

GRAFTON GROUP PLC
INTERIM RESULTS FOR THE SIX MONTHS
ENDED 30 JUNE 2002

HIGHLIGHTS

- Pre-tax profits increased by 16 per cent to €31.6 million
- Adjusted EPS up 17 per cent to 16.6 cent
- Group turnover grows by 14 per cent to €534.8 million
- UK operating profit increased by 40 per cent to €23.2 million – now 61 per cent of Group operating profit
- Recent acquisitions bring UK trading outlets to over 200
- Irish DIY retailing turnover up 10 per cent

Commenting on the results, Michael Chadwick, Executive Chairman said:

“Our successful development strategy in the UK continues to deliver, with the UK market now accounting for 69 per cent of Group turnover and 61 per cent of Group operating profit. In a less favourable economic climate the Group’s Irish operations traded well. The Group remains positive about its future prospects.”

GRAFTON GROUP PLC

INTERIM RESULTS

SIX MONTHS ENDED 30 JUNE 2002

Grafton Group plc reports an increase in pre-tax profits of 16 per cent to €31.6 million for the half year ended 30th June 2002 compared with €27.1 million in the first half of 2001. Adjusted EPS was up 17 per cent to 16.6 cent, before goodwill amortisation, against 14.3 cent previously. The comparative figures exclude a profit from the sale of surplus property of €2.3 million in first half 2001.

The Board has decided to redeem one redeemable share, per Grafton Unit for a cash consideration of 3.75 cent per share. Accordingly, no interim dividend has been declared. This is equivalent to an increase of 15 per cent on last year's interim dividend of 3.25 cent per share.

The Group's strategy of creating a balanced and diversified earnings base across the UK and Ireland has enabled Group turnover in the half year to grow by 14 per cent to €534.8 million (2001: €470 million). Group operating profit before goodwill amortisation and property profit grew by 13 per cent to €38.2 million at a maintained margin of 7.1 per cent. The Group's strong cash flow has supported its ongoing acquisition and investment programme, providing the impetus for continuing growth.

In the UK, the Group's most important market, the strong development momentum continued with turnover up 22 per cent to €370.6 million. This now represents 69 per cent of total Group turnover. UK operating profit before goodwill amortisation increased by 40 per cent to €23.2 million, contributing 61 per cent of the Group's operating profit. Six businesses were acquired in the first half, adding ten merchanting branches to the network. Five greenfield branches were also opened.

Since June, the Group has made a further three acquisitions: Lakes, a seven branch builders merchant based in Derbyshire, PDM, a seven branch heavyside merchant based in Scotland and Noel Clay which trades from a single branch in Nottinghamshire. The Group now trades from more than 200 merchanting locations in the U.K.

Against the background of a slowdown in the Republic of Ireland's economy, a decline in the construction sector and increases in costs, the Group's Irish turnover fell by 1 per cent to €164.2 million and operating profit before goodwill amortisation declined by 13 per cent to €15.0 million. Woodie's, the Group's DIY chain, maintained its strong growth record with turnover up 10 per cent. Woodie's opened two further DIY stores in Tralee and Newbridge in May and June respectively, and Chadwicks relocated its Clonmel branch to a larger purpose built property in a more favourable location. Turnover in builders merchanting declined in a weaker market.

Geographic Breakdown of Financial Results

	Six Months to 30 June 02 (unaudited) € millions	Six Months to 30 June 01 (unaudited) € millions	Percentage change
Turnover			
Republic of Ireland	164.2	166.5	(1%)
Great Britain and Northern Ireland	370.6	303.5	22%
	-----	-----	-----
Total	534.8	470.0	14%
	-----	-----	-----
Operating profit			
Republic of Ireland	15.0	17.3	(13%)
Great Britain and Northern Ireland	23.2	16.5	40%
	-----	-----	-----
Total	38.2	33.8	13%

REVIEW OF OPERATIONS

UNITED KINGDOM

The Group's UK businesses produced 69 per cent (2001: 65 per cent) of Group turnover and 61 per cent (2001: 49 per cent) of Group operating profit. UK sales increased by 22 per cent to €370.6 million and UK operating profit increased by 40 per cent to €23.2 million. Operating profit margins increased to 6.3 per cent from 5.5 per cent. Like for like sales grew in all divisions, with overall like for like sales increasing by 5 per cent.

UK market conditions were generally favourable during the period and the strong results achieved reflect good like for like sales growth, the continued improvement in performance from the integration of acquisitions made in prior years and scale benefits flowing from the Group's increased market presence.

Grafton's strategy of diversifying its earnings base geographically involved laying the foundation for the development of the Group's UK builders merchanting, plumbers merchanting and mortar businesses. The builders and plumbers merchanting divisions, trading principally under the Buildbase and Plumbase brands, have leading regional market positions and, trading from over 200 locations, place the Group in 4th place nationally in the UK merchanting market. The Group's EuroMix mortar business has achieved market leadership in its sector.

Development initiatives during the period involved six bolt-on acquisitions trading from 10 locations and the greenfield development of a further five branches. Since the period end the Group acquired a further three merchanting businesses trading from fifteen branches. The total consideration payable for all nine acquisitions, including net debt acquired, was €53 million. The acquired businesses are expected to be marginally earnings enhancing this year with further improvement in the first full year of trading in 2003.

These acquisitions are in line with the Group's strategy of actively participating in the sector's consolidation through infill geographic coverage in regions where the Group already has strong market positions and developing a strong and profitable presence in other regions which complement the existing branch network.

These developments further demonstrate Grafton's track record in successfully completing acquisition transactions and broadening the Group's regional spread in the UK merchanting market. The integration of these businesses into the Group will enhance profitability in future years.

BUILDERS MERCHANTING

The Group's UK builders merchanting division, trading mainly under the Buildbase brand, had a good half year increasing sales and operating profit with contributions from the integration of prior year acquisitions and synergies across the branch network including buying benefits. The division improved its geographic reach with the acquisition during the half year of six businesses trading from nine branches including BMB, a Barnsley based merchant trading from four builders merchanting branches, principally in Yorkshire. In July 2002, the division acquired Lakes which trades from seven branches mainly in Derbyshire, and Noel Clay, a single branch merchant based in Nottinghamshire. Earlier this month, PDM a Scottish based heavyside merchant trading from seven locations was acquired. In Northern Ireland, the Group's nine branch builders merchanting business increased sales and operating profit.

The Group's UK builders merchanting division currently trades from over 100 branches.

PLUMBERS MERCHANTING

The Group's UK plumbers merchanting division, trading under the Plumbase brand, had a strong half year increasing operating profit due to like for like sales growth, purchasing benefits and cost control. Plumbase added five branches during the half year including four greenfield branches and one branch through the BMB acquisition, taking the current divisional total to 100, including two greenfield branches opened since the half year.

MORTAR MANUFACTURING

EuroMix, producing a range of mortars and other products trading from five plants, grew its volumes and consolidated its leadership position in the silo based mortar market. The division, which supplies UK leading building and construction companies, had a strong half year, increasing sales and operating profit.

REPUBLIC OF IRELAND

Trading conditions have been less favourable in the Irish construction sector as it adjusts to the slow down in the Irish economy. In a competitive market, turnover declined by 1 per cent to €164.2 million. Lower turnover and increasing costs led to a fall in operating profit of 13 per cent to €15.0 million, resulting in a drop in Irish margins from 10.4 per cent to 9.1 per cent.

MERCHANTING

The Group's Irish merchanting turnover declined by 5.6 per cent to €103.5 million, in a weaker market. Chadwicks continues to focus on the RMI market and gross margin management. During the period Chadwicks successfully relocated its Clonmel branch to a higher profile location on the ring road. Plans are well advanced for the relocation of the Kilkenny branch to a more favourable location in the second half of the year.

RETAILING

Woodie's market leadership continued with strong turnover growth of 10 per cent to €45.8 million. Like for like sales growth was 7 per cent. Two new stores were opened in Tralee and Newbridge. Both are trading well. Woodie's development programme included the refurbishment of its Sandyford and Coolock stores with significant extensions to their garden centres. During the period Woodie's also acquired a prime property on the Naas Road, Dublin for future development as part of its expansion plans.

MANUFACTURING

While turnover in the manufacturing division showed a decline of 2 per cent to €15.0 million, EuroMix mortar enjoyed modest growth.

FINANCE

The Group continued to generate strong cashflows in the half year to support its active development programme. Consideration payable for acquisitions, including acquired debt, was €19.9 million (2001: €35 million). Expenditure on capital projects was €35.6 million (2001: €22 million) including a capital spend of €22.2 million (2001: €12 million) on development initiatives, the most significant of which was the purchase of freehold property on the Naas Road, Dublin for Woodie's. Development capex in Ireland also included expenditure on the relocation of two Chadwicks branches, and the opening of two new Woodie's stores. In the UK, the Group continued its capital programme with the opening of five greenfield branches, and the re-development of a number of branches. All pre-opening costs of new branches are charged in arriving at operating profit in keeping with the Group's conservative accounting policies.

The Group's depreciation charge increased to €10.4 million from €8.9 million in 2001. EBITDA interest cover of 8.6 times (2001: 7.7 times) reflects the Group's strong cashflows which are capable of internally funding ongoing acquisition and capital expenditure initiatives. Shareholders' funds were up 21 per cent to €288.5 million at 30 June 2002, and net debt amounted to €212 million, giving a debt to equity ratio of 73 per cent (30 June 2001: 87 per cent). The redemption of redeemable shares on 20 September 2002 will reduce shareholders' funds by €6.6 million. The results and cashflows of the Group's UK subsidiaries have been translated at the average rate of exchange for the period of Stg62.17p (six months to 30 June 2001: Stg62.37p).

OUTLOOK

The UK will be the principal driver of the Group's growth. The Group's UK merchanting businesses will benefit from opportunities in the RMI market for continuing organic growth and acquisition activity. The 32 branches added to the network so far this year will provide opportunities for increasing future profitability and confirms Grafton's ability to continue to grow in the UK.

The outlook to the year end for the Irish market is similar to the first half. The construction sector is unlikely to return to growth this year, while Woodie's turnover will benefit from two new stores opened in May and June.

Overall the Group remains positive about its future prospects, and in the absence of unforeseen events, expects profitability in the second half to be ahead of last year.

**Ends
For reference:**

28 August 2002

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A copy of this statement is also available on our website www.graftonplc.com

GRAFTON GROUP PLC
GROUP PROFIT & LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30 JUNE 2002

Twelve Months To 31 Dec 01 (audited) €000		Six Months To 30 June 02 (unaudited) €000	Six Months To 30 June 01 (unaudited) €000
	Turnover		
944,150	Continuing operations	529,538	469,959
44,640	Acquisitions	5,216	-
----- 988,790	Total turnover	----- 534,754	----- 469,959
=====		=====	=====
	Operating profit before goodwill amortisation		
79,470	Continuing operations	38,072	33,836
(331)	Acquisitions	103	-
----- 79,139		----- 38,175	----- 33,836
3,096	Goodwill amortisation	1,774	1,431
----- 76,043	Operating profit	----- 36,401	----- 32,405
2,262	Profit on disposal of property	-	2,262
----- 78,305	Trading profit	----- 36,401	----- 34,667
1,317	Income from financial assets	882	634
12,386	Interest payable (net)	5,730	5,920
----- 67,236	Profit on ordinary activities before taxation	----- 31,553	----- 29,381
8,741	Taxation	4,102	4,114
----- 58,495	Profit on ordinary activities after taxation	----- 27,451	----- 25,267
14,000	Dividend	9	5,673
----- 44,495	Profit retained	----- 27,442	----- 19,594
=====		=====	=====
33.61c	Earnings per share	15.63c	14.57c
34.09c	Earnings per share before goodwill amortisation and property profit	16.64c	14.27c
8.0c	Share redemption / Dividend per share	3.75c	3.25c

GRAFTON GROUP PLC

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2002

31 Dec 01 (audited) €000		30 June 02 (unaudited) €000	30 June 01 (unaudited) €000
	Fixed assets		
62,541	Intangible assets – goodwill	63,072	59,895
251,484	Tangible assets	271,155	239,846
33,554	Financial assets	33,559	27,331
-----		-----	-----
347,579		367,786	327,072
-----		-----	-----
	Current assets		
133,453	Stock	148,701	133,542
181,955	Debtors	191,872	192,588
89,081	Cash and short term bank deposits	75,109	73,647
-----		-----	-----
404,489		415,682	399,777
264,593	Creditors (amounts falling due within one year)	233,017	289,824
-----		-----	-----
139,896	Net current assets	182,665	109,953
-----		-----	-----
487,475	Total assets less current liabilities	550,451	437,025
-----		-----	-----
206,117	Creditors (amounts falling due after more than one year)	245,394	183,547
16,891	Provision for liabilities and charges	16,592	15,149
-----		-----	-----
223,008		261,986	198,696
-----		-----	-----
264,467		288,465	238,329
=====		=====	=====
	Capital and reserves		
8,804	Share capital	8,852	8,762
34,836	Share premium account	35,435	33,720
41,537	Revaluation reserve	41,397	41,674
179,290	Profit and loss account	202,781	154,173
-----		-----	-----
264,467	Shareholders' funds – equity	288,465	238,329
=====		=====	=====

GRAFTON GROUP PLC

GROUP CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2002

Twelve Months To 31 Dec 01 (audited) €000		Six Months To 30 June 02 (unaudited) €000	Six Months To 30 June 01 (unaudited) €000
82,365	Net cash inflow from operating activities	31,582	25,636
(11,764)	Returns on investments and servicing of finance	(4,042)	(4,454)
(5,273)	Taxation	(2,191)	(2,593)
----- 65,328		----- 25,349	----- 18,589
	Capital expenditure and financial investment		
(42,003)	Purchase of tangible fixed assets	(35,607)	(21,956)
9,852	Disposal of tangible fixed assets	3,703	7,535
----- (32,151)		----- (31,904)	----- (14,421)
(14,310)	Purchase of financial fixed assets	-	(8,039)
84	Sale of financial fixed assets	-	-
----- (46,377)		----- (31,904)	----- (22,460)
	Acquisitions		
(28,955)	Acquisition of subsidiary undertakings and businesses	(17,417)	(18,292)
(2,957)	Net debt acquired with subsidiary undertakings	(1,600)	(4,167)
(164)	Deferred acquisition consideration	(313)	-
----- (32,076)		----- (19,330)	----- (22,459)
(12,652)	Equity dividends paid	(8,330)	(6,989)
----- (25,777)	Cash outflow before use of liquid resources and financing	----- (34,215)	----- (33,319)
----- (10,300)	Cash inflow / (outflow) from decrease / (increase) in liquid resources	----- 12,379	----- 1,823
	Financing		
2,109	Issue of ordinary share capital	647	789
26,879	Increase in term debt	43,090	23,781
(874)	Capital element of finance leases repaid	(920)	(357)
(1,270)	Redemption of loan notes payable	(17,905)	(602)
1,471	Financing from sale and leaseback	-	-
----- 28,315		----- 24,912	----- 23,611
(7,762)	Increase /(decrease) in cash in the period	3,076	(7,885)
=====		=====	=====
	RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		
(7,762)	Increase /(decrease) in cash in the period	3,076	(7,885)
(26,206)	Cash inflow from increase in debt and lease financing	(24,265)	(22,822)
10,300	Cash flow from management of liquid resources	(12,379)	(1,823)
----- (23,668)	Change in net debt resulting from cash flows	----- (33,568)	----- (32,530)
(11,671)	Loan notes issued on acquisition of subsidiary undertakings	-	(11,671)
(947)	Finance leases acquired with subsidiary undertakings	(567)	(834)
(4,511)	Translation adjustment	17,053	(7,089)
----- (40,797)	Movement in net debt in the period	----- (17,082)	----- (52,124)
(154,108)	Net debt at 1 January	(194,905)	(154,108)
----- (194,905)	Net debt at 30 June	----- (211,987)	----- (206,232)

NOTES

1. MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

Twelve Months To 31 Dec 01 (audited)		Six Months To 30 June 02 (unaudited)	Six Months To 30 June 01 (unaudited)
€000		€000	€000
58,495	Profit on ordinary activities after taxation	27,451	25,267
14,000	Dividends	9	5,673
-----		-----	-----
44,495		27,442	19,594
1,241	Issue of ordinary share capital	647	789
868	Re-issue of treasury shares	-	-
	Currency translation adjustment		
2,721	- on foreign currency net investments	(7,540)	3,310
(1,355)	- on foreign currency borrowings	3,449	(1,861)
-----		-----	-----
47,970	Net addition to shareholders' funds	23,998	21,832
216,497	Opening shareholders' funds	264,467	216,497
-----		-----	-----
264,467	Closing shareholders' funds	288,465	238,329
=====		=====	=====

2. DIVIDENDS AND REDEEMABLE SHARES

The Board has decided to redeem one redeemable share, per Grafton Unit for a cash consideration of 3.75 cent per share. Accordingly, no interim dividend has been declared. Redemption will take effect in respect of Grafton Units on the register at the close of business on 20 September 2002 and the cash consideration of 3.75 cent per share will be paid on 27 September 2002.

Following redemption of 1 redeemable share per Grafton Unit on 20 September 2002, a Grafton Unit will comprise 1 ordinary share of €0.05 each in Grafton Group plc, nine redeemable shares of 0.01 Euro cent in Grafton Group plc and 1 C ordinary share of Stg0.0001p each in Grafton Group (UK) plc.

3. EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on the profit on ordinary activities after taxation. The weighted average number of ordinary shares in issue during the period amounted to 175,620,381 (2001: 173,427,480). Adjusted earnings per share is calculated on the same basis but excluding amortisation of goodwill and property profit.

4. EXCHANGE RATES

The results and cash flows of the Group's United Kingdom subsidiaries have been translated into Euro using the average exchange rate. The related balance sheets of the Group's United Kingdom subsidiaries at 30 June 2002 and 30 June 2001 have been translated at the rate of exchange ruling at the balance sheet date.

The average Euro/Sterling rate of exchange for the six months ended 30 June 2002 was Stg62.17p (six months to 30 June 2001: Stg62.37p). The Euro / Sterling exchange rate at 30 June 2002 was Stg64.98p (30 June 2001: Stg60.31p and 31 December 2001: Stg60.85p)

5. TURNOVER

The amount of turnover by class of activity is as follows:

Twelve Months To 31 Dec 01 (audited)		Six Months To 30 June 02 (unaudited)	Six Months To 30 June 01 (unaudited)
€000		€000	€000
216,513	Irish merchanting and wholesaling	103,477	109,661
85,207	DIY retailing	45,751	41,514
29,866	Irish manufacturing and related activities	14,989	15,256
-----		-----	-----
331,586	Total turnover from Irish activities	164,217	166,431
657,204	UK merchanting and other activities	370,537	303,528
-----		-----	-----
988,790		534,754	469,959
=====		=====	=====

6. OPERATING PROFIT

Twelve Months To 31 Dec 01 (audited) €000		Six Months To 30 June 02 (unaudited) €000	Six Months To 30 June 01 (unaudited) €000
39,187	Republic of Ireland	15,001	17,274
39,952	Great Britain and Northern Ireland	23,174	16,562
-----		-----	-----
79,139	Operating profit before goodwill amortisation	38,175	33,836
(3,096)	Goodwill amortised	(1,774)	(1,431)
2,262	Profit on disposal of property	-	2,262
-----		-----	-----
78,305	Trading profit	36,401	34,667
1,317	Income from financial assets	882	634
-----		-----	-----
79,622		37,283	35,301
=====		=====	=====

7. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Twelve Months To 31 Dec 01 (audited) €000		Six Months To 30 June 02 (unaudited) €000	Six Months To 30 June 01 (unaudited) €000
76,043	Operating profit	36,401	32,405
18,756	Depreciation	10,405	8,912
3,096	Goodwill amortisation	1,774	1,431
(1,436)	Profit on disposal of plant and motor vehicles	(873)	(1,005)
(14,058)	Increase in working capital	(16,125)	(16,107)
(36)	Profit on disposal of financial fixed assets	-	-
-----		-----	-----
82,365	Net cash inflow from operating activities	31,582	25,636
=====		=====	=====

8. INTERIM STATEMENT

The interim figures for the half-year to 30 June 2002 and the comparative figures for the half-year to 30 June 2001 are unaudited. The figures shown for the year ended 31 December 2001 have been extracted from the Financial Statements for the year. A copy of these Financial Statements, on which the Auditors have issued an unqualified report, has been delivered to the Registrar of Companies.

This statement will be sent by post to all registered shareholders. Non shareholders may obtain copies from the company's registered office at Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18.

INDEPENDENT REVIEW REPORT TO GRAFTON GROUP PLC

INTRODUCTION

We have been instructed by the company to review the financial information set out on pages 7 to 12 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

DIRECTORS' RESPONSIBILITIES

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Irish and London Stock Exchanges require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2002.

KPMG

Chartered Accountants
Dublin

27 August 2002