Grafton Group plc

Interim Management Statement

Grafton Group plc, the builders merchants and DIY Group with operations across the UK and Ireland, issues the following Interim Management Statement, for the period 1 January to 28 April 2009, in advance of the Company's Annual General Meeting to be held at 10.30am today in the IMI Conference Centre, Sandyford Road, Dublin 16.

Following adoption of the International Financial Reporting Standard on Operating Segments with effect from the 1st January 2009, the Group has identified three reportable segments; Merchanting, Retailing and Manufacturing and accordingly, the following Interim Management Statement is based on these segments.

During the period the Group faced the most challenging trading conditions in decades. The reduced availability of credit which has become apparent over the last two years has led to significantly lower investment and spending on housing and residential repair, maintenance and improvement. The trading environment so far this year was very much weaker than the Group experienced in the first four months of 2008. As expected housing starts and completions have fallen and, combined with lower RMI spending, have significantly impacted the Group's merchanting and manufacturing businesses. Sales have also been affected by the poor weather in the early part of the year and the 15% decline in the average value of sterling against the euro (2009: Stg90.7p, 2008: Stg76.7p) in the period.

Group Turnover for the three months to the 31 March 2009 was €470 million and was down €220 million or 32% on quarter 1 2008 and by 22% in constant currency terms.

The Group's Merchanting business which accounted for 85% of Group turnover in the period has experienced a 25% decline in turnover in constant currency terms. While capital and acquisition expenditure has been curtailed significantly the development of the merchanting business continued with the opening of two new Selco stores and five other locations. No acquisitions were completed in the period. The branches located in Ireland (which accounted for 24% of the Group's merchanting turnover) experienced a decline in turnover of 45%.

The Group's Retailing business, located exclusively in Ireland, held up slightly better than expected while consumer spending declined from the high levels of recent years. The Group's Retailing turnover declined by 17% in the period.

Group Manufacturing activities, accounting for less than 3% of Group turnover, have suffered most given this segment's high exposure to new house building activities and high level of fixed costs. Turnover in this sector was down 50% during the period. The dry mortar business, which represents the most significant portion of this business (60%), is now well placed to benefit from any improvement in new housing.

Management has been progressively addressing the very difficult trading environment faced by the Group and further rationalisation and cost cutting measures have been implemented during the period. The reduction in the Group's overheads is now clearly evident in the reduced cost base which has mitigated the effect of the decline in turnover on Group profitability.

The results for the first half of 2009 will reflect the challenging trading environment faced by the Group. However, in the second half the Group expects to benefit from the seasonally stronger trading period and the reduced cost base is on target to yield savings of up to €55 million in 2009. The Group continues to have the advantage of a strong balance sheet and has adequate financial resources to fund Group activities from internal cash generation, available and undrawn bank facilities and cash balances.

Ends. 29 April 2009

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