials** (10% of Group revenue)

The continued decline in the new residential market caused a reduction in volumes, increased price competition as well as keeping lumber and structural panel prices low. These factors have continued to have an adverse impact on Stock's financial performance despite an aggressive cost reduction programme.

The new residential market, which accounted for 68% of the activity in this business in the first half, has continued to deteriorate. Housing starts have fallen by 41% from an average annual rate of 1.2 million for the six months to 31 January 2008 to an average of 0.7 million this half. The annualised housing starts figure in January 2009 was even lower, at 466,000. Lumber prices averaged \$237 per thousand board feet for the six months to 31 January 2009 compared with \$268 in the equivalent period in the prior year. There continue to be significant regional variations although all markets are showing a decline compared to the prior period.

In local currency, Stock's revenue was down 25.5% to \$1,339 million (2008: \$1,797 million) principally reflecting a 15.9% decline in like for like sales volumes. The business reported a trading loss of \$129 million in the first half, compared with a trading loss of \$81 million in the comparable period in the prior year. Stock's gross margin was lower due to pricing pressure in the difficult markets, although the extent of this now seems to be abating benefiting from the closure of the lowest performing stores.

In response, actions to reduce the cost base have continued including the closure of 83 branches and total headcount reductions of 4,330 in the period ended 31 January 2009. Restructuring charges of \$230 million were charged in the first half relating to these actions, which are expected to give rise to annualised cost savings of \$194 million and brings the cumulative headcount reductions in Stock to around 50% of its employees over the last 18 months. Stock's branch numbers were reduced by 83 during the first half to 202 locations (31 July 2008: 285) and 3 distribution centres were closed. All of Stock's goodwill and other acquired intangibles have now been fully impaired.

A goodwill and other intangible asset impairment of £277 million has been recorded at Stock in the period reflecting the deteriorating conditions.

### **Wolseley Canada** (4% of Group revenue)

In Canada, housing starts fell by 10.9% in January 2009 to an annualised rate of 153,500 (compared to 172,200 in December 2008) with declines evident across all regions. Economic activity was also negative, driven by the impact of global economic uncertainty and, in particular, expected reduced demand for natural resources and commodities.

Against this background, Wolseley Canada's local currency revenue increased by 1.8% to C\$697 million (2008: C\$684 million), with 1.8% organic revenue growth. Gross margin was marginally lower although trading profit was 14.1% lower at C\$33 million (2008: C\$39 million).

Branch numbers in Canada were reduced by 6 to 248 (31 July 2008: 254).

### **Europe (49% of Group revenue)**

Reported revenue, in sterling, for Europe decreased by 0.1% to £4,051 million (2008: £4,056 million), (10.6% in constant currency), predominantly driven by an organic revenue decline of 11.1%. Trading profit decreased by 57% (61.5% in constant currency) from £186 million to £80 million driven principally by the deterioration in market conditions in the UK and Ireland & the Nordics. Currency translation increased divisional revenue by £477 million (11.7%) and trading profit by £22 million (11.7%). The overall divisional trading margin declined from 4.6% to 2.0% of revenue.

Cash flow from operations was strong, reflecting the ongoing improvements in working capital, with the UK more than doubling cash flow year on year. Spot cash to cash days improved from 51 days at 31 January 2008 to 28 days at 31 January 2009, although benefiting from the UK and French receivables funding arrangements.

In response to the slowing market conditions, actions taken across the division have resulted in headcount reductions of 3,785 and exceptional restructuring costs of £94 million which are targeting annualised savings of £147 million. In the first six months, a further net 260 branches were closed across the European network, giving a total of 3,129 locations (31 July 2008: 3,389).

### **UK and Ireland** (17% of Group revenue)

In the UK, the new residential market has deteriorated since the summer and the RMI market has weakened in response to worsening consumer sentiment and tighter credit conditions.

The Heavyside building materials brands, mainly Build Center and Brooks, continued to be affected by the rapid deterioration in new residential construction in both the UK and Ireland. The Lightside plumbing and heating brands reported deterioration in the first half while continuing to perform at or above the market. Plumb and Parts Center showed some resilience, with more than two thirds of revenues relating to the residential RMI market and, in particular, the heating segment which remained relatively robust. The Commercial and Industrial business continues to be more positive with government expenditure on social housing, health and education remaining positive.

Against this background, Wolseley UK recorded a 12.5% decrease in revenue to £1,401 million (2008: £1,602 million), driven by a 14.1% organic sales decline. The overall gross margin was only slightly lower due to price management and continued growth in private label sales, which accounted for 13.4% of revenues in the six months to 31 January 2009.

Trading profit declined by 76% compared to the prior year, from £85 million to £20 million, due to lower trading volumes and price competition. As a result, the UK and Ireland trading margin fell from 5.3% to 1.4% with the Irish business moving into loss.

A goodwill impairment of £88 million has been recorded at Wolseley UK in the period, reflecting the deteriorating market outlook.

The previously announced restructuring actions are on track to deliver annualised benefits of £95 million and headcount reductions of 2,485 in the UK. Further recent action has been taken to reflect the continuing deterioration of the Irish construction markets. Exceptional costs of €8 million are expected to deliver headcount reductions of 180 and annualised benefits of €5 million.

During the first six months, 161 net locations were closed in the UK and Ireland taking the total number of branches for Wolseley UK to 1,766 (31 July 2008: 1,927).

### **France** (13% of Group revenue)

In France, over the last 12 months, average housing starts decreased by around 15%. Tighter credit conditions and low consumer confidence have led to a generally less positive business environment. Consequently, revenue declined by 5.9% in Wolseley's French operations to €1,255 million (2008: €1,334 million). The overall trading profit for the half declined by 45% to €26 million (2008: €47 million) with the trading margin lower at 2.1% (2008: 3.6%). During the first half, significant price deflation of timber reduced both profit and margins in the Import and Wood solutions business.

Actions continue to reduce costs in line with market conditions and to eliminate complexity in the portfolio, focusing the business on core brands. As planned, the disposals of Réseau Loc (hire centres networks) and Mr Bricolage (DIY network) have been successfully completed in the period for total proceeds of €12 million and realising a profit on disposal of €5 million. The repositioning of the Brossette Lightside business continues to offer a broad range of solutions to professionals in the heating segment and to expand the showroom capability. The renewable energy segment continues to represent a significant opportunity with sales doubling compared to the corresponding period in the prior year.

The restructuring plans launched at the end of FY 2008, are well underway and combined with tight labour cost control are on track to deliver annualised benefits of €14 million. During the first six months, actual headcount has been reduced by 730, with the number of branches in France decreasing by 56 to 792 (31 July 2008: 848).

### **Nordic** (13% of Group revenue)

The Nordic markets slowed during the first quarter of FY2009 and the rate of overall decline has accelerated in recent months. The principal Nordic countries are now seeing much lower levels of activity in new residential construction driven by higher interest rates, the financial mortgage and lending crisis, higher housing inventories and negative GDP trends. This environment has inevitably had an increasingly negative impact on the RMI markets, which accounts for broadly two thirds of DT's business.

In local currency, revenue, including Woodcote, for which management responsibility was recently transferred to the Nordic region from Central and Eastern Europe, was DKK 9,650 million (£1,088 million) compared to DKK 11,383 million (£1,076 million) for the comparative period in the prior year. This was driven by an organic decline of 13.3%. Despite this, the gross margin held up well and ended the half year broadly in line with the prior year. Trading profit decreased from DKK 689 million (£65 million) to DKK 385 million (£44 million) with the trading margin falling from 6.1% to 4.0%.

Restructuring actions including headcount reductions of 860 were implemented in the first half and are on track to deliver annualised benefits of DKK 290 million (£34 million). During the first six months DT Group closed 9 branches and had 269 branches, (excluding 44 Woodcote branches) as at 31 January 2009 (31 July 2008: 278).

Action has recently been initiated to exit the DT Group's DIY business in Sweden trading under the Silvan brand, which was loss making in the 6 months to 31 January 2009. This will result in the closure of 8 branches with the conversion of 3 branches to the Beijer Builders Merchant brand in Sweden. These actions are expected to result in headcount reductions of 222.

A goodwill and other intangible asset impairment of £349 million has been recorded at DT Group in the period, reflecting the deteriorating market outlook.

### **Central and Eastern Europe** (6% of Group revenue)

Across the Group's other Continental European operations, macro economic activity declined over the period in every region, with the new residential construction markets in Holland and Italy particularly badly affected.

Revenue in sterling increased by 16% to £507 million (2008: £436 million). This was due to positive exchange movements offset partially by volume declines in Italy and Benelux. The Swiss business, however, remained relatively robust showing modest like-for-like sales growth in the period.

During the first half, the business incurred a loss of £1 million (2008: profit of £11 million) predominantly as a result of competitive pressure on margins, and an additional impairment of £2 million in respect of the deferral, announced in September, of an IT project. The trading margin declined to -0.2% (2008: 2.4%).

Further action was taken to reduce the cost base of the business resulting in exceptional restructuring charges of £32 million during the period. Headcount reductions of 440 have been completed which are expected to achieve annualised savings of £18 million. In November 2008 action was taken to close Kontinentale Steel and Metal, a small periphery steel stockholding business in Austria. In addition, in February 2009 Wolseley disposed of MART, a small plumbing and heating business based in Hungary to local management.

A goodwill and other intangible asset impairment of £21 million has been recorded at the Benelux business in the period, reflecting the tougher economic conditions forecast in that region.

During the period, 30 net locations were closed in Central and Eastern Europe, taking the total number to 258 (31 July 2008: 288).

### **Dividend policy**

In light of the current adverse trading conditions the Board is recommending that no interim dividend will be paid.

The Board remains committed to a progressive dividend policy and Wolseley will resume dividend payments when markets stabilise and it is prudent to do so. Following the share issue, the Directors' decision as to when to declare a dividend and the amount to be paid will take into account the Group's underlying earnings, cash flows and capital investment plans, the requirement to maintain an appropriate level of dividend cover and the then prevailing market outlook.

## Financial Review

Net finance costs were £85 million (2008: £67 million) primarily reflecting movements in foreign exchange, the additional cost of receivables funding arrangements and pension related finance costs. Net interest receivable on construction loans amounted to £6 million (2008: £5 million). Group interest cover for the six months was 2.3 times (2008: 4.6 times).

The underlying effective tax rate, on profit before tax and amortisation and impairment of acquired intangibles and exceptional items, increased marginally from 25.9% to 26.2% due to variations in the territorial mix of profits in the period. This tax rate is consistent with the rate expected for the year ending 31 July 2009.

Before exceptional items and the amortisation and impairment of acquired intangibles, earnings per share decreased by 61.5% to 10.93 pence (2008: 28.40 pence), reflecting the lower level of profitability. The basic loss per share was 118.37 pence (2008: earnings per share of 9.87 pence). The average number of shares in issue during the first half was 656 million (2008: 655 million).

The Group's branch network has been reduced by a net 393 locations, bringing the total to 4,917 (31 July 2008: 5,310).

The Group was fully in compliance with its borrowing covenants at 31 January 2009. It had committed and undrawn banking facilities of £1.6 billion at 31 January 2009. The Group's only financial covenant requires net debt not to exceed 3.5 times annualised EBITDA. At 31 January 2009 the ratio of net debt to annualised EBITDA was 3.1 times.

In the USA construction loan receivables, financed by an equivalent amount of construction loan borrowings, were £269 million (31 July 2008: £237 million). The increase reflects the strengthening of the US dollar in the period. In local currency, construction loan receivables have decreased by 17% reflecting a much more cautious lending approach and some transfers to assets held for sale as properties are foreclosed on. Efforts continue to be made to reduce the level of receivables, whilst carefully managing the recovery position.

The Group's retirement benefit obligations have increased to £320 million from £236 million at 31 July 2008 primarily due to actuarial losses of £75 million. These actuarial losses have arisen as a result of significantly worse than expected investment performance during the period and are not expected to result in any immediate increases in cash contributions.

## Outlook

The Board is confident that the measures announced today represent a comprehensive package to strengthen the balance sheet and strongly position the Group for the future.

The Board believes that the downturn in the UK, Irish and Nordic economies is likely to be generally more severe than that experienced in the remainder of Continental Europe. If markets deteriorate further than anticipated, the Board will ensure further actions will be taken to mitigate the resulting impact.

Whilst actions will continue in our core businesses to reduce costs and generate cash, there will be a clear focus on margin management, serving the customer base and developing market opportunities.

## Principal risks and uncertainties

The principal risks and uncertainties which could affect the Group for the remainder of the financial year remain those detailed on pages 23 to 26 of the Annual Report and Accounts 2008, a copy of which is available at [www.wolseley.com](http://www.wolseley.com), and are:

- The levels of activity in the Group's markets;
- The level of financial liquidity and flexibility;
- The market price and availability of products distributed by the Group;
- The level of competition in the markets in which the Group operates;
- Increasing demands on the Group's systems and supply chain and logistics infrastructure;
- The identification and successful integration of acquisitions;
- Changes in regulations and laws affecting the Group's operations or its products;
- Potential litigation from third parties;
- Retention of sufficiently qualified, experienced and motivated personnel;
- Risks related to international operations including fluctuations in currency exchange rates, and changes in tax and other regulations and treaties and;
- The risk that customers may not be able to pay outstanding balances.

The level of activity in the Group's markets and the level of financial liquidity and flexibility continue to be the principal risks and uncertainties which have had the most significant affect on the Group in the period.

As detailed above, the weakening of the Group's markets has intensified in the period as a result of the turmoil that continues to affect global capital markets and the severe impact of this on the wider economy. In particular, the US residential housing market has continued to deteriorate and worsening consumer sentiment arising from global credit restrictions has resulted in weaker UK and European construction markets for building materials. In response to this risk, the Group is continuing to restructure its business, focusing on those core markets where it has built leading positions, and today has announced its intention to exit the US Building Materials business and conduct a strategic review of Central and Eastern Europe.

The Group has also announced a proposed fully underwritten firm placing and rights issue to raise aggregate net proceeds of approximately £1 billion and arranged a new €1 billion multicurrency committed two year debt facility to be provided from 1 August 2011, subject to among other things the completion of the share issue. These measures represent a comprehensive package to strengthen the balance sheet and should provide greater financial liquidity and flexibility for the Group for the future.

The Outlook section of this interim statement provides a commentary concerning the remainder of the financial year.

## Statement of Directors' responsibilities

The Directors confirm that to the best of their knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the EU;
- The interim management report includes a fair review of the information required by DTR 4.2.7 R (indication of important events during the first 6 months and description of principal risks and uncertainties for the remaining 6 months of the year); and
- The interim management report includes a fair review of the information required by DTR 4.2.8 R (disclosure of material related party transactions and changes therein).



At the date of this statement, the directors are those listed in the Group's Annual Report and Accounts 2008.

By order of the Board,

**Chip Hornsby**  
Group Chief Executive

**Steve Webster**  
Chief Financial Officer

## Condensed Group Income Statement (unaudited)

	Half year to 31 January 2009 Before Exceptional items £m	Half year to 31 January 2009 Exceptional items (note 3) £m	Half year to 31 January 2009 £m	Half year to 31 January 2008 Before Exceptional items £m	Half year to 31 January 2008 Exceptional items (note 3) £m	Half year to 31 January 2008 £m
<b>Revenue (note 2)</b>	8,284	-	8,284	8,029	-	8,029
Cost of sales	(6,029)	(22)	(6,051)	(5,821)	-	(5,821)
<b>Gross profit</b>	2,255	(22)	2,233	2,208	-	2,208
Distribution costs	(1,716)	(224)	(1,940)	(1,529)	(12)	(1,541)
Administrative expenses: amortisation of acquired intangibles	(65)	-	(65)	(65)	-	(65)
Administrative expenses: impairment of acquired intangibles	(735)	-	(735)	(89)	-	(89)
Administrative expenses: other	(383)	(16)	(399)	(371)	(6)	(377)
Administrative expenses: total	(1,183)	(16)	(1,199)	(525)	(6)	(531)
Other income	26	-	26	10	-	10
<b>Operating (loss)/profit (note 2)</b>	(618)	(262)	(880)	164	(18)	146
Finance revenue (note 4)	38	-	38	42	-	42
Finance costs (note 4)	(123)	-	(123)	(109)	-	(109)
<b>(Loss)/profit before tax</b>	(703)	(262)	(965)	97	(18)	79
Tax credit/(expense) (note 5)	99	89	188	(20)	6	(14)
<b>(Loss)/profit for the period attributable to equity shareholders</b>	(604)	(173)	(777)	77	(12)	65
<b>(Loss)/earnings per share (note 7)</b>						
Basic (loss)/earnings per share			(118.37)p			9.87p
Diluted (loss)/earnings per share			(118.37)p			9.86p
<b>Non-GAAP measures of performance (note 8)</b>						
Trading profit	182			318		
Profit before tax, exceptional items and the amortisation and impairment of acquired intangibles	97			251		
Basic earnings per share before exceptional items and the amortisation and impairment of acquired intangibles	10.93p			28.40p		
Diluted earnings per share before exceptional items and the amortisation and impairment of acquired intangibles	10.93p			28.35p		
<b>Translation rates</b>						
US dollars			1.6221			2.0214
Euro			1.1897			1.4159

## Condensed Group Statement of Recognised Income and Expense (unaudited)

	Half year to 31 January 2009 £m	Half year to 31 January 2008 £m
(Loss)/profit for the period	(777)	65
Net exchange adjustments offset in reserves	603	103
Fair value gains and losses on cash flow hedges	(35)	(10)
Actuarial losses on retirement benefits	(75)	(22)
Change in fair value of available-for-sale investments	-	(5)
Tax credit not recognised in the income statement	43	8
Net gains not recognised in the income statement	536	74
Total recognised (expense)/ income attributable to shareholders	(241)	139

## Condensed Group Balance Sheet (unaudited)

As at 31 July 2008 £m		As at 31 January 2009 £m	As at 31 January 2008 £m
	<b>ASSETS</b>		
	<b>Non-current assets</b>		
1,995	Intangible assets: goodwill (note 9)	1,621	1,995
841	Intangible assets: other (note 9)	807	855
1,842	Property, plant and equipment ("PPE") (note 9)	1,995	1,830
52	Deferred tax assets	216	8
96	Trade and other receivables	113	97
4	Financial assets: available-for-sale investments	4	7
4,830		4,756	4,792
	<b>Current assets</b>		
2,025	Inventories	2,170	2,143
2,804	Trade and other receivables	2,477	2,700
18	Current tax receivable	45	27
5	Financial assets: trading investments	7	5
16	Derivative financial assets	92	26
237	Financial receivables: construction loans (secured)	269	272
321	Cash and cash equivalents	446	216
5,426		5,506	5,389
43	Assets held for sale	86	18
10,299	<b>Total assets</b>	10,348	10,199
	<b>Liabilities</b>		
	<b>Current liabilities</b>		
2,956	Trade and other payables	2,737	2,578
219	Current tax payable	236	159
237	Borrowings: construction loans (unsecured)	269	272
276	Bank loans and overdrafts	171	496
19	Obligations under finance leases	23	18
8	Derivative financial liabilities	40	7
60	Provisions (note 10)	118	31
22	Retirement benefit obligations	28	22
3,797		3,622	3,583
	<b>Non-current liabilities</b>		
68	Trade and other payables	76	64
2,440	Bank loans	2,728	2,551
68	Obligations under finance leases	69	69
235	Deferred tax liabilities	169	258
118	Provisions (note 10)	274	116
214	Retirement benefit obligations	292	109
3,143		3,608	3,167
6,940	<b>Total liabilities</b>	7,230	6,750
3,359	<b>Net assets</b>	3,118	3,449
	<b>Shareholders' equity</b>		
165	Called up share capital	165	165
949	Share premium account	949	948
(52)	Foreign currency translation reserve	538	(78)
2,297	Retained earnings	1,466	2,414
3,359	<b>Equity shareholders' funds (note 11)</b>	3,118	3,449

## Condensed Group Cash Flow Statement (unaudited)

	Half year to 31 January 2009 £m	Half year to 31 January 2008 £m
<b>Cash flows from operating activities</b>		
Cash generated from operations	573	367
Interest received	37	44
Interest paid	(129)	(104)
Tax paid	(31)	(57)
<b>Net cash generated from operating activities</b>	<b>450</b>	<b>250</b>
<b>Cash flows from investing activities</b>		
Acquisition of businesses (net of cash acquired)	(8)	(148)
Disposals of businesses (net of cash disposed of)	10	-
Purchases of property, plant and equipment	(59)	(116)
Proceeds from sale of property, plant and equipment	95	36
Purchases of intangible assets	(28)	(39)
<b>Net cash generated from/(used in) investing activities</b>	<b>10</b>	<b>(267)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of shares to shareholders	-	2
Proceeds from new borrowings	49	256
Repayments of borrowings and derivatives	(414)	(31)
Finance lease capital payments	(12)	(8)
Dividends paid to shareholders	-	(141)
<b>Net cash (used in)/generated from financing activities</b>	<b>(377)</b>	<b>78</b>
<b>Net cash generated</b>	<b>83</b>	<b>61</b>
<b>Effects of exchange rate changes</b>	<b>75</b>	<b>(9)</b>
<b>Net increase in cash, cash equivalents and bank overdrafts</b>	<b>158</b>	<b>52</b>
<b>Cash, cash equivalents and bank overdrafts at the beginning of the period</b>	<b>203</b>	<b>60</b>
<b>Cash, cash equivalents and bank overdrafts at the end of the period</b>	<b>361</b>	<b>112</b>

## Reconciliation of Profit to cash generated from operations (unaudited)

	Half year to 31 January 2009 £m	Half year to 31 January 2008 £m
(Loss)/profit for the period	(777)	65
Net finance costs	85	67
Tax (credit)/expense	(188)	14
Depreciation and impairment of property, plant and equipment	131	101
Amortisation and impairment of non-acquired intangibles	9	7
Profit on disposal of businesses	(4)	-
Profit on disposal of property, plant and equipment and assets held for sale	(17)	(4)
Amortisation and impairment of acquired intangibles	800	154
Decrease in inventories	226	58
Decrease in trade and other receivables	807	279
Decrease in trade and other payables	(650)	(378)
Increase in provisions and other liabilities	151	6
Share based payments and other non cash items	-	(2)
Cash generated from operations	573	367

## Notes to the interim financial statements for the six months ended 31 January 2009

### 1 Basis of preparation

The interim financial statements for the six months ended 31 January 2009 were approved by the Board of Directors on 6 March 2009. The interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as adopted by the EU.

The interim financial statements have been prepared on a going concern basis. The Directors of Wolseley are of the opinion that, taking into consideration the net proceeds of the rights issue and firm placing, in addition to the bank and other facilities available to the Group, the working capital of the Group is sufficient for its present requirements, that is, for at least 12 months following the date of this report.

The Directors have considered the following key risks associated with the rights issue and firm placing in arriving at this opinion:

- The rights issue and firm placing require shareholder approval at an Extraordinary General Meeting. Whilst there is a risk that shareholder approval may not be granted, the Directors have had the opportunity to discuss the rights issue and firm placing with a number of major shareholders in the Company and with its advisors and are confident that shareholder approval will be obtained.
- The rights issue and firm placing are both fully underwritten. The underwriters have the right to terminate the underwriting contract if there is a material adverse change in the circumstances of the Group, or in overall market or economic conditions. The directors consider the risk of a material adverse change occurring to be remote.

The Directors are therefore confident that the rights issue and firm placing will be completed and that the net proceeds received, taken together with the bank and other facilities available to the Group, will provide sufficient resources for its operational needs and will enable the Group to remain in compliance with the financial covenant in its bank facilities for at least the next 12 months.

The accounting policies applied by the Group in these interim financial statements are the same as those set out in the Group's Annual Report and Accounts 2008. IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" is effective for the Group in the financial year ending 31 July 2009, but has had no material impact on the results or the financial position of the Group for the six months ended 31 January 2009:

The interim financial statements are unaudited. The financial information for the year ended 31 July 2008 does not constitute the full financial statements within the meaning of section 434 of the Companies Act 2006. The full financial statements for that year have been reported on by the Group's auditors and filed with the Registrar of Companies. The audit report was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

## 2 Segmental analysis of results

Wolseley's reportable segments, which are those reported to the Board, are the operating businesses overseen by distinct continental and divisional management teams responsible for their performance. All reportable segments derive their revenue from a single business activity, the distribution and supply of construction materials and services.

In 2009 management responsibility for heavy-side businesses in Eastern Europe was transferred from Central and Eastern Europe to the Nordic management team. These businesses are therefore now included in the Nordic segment results and comparative figures for 2008 revenue have been restated by £41 million. The effect on trading profit and on operating profit is not material.

The Group reported exceptional items in its financial statements for the year ended 31 July 2008. The amounts shown for the half year to 31 January 2008 have therefore been restated by the amounts shown in note 3 to separately show the effect of exceptional items on that period.

The Group's business is not highly seasonal but revenue and trading profit are normally slightly higher in the second half. The Group's customer base is highly diversified, with no individually significant customer.

The revenue, trading profit and operating profit of the Group's reportable segments are detailed in the following three tables.

### Revenue by segment

	Half year to 31 January 2009 £m	Half year to 31 January 2008 (restated) £m
UK and Ireland	1,401	1,602
France	1,055	942
Nordic	1,088	1,076
Central and Eastern Europe	507	436
<b>Europe</b>	<b>4,051</b>	<b>4,056</b>
US Plumbing and Heating	3,038	2,748
US Building Materials	826	889
Canada	369	336
<b>North America</b>	<b>4,233</b>	<b>3,973</b>
<b>Total revenue</b>	<b>8,284</b>	<b>8,029</b>



## 2 Segmental analysis of results (continued)

### Trading profit by segment

	Half year to 31 January 2009	Half year to 31 January 2008 (restated)
	£m	£m
UK and Ireland	20	85
France	22	33
Nordic	44	65
Central and Eastern Europe	(1)	11
European central costs	(5)	(8)
<b>Europe</b>	<b>80</b>	<b>186</b>
US Plumbing and Heating	188	179
US Building Materials	(80)	(40)
Canada	18	19
North American central costs	(3)	(4)
<b>North America</b>	<b>123</b>	<b>154</b>
Group central costs	(21)	(22)
<b>Total trading profit (note 8)</b>	<b>182</b>	<b>318</b>

### Operating profit by segment

	Half year to 31 January 2009	Half year to 31 January 2008 (restated)
	£m	£m
UK and Ireland	(137)	76
France	22	28
Nordic	(335)	40
Central and Eastern Europe	(55)	10
European central costs	(5)	(9)
<b>Europe</b>	<b>(510)</b>	<b>145</b>
US Plumbing and Heating	150	160
US Building Materials	(511)	(147)
Canada	15	16
North American central costs	(3)	(4)
<b>North America</b>	<b>(349)</b>	<b>25</b>
Group central costs	(21)	(24)
<b>Total operating (loss)/profit</b>	<b>(880)</b>	<b>146</b>

## 2 Segmental analysis of results (continued)

### Analysis of movement in revenue

	2008	Exchange	Divestments	Acquisitions	Organic Change		2009
	(restated) £m	£m	£m	Increment 2008 £m	£m	%	£m
UK and Ireland	1,602	27	-	1	(229)	(14.1)	1,401
France	942	179	(8)	21	(79)	(7.0)	1,055
Nordic	1,076	181	-	-	(169)	(13.4)	1,088
Central and Eastern Europe	436	90	-	8	(27)	(5.1)	507
Europe	4,056	477	(8)	30	(504)	(11.1)	4,051
US Plumbing and Heating	2,748	676	-	11	(397)	(11.6)	3,038
US Building Materials	889	219	-	26	(308)	(27.9)	826
Canada	336	26	-	-	7	1.8	369
North America	3,973	921	-	37	(698)	(14.3)	4,233
<b>Group</b>	<b>8,029</b>	<b>1,398</b>	<b>(8)</b>	<b>67</b>	<b>(1,202)</b>	<b>(12.8)</b>	<b>8,284</b>

### Analysis of movement in trading profit

	2008	Exchange	Divestments	Acquisitions	Organic Change		2009
	(restated) £m	£m	£m	Increment 2008 £m	£m	%	£m
UK and Ireland	85	-	-	-	(65)	(76.4)	20
France	33	7	-	1	(19)	(47.4)	22
Nordic	65	13	-	-	(34)	(44.2)	44
Central and Eastern Europe	11	2	-	-	(14)	(109.2)	(1)
European central costs	(8)	-	-	-	3		(5)
Europe	186	22	-	1	(129)	(62.2)	80
US Plumbing and Heating	179	44	-	1	(36)	(16.2)	188
US Building Materials	(40)	(10)	-	4	(34)	(67.0)	(80)
Canada	19	2	-	-	(3)	(14.1)	18
North American central costs	(4)	(1)	-	-	2		(3)
North America	154	35	-	5	(71)	(37.6)	123
Group central costs	(22)	-	-	-	1		(21)
<b>Group</b>	<b>318</b>	<b>57</b>	<b>-</b>	<b>6</b>	<b>(199)</b>	<b>(53.1)</b>	<b>182</b>

### 3 Exceptional items

Exceptional items are those material items which, by virtue of their size or incidence, are presented separately in the income statement to enable a full understanding of the Group's financial performance. These exclude impairments of acquired intangibles which are also presented separately in the income statement.

In the six months ended 31 January 2009, the Group recognised exceptional restructuring costs of £262 million before tax. The costs comprise staff redundancy costs of £29 million and other costs, including provisions for future lease rentals on closed branches and asset write-downs, of £233 million.

Exceptional items before tax are analysed by segment as follows:

	Half year to 31 January 2009	Half year to 31 January 2008
	£m	£m
UK and Ireland	(62)	-
France	2	(3)
Nordic	(2)	-
Central and Eastern Europe	(32)	-
European central costs	-	(1)
Europe	(94)	(4)
US Plumbing and Heating	(23)	(6)
US Building Materials	(142)	(4)
Canada	(3)	(2)
North American central costs	-	-
North America	(168)	(12)
Group central costs	-	(2)
<b>Group</b>	<b>(262)</b>	<b>(18)</b>

### 4 Net finance costs

	Half year to 31 January 2009	Half year to 31 January 2008
	£m	£m
Interest receivable	38	40
Net pension finance income	-	2
<b>Finance revenue</b>	<b>38</b>	<b>42</b>
Interest payable		
- Bank loans and overdrafts	(110)	(106)
- Finance lease charges	(3)	(2)
- Discount charge on receivables funding arrangements	(7)	-
Net pension finance cost	(4)	-
Valuation gains/(losses) on financial instruments		
- Derivatives held at fair value through profit and loss	75	36
- Loans in a fair value hedging relationship	(73)	(37)
- Change in fair value of available-for-sale investment	(1)	-
<b>Finance costs</b>	<b>(123)</b>	<b>(109)</b>
<b>Net finance costs</b>	<b>(85)</b>	<b>(67)</b>

## 5 Taxation

The tax credit on ordinary activities for the half year has been calculated at the rate which it is expected will apply for the year ending 31 July 2009 adjusted for the tax credit related to the impairment of goodwill which has been fully recorded in the tax charge for the period. The tax credit comprises the following elements:

	Half year to 31 January 2009 £m	Half year to 31 January 2008 £m
Tax credit/(charge) on profit for the period		
- UK	(28)	(23)
- Overseas	2	(32)
	(26)	(55)
Deferred tax credit	214	41
<b>Tax credit/(expense)</b>	<b>188</b>	<b>(14)</b>

## 6 Dividends

	Half year to 31 January 2009 £m	Half year to 31 January 2008 £m
Final paid for 2006/7 of 21.55 pence per share	-	141
Final paid for 2007/8 of nil	-	-
	-	141
Proposed interim for 2008/9 of nil (2007/8: 11.25 pence per share)	-	74

## 7 (Loss)/earnings per share

Basic loss per share of 118.37 pence (31 January 2008: earnings per share of 9.87 pence) is calculated on the loss for the period attributable to equity shareholders of £777 million (31 January 2008: profit of £65 million) on a weighted average number of ordinary shares in issue, excluding those held by Employee Benefit Trusts, during the year of 656 million (31 January 2008: 655 million). As detailed in note 8 below, the Group believes that profit measures before exceptional items and the amortisation and impairment of acquired intangibles provide valuable additional information for users of the financial statements. Basic earnings per share, before exceptional items and the amortisation and impairment of acquired intangibles, have, therefore, been presented in the following table.

	Half year to 31 January 2009 Pence per share	Half year to 31 January 2008 Pence per share
Before exceptional items and the amortisation and impairment of acquired intangibles	10.93p	28.40p
Exceptional items (net of tax)	(26.36)p	(1.71)p
Amortisation and impairment of acquired intangibles (net of deferred tax)	(102.94)p	(16.82)p
Basic (loss)/earnings per share	(118.37)p	9.87p

Potentially dilutive share options do not significantly affect the weighted average number of shares in issue and so do not reduce the earnings per share before exceptional items and the amortisation and impairment of acquired intangibles for the six months ended 31 January 2009.

For the six months ended 31 January 2008, the impact of potentially dilutive share options on earnings per share would be to increase the weighted average number of shares in issue to 656 million and therefore reduce basic earnings per share to 9.86 pence and reduce earnings per share before exceptional items and the amortisation and impairment of acquired intangibles to 28.35 pence.

## 8 Non-GAAP measures of performance

Trading profit is defined as operating profit before exceptional items and the amortisation and impairment of acquired intangibles. It is a non-GAAP measure. Exceptional items are material non-recurring items which are excluded from trading profit to enable a clear and consistent presentation of the Group's underlying financial performance. In addition, the current businesses within the Group have arisen through internal organic growth and through acquisition. Operating profit includes only the amortisation and impairment of acquired intangibles arising on those businesses that have been acquired subsequent to 31 July 2004 and as such does not reflect equally the performance of businesses acquired prior to 31 July 2004 (where no amortisation or impairment of acquired intangibles was recognised), businesses that have developed organically (where no intangibles are attributed) and those businesses more recently acquired (where amortisation and impairment of acquired intangibles is charged).

The Group believes that trading profit provides valuable additional information for users of the financial statements in assessing the Group's performance since it provides information on the performance of the business that local managers are more directly able to influence and on a basis consistent across the Group. The Group uses trading profit, and certain key performance indicators calculated by reference to trading profit, for planning, budgeting and reporting purposes and for its internal assessment of the operating performance of individual businesses within the Group.

	Half year to 31 January 2009 £m	Half year to 31 January 2008 £m
<b>Operating profit</b>	(880)	146
Add back: amortisation and impairment of acquired intangibles	800	154
Add back: exceptional items	262	18
<b>Trading profit</b>	<u>182</u>	<u>318</u>
<b>Profit before tax</b>	(965)	79
Add back: amortisation and impairment of acquired intangibles	800	154
Add back: exceptional items	262	18
<b>Profit before tax, exceptional items and the amortisation and impairment of acquired intangibles</b>	<u>97</u>	<u>251</u>
<b>Tax credit/(expense)</b>	188	(14)
Add back: deferred tax credit on the amortisation and impairment of acquired intangibles	(125)	(45)
Add back: tax credit on exceptional items	(89)	(6)
<b>Tax expense before the effect of exceptional items and the amortisation and impairment of acquired intangibles</b>	<u>(26)</u>	<u>(65)</u>

## 9 Tangible and intangible assets

	Goodwill £m	Other Intangible assets £m	Property, plant and equipment £m	Total tangible and intangible assets £m
Net book value at 1 August 2008	1,995	841	1,842	4,678
Additions	-	41	58	99
Disposals	-	-	(68)	(68)
Property reclassified as held for sale	-	-	(8)	(8)
Depreciation and amortisation	-	(72)	(116)	(188)
Impairment of acquired intangibles	(630)	(105)	-	(735)
Impairment of software	-	(2)	-	(2)
Impairment of property, plant & equipment	-	-	(15)	(15)
Exchange rate adjustment	256	104	302	662
<b>Net book value at 31 January 2009</b>	<b>1,621</b>	<b>807</b>	<b>1,995</b>	<b>4,423</b>

The Group tests goodwill and other intangible assets annually for impairment, or more frequently if there are indications that these assets might be impaired.

Since 31 July 2008, the performance of several of the Group's businesses has deteriorated due to the economic downturn. This has been regarded as an indication of impairment for certain cash generating units (CGUs) and accordingly the Group has performed impairment reviews for CGUs comprising 53% of consolidated revenue in the six months ended 31 January 2009.

The recoverable amounts of the CGUs were estimated from value in use calculations. These calculations used cash flow projections based on five year financial forecasts approved by management. The key assumptions for these forecasts were those regarding revenue growth, trading margin and the level of working capital required to support trading, which management estimated based on past experience and expectations of future changes in the market. To prepare value in use calculations, the cash flow forecasts were extrapolated after the forecast period at an estimated average long-term nominal growth rate for each market (in the range of 2 to 4 per cent), and discounted back to present value. The discount rate assumptions use an estimate of the Group's weighted average cost of capital, based on the five-year historic volatility of Wolseley shares and on benchmark interest rates, and are risk adjusted to reflect the risks associated with the cash flows of individual CGUs. The pre-tax discount rate ranges from 11 per cent to 14 per cent.

These impairment reviews have resulted in the recording of an impairment charge of £735 million in respect of goodwill and acquired intangible assets held by the following businesses:

### DT Group

DT Group is now forecasting a significant downturn in its markets over the short and medium terms, and a gradual recovery to levels of activity below those it experienced in recent years. As a result of reflecting these reduced expectations in its value in use calculations, the Group has recognised a goodwill impairment charge of £349 million in respect of the Stark, Silvan and Starkki divisions of DT Group.

### Stock

The Group has announced its intention to exit the US Building Materials sector by 31 July 2009. Accordingly, the Group now regards Stock as a single CGU and has considered it appropriate to write off all the remaining goodwill and intangible assets of the business, resulting in an impairment charge of £277 million (goodwill £173 million and other intangible assets £104 million).

### UK

The UK is now forecasting a further deterioration in its markets over the short and medium term. As a result of reflecting these reduced expectations in its value in use calculations,

the Group has recognised a goodwill impairment charge of £88 million in respect of the Electric Center, Build Center, Brandon Hire, and Encon Ireland divisions of the UK and Ireland.

#### Benelux

The Group's business in Benelux has performed below expectations at the time of the acquisition of the Centratic business in Belgium, and the Group has reappraised the likely levels of revenue and margin that can be achieved in the long term. An impairment loss of £21 million (goodwill £20 million and other intangible assets £1 million) has been calculated on a value in use basis.

In addition impairment charges of £2 million for software intangible assets and £15 million for property, plant and equipment have been recorded in the period. These relate to the deferral of an IT project in Central and Eastern Europe and to assets in branches that have been closed in the period.

Authorised capital expenditure which was contracted for but not provided in these accounts amounted to £22 million (31 July 2009: £27 million).



## 10 Provisions

	Environmental and legal	Wolseley Insurance	Restructuring	Other provisions	Total provisions
	£m	£m	£m	£m	£m
At 1 August 2008	42	51	50	35	178
Utilised in the period	-	(8)	(45)	-	(53)
Charge for the period	1	13	184	3	201
Unearned premium	-	11	-	-	11
Exchange difference	14	17	23	1	55
<b>At 31 January 2009</b>	<b>57</b>	<b>84</b>	<b>212</b>	<b>39</b>	<b>392</b>

Environmental and legal provisions include the estimated liability for asbestos claims on a discounted basis. This liability has been actuarially determined as at 31 January 2009 based on advice from independent professional advisors. Asbestos related litigation is covered by insurance and accordingly an equivalent insurance receivable has been included in receivables. The level of insurance cover available significantly exceeds the expected level of future claims and no material profit or cash flow impact is therefore expected to arise in the foreseeable future. There were 289 (31 July 2008: 293) claims outstanding at 31 January 2009.

## 11 Reconciliation of movements in capital and reserves

	Half year to 31 January 2009	Half year to 31 January 2008
	£m	£m
(Loss)/profit for the period attributable to equity shareholders	(777)	65
Exchange gain on translation of overseas operations	1,021	305
Exchange loss on translation of borrowings designated as hedges of overseas operations	(418)	(202)
Valuation loss on interest rate swaps	(22)	(10)
Valuation loss on currency swaps	(13)	-
Actuarial loss on retirement benefits	(75)	(22)
Change in fair value of available-for-sale investments	-	(5)
Tax credit not recognised in the income statement	43	8
Total recognised income and expense	(241)	139
New share capital subscribed	-	2
Charge to equity for share based payments	-	(2)
Dividends paid	-	(141)
Net reduction in shareholders' funds	(241)	(2)
Opening shareholders' funds	3,359	3,451
Closing shareholders' funds	3,118	3,449

## 12 Analysis of change in net debt

	At 31 July 2008	Cashflow	New finance leases	Fair value adjustments and other movements	Exchange movement	At 31 January 2009
	£m	£m	£m	£m	£m	£m
Cash and cash equivalents	321	(13)	-	-	138	446
Bank overdrafts	(118)	96	-	-	(63)	(85)
	203	83	-	-	75	361
Financial assets: trading investments	5	-	-	-	2	7
Derivative financial instruments	8	-	-	38	6	52
Bank loans	(2,598)	365	-	(105)	(476)	(2,814)
Obligations under finance leases	(87)	12	(1)	-	(16)	(92)
<b>Total net debt</b>	<b>(2,469)</b>	<b>460</b>	<b>(1)</b>	<b>(67)</b>	<b>(409)</b>	<b>(2,486)</b>

The currency analysis of net debt after taking into account currency swaps is as follows:

	At 31 January 2009 £m	%	At 31 July 2008 £m	%
Sterling	(1,523)	61	170	(7)
US dollars	(164)	7	(625)	25
Euros	(540)	22	(1,826)	74
Other currencies	(259)	10	(188)	8
<b>Total</b>	<b>(2,486)</b>	<b>100</b>	<b>(2,469)</b>	<b>100</b>

## 13 Disposals

During the half year ended 31 January 2009, the Group disposed of 2 non-core businesses for a consideration of £10 million.

	2009 Assets disposed of £m
Property, plant and equipment	3
Inventories	3
Total	6
Consideration received	10
<b>Profit on disposal</b>	<b>4</b>

## 14 Related party transactions

There are no related party transactions requiring disclosure under IAS 24, Related Party Disclosures, other than the compensation of key management personnel which will be disclosed in the Group's Annual Report for the year ending 31 July 2009.

## 15 Exchange rates

The results of overseas subsidiaries have been translated into sterling using average rates of exchange. The period end rates of exchange have been used to convert balance sheet amounts.

The average profit and loss account translation rate for the first six months was \$1.6221 to the £1 compared to \$2.0214 for the comparable period last year, a strengthening of the dollar by 24.6%, and €1.1897 to the £1 compared to €1.4159 a strengthening of the Euro by 19.0%.

Should the exchange rates between the US\$ and £, and the € and the £, remain at the 31 January 2009 spot rates (\$1.4503 and €1.1346) then the averages for the year as a whole would be \$1.5317 and €1.1616 and this would have the effect of increasing revenue and trading profit for the first half by £262 million and £7 million, respectively.

## **Independent review report to Wolseley plc**

### **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-year financial report for the six months ended 31 January 2009, which comprises the income statement, balance sheet, statement of recognised income and expense, cash flow statement and related notes. We have read the other information contained in the half-year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### **Directors' responsibilities**

The half-year financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-year financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in the group accounting policies, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-year financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-year financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-year financial report for the six months ended 31 January 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP  
Chartered Accountants  
6 March 2009  
London

Notes:

(a) The maintenance and integrity of the Wolseley plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

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## Notes to Editors

### 1. About Wolseley

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 to the professional markets. Group revenue for the year ended 31 July 2008 was approximately £16.5 billion and trading profit was £683 million. At 31 January 2009, Wolseley had around 63,000 employees operating in 27 countries namely: UK, USA, France, Canada, Ireland, Italy, The Netherlands, Switzerland, Austria, Czech Republic, Hungary, Belgium, Luxembourg, Denmark, Sweden, Finland, Norway, Slovak Republic, Poland, Romania, San Marino, Panama, Puerto Rico, Trinidad & Tobago, Mexico, Barbados and Greenland. Wolseley plc is listed on the London Stock Exchange (LSE: WOS) and is in the FTSE 100 index of listed companies.

Certain information included in this announcement is forward-looking and involves risks and uncertainties that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Forward-looking statements 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 and expected expenditures and divestments. All forward-looking statements in this release are based upon information known to the Company on the date of this report. 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.

### 2. Disclaimer

Each of Deutsche Bank AG, London Branch ("Deutsche Bank"), UBS Limited ("UBS" or "UBS Investment Bank"), RBS Hoare Govett Limited ("RBS Hoare Govett"), N M Rothschild & Sons Limited ("Rothschild"), BNP Paribas, ING and Calyon is acting exclusively for the Company and no-one else in relation to the Share Issue and is not, and will not be, responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Share Issue or any other matter referred to herein.

Apart from the responsibilities and liabilities, if any, which may be imposed on Deutsche Bank, UBS, RBS Hoare Govett, BNP Paribas, ING and Calyon (together, the "Underwriters") and Rothschild (together with the Underwriters, the "Banks") by the FSMA, each of Deutsche Bank, UBS, RBS Hoare Govett, BNP Paribas, ING, Calyon and Rothschild accepts no responsibility whatsoever and makes no representation or warranty, express or implied, for the contents of this announcement, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with Wolseley, the New Shares, the Placing Shares, the Nil Paid Rights, the Fully Paid Rights or the Share Issue, and nothing in this announcement is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Deutsche Bank, UBS, RBS Hoare Govett, BNP Paribas, ING, Calyon and Rothschild accordingly disclaim to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this announcement or any such statement.

Deutsche Bank AG is authorised under German Banking Law (competent authority: BaFin - Federal Financial Supervisory Authority) and authorised and subject to limited regulation by the Financial Services Authority. Details about the extent of Deutsche Bank AG's authorisation and regulation by the Financial Services Authority are available on request.

The Underwriters may, in accordance with applicable legal and regulatory provisions and subject to the Underwriting Agreement, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the Shares and/or related instruments for their own account for the purpose of hedging their underwriting exposure or otherwise. Except as required by applicable law or regulation, the Underwriters do not propose to make any public disclosure in relation to such transactions.

No person has been authorised to give any information or to make any representations other than those contained in this announcement and, if given or made, such information or representations must not be relied on as having been authorised by Wolseley or any of the Banks. Subject to the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules, the issue of this announcement shall not, in any circumstances, create any implication that there has been no change in the affairs of the Wolseley Group since the date of this announcement or that the information in it is correct as at any subsequent date.

The information contained herein is restricted and is not for release, publication or distribution, directly or indirectly, in whole or in part, in or into the United States, Australia, Japan or South Africa or any other jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction. The securities referred to herein have not been and will not be registered under the securities laws of such jurisdictions and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within such jurisdictions except pursuant to an exemption from and in compliance with any applicable securities laws.

The distribution of this announcement, the Circular, the Prospectus and/or the Provisional Allotment Letters and/or the transfer or offering of the Placing Shares, Nil Paid Rights, Fully Paid Rights or New Shares into jurisdictions other than the United Kingdom is or may be restricted by law. Persons into whose possession this announcement or any such document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The information contained herein is restricted and is not for release, publication or distribution, directly or indirectly, in whole or in part, in or into the United States (including its territories and possessions, any state of the United States and the District of Columbia). This announcement and the information contained herein does not contain or constitute an offer for sale or the solicitation of an offer to purchase any securities in the United States. The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any other securities authority of any state in the United States, and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered in the United States absent registration or pursuant to an exemption from, or in transactions not subject to, the registration requirements of the Securities Act. There will be no public offer of the securities referred to herein in the United States.

No statement in this announcement is intended as a profit forecast or a profit estimate and no statement in this announcement should be interpreted to mean that earnings per share for the current or future financial years would necessarily match or exceed the historical published earnings per share.

Prices and values of, and income from, securities may go down as well as up and an investor may not get back the amount invested. It should be noted that past performance is no guide to future performance. Persons needing advice should consult an independent financial adviser.

Neither the content of the Company's website (or any other website) nor the content of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

This announcement has been prepared for the purposes of complying with applicable law and regulation in the United Kingdom and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws and regulations of any jurisdiction outside of the United Kingdom.

#### Cautionary note regarding forward-looking statements

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terms such as "believes", "estimates", "anticipates", "expects", "intends", "plans", "annualised" "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all

matters that are not historical facts. They appear in a number of places throughout this announcement and include statements regarding the intentions, beliefs or current expectations of the Directors, Wolseley or the Wolseley Group concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of the Wolseley Group and the industries in which they operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Group's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition, liquidity, dividend policy and the development of the industries and markets in which it operates may differ materially from the impression created by the forward-looking statements contained in this announcement and/or the information incorporated by reference into this announcement. In addition, even if the results of operations, financial condition, liquidity and dividend policy of the Group, and the development of the industries and markets in which it operates, are consistent with the forward-looking statements contained in this announcement and/or the information incorporated by reference into this announcement, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to: changes in general economic conditions (such as rising unemployment, slower growth in personal income, changes in consumer spending, changes in the availability of consumer credit and mortgage financing, changes in the rate of housing turnover, and other factors which can negatively affect the Group's customers as well as the Group itself), including, in particular, the general strength or weakness of the plumbing, heating and building materials segments in North America and Europe, in both the private (residential and commercial) and public sectors; factors related to the Group's financial indebtedness and financial covenants; factors related to the Group's strategy; fluctuations in product and commodities pricing; factors related to the Group's international operations; factors related to the Group's supply chain, logistics infrastructure or IT systems; the ability of the Group to manage its growth; actions of competitors and suppliers; risks related to litigation in the jurisdictions in which the Group operates; the ability of the Group to identify, finance and successfully integrate acquisitions; the ability of the Group to retain and attract personnel; changes to government regulations in countries in which the Group has operations; exposure to greater than anticipated tax liabilities; the ability of the Group to effect restructurings, achieve disposals and realise anticipated cost savings; and changes in exchange rates and other factors.

You are advised to read this announcement and, once available, the Circular, the Prospectus and the information incorporated by reference therein, in their entirety for a further discussion of the factors that could affect the Wolseley Group's future performance and the industries in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this announcement may not occur.

Other than in accordance with their legal or regulatory obligations (including under the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules), neither Wolseley nor any of the Banks undertakes any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

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