

Monday 28th September 2009

McInerney Holdings plc
EGM

Chairman's Statement

The Notice convening this meeting was circulated at the time of the Interim Report of the Group in early September. This meeting has been convened in accordance with Section 40, Sub-Section 1 of the Companies (Amendment) Act 1983. For your information, that Section of the Companies Act states as follows: "where the net assets of a Company are half or less of the amount of the Company's called up share capital the Directors of the Company shall, not later than 28 days from the earliest date on which that fact is known to a Director of the Company, duly convene an Extraordinary General Meeting of the company for a date not later than 56 days from that day, for the purpose of considering whether any, and if so what, measures should be taken to deal with the situation."

This Meeting is therefore convened as a consequence of the Company's net assets in the Interim Financial Statements being less than half of the amount of the called up share capital.

I propose therefore to outline the measures which the Directors and Executives of the Company have been taking, and are continuing to take, to deal with the financial situation now facing the Group.

The past two years have been extremely challenging for most businesses. Our business was impacted by deteriorating global economic and financial conditions. This led to curtailed access to mortgage finance and a depressed housing market. As the recession deepened, consumer confidence fell sharply leading to very difficult and challenging market conditions in our two key markets - the UK and Ireland. As we entered 2009, low consumer confidence persisted and therefore our markets continued to deteriorate as the year progressed.

There are signs during the past two months that our market in the UK has begun to stabilise, albeit at a very low level. This is more evident in some geographic regions in the UK. We are pleased that in our UK housing business the September selling season has remained stable.

The situation in Ireland remains extremely uncertain. The September selling season in Ireland is flat and at very low levels. Consumer sentiment is poor and employment outlook is uncertain. Mortgage availability is constrained. These factors must reverse in order to facilitate the restoration of an orderly housing market.

The trading loss in the first half of 2009 was significantly reduced on the first half of 2008 due to cost saving measures. The loss of capital reported was the result of a combination of factors leading to the decision of the Directors to take a conservative view on the carrying value of our land. The Board took the view that, as we do not now foresee any immediate improvement in market conditions, it would be prudent to take a further impairment charge of €156m with our six months results which were announced as you know at the end of August. The impairment charge has been calculated on the basis of current trading prices and sales volumes continuing for the sales life of the landbank in England and Ireland. It is important to say that the loss of capital reported in the Interim Financial results was not caused by a cash loss on trading in the

Company – it was due to the substantial write down we have taken on our landbank.

Our write-down is a very conservative view but, in current circumstances, it is a realistic measure. We have written our Irish landbank down by over 50% cumulatively since mid 2008 and our UK landbank by about 40% cumulatively.

It is fair to say that a recovery in our housing markets would open up the opportunity to earn back a significant proportion of the impairment charge that the company has taken. However, it is not possible to forecast when this will happen. This is the situation which has led to the substantial deterioration in the Group's reported net assets today.

Clearly, the deterioration in the Group's financial situation has, as outlined in considerable detail in the Interim Statement, required the Group to re-negotiate its banking and other funding arrangements. In the context of the Interim Results, our principal lenders in the UK and Ireland agreed to defer certain covenant tests pending detailed negotiations. These negotiations are ongoing and, to date, are proceeding constructively. While we do not anticipate an early conclusion to these funding negotiations, our banks are supportive of the measures we have taken in response to market challenges and are working with us through what are difficult times for our industry. We do anticipate an overall positive conclusion being achieved prior to the release of the 2009 results in March 2010. Considerable detail on the issues in the funding negotiations is set out in Note One to the Interim Financial Statements, copies of which are available at the registration desk here today.

Management responded proactively to the first indications of a slowdown, and since 2007, we have been restructuring our Irish business in line with the changing market circumstances. We reshaped our operating base across the Irish and UK housing businesses by amalgamating offices, reducing our overheads and ceasing land purchases in 2007 and 2008. Regrettably, we have also had to reduce our staff base by some 700 people. Overall costs in the Group have been cut by over 70% since 2007.

While these substantive changes have already taken place in relation to our cost base, the Board will continue to seek further efficiencies and cost reductions.

To summarise:

- The loss of capital has primarily been caused by the decision of the Directors to impair the carrying value of assets based on forecast continuance of current market conditions, rather than cash trading losses;
- At present the market situation is very uncertain and accordingly, the Directors decided to take a cautious and conservative view on impairment;
- Significant cost saving actions have been taken throughout the Group. The Group is now trading from a cost base reduced to one-third of previous levels and further work is continuing in this area;
- We have a sound business with a good product, strong geographic spread and solid house building reputation to be in a position to take advantage of any market recovery;
- Successful funding negotiations, maintaining house sales to generate cash and continuing cost cutting measures are the critical parts of our short term strategy;

- Funding negotiations are currently constructive;
- An improvement in market conditions could result in the impairment charge being reversed or earned back through higher selling prices of homes.

The Group anticipates issuing a further update on trading and funding negotiations in its Interim Management Statement on Tuesday, 10th November 2009.

I would like to thank you for your attendance and for your attention. I hope that what we have outlined today has been informative in relation to the challenging circumstances which the Company faces and the causes of the loss of capital. There is a strong and experienced management team in the business which is focussed on protecting it and positioning it for market recovery.

Ned Sullivan
Chairman

ENDS

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