



Grafton Group plc



Interim Results
6 months to June 30th, 2013

Financial Highlights



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- Revenue up 1.7% to €1.07 billion and by 4.3% in constant currency
- Operating profit increased from €24.5 million in 2012 to €68.4 million, including pensions scheme credit of €31.8 million, in 2013
- Operating profit up 17% from €31.3 million to €36.6 million*
- Group operating profit margin increased by 46 basis points from 2.96% to 3.42%*
- Profit before taxation up 28% from €22.5 million to €28.7 million*
- Basic earnings per share up 24% from 7.6 cent to 9.4 cent*
- Interim dividend up by 17% to 3.5 cent
- Strong cash generation from operations of €67 million, up from €55 million
- EBITDA was €55.4 million (2012: €51.1 million)
- Shareholders' equity of €1 billion and gearing of 17% at 30 June 2013
- New and refinanced term loan facilities for €135 million

**Before pension credit in 2013 and in 2012 before exceptional items & amortisation*

Operating Highlights



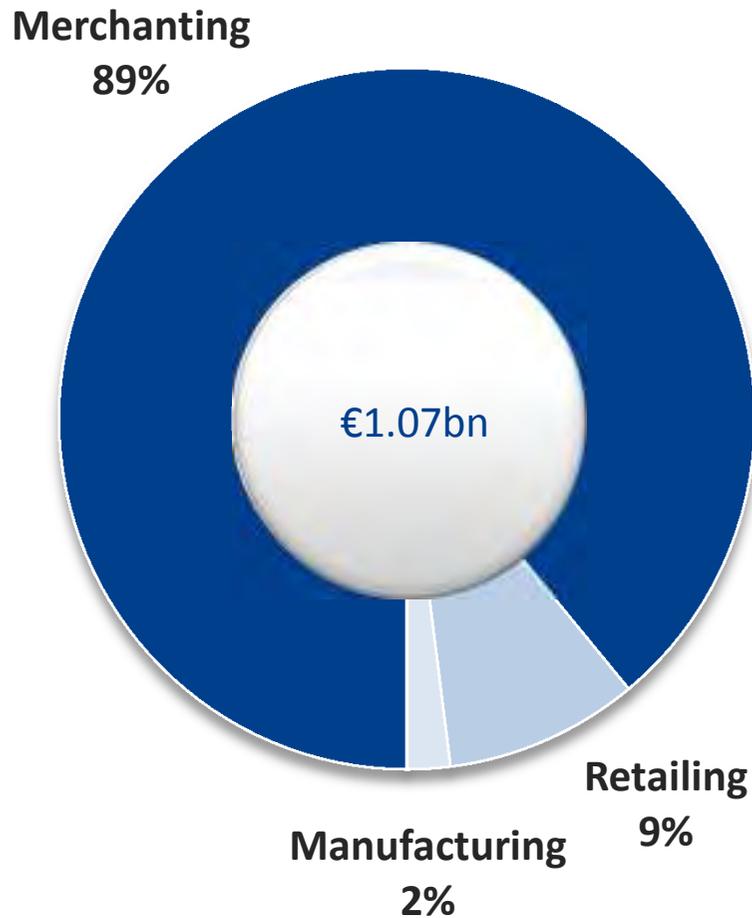
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- Positive trends developing for UK economy and in the housing market
- UK merchanting operating margin increased by 15 basis points from 4.81% to 4.96%
- Revenue in merchanting business in Ireland stabilised and profitability improved
- Retailing business in Ireland profitable following restructuring in 2012

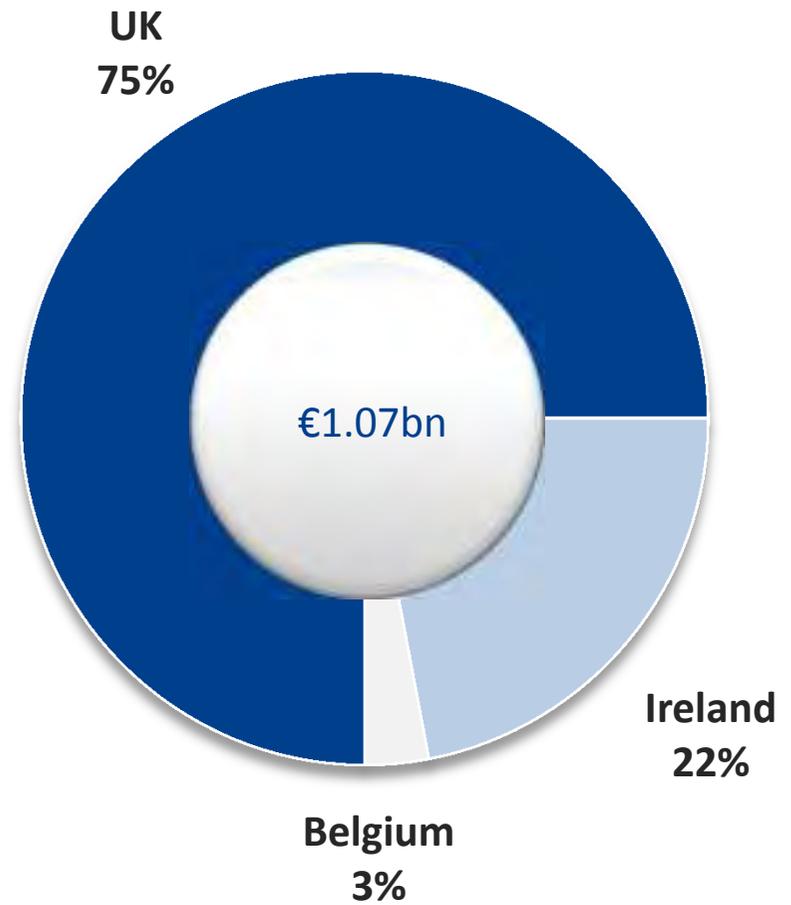


Revenue by Business Segment and Geography

Revenue by Business Segment



Revenue by Geographic Area



UK Merchanting



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	2013 €'000	2012 €'000	% Change	
			Reported	Constant Currency
Revenue	788,180	780,547	1.0%	4.5%
Operating profit	39,060	37,532	4.1%	7.7%
Operating margin	4.96%	4.81%		

Market

- Recovery underway in UK Economy
- Housing transactions and mortgage approvals increasing

Trading

- Merchanting market volumes increase estimated at 2%
- Price deflation estimated at 1.3%
- Growth in average daily like-for-like turnover of 1.7%
- Business traded ahead of the market
- Buildbase and Selco performed strongly

UK Merchanting - Developments



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- Selco opened branches on Old Kent Road and in Wimbledon
- Buildbase extended coverage into the North East of England with the acquisition of Thompsons
- Buildbase successfully trialled Electricbase implants in five branches
- Continued development of tool, plant and equipment hire centres in merchanting branches
- Simplified the number of brands

Irish Merchanting



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	2013 €'000	2012 €'000	% Change
Revenue	135,072	136,369	(1.0%)
Operating profit	1,780	897	98.4%
Operating margin	1.3%	0.7%	

Market

- Modest GDP growth for third consecutive year – driven by exports
- Domestic demand is stabilising
- Signs of an improvement in the labour market – the number of people at work is increasing
- Lead housing market indicators have shown some improvement
- Anecdotal evidence of housing shortage in Dublin
- Housing transactions improving from a low base

Trading

- **Like-for-like turnover growth of 1%**
- Market remains fragile
- Profit improvement driven by branch consolidations in 2012
- Improvement in bad debt environment
- Market share gains in plumbing and heating segment
- Business well positioned to grow organically

Belgium Merchanting



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	2013 €'000	2012 €'000	% Change
Revenue	34,407	15,851	117.1%
Operating profit	293	499	(41.3%)

Market

- Belgium economy broadly flat
- Fundamentals of housing market are sound
- Housing starts forecast to be weaker in 2013

Trading

- Acquisition of Holvoet in 2012 increased annualised turnover to over €70 million
- Trades from 11 branches in South West Belgium
- Group's shareholding is 65%. Business treated as a subsidiary undertaking with a non-controlling interest

Retailing



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	2013 €'000	2012 €'000	% Change
Revenue	94,856	98,223	(3.4%)
Operating profit	284	(3,523)	–

Market

- Decline in domestic demand forecast to bottom out this year
- Consumer sentiment on an improving trend
- Retail sales weak - bouncing along the bottom

Trading

- Turnover flat in like-for-like stores
- Strong demand for seasonal products in May and June
- Gross margin up by 50 basis points
- Significant benefit from restructuring completed in H2 of 2012
- Consolidation of two stores and lower rents in ten stores
- Programme of upgrading stores continued

Manufacturing



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	2013 €'000	2012 €'000	% Change
Revenue	19,648	23,533	(16.5%)
Operating profit/(loss)	996	501	98.8%

Market

Trading

- Recovery in housing market under way
- Sharp increase in housing starts
- Stronger economy, increased mortgage lending and Help to Buy scheme supporting increased demand for housing

- EuroMix is market leader in silo based mortar market
- Significant spare capacity in 9 mortar plants
- Strong volume growth in second quarter
- Improved segment performance in H1 partly due to rationalisation of the Irish manufacturing business last year



- Pensions
 - New arrangements based on sharing the cost of funding the deficits
 - Future benefits more sustainable and at a more affordable cost
 - Reduced level of financial risk and volatility
 - 800 active members continue to accrue benefits and no changes to arrangements for existing pensioners

- Interest on net debt down by €1.6 million

- New and refinanced term loan facilities
 - New three year multi-currency revolving term loan facility for €50 million
 - Maturity of existing revolving term loan facility for €85 million extended from August 2014 to October 2016

Half-Year Results



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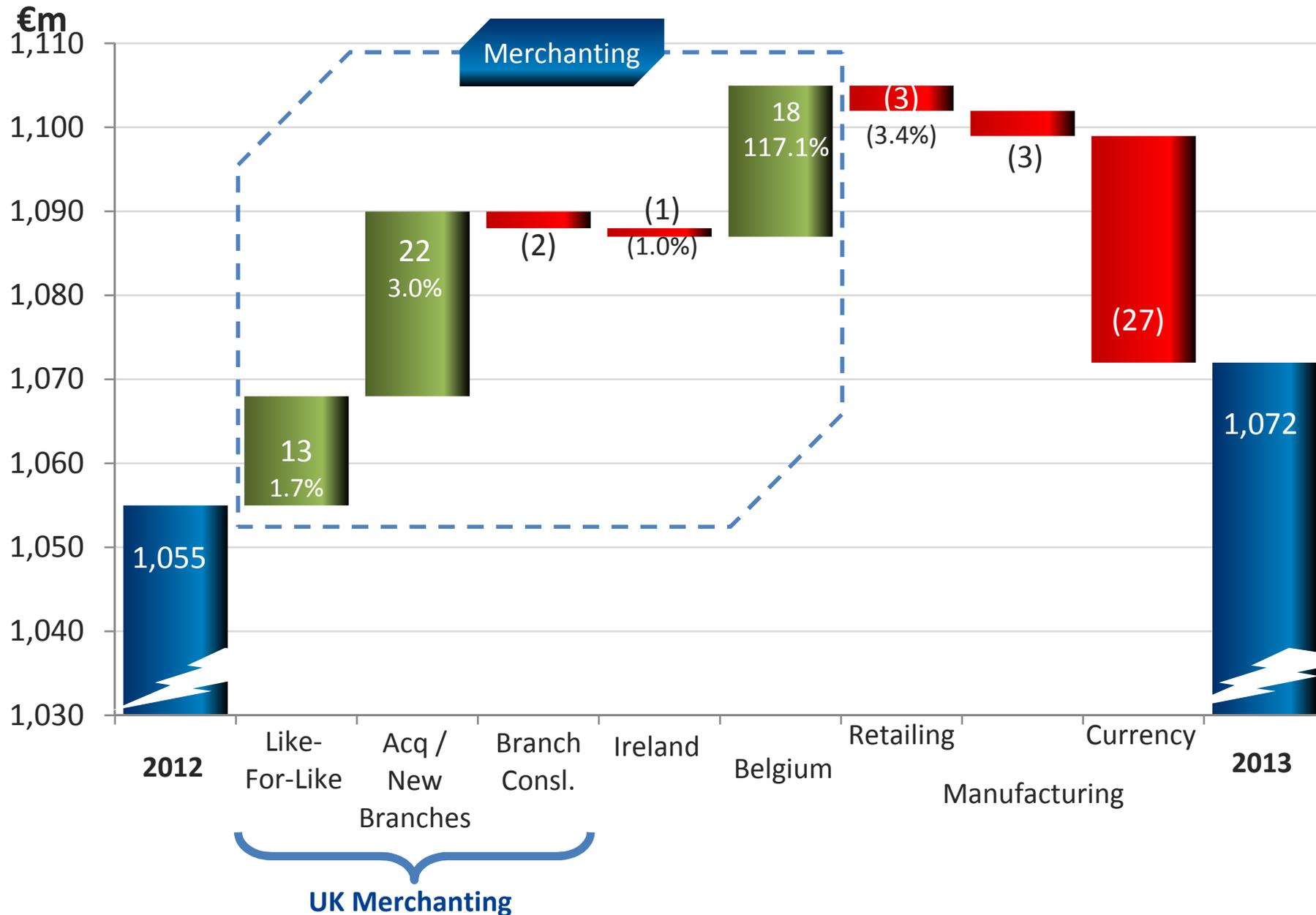
	2013 €m	2012 €m	% Change on prior period	
			Reported	Constant Currency
Revenue	1,072.2	1,054.5	1.7%	4.3%
Operating profit	68.4	24.5		
Operating profit*	36.6	31.3	17.1%	22.2%
Operating margin*	3.42%	2.96%		
Finance expense (net)	(7.9)	(8.7)	(9.6%)	
Profit before tax*	28.7	22.5	27.5%	
Earnings per share (cent)*	9.4	7.6	23.9%	
Dividend (cent)	3.5	3.0	16.7%	

* Before pension credit in 2013 and in 2012 before exceptional items & amortisation

Revenue Analysis



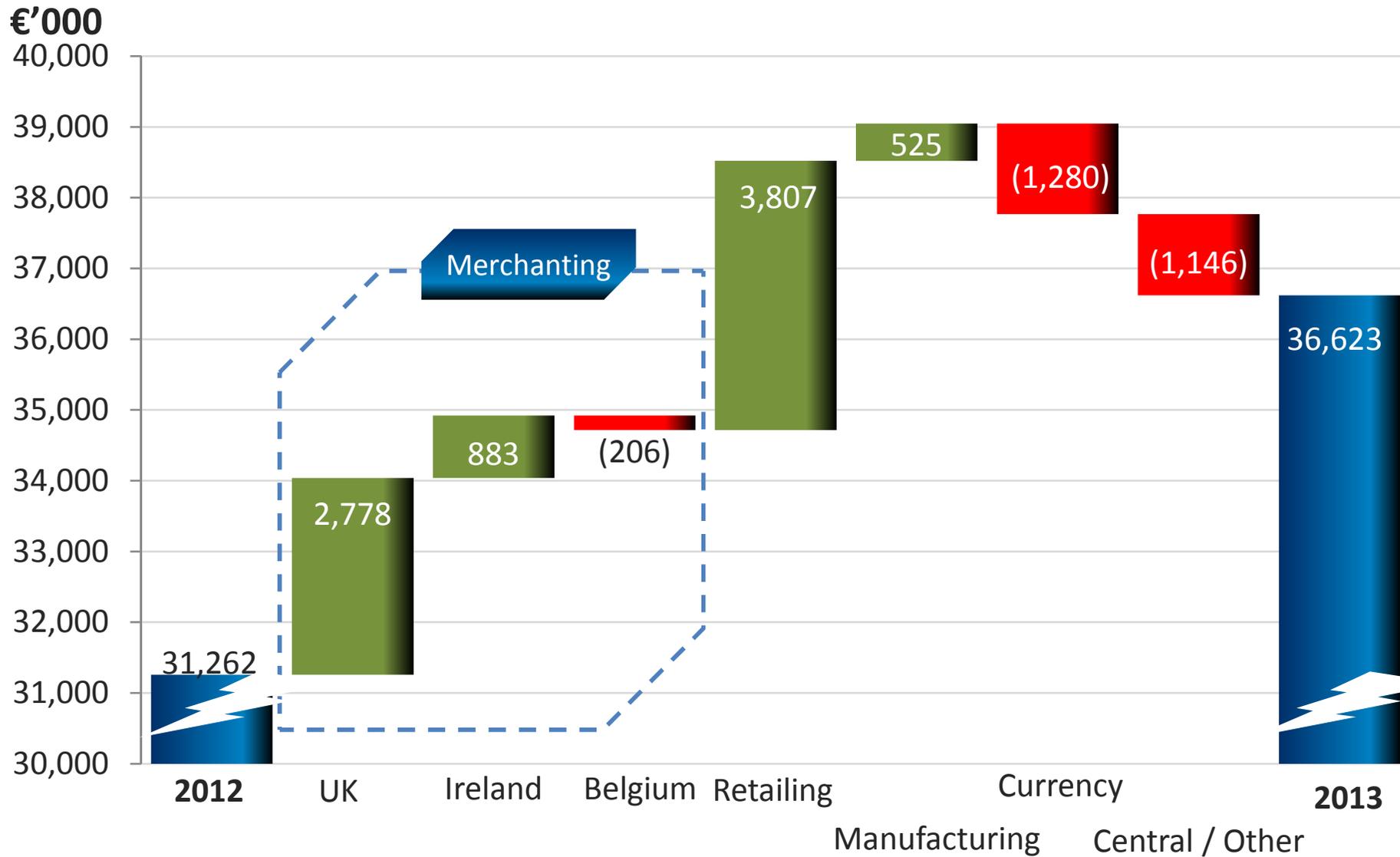
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Operating Profit Analysis



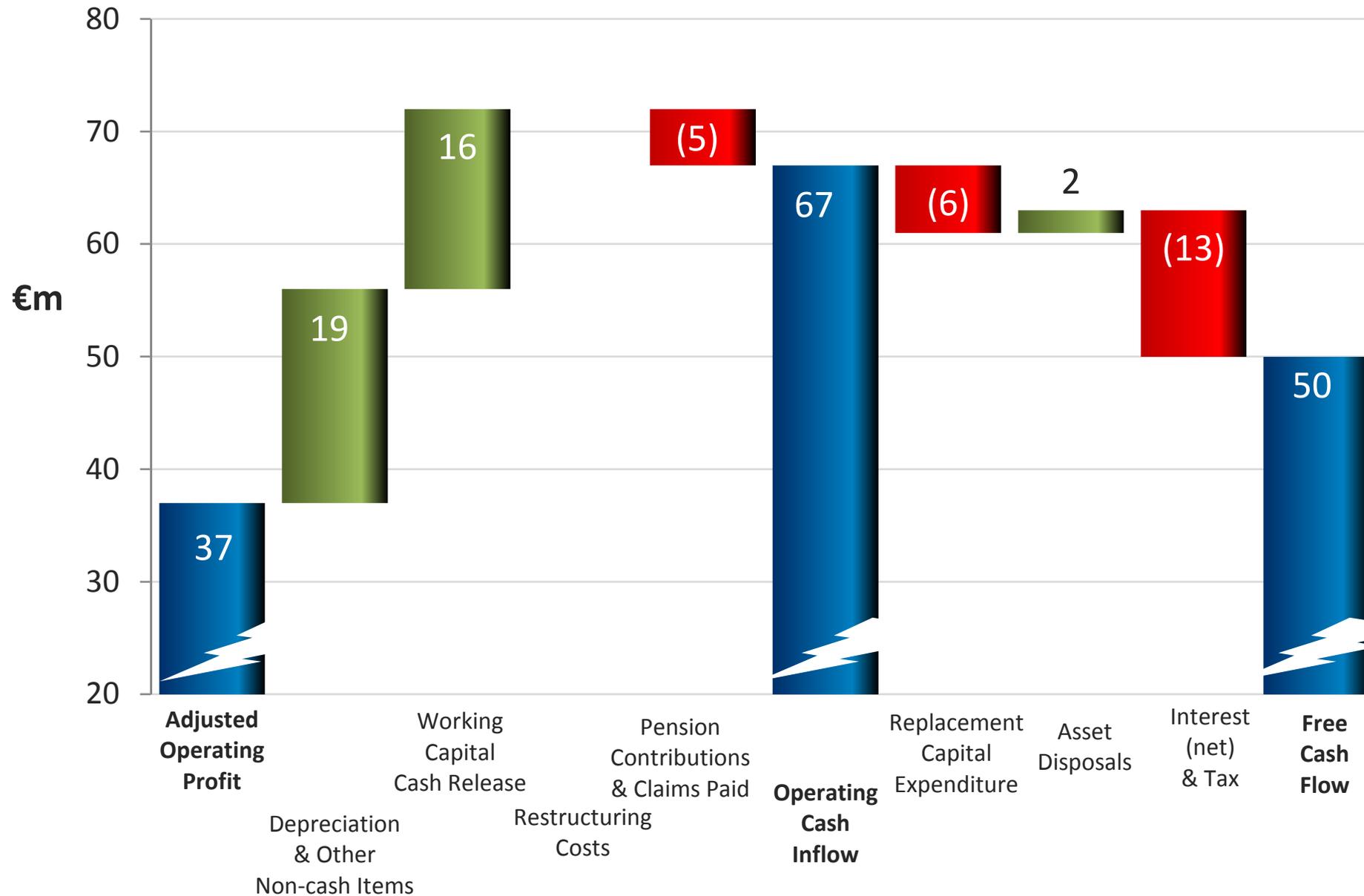
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Cash Flow



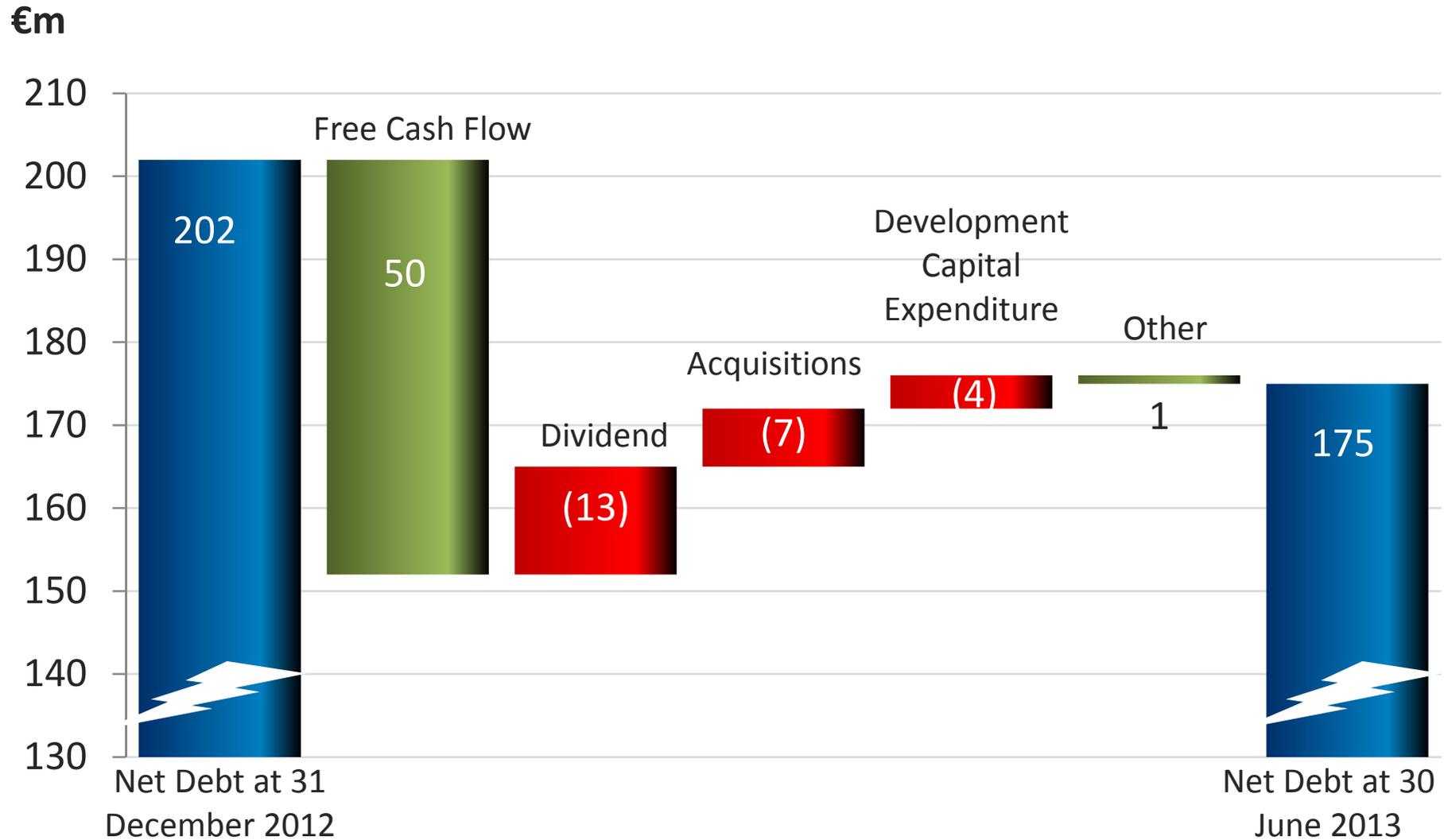
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Free Cash Flow and Net Debt



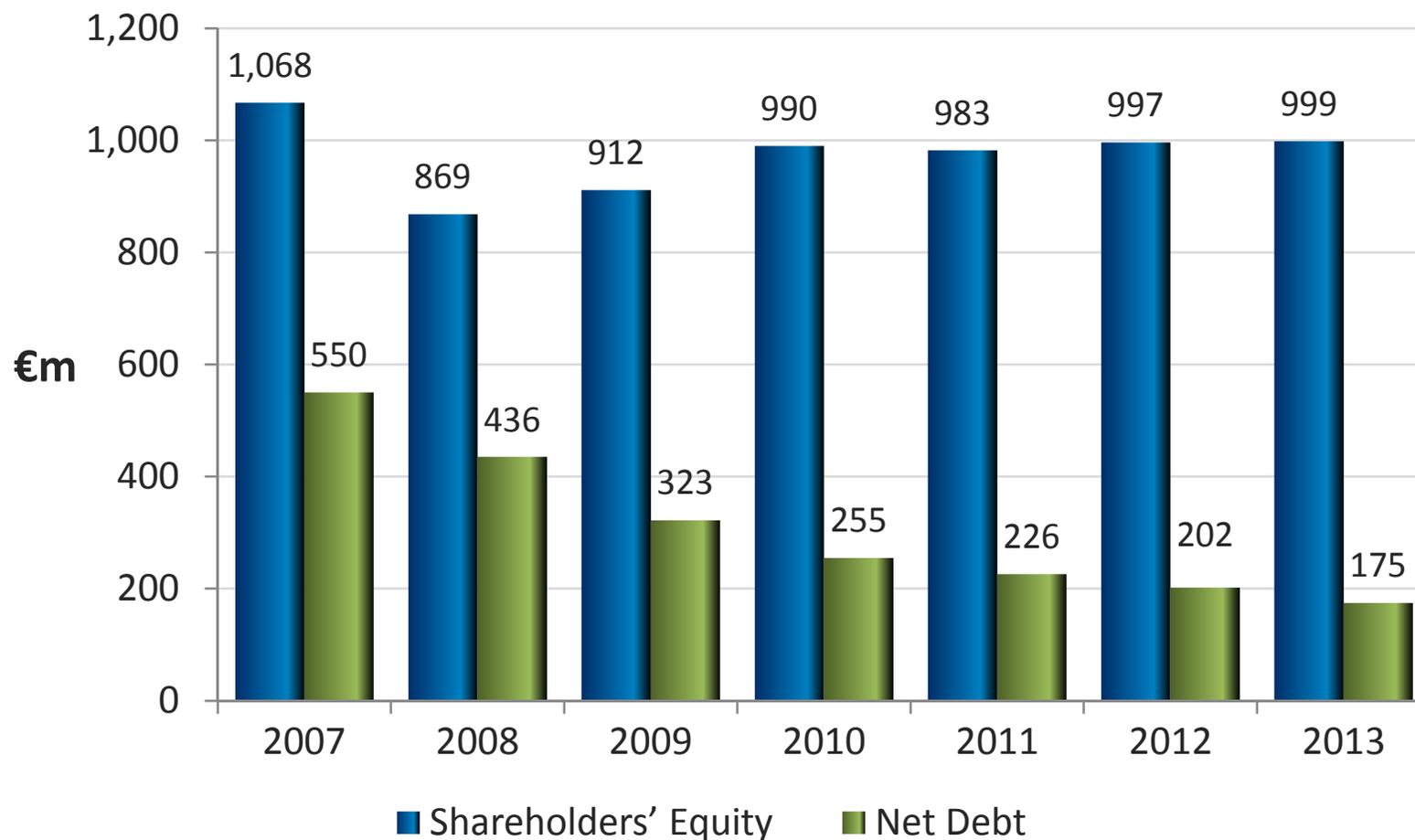
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Net Debt & Shareholders' Equity at 31 December except 30 June 2013

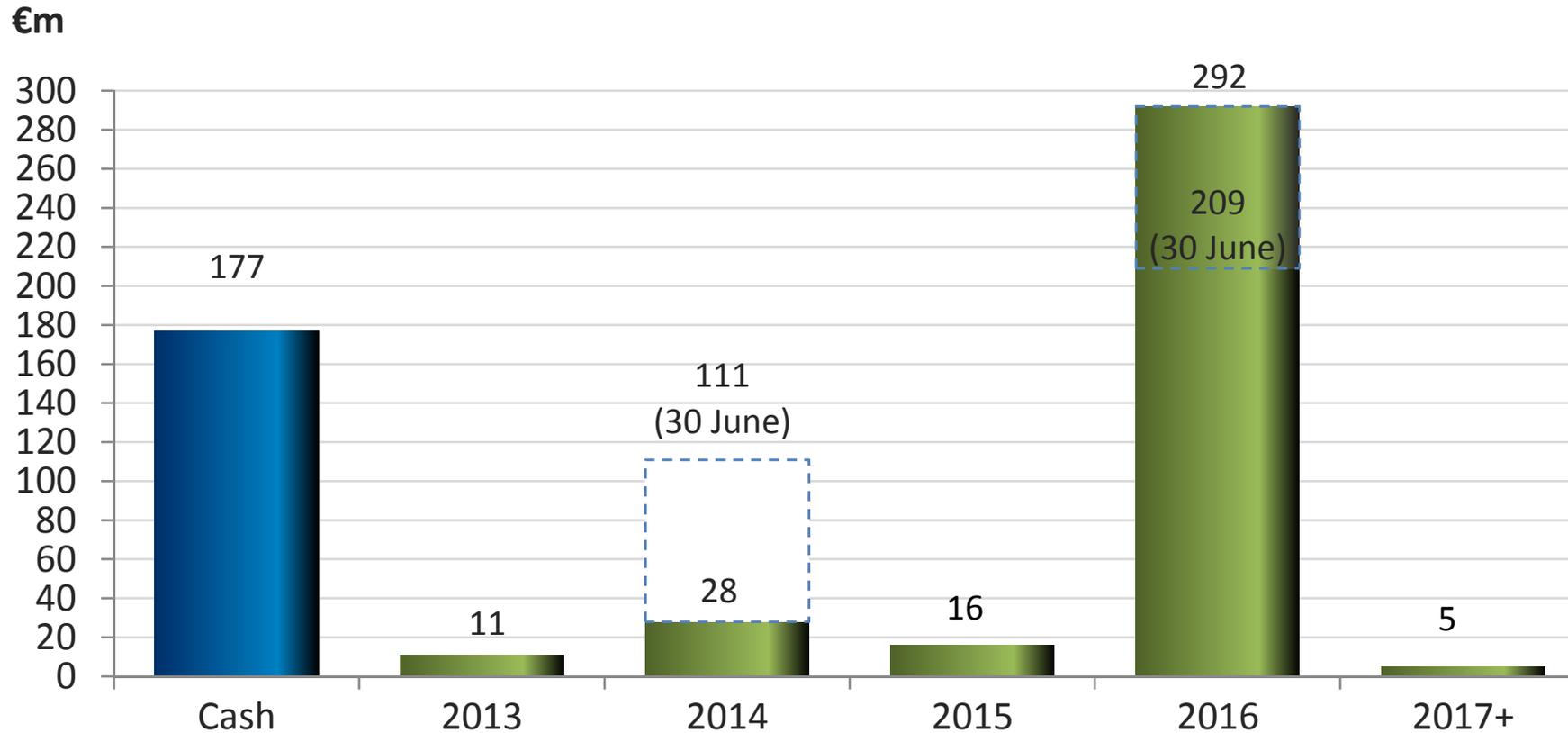


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	2007	2008	2009	2010	2011	2012	2013
Gearing	52%	50%	35%	26%	23%	20%	17%

Debt Facilities Maturity Profile



- Total Group debt facilities amount to €438m of which €87m was undrawn at 30 June 2013. Undrawn facilities increased to €137m in August 2013
- In August 2013 Ulster Bank's €85m term facility extended out just over two years to 2016
- Weighted average maturity profile of three years

Debt Covenants



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	30 June 2013	30 June 2012
EBITDA - 12 month rolling*	€119.1m	€101.2m
EBITDA interest cover	9.7 times	7.1 times
Minimum interest cover	3.5 times	3.0 times
Shareholders' equity (as defined)	€1,129m	€1,071m
Minimum shareholders' equity	€828m	€789m
Debt to equity ratio	15%	19%
Debt to equity ratio limit	85%	85%

- Net debt reduced to €174.7m at 30 June 2013 (31 December 2012: €202.0m)
- Cash deposits/balances were €176.8m at 30 June 2013 (31 December 2012: €156.9m)
- Undrawn committed revolving term bank facilities were €87m at 30 June 2013 (31 December 2012: €98m). Increased to €137m in August 2013.
- Over €300m in cash/facilities readily available

* Before pension credit in 2013 and in 2012 before exceptional items & amortisation

Summary Balance Sheet



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	30 June 2013 €m	31 December 2012 €m	Change €m
Property, plant and equipment	556.1	579.3	(23.2)
Intangibles	568.7	583.5	(14.8)
Financial assets	0.2	0.2	-
	1,125.0	1,163.0	(38.0)
Working capital	144.6	168.4	(23.8)
Income and deferred tax	(33.5)	(24.8)	(8.7)
Retirement benefit obligations	(15.2)	(63.0)	47.8
Provisions	(42.4)	(39.7)	(2.7)
	1,178.5	1,203.9	(25.4)
Net debt	(174.7)	(202.0)	27.3
Shareholders' Equity	1,003.8	1,001.9	1.9

Operating Margin History (Core – Before Central Costs)



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Year	UK	ROI	Group*
2007	7.3%	10.8%	8.7%
2008	4.5%	5.5%	4.9%
2009	3.2%	-1.7%	1.6%
2010	4.1%	0.4%	3.0%
2011	4.1%	0.7%	3.2%
2012	4.9%	0.7%	3.9%
2013 (H1)	5.0%	0.8%	4.0%
2012 (H1)	4.8%	-1.3%	3.4%

*Includes Belgium from 2011

Outlook



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UK

- Economy growing at moderate rate as recovery takes hold
- Clear signs that the housing market has strengthened
- Improving trend in housing transactions and mortgage approvals
- Declining real incomes – pressure on consumer spending
- Economic and housing market backdrop supportive of increase in RMI volumes in merchanting market
- Internal developments also providing a platform for growth

Outlook



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Ireland

- Domestic economy starting to stabilise – after contracting for five years
- Small decline in consumer spending forecast for 2013 as consumer confidence improves
- Downturn in housing construction bottoming out
- House price stabilisation expected to become more broadly based geographically
- Housing transactions and mortgage approvals coming off a low base

Strategic Focus



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- Margin growth in UK merchanting branches from current level of 5.0%
- Development of Selco branch network – new London stores opened in half year and other locations at the planning stage
- Participate selectively in further consolidation in UK merchanting market as opportunities presented
- Protect profit in Ireland until the domestic economy stabilises
- Continue strategic review of possible development opportunities outside of the UK, Ireland and Belgium
- Maintaining strong cash generation, funding flexibility and a strong balance sheet

Summary and Conclusion



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- Good profit growth despite relatively flat turnover
- UK merchanting business improved profit, operating margin and market position
- Irish brands showed a significant improvement in profit in weak markets
- High operating cash flow, strong balance sheet and efficient cost base with spare capacity in branch network
- Well positioned to grow organically as markets improve

Locations



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Merchanting Ireland



Merchanting UK



plumbworld.co.uk

Manufacturing

EuroMix

DIY Ireland



Belgium





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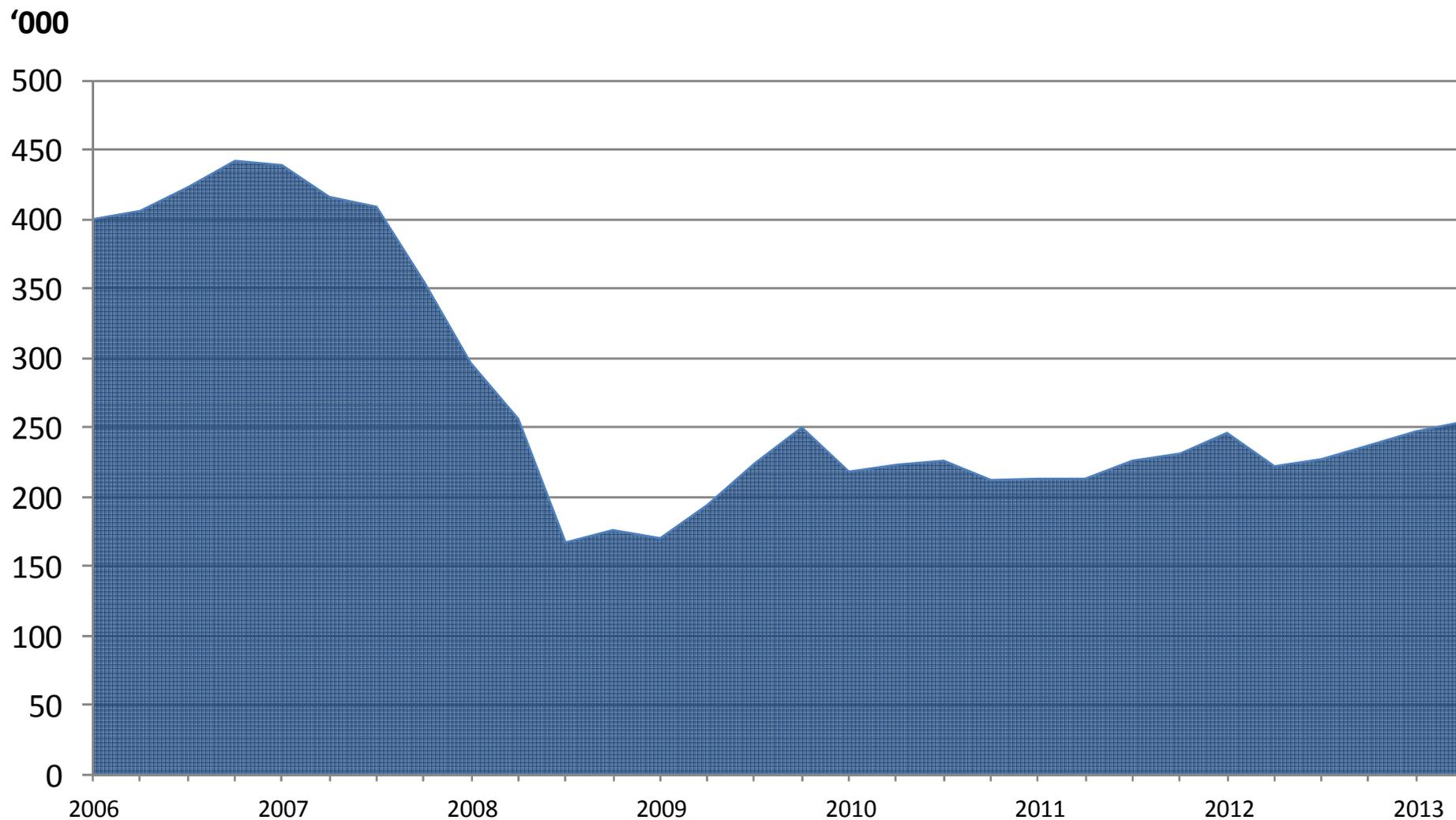


Supplementary
Information

UK Housing Transactions 2006 – 2013 (H1)*



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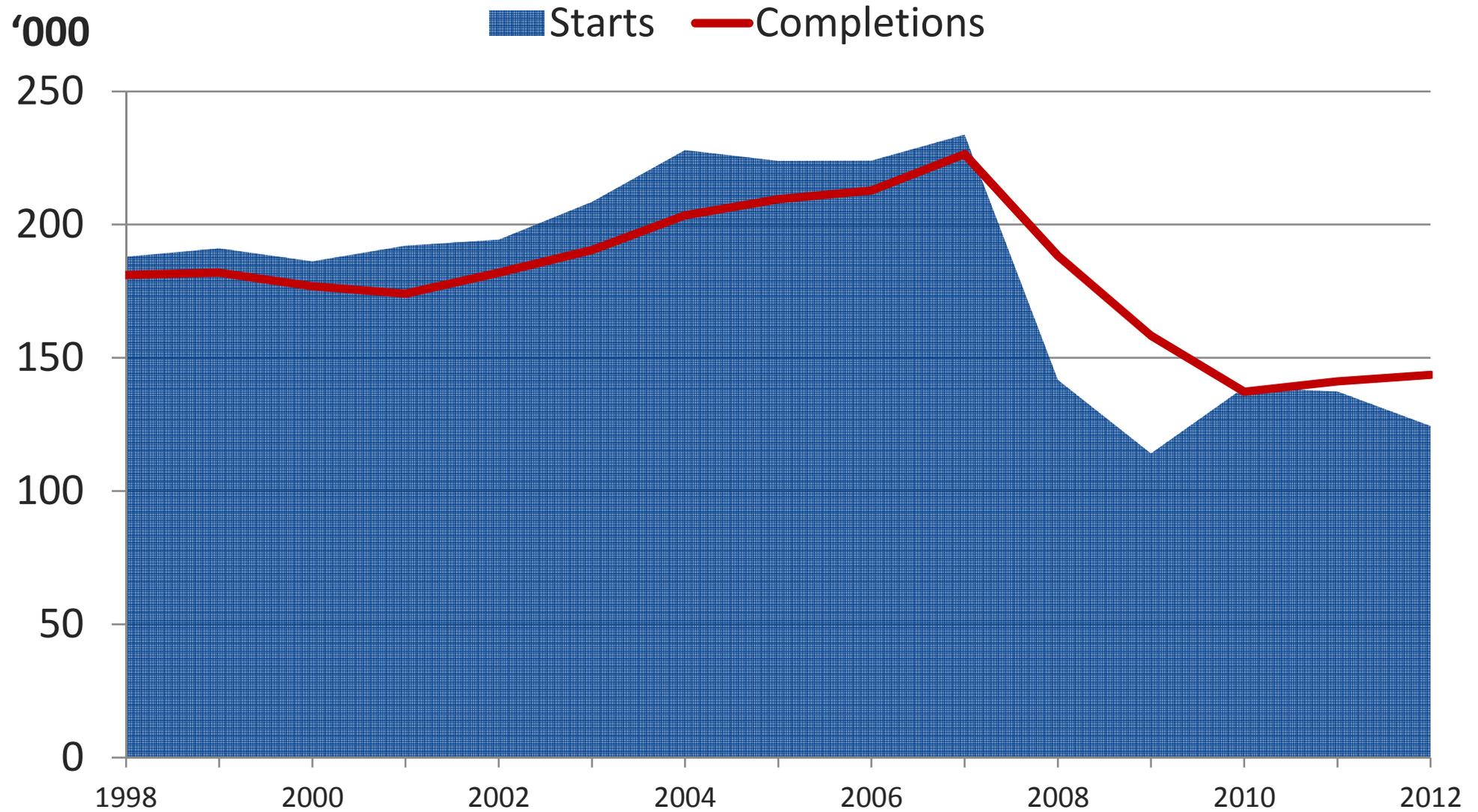


* Quarterly Seasonally Adjusted

UK Housing Starts & Completions: 1998 – 2012



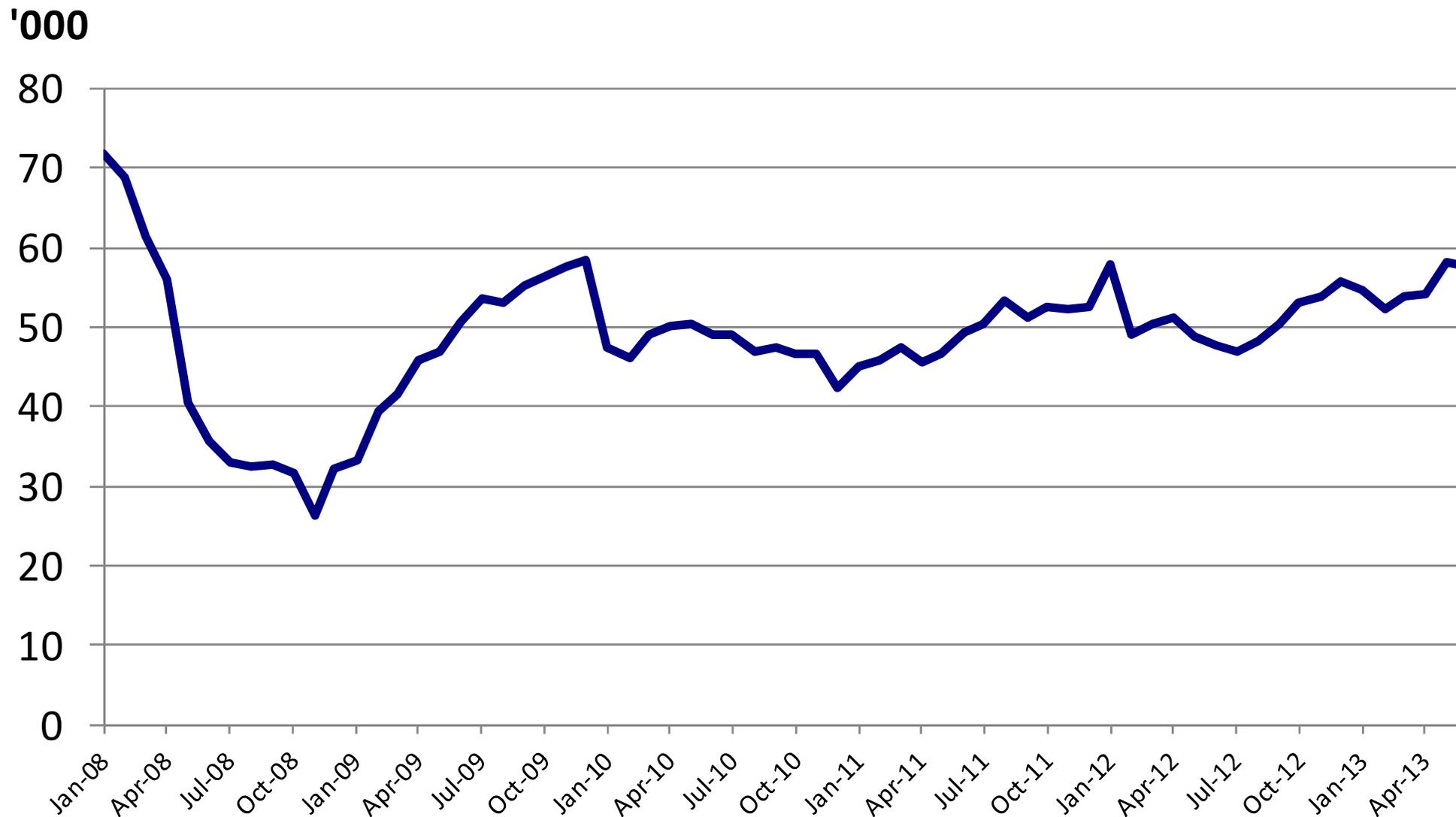
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UK Mortgage Approvals UK: 2008 – 2013 (H1)



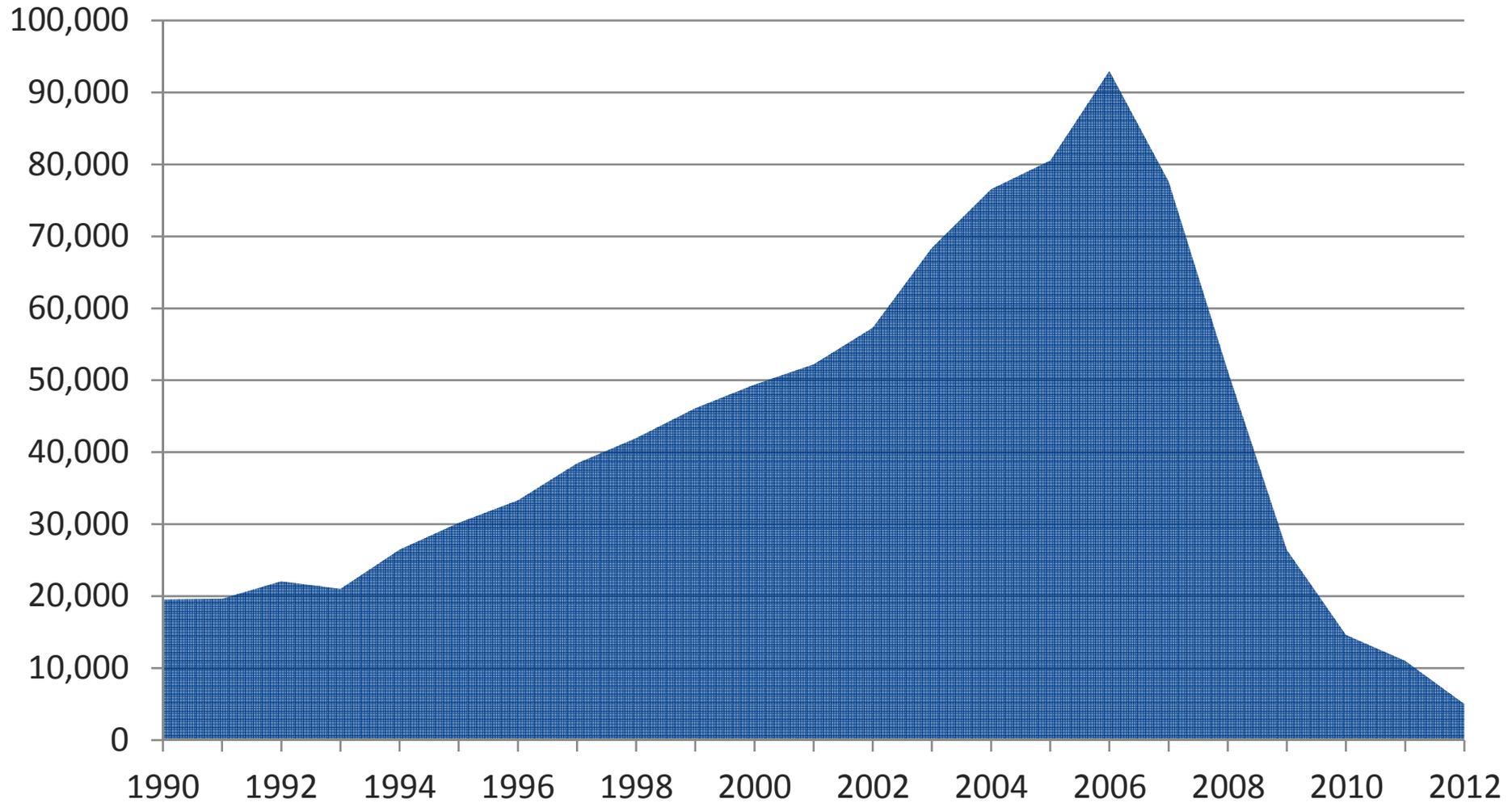
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House Completions – Ireland 1990 - 2012



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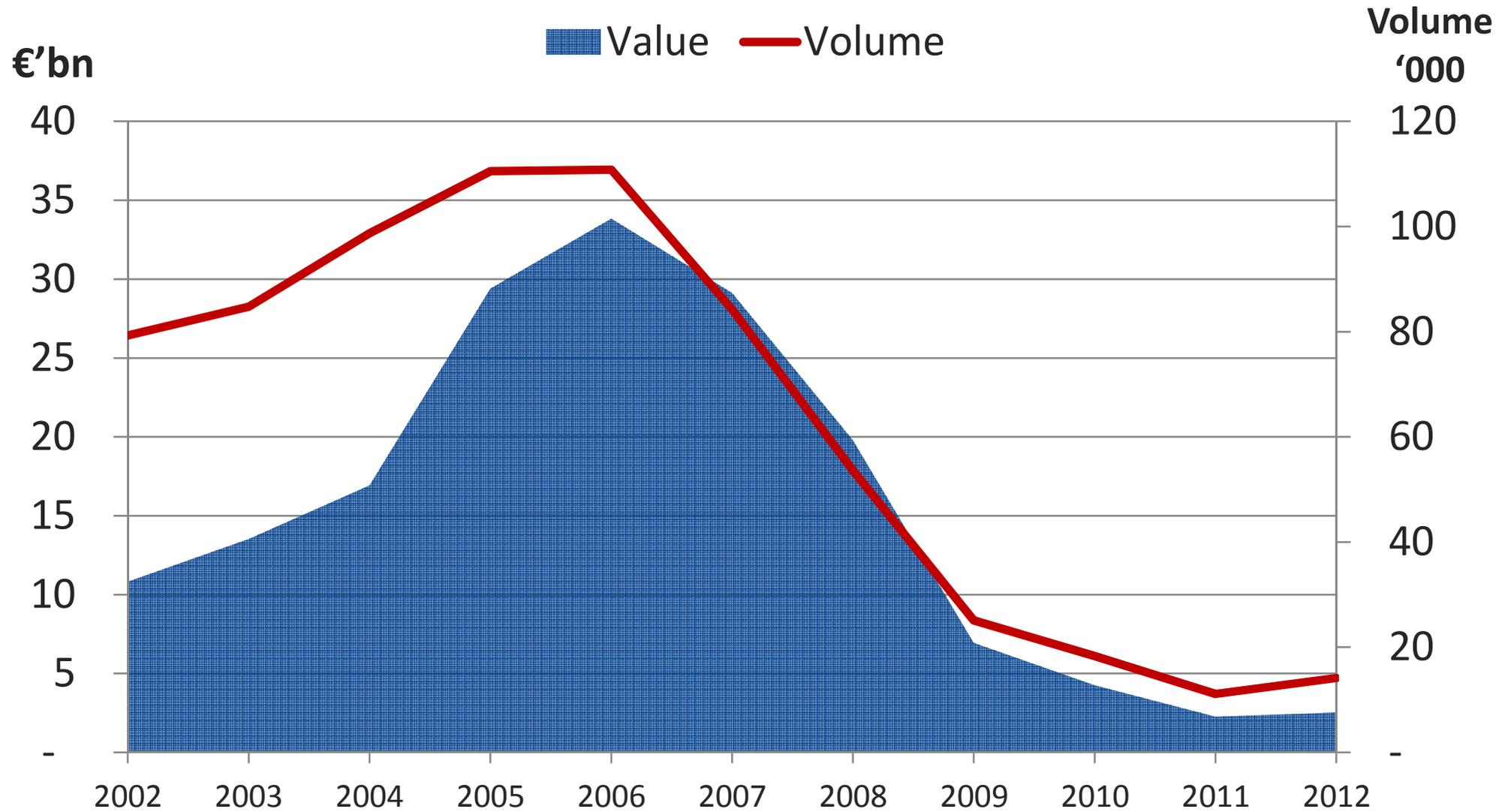
Current activity is at an unsustainably low level

Historic Lows

Mortgages Issued in Ireland: 2002 – 2012



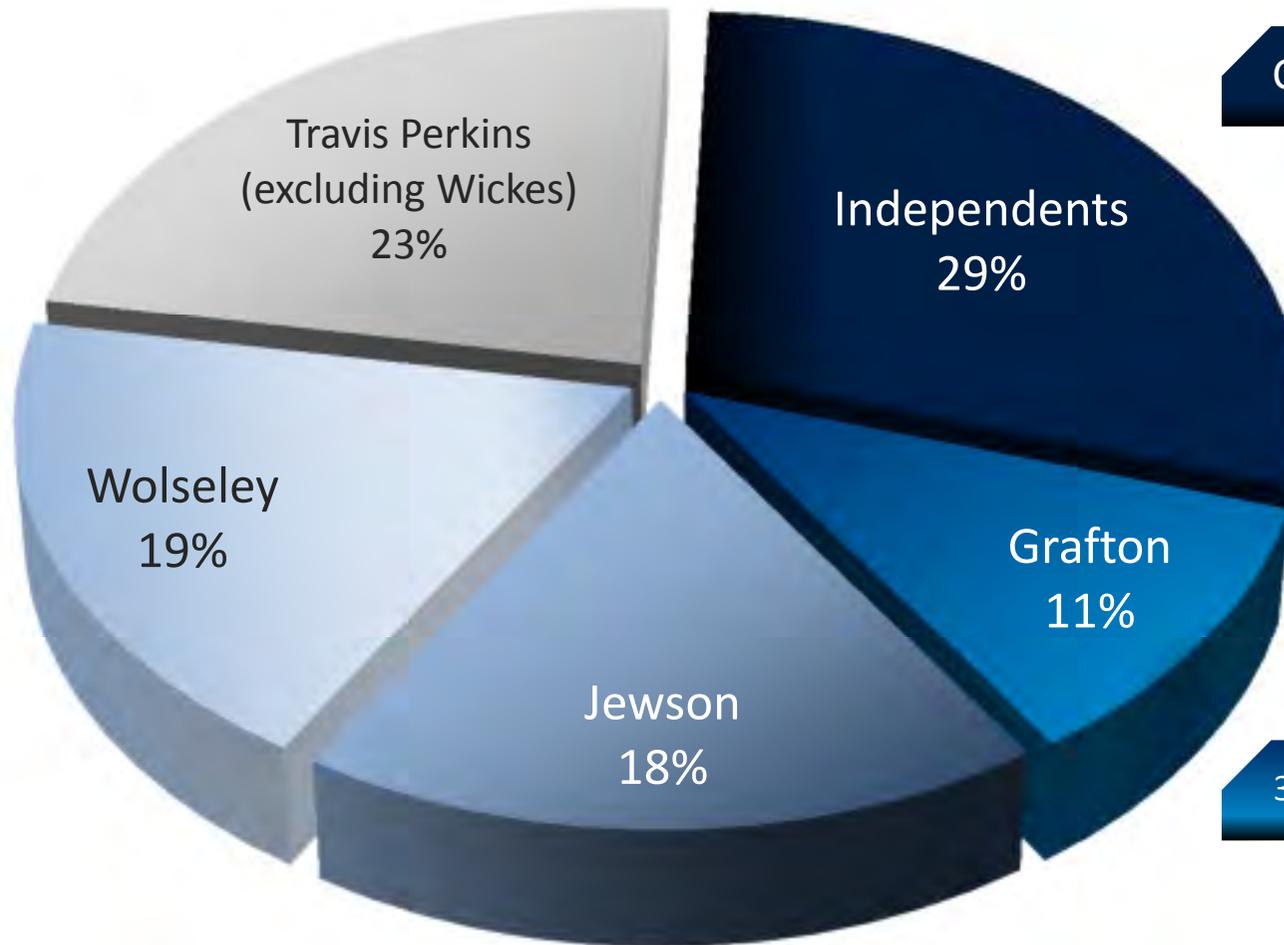
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Estimated UK Merchanting League Table



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Circa 2,000 independents

3rd Largest Builders Merchant

Sector Turnover £12 billion plus
Independents £4.6 billion plus

For Further Information



Grafton Group plc

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