

2006 Preliminary Results Script

Good morning, ladies and gentlemen and welcome to Wolseley's Preliminary results announcement for 2006. And also welcome to those of you listening through the webcast, we are glad you could join us.

For those of you in the room, please make sure your phones are turned off, so that we don't have any distractions. And, when we get to the questions, please wait for the microphone before speaking and give your name and company.

Chip Hornsby, CEO

For those of you who don't know me, I am Chip Hornsby, Wolseley's CEO for the past 7 weeks. However, I have been with the Group for 28 years having worked in the US running Ferguson and latterly the North American operation and I have been on the Wolseley Board for the past five years.

In a minute Steve Webster will go through a review of what the businesses have done in the past 12 months and I will then set out my strategy for the Group and what we intend to do going forward.

At the end we will be delighted to answer your questions and, as is normal Wolseley practice, we have other Executives here to help. Rob Marchbank CEO of Europe, Frank Roach CEO of North America and Fenton Hord from Stock and Adrian Barden from the UK.

So let's start with the operating highlights.....

Operating Highlights

We have produced another set of record results, for the tenth successive year. That's a decade of continuous growth and we are very proud of our achievements.

We continued to exceed our double digit growth targets with revenue and profits up around 25%, and this is despite generally flat European markets and continued

significant investment in the business. Organic revenue growth for the Group exceeded 10% and we generated strong cash flow.

During the year, we moved in a meaningful way into electrical products distribution, insulation materials and tool hire in the UK, moved into Belgium for the first time with the acquisition of Centrtec and increased our presence in installed services in the US. All this is designed to increase our diversity which has been so important in our consistent growth.

Acquisition investment at £914 million was a record for the Group and when we complete the DT Group deal, hopefully in a few hours, we will set another record in 2007.

You will have seen that we have decided to issue 10% of our shares through an equity placing today. This will enable us to continue with our growth plans through bolt-on acquisitions and expansion capex. Steve will give you more details of this in a few minutes.

Overall, a very strong year while we continue to invest in people, technology and logistics - more of that later. First though, Steve will run through the results....

Steve

Steve Webster, Group Finance Director

Thank you Chip and good morning everyone.

Summary of Results

Here are the key financial numbers reflecting the record results that Chip has already outlined.

I'm not going to go through every one of them but the highlights for me are:

- ? the growth in revenue and trading profit of around 25%
- ? the increase in earnings per share of nearly 20%
- ? the 11.1% increase in cash flow from operations
- ? the return on capital which has fallen only slightly to 18.8% following increased investment in infrastructure and higher acquisition spend but still well in excess of the group's weighted average cost of capital.

Revenue

So where did the revenue growth come from?

This year we have a beneficial currency translation effect adding a further 2% of sales growth. Organic growth across the group was just under 11%. Acquisition growth accounted for another 11.9%.

Trading profit

And here are the sources of the increase in trading profit.

Again, there is a beneficial exchange effect of 2%. The organic growth of 7.8% is slightly lower than the organic sales growth, reflecting revenue investments in the business and reorganisation costs. Acquisitions accounted for another 13.8% of the growth in trading profit.

Let's now move to the performance of our businesses and start with US Plumbing and Heating.

US Plumbing & Heating

Ferguson delivered another outstanding performance, taking advantage of its supply chain, people and good RMI and commercial and industrial markets.

You will remember that we said last year that we wanted to aggressively go after organic growth and take market share. Well, you can see that we have emphatically done that. Ferguson's constant currency revenue was up 35% with 24% organic revenue growth; about 4 times the market growth generally.

The trading margin rose to 7%, higher than previously expected as we gained more on commodities, particularly copper which rose in price significantly in the second half. We also benefited from much higher activity levels than expected in Ferguson's fourth quarter that gave an extra boost to sales and generated higher supplier rebates. We also benefited from lower provisions for slow moving items due to a focus on improving inventory turns.

One-off commodity profits were probably around \$8m in H1 and another \$35m in H2, so the underlying trading margin improved from 6.5% to 6.7%. At the same time we continued to invest in the future success of our business in terms of people and facilities.

The amazing market out performance that Ferguson is able to achieve comes about because of our continuing investments in facilities and people and the leadership and focus given to the business segments. There has been an even greater focus on customer service over the past year and this will continue over the next year.

During the year, around 4,300 people joined Ferguson to support the phenomenal growth including 1000 college recruits. We continued to expand the DC network adding 700,000 square feet of capacity through expanding four of our existing facilities. Product volumes through the DC network increased by a third.

Further expansions to our DC's are planned. And we will be building a new DC in Florida and one next to the new pipe yard at Stockton in northern California, over the next 12 months or so. The DC infrastructure is essential to our branch growth programme giving us purchasing benefits and lowering the cost to serve our branches and our customers.

Now let's move to US Building Materials.

US Building Materials Distribution

Stock continued its very strong performance and had a great year; in fact a very good 9 months then a slower final quarter as housing starts fell and inventory levels of unsold new houses rose. However, as always, there are significant regional variations and management action has already been taken to reduce headcount in certain areas and indirect costs in those areas most affected.

Local currency revenues were up by 27.4%, volume growth was just over 8%, before taking account of 4% price deflation in lumber and structural panels. Commodity lumber and panels are still around 45% of Stock's sales. It is a disappointment that prices didn't hold up more than they did, and at current levels we are facing further deflation at the start of this new year. Trading profit was up more than 40%, a great achievement.

We continue to expand the value-added products and services that we offer. The more favourable product mix helped Stock to improve its trading margin from 5.9% to 6.5%. We continue to seek opportunities to reduce Stock's dependency on new residential housing and commodity lumber. Value added sales were up 31%, construction service and installed business sales were up more than 140% and sales to commercial and RMI contractors rose by 47% and 20% respectively.

Canada

In Canada the construction and housing markets remained generally strong with the buoyant energy sector in Western Canada helping sales in the industrial and commercial business. We had another successful year growing ahead of the market generally, with double digit organic revenue growth at the same time as improving gross margins. Profits were up by 12% in Canadian \$ reflecting the ongoing

investment in Canada to consolidate back offices, add to the management resource and reorganise the logistics set up.

Now moving to Europe.

UK and Ireland

Both the UK and Ireland, had another good year, achieving organic growth ahead of the market, broadening the product offering and investing for future growth. For the majority of the year, the economy was generally positive, but the construction market, particularly RMI, was relatively soft due to weaker consumer confidence. However, the trends improved in the final few months of the year and we continue to expect a gradual improvement in the UK market environment going forward.

Overall for Wolseley UK, including Ireland, revenue was up 14% and trading profit increased by just under 10%. Organic sales growth of 2.1% was ahead of the market. The star performances were in Bathstore, where the phenomenal growth continues, and Heatmerchants and Brooks in Ireland, all of which achieved double digit organic sales growth.

Acquisitions in the UK have played an important role over the past year. We were delighted to enter the electrical distribution market through William Wilson and by AC Electrical. Also the acquisitions of Encon as the UK's number 2 insulation distributor and Brandon Hire further diversified our offering. All the acquisitions are performing ahead of our expectations. These additions will provide significant organic growth opportunities in the future.

Although the gross margin improved in the UK, the trading margin fell from 7.8% to 7.5%, due to acquisitions and further investments. You will remember the £100 million capital investment in an expanded logistics and supply chain in the UK. The national DC in Leamington started delivering to branches in August and will gradually become fully operational. The regional DC in the North West should be up and running in about a year and the UK business recently announced plans for a new Southern RDC which is likely to be ready in around 2 years.

These investments will help us meet the growing demand for a wider product range, provide better service to branches and customers, and lower our costs through a fully

integrated supply chain and improved logistics management. Central branch replenishment has been fully rolled out to Plumb branches and integrating the brands through a successful branch transport programme has resulted in a successful trial of a transport management system. Significant cost savings have already been achieved. Over time, we expect these initiatives will lead to improved margins in the UK business.

The branch expansion programme continued aggressively with 288 branches added.

Moving on to France.

France

In France, the new residential market continues to be supported by government tax incentives, but RMI, the principal driver of both Brossette and PBM, is still showing marginal growth. With a weak industrial market and high levels of unemployment holding back consumer confidence, there is likely to be little change in this market although the sales trends in the last quarter have been a bit more encouraging. The impact of the restructurings, particularly in Brossette, has clearly affected our performance in the French market.

Overall, revenue for Wolseley France was up 4.8% to £1,725 million, including 2.1% organic growth. Both Brossette and PBM produced organic revenue growth.

Brossette's local currency revenue increased by 1.8%, although trading profit was significantly lower even before the competition fine of £5m, which we have announced previously.

PBM grew local currency revenue 6.8%, nearly half of which was organic. Sales trends there improved in the second half and we expect that to continue. Underlying margins improved before taking account of the £8m import tax refund that we have previously announced and other one off items. Despite this PBM's expansion plans are on track and they added 57 new branches during the year, including 8 new satellite branches and 12 hire locations.

The restructuring of Brossette will continue over the next two to three years. Wolseley France is now under the leadership of Philippe Gardies who previously ran PBM. We are confident we now have the right team in place in France to drive the business forward and we do expect to see an improvement in Brossette's profits this year.

Central Europe

In the rest of continental Europe, we encountered generally flat markets but most of our businesses made good progress.

The Austrian market was the most challenging where the housing market remained slow and this, along with very aggressive competitor behaviour and a fall in steel prices, adversely affected our performance. Revenue was up 3%, but profits were down.

Tobler, in Switzerland, continued to perform well, achieving 18% revenue growth, including 10% organic growth. Despite a competitive market and a change in business mix, to lower margin products, the overall trading margin improved which was a great achievement and a record set of results for them.

In Italy, the excellent progress made by Manzardo over the past few years has again led to significant market out performance. Revenue was up 21%, including 7% organic growth in a flat market. Manzardo's DC in Northern Italy is on schedule to open in the autumn.

In the Netherlands excellent progress continues to be made expanding the product range more towards Sanitaryware for the RMI market and reducing costs. Organic revenue growth for Wasco was 16% and profits up by a massive 57%.

Centratec, the Belgian business acquired in October 2005, performed in line with expectations. And now, in the Benelux cluster with CFM and Wasco, they now have one management team and are jointly looking at improving sourcing, logistics and inventory management.

In fact, work continues across the whole of Europe to operate in a more integrated way focusing on sharing best practice in areas such as branch format and product/service offerings; rationalising the product and supplier base, improving the supply chain; and increasing the amount of low cost country sourcing. These initiatives should provide synergies and accelerate future growth.

So these are the highlights of the business performance over the last year. Let's now look at some of the financial highlights starting with our strong cash flow performance.

Cash Flow

As anticipated at the half year stage, we have had a good strong cash flow performance in the second half with a particular focus on improved inventory management, resulting in cash flow from operating activities for the year up by 11% from £765 million to £850 million.

Below the Cash Flow from Operating Activities line you will see a significant increase in the cash acquisition spend from £401 million to £820 million. You will also see the significant increase in capex from £239 million to £346 million, reflecting the expansion of the DC network in the US, the UK and Italy, the step up in branch openings and expenditure on the common IT platform. We expect capex to remain at a relatively high level for the next couple of years or so, as we add to our distribution network in Europe, continue with the branch opening programme and accelerate our expenditure on the common IT platform.

The end result of all those cash flows for the year is an increase in net debt of £779 million, primarily relating to acquisitions, resulting in a gearing of just over 75% at the year end, before the acquisition of DT Group.

Financing

You will have seen that we announced this morning a 10% equity placing to finance some of our recent acquisition spend.

The pro-forma gearing, interest cover and net debt to EBITDA ratios based on the 31 July balance sheet but following the DT acquisition and the expected net proceeds of the equity placing are all shown here. On a pro-forma basis, gearing should be

around 79%, interest cover over 14 times and net debt to EBITDA of just over 2.1 times.

This restores our ability to continue with our growth strategy and the programme of bolt on acquisitions. Our acquisition pipeline remains strong.

There is no change in our targeted range for gearing and interest cover. We continue to target long term gearing in the 50-70% range but have no problems with it rising to in excess of 100%, provided it is likely to return to within the normal range within 2-3 years. We are happy to run with long term interest cover in the 7-10 times range but would be prepared to go down to 5 times in appropriate circumstances. No change in the gearing and interest cover philosophy.

Outlook

Finally turning to the outlook. We remain confident about our ability to compete successfully in the markets in which we operate.

In the US, the new housing market, which, to put it into perspective, accounts for around 30% of Group sales, is likely to soften further but with significant regional variations in activity levels in local housing markets. Although the economic outlook in the US is uncertain, the positive RMI market and stronger industrial and commercial markets driven by the positive economic background should more than outweigh the slower housing market. This should continue to provide opportunities for growth in our US operations as a whole.

For Stock the outlook is more challenging due the softening housing market and price deflation in lumber and panels.

The Canadian market should remain positive boosted by strong energy and commodity activity, although the new residential housing market is slowing from the recent high levels.

In the UK we expect to see a continued gradual improvement in market conditions into 2007 and of course benefits from our recent acquisitions and supply chain investments. Ireland is likely to remain strong.

In France, growth in the RMI market is likely to remain modest. PBM should carry on with its good progress benefiting from acquisitions, new branch openings and other improvement initiatives.

The reorganisation of Brossette will continue as further investments will be made in the business to create a platform for future growth. We do expect Brossette to show progress this financial year.

We look forward with confidence to the first period of contribution from the DT Group and the achievement of synergies with our other European businesses.

We expect other Continental European markets to remain broadly flat, but we do expect our companies to show solid progress, particularly in Italy, Switzerland and the Netherlands.

We continue to focus on business improvement initiatives in areas such as supply chain, sourcing and procurement which should help the bottom line.

So overall, we expect another good year and one which will continue to demonstrate the benefits of Wolseley's scale, diversity and resilience.

I'll now hand back to Chip to talk about his vision for the future.

Simple Business Model...

Thank you Steve.

Before I take you through how I see the future shaping up for us, I'd like to take just a few minutes to talk to you about Wolseley.

I know some of you have been following us for some years – I see some very familiar faces around the room – but some of you are new.

Well I'm not. I've been around for 28 years in this company, and as it's my first time here as CEO, I just want to spend a few minutes telling you about the company that I've given my working life to – as by the way, have many other members of the senior management team.

First, this is a fantastically successful company. It has been successful because it reads the market, understands customers and changes accordingly.

Look back to the early 90s and we were a hodgepodge of businesses that certainly included construction distribution, but also included manufacturing, temporary services, agricultural equipment, car dealerships – pretty much anything you can think of, we were in it.

But the Board saw that diversity like that wasn't the answer. They decided to get out of everything that wasn't construction distribution and focus. That was a brilliant and bold move and one which has fed our success today.

In 2001 we were doing great things in construction distribution, but weren't really leveraging our scale sufficiently. The Board recognised we should be and we've been working since then to really drive our growth more efficiently and take advantage of being big – and the fact that we are getting bigger.

And now in 2006 – we're going to take these foundations and really focus in on how we operate, and how we continue to grow our business. I'll tell you more about that in a minute.

Secondly, if there's one thing that characterises a Wolseley leader, it is the depth of passion and emotion that we all feel for this company. When we talk about knowing the business, it's because we really do – most of us have been living and breathing this world for over 25 years – and I hope for a lot longer yet. We're focussed on bringing people through the company to keep this leadership passion, home grown expertise and enthusiasm alive. We know that the one thing that differentiates us in the eyes of our customers is our people, and the level of service they give – without that we are nothing. That's why we are so focussed on leadership development.

Thirdly, we know what makes this business sector tick – we understand its dynamics and its customers. We know how to grow – organically and through acquisitions. I mean we've been successfully integrating acquisitions into this group for as long as I've been around – big and small.

The testament to our success in this area is that managers join us through acquisitions, feel the excitement, buy into the vision, see the opportunities and want to stay the course with us.

And because we're always acquiring businesses, we're always integrating and restructuring somewhere in the group – improving processes, integrating new product lines, companies, cultures and people. And so it is likely that when something needs fixing, it has already been tackled elsewhere in the Group. In future we will benefit even more from those experiences.

I see this as a business of unlimited potential – the scale of the untapped market is huge, as you'll hear in a minute, and we are just starting to go after it.

In the last 120 days, as I have been transitioning into this role, and the last 60 actually being CEO, I have travelled to literally hundreds of our branches and I have to tell you, the passion for success is out there – not just across the US, but all over Europe too.

We have just adopted a new strap line for the company, which you may have noticed at the bottom of the slides. We want Wolseley to be “the name the world builds on”. I know we can achieve that – let me now tell you why, and how.

The first thing to realise is that this is not a complicated business model. Very simply, this is about buying products well, and then being able to sell them at good margins because of the added value we can bring to our customers.

We have been doing this for quite a while now, and I think we have demonstrated year after year that 1) we know what we are doing, and 2) that by doing it our way, we consistently deliver outstanding performance. This is our tenth successive year of delivering record results, and throughout the last decade we have demonstrated that despite facing some challenging market conditions, we have always continued to grow, and in most cases have always outperformed both the market, and the competition.

20 year chart

Many of you will have seen this chart before – I hope you all have because we are very proud of it.

20 year chart (built)

And if you add the 2006 figures, the record continues. There aren't many companies out there with a track record that looks like this – who have grown at double digit rates and produced a return on gross capital employed in excess of 18%.

We have done that, and we believe we have great opportunities to continue to create significant shareholder value looking well into the future.

So just who exactly are we?

Who are we?

Well, we're a leading supplier of construction products and services in North America and Europe, with 70,000 employees and associates – soon to be 80,000, when we formally complete the DT Group acquisition later today. We operate out of nearly 5,000 branch locations, across 22 countries, serving millions of customers. So we have a huge footprint, which gives us access to extremely fragmented markets, which means enormous expansion opportunities in the future.

In the past we may have been predominantly a plumbing and heating or building materials distributor, but that has changed. With our recent acquisitions and growth we now supply the broadest range of construction products - everything from lumber, pipes, roofing, insulation, windows, doors, electrical items, through to plumbing, heating, aircon, appliances.

We want to be the supplier of choice to the professional contractor – we understand those customers and we speak their language.

This is a business where size matters – we have the critical mass to continue to outperform the markets. The scale of our operations can give us a real advantage, for example, when it comes to purchasing and sourcing, that smaller competitors cannot achieve. And our continued investment in the supply chain, with our DCs at the heart of the logistics network, means that our competitive advantage increases as the business grows. Take an acquisition in the US, for example. We can roll a new company into our existing logistics network from day one; provide its product through the nearest DC and immediately add value; improve customer service through the availability of the broadest product range in the industry; and improve operating margins. That is why our acquisitions work.

It's not just our size that makes a difference for us – but it's also our diversity. We like to think of our diversity along four lines.

First it's geography. Not only in terms of the 22 countries we sell in to but even within those countries local economies can grow at different rates and be affected by many local factors. You know that from looking at the relative economic growth in North America relative to Europe recently.

There are also industry segments which run in very different cycles. We have seen this in a negative way with the automotive industry in Detroit, for example, for the past few years; but we have benefited in Western Canada where higher oil prices have created a massive industry in extracting oil from the sands there.

Having a diverse customer base also provides us with a stable business model. Yes we are exposed to new US housing but even within Stock Building Supply it isn't as simple as that. Because in some markets, for example, Los Angeles, around half of

our business is in remodelling and much less exposed to new build than in other parts.

Then we have product diversity and as I mentioned this is one area where we see significant expansion opportunity to add products through our infrastructure. The UK has done a great job in this area with electrical, tool hire, insulation to add to all the other offerings they traditionally had. And of course they also serve the retail sector, with their hugely successful niche brand Bathstore.com.

So we serve millions of customers of all shapes and sizes, in many industry areas in thousands of local markets and this provides us with a huge opportunity for growth, as you will now see.

Enormous opportunity for growth

After months of research we believe that the construction materials market in Europe and North America is worth around £700 billion – and so we, despite our incredible growth and being a leader in our field, are only scratching the surface. And this is just Europe and North America.

Let me break that down for you. Looking at North America first

North America – opportunity £460bn

I won't go through all of these pie charts but first taking North American Plumbing and heating. This market is worth around £38bn and that gives us 8% of the market – and we are the biggest. And being such a fragmented area we will benefit from consolidation and with our infrastructure, we will continue to take market share from our smaller rivals – and some of the bigger ones too.

You can see our market shares of less than 2% in the industrial areas of waterworks and infrastructure and around 1% in building materials and construction services. Electrical we hardly appear on the chart – yet.

The picture is similar in Europe.

Europe - opportunity £237bn

We have less than 10% of the £29 billion plumbing and heating market and less in the other sectors – but our presence is growing.

£700bn market opportunity

So what are we going to do to take advantage of this opportunity?

Well we are NOT going to fundamentally change our strategy – it is evolution, not revolution.

We are still committed to growth – at a rate at least as high as we achieved in the past – and we will deliver that both organically and through acquisitions

But where you will see the difference is a higher degree of FOCUS than ever before. We've identified these key areas where we believe that with the right emphasis placed on them, they will keep us ahead of the competition. I'll take you through them in a minute.

But before I do that, let me be clear on where our business really starts – with the customers.

It all begins with customers

As I've already said, our customer base runs into millions – everyone one of them with individual needs, being serviced by our front line staff. This is a relationship business and the only way to make it work is by serving local customers, locally.

We go out of our way to try and help our customers succeed – we make their problems our problems, and we work with them to find solutions. That creates loyal customers and repeat business. And the more customers come back, the more they realise the breadth of our product offering and we take a bigger share of their wallet.

And we're making it easier to do business with us at all levels. In the US and UK we have structured our branches into focussed 'business groups' as they are called in the US or 'core brands' in the UK. This puts a real emphasis on a sector, customer and product range. Results from the businesses structured this way show incredible

organic growth, so it's a model we are extending across the group. Our customers, whether they are plumbers, electricians, roofers, or general contractors, know what they can expect. Staff that know their subject inside out, know the products that can meet the requirement, and that are capable of building a long term relationship with the customer. The result is loyalty.

Customer focus 2

Let me give you an example of how we grow new customers in our established markets. The UK is one of our most established markets, but it doesn't mean there's no scope for accelerating growth. We have recognised areas where we can diversify adding other construction products and services to our mix – such as electrical and insulation. In the last 12 months we have gone from no electrical distribution footprint in the UK, to pretty much nationwide coverage with the acquisitions of William Wilson and AC Electrical. We are already the 5th largest distributor of electrical goods. And we can do this elsewhere.

Outside of our traditional professional contractor business, look at what's happening in Bathstore. The growth the guys are driving in that business is phenomenal – we're at over 150 locations now and rising. And we're currently evaluating other European markets, with a view to rolling out our first Bathstores.

Customer focus - 1

Let me give you another example – In the US, we have expanded our Waterworks or underground piping business by at least 3 times over that last 5 years – growth that results from putting the right people in charge of this business area and focussing specifically on this customer segment.

If we can do it in Waterworks, we can take the proven model, and do the same thing, product area by product area, around the Group.

So how do we stay so competitive?

Wolseley's competitive advantages – 1

As I mentioned earlier, there are certain things that define us as a company, which,

with the right level of focus, give us a real competitive advantage. Let me quickly take you through them.

The first two are our **structure** and **human resources**. These support the other focus areas. The structure is designed to keep the right activities at the right level in the Group so that there are clear responsibilities.

At plc level, where some of the restructuring is already beginning to occur, we aim to provide focus on the key business drivers and bring much more clarity to specific responsibilities.

The continental management teams' priority is to focus on driving the profitability of their operating companies and providing those companies with the tools they need so that they can really focus on their local markets and customers. In addition, they will have responsibility for driving organic growth through the operating companies. Such growth will come from increasing same store sales, opening new stores, expanding into new geographies, as well as expanding into new customer types. More or less this is the business development aspect and the continental groups are being staffed accordingly and will be looking to open branches that utilize a number of different formats and brand or product offerings.

Human Resources and Leadership Development is critical. Customer service is why we exist as an organisation. We need to identify, train and retain the top talent within our industry. People and leadership is a key differentiator for us in our industry. We have had significant recruitment processes in place for many years in the US and this will be rolled out across our Group because it is the main reason why we have been so successful. We can't double in size every five years or so if we don't get enough talent joining our organization. This is an investment for our future.

Our focus on **growth, both acquisitive and organic**, isn't new but we will make this even more of an advantage. Over the past several years we have acquired literally hundreds of businesses and integrated them into the Wolseley Group. Last year we did 53 – that's more than one a week. We are good at acquiring companies. Many of you will know that we have recently announced that Adrian Barden will be responsible for our global **M & A** programme going forward. This will bring even more focus to our acquisition processes, in amore competitive market, including developing a target base of acquisition opportunities with the CEOs of both continents. In the short term this includes delivery of the DT integration to make sure we get the returns we expect. Plenty has been published about businesses

around the globe that fail with M & A. This is a major component of our growth and so we want to make this a core competency for the entire group.

Wolseley's competitive advantages – 2

These next three areas are where the plc focus is applied.

Sourcing: We are elevating this to a higher level where we can fully leverage the size of the Wolseley organization. This will include responsibility at the plc level for the top 30 – 50 vendors, which is coordinated with both the continental groups.

We want to identify and drive low cost country/own brand/proprietary brands opportunities throughout the entire group. This will be a significantly larger portion of our business within the next two to three years than it is now and we are also going to tackle indirect spend, to deliver cost savings across the entire group.

In **Supply Chain** we have already proven our skills in the US with Ferguson's model. We have a format where supply chain is a clear competitive advantage and this will be rolled out over a much wider part of our operation. Simply put, our intent is to have the broadest product offering with the highest fill rates of anyone in the industry. The combination of sourcing and supply chain will truly become a significant competitive advantage.

Business Improvement is our final area for focus. Our intent over the next several years is to continuously improve our net margin by focusing on a number of initiatives but particularly our expense base. Longer term, an enormous amount of focus on efficiency and productivity throughout the entire group will bring great benefit in improving our overall net margin. The utilization of information will be a key driver in achieving this, but it is certainly not limited to that aspect alone.

The Wolseley Way

We call the way we are going to operate "the Wolseley way". We have a simple business model which through leadership in the key focus areas will provide our operations with significant competitive advantage. If you have the product available when the customer needs it, price becomes a secondary issue. Our local operations will have talented and customer focused employees and we will, by the service we

offer, win and retain a loyal customer base. This will drive our growth and as we improve efficiency our margins will rise.

So what are my objectives for this company in the immediate future?

Objectives

Utilising our scale, size and leadership we are committed to delivering double digit sales growth – with a continued emphasis on margin improvement. And we will continue to drive shareholder value. The new leadership structure is designed to really allow us to build on our experience and our scale.

Summary

So in summary we have a great track record. We have had another great year. We are now making sure we have the right focus and execution to make sure we take advantage of the huge growth opportunity that is available.

We are committed to being ‘the name the world builds on’ – and I am confident we can do it.

Ladies and Gentlemen thank you for your attention. We will be glad to take your questions but please wait for the microphone and state your name and which firm you represent.

Thank you

Q&A session.

At the end of questions.

Ladies and Gentlemen thank you for joining us here in London or for tuning in to the webcast, I look forward to seeing you again in March for our interim results.