

## Trading Update

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Grafton Group plc, the builders merchanting and DIY retailer, with operations across the UK and Ireland, issues this trading update for the year ended 31 December 2011.

Group turnover for 2011 was c. €2.05 billion, an increase of 2.5 per cent from €2 billion in 2010. Trading conditions in the Group's markets were difficult during 2011 but there was a firmer tone to turnover in the final two months of the year which benefited from more favourable weather conditions compared to the same period in 2010.

The UK business, accounting for over 70 per cent of Group turnover, benefited from generally stable market conditions and a high exposure to the residential repair maintenance and improvement (RMI) market. Average daily like for like UK sterling turnover increased by c. 4.5 per cent for the year compared to an increase of 4.0 per cent in the ten months to October 2011. In Ireland, the weaker economy contributed to a fall in Irish Merchanting turnover in 2011 of 6.4 per cent compared to a decline of 7.7 per cent in the ten months to October 2011. Transaction levels held up well in the Irish Retailing business but lower spending on higher value products reduced turnover by c. 4.7 per cent in the year compared to a decline of 5.7 per cent in the ten months to October 2011. Average daily like for like UK sterling turnover increased by 7.0 per cent in November and December and turnover in the Irish business was marginally ahead in the same period.

The Group expects 2011 operating profit (before restructuring costs, a provision for onerous leases and amortisation costs) to be at the upper end of the €2 to €5 million range guided in the Interim Management Update issued on 9 November 2011.

The Group continued in recent months to implement restructuring and cost reduction measures in response to the sharp decline in its markets in recent years which resulted in excess capacity in its merchanting network and manufacturing businesses. The significant cost savings achieved have contributed to partially offsetting the impact on profitability of the decline in volumes. The restructuring charge to the Income Statement for 2011 is estimated at c. €13 million with an incremental benefit of €6 million in 2012. The cost savings in 2011 and prior years will continue to generate operating efficiencies as market conditions improve.

In view of the decision by the Irish Government not to proceed with the legislation to end upward-only rent reviews for existing leases, the Group will, in accordance with International Financial Reporting Standards, recognise a non-cash provision of c. €19 million principally in respect of a small number of onerous leases in the Irish Retailing business.

In October the Group extended the maturity profile of its net debt out to 2016 and ended the year in a strong financial position with modest gearing.

The Group's strategically important market positions, strongly cash generative businesses and reduced cost base provide a very good platform to benefit from a cyclical recovery in its markets and the resources to invest in appropriate development opportunities.

Ends

11 January 2012

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