

Grafton Group plc

Trading update for the six months ended 30th June 2009

Grafton Group plc, the builders merchants and DIY Group with operations in the UK and Ireland, issues this trading update for the six months to 30th June 2009.

As previously announced in the Interim Management Statement released on 29th April, the Group continues to experience the most challenging trading conditions in decades. The ongoing lack of available credit and depressed markets have resulted in sharp falls in investment and spending on housing and residential repair, maintenance and improvement. Accordingly, the Group's profitability has been impacted severely. UK operations traded at a profit while Irish operations were loss-making. A combination of UK trading profits and a €26 million realised profit on investment and property sales has substantially offset Irish trading losses, significant restructuring costs and interest charges incurred during the period. While trading conditions continue to be difficult, turnover has stabilised across the Group's activities since April this year.

Group turnover for the six months to 30th June was circa €990 million, with Quarter 2 achieving €520 million (Quarter 1, €470). Turnover for the first half year is down €450 million or 31 per cent on the €1.4 billion in the same period last year and by 24 per cent on a constant currency basis (first quarter 2009 -22 per cent). The Group's merchandising business which accounts for 85 per cent of Group turnover has experienced a 24 per cent decline in turnover in the period in constant currency terms (22 per cent in Quarter 1). The Group's retailing activities located exclusively in Ireland continued to perform better than merchandising and experienced an 18 per cent decline in the period (-20 per cent in Quarter 1). The Group's manufacturing activities suffered most with turnover continuing to be down 49 per cent in the period (50 per cent in Quarter 1).

Throughout the period management has continued to rationalise the business, cutting costs aggressively. The reduction in Group overheads expected in 2009 is now estimated to exceed €70 million (previously we indicated savings of €55 million). No acquisitions have been completed in the first half and capital expenditure is now running at less than 50 per cent of Group depreciation. Cash is being released from both trading and working capital and the Group continues to have the advantage of a strong balance sheet with relatively modest gearing and high cash balances providing adequate financial resources to fund Group activities.

The recent recovery in the exchange rate between sterling and the euro to 85.21 pence/euro from the year end closing rate of 95.25 pence has significantly

improved the strength of the Group's balance sheet at the period end. The realised profits from investments referred to above arise from an exceptional cash gain on a financial investment, which had previously been carried on the balance sheet for a nominal amount, and from a property disposal. Cash received from these transactions has further strengthened the Group's cash position.

The low interest rate environment and the steady trend of rising mortgage applications and loan approvals in the UK is encouraging in terms of indicating the prospect for an improvement in markets in the UK. The Group has now entered the seasonally stronger trading period of the second half of the year during which it expects to return to modest levels of profitable trading across the Group while the rationalisation and cost cutting measures taken to date continue to ensure that the Group is best placed to benefit from any recovery in the market.

Ends.

3rd July 2009

For further information please contact:

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