MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Wolseley Trading Update Conference Call. For your information, today's conference is being recorded. At this time, I'd like to turn the call over to your host today Mr. Chip Hornsby, CEO of Wolseley Plc. Please go ahead sir.

Claude 'Chip' A S Hornsby, Chief Executive

Good morning, ladies and gentlemen. Welcome to our Analysts Investor Meeting to discuss Wolseley's pre-close period trading statement for the five months to the 31 of December 2008. Thank you for joining us. I'm Chip Hornsby, CEO of Wolseley, and with me is Steve Webster, our Chief Financial Officer. I hope you've seen in this morning's press release and been able to view the slides that accompany the call on our website. I will make some brief introductory remarks and then Steve will take you through the key points of the statement, and then we'll move on to your questions.

As we last spoke at the time of the Wolseley's Interim Management Statement in November, we continue to act decisively and rapidly in response to the unprecedented market conditions we face. Our attention and efforts remain focused on achieving compliance with our banking covenants, without losing sight that to provide shareholder value we must seek to ensure our business is well positioned to benefit as our industry restructures in the markets in which we operate begin to recover. It's abundantly clear that the outlook for our 2009 financial year remains extremely challenging, given the severe impact and the ongoing turmoil in the financial markets, which continue to negatively impact the macroeconomic conditions across the world.

Operationally, since we last met in November, trading has been broadly as we expected over the period. However, the volatility caused by the current macroeconomic environment has thrown us some negative surprises. For example, at the end of September 2008, housing starts in the U.S. were nearly 800,000, and recently fell to 550,000 units on an annualized basis in December, causing the lumber price to deteriorate from $240 in September to $193, the lowest level on record. In addition, over a similar period, as the turmoil in the financial markets continues to play out, sterling has weakened ever near towards parity against the euro. This has had a significant effect on Wolseley's debt position and has required action to mitigate the impact on the business, which Steve will go through in a moment. Both of these examples illustrate that we will need to see conditions stabilize before we can begin to position the Group through the cycle and beyond.

Consequently, our near-term focus remains to concentrate on what we can control, our operational delivery, on insuring that our businesses are strongly positioned through additional cost reduction and cash generation measurements. Later in the presentation, we'll take you through the principal actions that we have taken since we last updated you in November.

Turning to the operations, in particular since the Interim Management Statement in November, as we expected, our European markets continued to deteriorate. Specifically, across Europe, the new residential construction markets are most affected with negative consumer sentiment also affecting demand in our RMI segments. Overall, the pattern we're seeing across Europe is consistent with the events we saw over the past couple of years in the U.S., although the speed of the deterioration in the markets like Nordic region and U.K. have been much more pronounced.

In North America, in recent weeks, certain segments of the commercial and industrial markets in the U.S. have weakened due to withdrawal of financial support for projects. It is clear that this continued scarcity of finance is having an impact on our customers. We have actually seen some projects like hotels, casinos and hospitals stop in their tracks even though they are not completed.

This gives you an idea of the severity of the downturn, and the impact it's having on our industry. However, as difficult as the markets are today, I strongly believe the current cycle continues to represent a significant opportunity for Wolseley with our strong and flexible business model. It is clear that these conditions will increasingly favor the larger market players as we continue to see signs of distress on our competitors, and opportunities for us to gain market share on a daily basis in many of our markets.

I am also confident that we have the best and most experienced people in the industry who know how to complete in these tough times...

[audio gap]

Operator: Ladies and gentlemen we're currently having an interruption to this conference. The conference should be resuming shortly. Thank you for your patience and please continue to hold.

Stephen P Webster, Chief Financial Officer

[audio resumes] ...4% in the five-month period despite slowing markets. Local currency trading profit was slightly down due to a low gross margin.

Now moving on to Europe, for the five months ended 31 December 2008, revenue for Europe in sterling was broadly flat. Gross trading profit was down by around 60% as a result of lower activity in all regions. Revenue for the U.K. and Ireland decreased by around 12% and trading profit was down by around 80%. The previously announced restructuring actions in the U.K. are well under way and on track to deliver the annualized benefits of £80 million with a head count reduction of about 2,000. France has been increasingly impacted by global macroeconomic conditions, which has adversely affected consumer sentiment. The five months to 31 December 2008, reported revenue in euros was around 4% lower with trading profit down by over 60%. We anticipate the January profit for France is expected to show a more favorable trend as the effect of the phasing of accounting estimates referred to in our November announcement of €8 million reverses in that month.

DT Group reported revenue in local currency for the five months to 31 December 2008 down by about 13% with trading profit down around 40%. The market for building materials continued to deteriorate in all Nordic markets following the collapse of the Icelandic banks, which did have a strong presence in the region's construction markets. Revenue in Central and Eastern Europe in local currency was flat with trading profit down around 85%. This was a result of competitive pressure on margins and an additional £2 million of impairments in respect to the deferral announced back in September of an IT project.

Now let's take a look at the net debt position. Since November, we've taken further steps to reduce our net debt. Wolseley U.K. has entered into a receivables funding arrangement, which reduced net debt at 31 December by £72 million. The cost of servicing that arrangement is expected to be around 4 million in a full year. You may remember we also previously arranged two similar transactions in the French business earlier in the year. In addition to that, given the recent unprecedented weakness of sterling against the euro, we've taken actions to mitigate the risk of further currency fluctuations. The Group has entered into a series of zero cost collar transactions with a total value of just over €1.7 billion. The effect of these transactions protects the Group against further sterling depreciation below 1.05 on just over €800 million of borrowings, and at 1.02 on the remaining €900 million of borrowings.

Since November, the Group has also converted a further £200 million of euro denominated debt in sterling. This brings the cumulative total of foreign currency debt converted to sterling since 31 July

2008 to £300 million of U.S. dollar denominated debt and £700 million of euro denominated debt. As a result of the substantial move in currency exchange rates in the last three months, the Group's covenant headroom at 31 January 2009 is likely to be lower than we expected at the time of our Interim Management Statement. Over that period, sterling has weakened by 17% against the euro. The final net debt position at the half year should be lower than 31 December due to an expected working capital inflow, but will of course be dependent to some extent on foreign exchange rates at 31 January. The Group's projections continue to show compliance with our banking covenants at 31 January 2009.

This next slide summarizes the exceptional costs and the benefits from the restructuring actions that have been taken during the period 1 August to 31 December. Since the Interim Management Statement back in November, recent actions in the period of 31 December have resulted in further one-off costs of around 39 million. These actions together with the other business improvement initiatives should result in annualized savings of £93 million. We'll give you more information regarding these restructuring actions at the half year. I hope you understand that for reasons of employee consultation, we can't give more detailed information about that at this stage.

Finally, I'll hand back to Chip, who will take us through the outlook.

Claude 'Chip' A S Hornsby, Chief Executive

Thanks Steve. Moving to the outlook, the Group expects macroeconomic conditions to deteriorate in the short term, and until condition stabilize, Wolseley is unlikely to see any upturn in our markets. Until consumer confidence returns and availability of finance for construction projects improves, we continue to expect performance in North America to decline. The Group also expects conditions in the U.K. to continue to deteriorate with performance in Continental Europe also likely to remain under pressure. Against the background of deteriorating trading conditions and volatile financial markets, we will continue to focus on cash generation and cost reduction. We will also continue to evaluate actions necessary to position the balance sheet appropriate for the medium term.

The next few months will be critical in providing further evidence to assess how the downturn may evolve, and which options are most appropriate for us to take. Just to spell it out, to reinforce what we've said before, the options that we have continue to include further restructuring in line with market conditions, continually raising the bar to drive more working capital out of the business, further reductions in capital expenditure, selective asset and non-core business disposals, receivables funding arrangements, additional equity, and renegotiating our banking covenants.

The Group's objective is to position itself to be able to continue to operate competitively and maintain a level of investment over the medium term that will ensure the business is well positioned to benefit as our industry restructures, the economies in which we operate stabilize, and our markets begin to recover. So we will continue to evaluate all options to reach this goal, and we're confident that we can get there.

Thank you, ladies and gentlemen. We'll be happy to take your questions. First in the room and then we'll move to the phones. Please state your name and your organization.

QUESTION AND ANSWER SECTION

<Q – Nicolas Godet>: Good morning everyone, Nicolas Godet from Exane BNP Paribas. I'll focus my questions on debts. Regarding your exposure to currencies, if the pound were to deteriorate below 1.02. you would have absolutely no impact on the net debts or you would have some remaining impact?

<A – Stephen Webster>: No impact once you get below 1.02, Nicolas, you're right. because the collar is in place.

<Q – Nicolas Godet>: Okay, thank you. Another question, in view of your expected profit before tax do you expect to pay any cash tax in the current year?

<A – Stephen Webster>: Yes. I mean, obviously the Group is still profitable. So there are tax liabilities around the Group relating to them.

<Q – Nicolas Godet>: Okay, thank you. Regarding cash generation, I mean, if we strip out the impact of currencies factoring and disposables, we calculate the two have been generating something like £150 million of cash organic for the first five months. You're saying that you will have a cash in flow in January. Could you guide us a little bit on this in order for us to have an appropriate run rate of your cash generation organic at the end of this half year?

<A – Stephen Webster>: Yeah, I mean, the shape of the way our debt and working capital moves is the worst part is almost 31 December. So it reaches a seasonal peak around then. And then it starts to unwind early in the year, and then generally unwinds throughout the summer months. So that's the general shape of it. And obviously, relative cash flows year-on-year are affected by a whole bunch of things. They are affected by when you cut-off the books, as it were, and the timing of some of the check runs this year have been different from the previous year. So that makes it very difficult for you guys to see what's going on.

Obviously, if you look at the overall debt, the timing of CapEx, acquisitions a year ago, that can affect the overall comparison. What's also a feature I think is that this year we've been negotiating approved terms with suppliers, many of which kick-in in 31 January as well actually, so that's another change year-on-year, if you like. So it's quite difficult for you to see all these moving parts. When you throw the exchange in, that makes another difference as well, Nicolas. But we are expecting quite a substantial working capital inflow in January, we've alluded to that. And obviously, we're not going to tell you today as to what we think that's going to be, but we are expecting one.

<Q – Nicolas Godet>: But that's a three-digit figures?

<A – Stephen Webster>: It's a three-digit figure, yeah.

<Q – Nicolas Godet>: Okay.

<A – Stephen Webster>: You might get another chance later.

<A – Claude Hornsby>: We'll go to Mark and we may get back to you later.

<Q – Mark Stockdale>: Mark Stockdale, UBS, can I stay with the finances as well, Steve, if I may. I don't know whether you are happy to tell us how many banks are in your syndicate? Is it a big group of banks or a syndicate?

<A – Stephen Webster>: All together, we borrow off something like 34, I think it is, banks, Mark, but it was quite a range from the big ones to the smaller ones. And you know, as you'd expect, the bigger ones have the bigger exposures, and it's all the typical names you'd expect in the U.K., Continental Europe and the U.S. as well.

<Q – Mark Stockdale>: Thank you. Secondly, just going back your maturity profile where the vast bulk is '11, '12. Is that late in '11, '12 or spread over the year evenly just again when just thinking of...

<A – Stephen Webster>: It's the first half of the '11, '12. So we're following right up to including July, and then the first half, some of those come up for renewal.

<Q – Mark Stockdale>: Good, thank you. Can you tell us yet the cash cost of that additional 39 million of cost reduction or is that still too early?

<A – Stephen Webster>: The cash cost is something around 14, 13 – 14 million, it's about a third of that number.

<Q – Mark Stockdale>: All right. Then the final one, probably being a bit cheeky, but what is your view Steve or Chip of the appropriate net debt to EBITDA for the medium term?

<A – Stephen Webster>: I think what one has to look at really, Mark, is a number of things really, without giving sort of a speech on this. I think, obviously, I think we're all aware now that capital is going to be more restricted for all companies, the world, going forward. And therefore, I think one has to bear in mind that probably companies need credit ratings to access the capital market. We're certainly looking at that I think as sort of inevitable between now and then we will go to have a capital rating. And therefore, the precise net debt to EBITDA will depend upon, if you like, the chosen or the deemed capital rating. But I don't think it will be a million miles from the 1.5 to 2.3 range that we talked about before. As you probably know, the credit rating agencies use different measures to look at that bringing in lease obligations and pension liabilities and so on. So you have to look at it in different terms with them. But that was the short speech relating to that.

<Q – Mark Stockdale>: Good, thank you. Then just a last one, how long does your euro collar last for?

<A – Stephen Webster>: Through 31 January.

<Q – Mark Stockdale>: Okay. Thank you.

<Q – Jessica Flounders>: Good morning. It's Jessica Flounders from Morgan Stanley. In terms of the main geographies, could you give us a little bit of more color in terms of cost inflation, also price increases and also the impact on the gross margins?

<A – Claude Hornsby>: Certainly, as you would expect, we're seeing pressure on our gross margins. We've been able to offset that with a much higher degree of focus, if you will, on going in and managing our pricing metrics, drawing attention to that. And probably, most importantly, going back and working directly with our suppliers by capitalizing on particularly for the distribution centers are concerned, to be able to lower their cost as well. But I would envision, again, it will vary by business. I mean the gross margin in the building materials business in the U.S. is awful, if you will, as you would expect, particularly as it relates to lumber prices, et cetera. Ferguson's been able to offset it again through stronger emphasis on pricing management on a centralized basis as well as through buying opportunity. So as we go further and further into '09, it's certainly, I don't think that it will be a whole lot worse where stock is concerned because it's already significantly dropped, but I think that the markets whether it be in the U.K., Denmark, the U.S., as far as plumbing is concerned for Ferguson will certainly be under stress.

<Q – Jessica Flounders>: And then secondly, didn't notice anything on the statement any comments about property disposals, is this something that you are finding more difficult to achieve now?

<A – Claude Hornsby>: We've announced that what we've done, I guess that in November, so we really hadn't had much activity in the last 60 days. Again, I think that as we indicated, we'd be very selective. We're certainly not going to fire sale our properties by any means. And probably exactly like you indicated, it will become more difficult as we get further and further to get reasonable returns, if you will, as we get into '09.

<A – Stephen Webster>: I'd say certainly just one of the options that we retain, if you like, it's one of the things we can do. But I think you just have to be a bit more selective than before, you know, certain parts of the market, as Chip was saying, are tightening up a little bit, but it certainly remains an option in certain segments.

<A – Claude Hornsby>: Let's get back here.

<Q – Tom Sykes>: Good morning, it's Tom Sykes from Deutsche Bank. I wanted, just if I may, to push you on whether there are any sort of more material cost savings you can actually make in Continental Europe at all. And if you are going to make, if you do have to make any more material ones, does that come at the cost of maybe closing down any businesses or geographies in Europe? And also maybe if I could just push you on the Group rebates. You did mention you were re-negotiating some terms with suppliers. Does that include getting paid some of your rebates a little bit earlier? And are you still managing to get the same level of absolute rebates at the Group level, is there an impact on profitability of those, and then...

<A – Claude Hornsby>: Tom, let me answer your second one first, if I could. On the rebates, absolutely, we feel that we're – have been in a position, particularly as declining markets across both continents, we've been well positioned. I think it definitely will have an impact on our January cash flow to be able to get those. As you could imagine, we had some opportunities to go in and do a little buying. We had to be very selective at the end of the year to be able to max out on those bonuses, and again, it was very strategic as to where it was. And that's why Steve is indicating that we've, you know, the cash flow we expect to come in. And also during that negotiation, was to be certain that we have that cash in hand by the end of this month across the board. So, to answer your question, yes.

As far geographies in Europe, to-date we've closed operations virtually of every country that I can think of, and maybe one in Belgium and ten times that amount in Italy or whatever else it is, I mean, I have to go back and look at the size and scale of what we've done everywhere. But we're downsizing, again, based on what we project the market conditions will be looking ahead over the next quarter or two. We've certainly done a number of additional redundancies, some of which we're still in consultation on. So we'll have to tell you more about those specifically as we get to the March earnings update. But, yeah, we'll continue to restructure, to downsize accordingly, and once we have those complete, we'll give you more details.

<Q – Tom Sykes>: Okay. And just, sorry, but back on the rebate side, is that, is a lower level of absolutely rebate actually occurring at the moment? And is that negatively impacting your gross margins, or..?
<A – Claude Hornsby>: Honestly, I think it's helping us for the most part. Until all this comes in and we've done the accounting next month...

<Q – Tom Sykes>: Sure.

<A – Claude Hornsby>: ... I think it is offsetting those, I think that we've been able to go in and improve our position with suppliers in many cases. And we've gotten the benefit of that because, again, it's not just us that's down, it's the whole industry is shrinking and I think that we're a viable source to be able to, as they look beyond and particularly, where the credit stability is and that type of thing.

<Q – Tom Sykes>: Okay, thanks very much.

<A – Claude Hornsby>: Let's go over here, John.

<Q – John Messenger>: Thanks. John Messenger from RBS. Three if I could, the first one, just a point of clarity on the exceptional costs and benefits slide, can I just be clear that obviously those figures of 152 million this year, 237 running annual. Are those excluding the 39 and the 93, it's just that you haven't allocated those in yet because of I guess sensitivity around unions and negotiations, because the 152 and the 237 are the same as the numbers we had in total at November. Is it just you haven't allocated...

<A – Stephen Webster>: The 39 and 93 are additional to that, John, they are not in first numbers, as you say, just really the way they were back in November.

<Q – John Messenger>: And then when we look at the benefit in '09, just the 152 that's there at present, obviously critical thinking about second half of the year is how much you've already had. Do you have a broad feel as to whether you've had a third of that 152, if you had 50 already, therefore there is 100 coming in the second half, or is that pulling more exaggerated do you think?

<A – Stephen Webster>: It's certainly more exaggerated toward the second half, but in terms of what we had so far, I thought well less than a third of that, less than a third.

<Q – John Messenger>: Great. Just going back to a year ago, debt was about 2.837 billion on the guidance given at the last trading update, up 15% on the July year-end. And it came – it went up by 60 million in that remaining month, so you had an outflow in January last year. You mentioned points like rebates and other things but to generate kind of 300 plus million in this month which is maybe my number is a bit aggressive, but I think to make your covenant, that's the kind of quantum we're talking about. Is that truly realistic in terms of all these ingredients that you've got in place to get you there by the end of this week?

<A – Stephen Webster>: I mean, whatever the number is, I am not going to comment on your number. But whatever the number is, it is realistic. And obviously, we wouldn't be talking about the fact that our projections show covenant compliance if it didn't demonstrate there was a big inflow and we expected it to occur. So, absolutely, and as I said in relation to Nicolas' question, that unfortunately it didn't for you guys because when you factor in the payment terms, the exchange rates, the rebate issue, there is quite a lot of moving parts to disturb the month-on-month comparison. I mean, it is one of the problems, the way of more regular reporting. Quite often, you're looking at a period that is not representative or is not the same as a year ago, and it obviously raises all sorts of questions, which I fully appreciate. But, yeah, we are confident that there will be a big inflow of working capital.

<Q – John Messenger>: Then finally, just when we look at the U.K. performance, how much of that gross margin is actually where you've managed the business in the U.K. to generate cash for the Group as opposed to retain a profit margin, in that there have been obviously accelerated payment terms given to some of your customers?

<A – Claude Hornsby>: The gross margin, obviously, the Plumb is the biggest part of our business. Our gross margin in the U.K. has held up well with the exception of Bathstore, which is obviously being impacted significantly in the last couple of months at a very high gross margin. Their margins haven't dropped, it's just a much smaller portion of Plumb as we become much more entrenched in the Plumbing and Heating business, the Lightside business. I was just there on Thursday and saw the specifics and encouraged with what's doing there. Now the Heavyside, obviously we're a much smaller factor, and that market is down depending on how you measure it, John, 25, 30% year-over-year through November. We haven't even seen December numbers yet. So that's a lot of stress, if you will, in the gross margins in the Heavyside.

<Q – John Messenger>: There isn't though an argument that actually once you get financially more robust in terms of what you have to do in the next two or three months or whatever. But there isn't a kickback benefit in that I sense that there has been some giveaway of margin to actually bring cash in early. Therefore, if you were in a better financial position, could you actually move some of those accelerated terms you offered people so you actually bring margin back as an ingredient....

<A – Claude Hornsby>: There's certainly, there could be a position of a trade-off. But again, I don't think it – my view is this is not that significant. As I looked on Thursday afternoon and saw the gross margins for the first five months, as I said for Lightside, which is the heart and soul of that business, I was encouraged to see how well its held up.

<Q – John Messenger>: Sorry, just one final quick one. Do you need a set of audited accounts to do an equity raising because a couple of investors today have highlighted this as a question mark. And whether you do or you don't, in terms of the process starting off, we can all make estimates as to how long it would take, but clearly, people's patience and their appetite is being tested, which is kind of critical. Did you start this process at the start of January or has it been more recent than that I suppose, if you can maybe answer that one?

<A – Claude Webster>: As we've indicated, again, where we are, where we expected to be, I should say, as far as from an operating performance standpoint, when we updated you in November. The biggest movement that we've seen has been in the exchange rate, and that's a lot of pounds that have vaporized for us, that we didn't have control over from that aspect. And again, the financing in the U.S., I've never seen that happen before where jobs started and didn't get completed. Banks have just pulled the funding from that end. So again, I mean we're looking at all the options that we have. This is moving very, very quickly. Stock is in a situation where we thought we had it stabilized to a specific number. Now we've got to reevaluate exactly what's going to occur there. So again, we've got to explore every option that we have, and determine accordingly.

And one other thing, just to go back to the cash inflow. Realize that when you, in December, when we were pursuing the strongest possible rebate to bonuses that we could get, you obviously increase your inventory. It comes in in December, and you don't replace it in January. So again, that will have an impact as well, because we've pulled forward, again very selectively, some of those buys to capitalize on the opportunity that would benefit us in January, but we will not be replacing it this month and I don't think that will impact service levels.

<Q – John Messenger>: Audited accounts? Do you need them -

<A – Stephen Webster>: It's a question of you don't need audited accounts to do a rights issue.

<A – Claude Hornsby>: Howard, then we'll get back to you Clyde.

<Q – Howard Seymour>: Thank you. Howard Seymour from Numis. Just on Stock, the sort of inference is clearly that the bigger issue has been lumber pricing, obviously fallen off the edge of a cliff. And I suppose two questions. One, I know you have to reevaluate, but at the current level of lumber pricing, is there any way that Stock can make a profit? And secondly, related to that, given that housing units have fallen to such a low level, is capacity starting to come out of our industry to the extent that that might be the driver of lumber prices going forward?

<A – Claude Hornsby>: Howard no, that's an easy one. The answer is no. If we couldn't get there at 780 and 240, I can't envision getting there at 550 and 190 plus from that end. The key thing, again, is how do you get it so the bleeding is less as you get further and further into the calendar year.

<Q – Howard Seymour>: I mean -

<A – Claude Hornsby>: Fixed costs are – we reduced the staff by over 55%, we closed a ton of locations. We're pretty much down to the core geographies of where we'd want to be when the upturn comes.

<Q – Howard Seymour>: And in terms of lumber capacity, because clearly the lumber producer is going to be hurting, arguably, more so than you. What are they doing at the moment?

<A – Claude Hornsby>: You can almost throw every concept that you have of running this business out. We always heard that they didn't make money at $300, well, it's been below $300 for over two years. Apparently, they are a lot more efficient or they are willing to lose a lot more money than we ever envisioned, particularly at this price. I will tell you that the stress in that particular segment in the U.S. is enormous, and we're beginning to see significant regional players fold up. In Atlanta, in Washington D.C., there's the whole industry is going to have to restructure. And the key thing is for us to be able to get through this cycle and be able to participate in the upturn.

<Q – Howard Seymour>: Okay, thanks.

<A – Claude Hornsby>: We'll get Clyde, and then I promise you, we'll come back.

<Q – Clyde Lewis>: Thanks, Chip, Clyde Lewis at Citi. Following on really from Howard's question. I mean given what you've just said, do you now think unless you're optimistic about a recovery in housing starts in 2010, which I don't think you are. Do you not have to go through another major cutback at Stock or is that business going to continue to bleed probably well into 2011, if not 2012? I know you've got some core regions you want to be in, but is there another hard decision to come there in you shrinking that business further?

<A – Claude Hornsby>: Clyde, the appropriate answer to your question is we've got to reevaluate it. I mean this happened so quickly and let's just say that December especially was the biggest fall that we saw, late November. And quite honestly, we had people off on holidays and everything else. We've only had a couple weeks back. And we'll almost have – we'll have the January numbers a week from today, at least from the sales end of things and then we'll have to begin to determine and figure out how to structure it. But to answer your question, that's a key dialogue that not only Steve and I have, but also with Frank Roach, and then determine what we bring back to the Board.

<Q – Clyde Lewis>: The second one I had was on Ferguson, and you sort of flagged out the number of projects being stopped halfway. I appreciate it's still obviously very early days in terms of that new type of market. But I mean can you give us some sort of idea of the figures, the percentage drop in volume or turnover that that business is now seeing, because presumably you're getting hit on the residential side as well?

<A – Claude Hornsby>: I really feel, well first off, we didn't do that update because, as you know, they were solid through, let's say, the November timeframe. December is very hard to sit back and say this is what the market looks like because of it being such a big holiday month. January will be more indicative. When we see you in 60 days, we'll tell you what December and January look like. We'll kind of give you an indication because we'll have February booked type of thing. But we know it's going to be slower, less revenue than what they've had in the past, but they've been anticipating this. Quite honestly, what's happened in the month of December was about a quarter earlier than what we thought would happen. And again, when you have jobs booked and you're ready to ship them out, and the contractor is sent home because the developer doesn't have the financing, it's just a different set of circumstances that we've hit. But realize that's just in the private sector, the public is still moving along at reasonable pace. The Obama effect of the stimulus packages that are out there, it is hard to determine if they'll have any influence whatsoever. So we really need to kind of see what January and February look like. They've adjusted their labor costs very rapidly, and we'll give you more updates on that. But I mean we're managing that thing to a labor cost as a percentage of sales, and very impressive what they've been able to do so far. But they do have fixed cost and infrastructure with some of these facilities, you just can't say that 30 days from now, we don't want it any more and the landlord is happy with that.

<Q – Clyde Lewis>: Two more quick ones, I suspect for Steve, but can you give us your best guess, your expectations for sort of CapEx for the full year now? And the second one was on sort of losses, is Ireland now loss making?

<A – Stephen Webster>: As far as CapEx goes, the number we're still guiding towards, the 180 number, Clyde, may change there, although we do reserve the right to reduce that as we go through the year. That's one of the levers available to us, if you like, 180 is the guided number. And as far as the losses go, Ireland, I am afraid is in loss, obviously right.

<A – Claude Hornsby>: If we could, let's go back here so we don't miss those guys and we need to move to the phones.

<Q – Joel Spungin>: Hi there, it's Joel Spungin from Merrill Lynch. Just two questions, the first is with regards to your debt factoring, could you give us some sense about how much more you could do to sort of release cash in that way? And the second question is just in regards to the French business, I think when you reported the Q1 update, you said it was, trading profit, was marginally down, and obviously now it's down 60%. I was just wondering if you could just give us a bit more color about what's going on there?

<A – Stephen Webster>: Yeah, as far as the debt factoring goes, we – the transaction is going to require insurance from third parties, that's a requirement of this transaction. We had that in France. We had that in U.K. We have in other parts of Europe, and not in the U.S. So on the back of that particular type of arrangement, we couldn't do it in the U.S. but we can do it in other parts of Europe. I'm not going to give you a number because it's quite hard to be sure what might come through, but Europe as well, we're looking. And as far as the French business...

<A – Claude Hornsby>: Obviously, we continue to go through a lot of restructuring there. We filed social plans. We're at the process of now where we're completing those. We're taking out significant head count. We've announced 400. We're able to continue to draw more and more attention to the overall labor costs there. But the biggest issue in France where our business is concerned is the wood solutions of the lumber business. It was extremely profitable a year and a half, two years ago. Obviously, lumber prices, like all commodities, timber prices have fallen and it's had an impact on that business. Overall to-date, the Heavyside and the Lightside has performed reasonably well. I'm particularly encouraged with what we're seeing with the Brossette as they continue to restructure that business.

We'll go back here.

<Q – Bruce Hubbard>: Good morning, Bruce Hubbard from Odey Asset Management. I wondered if you could just clarify your outlook statement. You expect the macro conditions to deteriorate in the short term. Does that mean you expect the rate of decline to accelerate in the short term?

<A – Claude Hornsby>: It's very hard to predict. I mean when I say that, let's just start with the U.S. and then we'll move back over here. When you look at job losses last year, were well over 2 million in the U.S. on calendar year '08. Unfortunately over half of that occurred in the last quarter. You had 500,000 plus losses in December, 500,000 plus losses in November. We'd expect that the first quarter of this calendar year will be every bit as difficult, if not more. Until you begin to see the economy and the job losses stabilize, it's got to have an impact on our businesses. It's just inevitable. And I guess the way to coin it, if you will, is that going back a couple years ago, it was our industry, not Wolseley, but our industry, that really started that decline with the sub-prime issues and that type of thing.

And obviously, we had an overbuilt situation, 2.2 million housing starts a year for a couple of years in the U.S. on a demand that was about, should have been around 1.5 or 1.6 million from that aspect, but we moved well beyond the over supply. Now it's about employment. People are losing jobs, people are concerned about having jobs, and the deleveraging that's going on, and we're sort of a victim of that circumstance.

So to answer your question, until the overall economy begins to stabilize, it's not a matter of working off the inventory that's sitting out there, that's X number of months. It's a matter of going in and seeing the economy begin to stabilize and go in the other direction before I think we'll have a real positive impact on our industry overall.

So if we can, we'll get one more in here, we'll do Tobias. And then we're going to go to the phones and then wrap up.

<Q – Tobias Woerner>: Tobias Woerner from MF Global. Two questions if I may. The first one relates to your assets, which you bought more recently over the last two years. In terms of fair value assessment and goodwill write-downs potentially, do you have any comments to make on that? That's the first question. The second question relates to maybe on a slightly more positive note the potential of earnings being impacted by, going forward, by currency exchange rates. We've seen part of that actually in the U.S. where the trading profit was down 30%, or it was 20% in the latest update. And in sterling, they were actually sort of almost unchanged. Now clearly, Stock is in loss, so the loss will become bigger unfortunately.

<A – Claude Hornsby>: Right.

<Q – Tobias Woerner>: And so you set out, could you set out the dynamics of that? And also within Stock, how much of the cost savings have hit and how much more will hit?

<A – Claude Hornsby>: Let me start by your first question, and then we'll get into the impairment piece with Steve. But I think particularly the big one is obviously DT that we bought two and a quarter years ago. I will tell you personally that I think they've not only had a very positive impact on the Group where their performance is concerned, and certainly, the last quarter or so has been difficult, specifically related to Denmark. But the expertise, the management team that they have brought into play, I think has been one of the finest that we've got as far as in the Group. They are the king of working capital, if you will. They always operate in a single-digit area. And they are – they – up until the recent downturn in Denmark, have always been in a position to continue to grow the business. So I will tell you that in that particular case, the largest one we've done, I would do it again. Now, the valuation, you can always question, particularly with what's happened in the overall – our industry or our sector over the last couple years, but again, they've been very positive.

On the impairment piece, I'll let Steve come back. Where Stock is concerned, we've just got to continue to determine exactly what we can do to cut those losses. As I indicated earlier with Howard, I can't see a way that this level of housing starts, that we could reach a level of breakeven or profitability. I do, however, feel that at some point this thing has got to turn. Now whether it will be in '09, '10, '11, or whatever else it is. And when it does turn, at this level, I would imagine it would start to move at a very rapid pace. But until the overall economy stabilizes and until we quit losing jobs in the U.S. at anywhere near this level, I think it's going to be very challenged, so.

<A – Stephen Webster>: Yeah, just to comment on the impairment thing, Tobias. We formally review it 31 January and the 31 July every year. And you have to model out the future cash flows based upon the then expectations. So we'll get into that exercise again in early February, depending on the then expectations for the out next 12 months. One of the unsatisfactory things about the way you have to do it from an accounting point of view is that you have to take the business as it stands things, and you can't anticipate the effect of any further improvements you bring about, which is a slightly artificial thing. But that's the way you have to do it. So obviously, we'll model those cash flows based upon the future expectations. I think when things are declining as they are with all the uncertainties, you can't rule out further goodwill impairment provisions, it would be silly to rule that out. So it's perfectly possible there will be some, but until we've done our exercise, I can't obviously comment further on that.

And as far as the exchange rate impact on the second half, the issue has been particularly perhaps the first half of the course because as you all know, whatever the exchange rate is rolling on the final day of the half year or the full year affects all the debt. But as far as the EBITDA back in the first half goes, a lot of the weakness in sterlings occurred in the latter part of the period. So we haven't had the full benefit of the EBITDA in the first half but we had all the downside of the debt. In the second half, you're quite right, depending on what exchange rates do of course, we should have more of that EBIDTA benefit coming through in the second half if exchange rates stay where they are. But then you're still open to some extent to whatever the 31 July exchange rate will be on the debt.

With Stock having, Chip's commented and obviously we got some benefits coming through from the previous restructuring actions that we announced before, but then you got the worsening market that goes very much against that. But of course from a comparator point of view, if there's any good news around the place, December was the first month probably in three years or something, that Stock reported a month-on-month improvement compared with a year ago in its profitability. Now that may just be a one-off and given all the doom and gloom out there, it probably will be actually, but for a comparator point of view, at least there's now stabilization there.

<A – Claude Hornsby>: If we could, we'll now move to the telephones and then wrap this up.

Operator: We'll take our next question from Jacob Stume of BB Partners. Please go ahead sir.

<Q>: Hi, guys.

<A – Claude Hornsby>: Hello.

<Q>: Hi guys, how are you? I appreciate the time, I mean my – the one thing that I'm trying to understand better, and if you're able to help me in any way I would appreciate it, is the projections in which you're giving, being okay under the current covenants, and so that my numbers can kind of get to where your numbers are or what you're looking at. If you can give me any indications on how I can better get there, I would appreciate it?

<A – Claude Hornsby>: So would everyone in the room.

<A – Stephen Webster>: The easiest way to do it is give you one of our spreadsheets, but certainly we're not going to do that. I mean we can't help you any more really. I think the trading statement is pretty clear in terms of showing what we expect up to and including 31 January. And commenting on 31 July at this stage is not appropriate, there is too many uncertainties to give any further guidance. And then of course I don't know what your starting point is for numbers either. So I can't realistically give you any more help over the phone.

<Q>: All right, well, thank you guys. I appreciate it.

<A – Claude Hornsby>: Yep, one more. Thank you.

Operator: Thank you. We'll take our next question now from Michael Baum of BlueBay Asset Management . Please go ahead, sir.

<Q>: Hi, I appreciate these are difficult times, but I'm not sure what this morning's actually achieved apart from your obviously needing to bring out this trading statement. And it seemed to me that you have a relatively straightforward and simple option here, which is basically to secure the bank debt and to get some leeway in terms of the covenant rather than sort of bringing things around this way where you haven't managed to raise any additional equity, nor achieved any significant asset sales. And thus all that's happened is the stock is now off 30% today.

<A – Claude Hornsby>: Again, as we've indicated, we are exploring all the options that I've listed without going through that whole list again. And for us, it's a matter of having the opportunity to see what January looks like. Begin to anticipate how much more difficult it's going to become, particularly where Stock is concerned at these lower levels, and then evaluate exactly what our options are, what – it may be a combination of one, three, five or all of them from that aspect. But until we get further along and we really have the opportunity over the next couple of months to explore where we are and what our projections are, that's the position that we're in today.

<Q>: Okay.

<A – Claude Hornsby>: Thank you.

Operator: We have no further questions. Thank you.

Claude 'Chip' A S Hornsby, Chief Executive

Well, as we wrap up, we certainly appreciate your interest in Wolseley, but one of the points I'd really like to be clear on is that obviously our industry is shrinking dramatically. This shrinkage, if you will, is more dramatic than any time I've experienced in three decades. I will tell you that I think we're going to go through, you'll see a major restructuring across this entire industry, and in my view, that positions us in a very positive format. Obviously, we need to be well positioned to take advantage of it. The financial crisis is having an impact on not only our customers, but our customers' customers, also our competitors. There are some headlines this morning on the FT that sort of demonstrates that, of what's going on along those lines. And our intent is to be well positioned to, as we said, to manage through the medium term, but be in a position to take advantage of the opportunities going forward with the management team that we have and the structure we have in place. So again, thank you very much for your interest, and we'll look forward to seeing you again in 60 days.

Operator: Thank you. That concludes today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.