



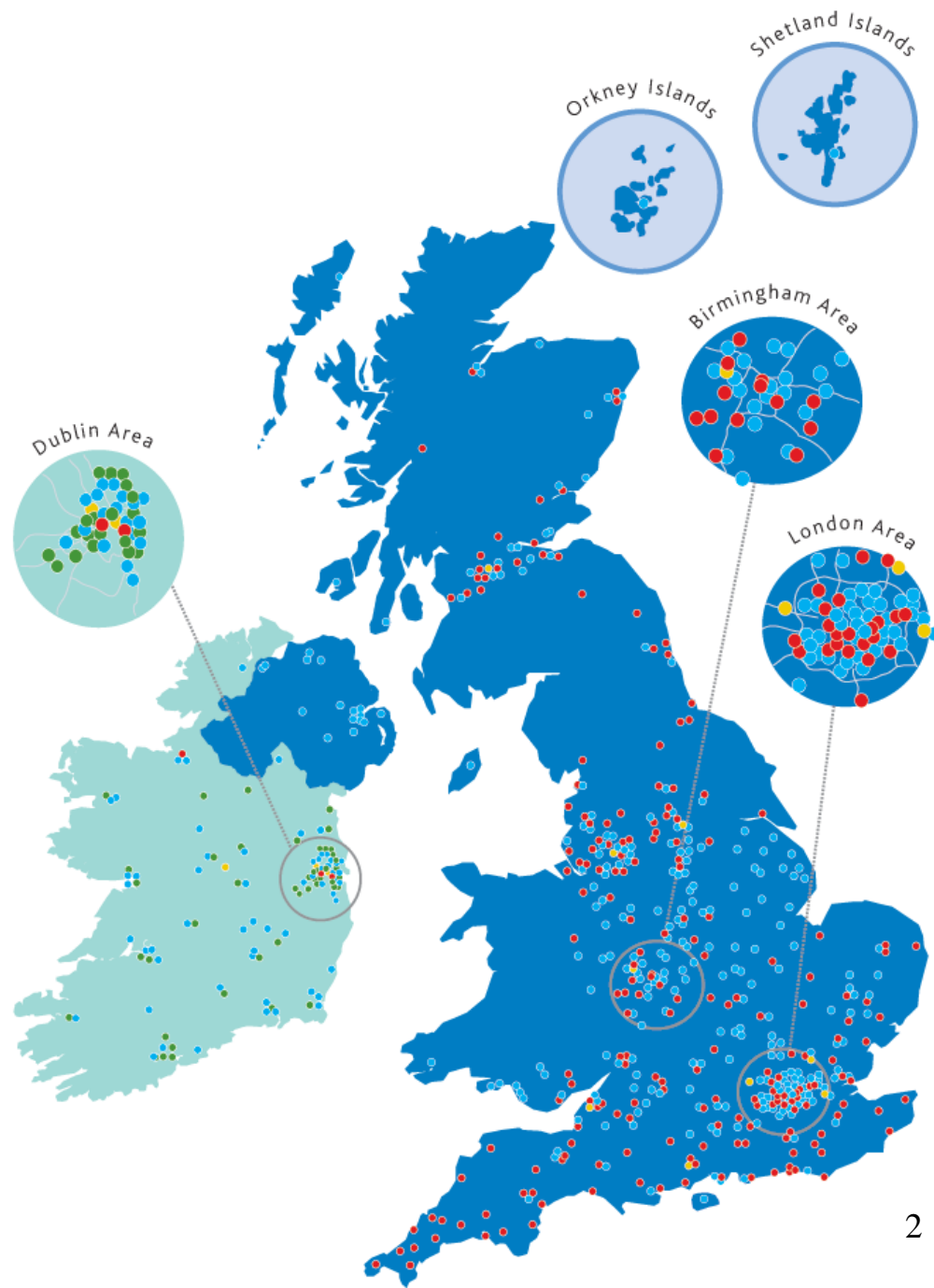
INTERIM RESULTS 2011

Profile

- ❖ Predominantly UK and Ireland based Building Materials Group
- ❖ JV operation in Belgium growing
- ❖ Principal activities
 - Builders Merchanting (No. 3 in UK, No. 1 in ROI)
 - Plumbers Merchanting (No. 4 in UK, No. 1 in ROI)
 - DIY Retailing in Ireland (No. 1 in ROI)
 - Dry Mortar Manufacturing (No. 1 in UK)
- ❖ Annual turnover of circa €2 billion
- ❖ Market leader or strong market positions
- ❖ Trading from 591 locations in the UK and Ireland & 3 in Poland. JV trading from 7 locations in Belgium
- ❖ 9,200 employees

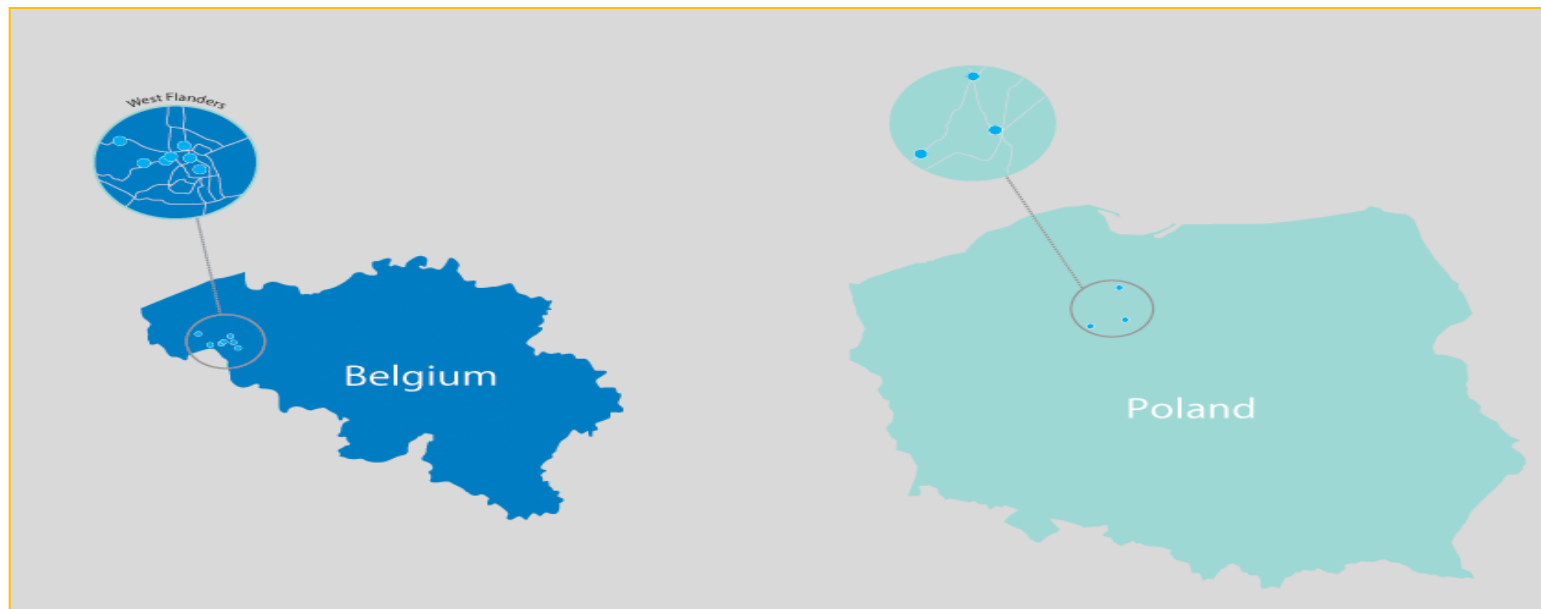
Group Irish & UK Trading Locations

- Builders Merchants
- Plumbers Merchants
- Manufacturing
- DIY Retailing





Group Poland & Belgium Trading Locations



Belgium Branches at 30th June 2011

Menen (2 branches)

Lauwe

Gullegem

Ieper

Mouscron

Comines

Poland Branches at 30th June 2011

Torun

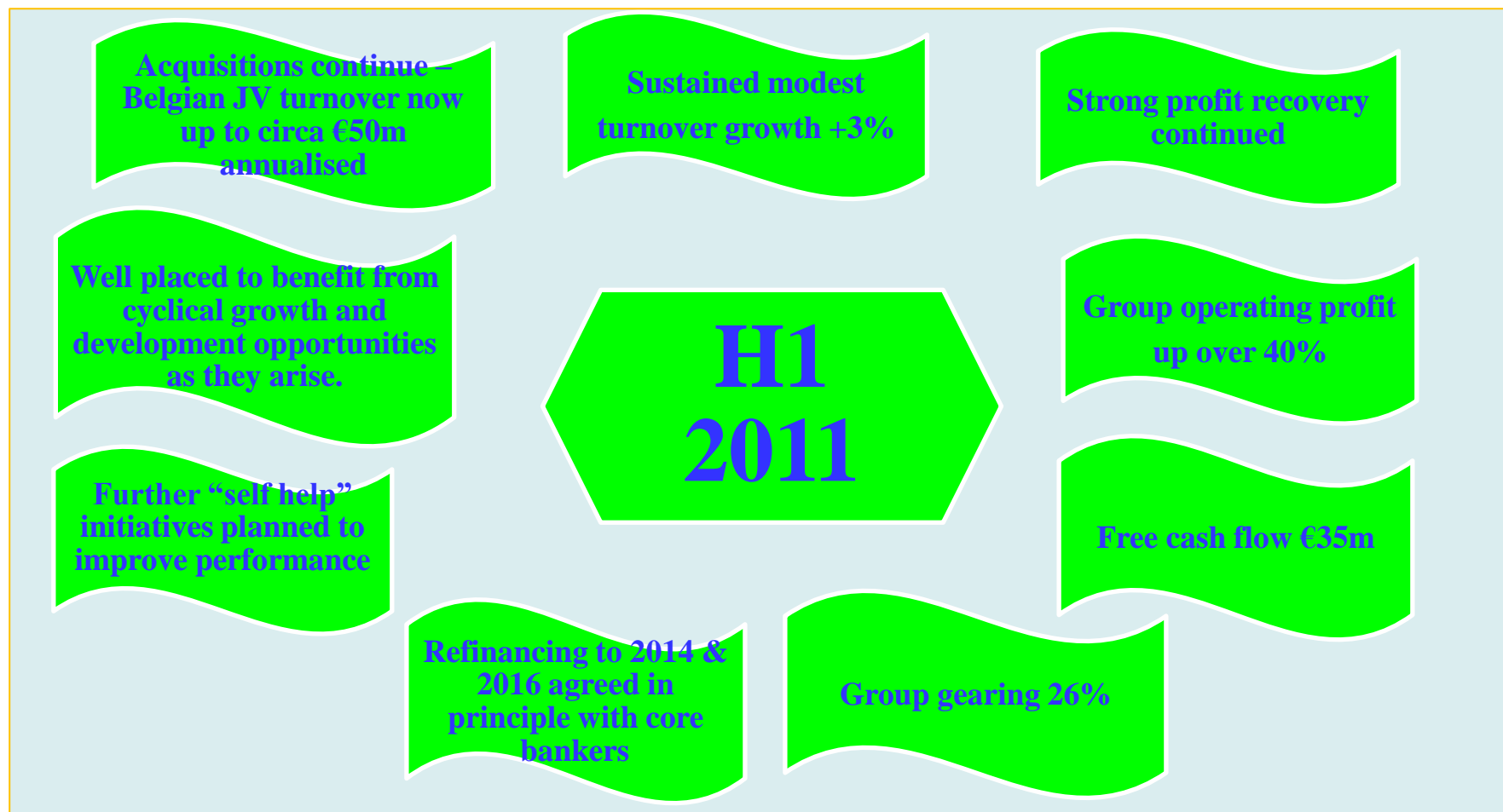
Bydgoszcz

Grudziadz

● Builders Merchants



2011 H1 Results – Key Points



Grafton Group

- Positioned for recovery – reduced cost base – focused strategy
- Strong position in UK Merchanting market (>70% of Group Turnover)
- Profit recovery which began in 2010 continued into 2011
- Consistent focus on margin improvement & market share – further self help planned
- Further increase in interim dividend
- Well capitalised balance sheet – shareholders' equity €955m
- Financial flexibility maintained with undrawn committed bank facilities and available cash reserves
- Modest gearing at 26%
- Experienced acquirers participating in industry consolidation
- Geographical expansion planned as part of future strategy – Belgium growing – further acquisition completed July 2011 – Joint Venture turnover in Belgium now circa €50m annualised



Interim Financial Highlights ~ 2011

		H1 2011	H1 2010	% Growth
Turnover	→	€1,008m	€979m	3.0%
EBITDA	→	€47.3m	€40.9m	15.5%
Adjusted operating profit*	→	€26.2m	€18.7m	39.8%
Operating profit	→	€21.1m	€14.8m	43.3%
Profit before tax	→	€15.1m	€13.4m	12.5%
Basic EPS	→	5.4c	5.6c	(4.1%)
Adjusted EPS*	→	7.2c	7.0c	2.9%
Free cash flow	→	€ 35m	€53m	
Restructuring costs	→	€ 4.0m	€2.9m	
Dividend	→	2.75c	2.5c	10.0%

*Before intangible amortisation €1.1m (2010:€1.1m) & restructuring costs €4.0m (2010 €2.9m).

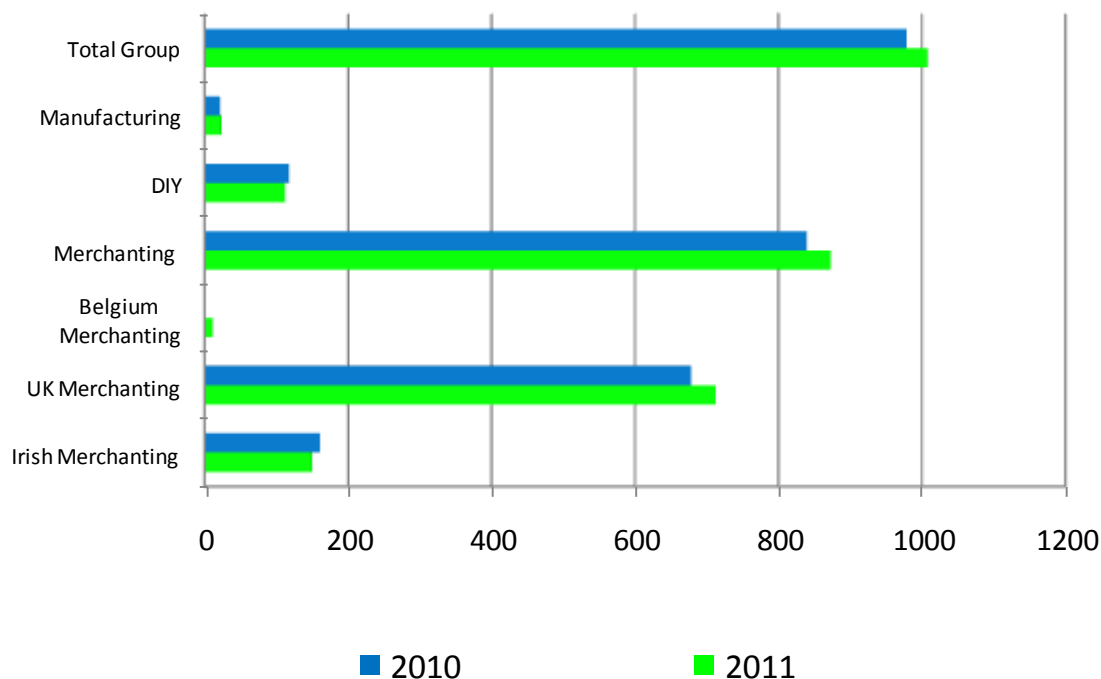


Financial Highlights 2011 – To date

- Group Turnover up 3% on 2010
- Positive group like-for-like sales trends maintained since Q2 2010.
- Group adjusted operating profit up 40% on H1 2010.
- Dividend increased by 0.25 cent (+10%)
- Free cash flow of €35m
- Continued focus on controlling the controllables
 - ✓ Further cost reduction initiatives taken and branch consolidations in areas of overlap
 - ✓ Back in acquisitions mode
 - ✓ Acquisition of 16 plumbing and heating branches in England and Wales from Travis Perkins Group plc completed in early 2011.
 - ✓ Small builders merchant in Scotland acquired
 - ✓ Belgian business within which the Group has a 53% interest has completed 2 acquisitions to date in 2011.
 - ✓ Selco opened a new store in Catford during H1 2011

Segmental Turnover Analysis H1 2011 v H1 2010

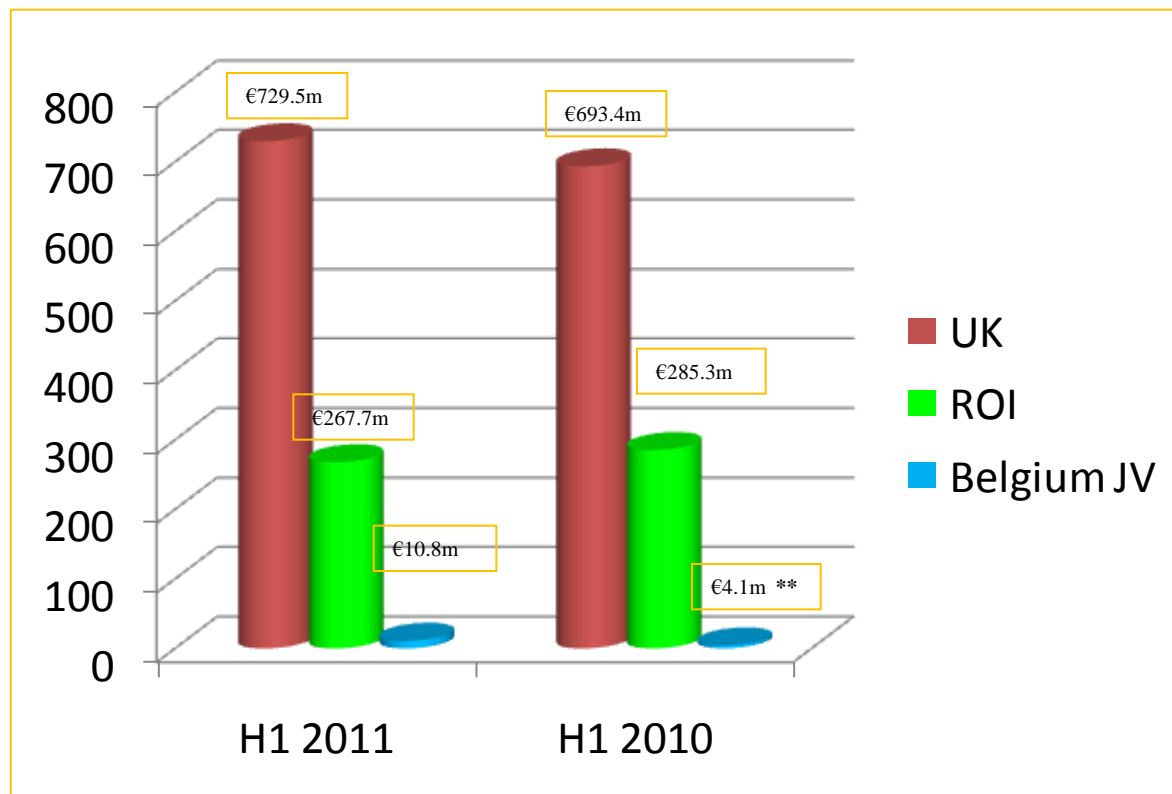
Euro Turnover €'millions



- Group H1 Revenue up 3% to €1.008 bn.
- Merchanting Revenue up 4% on H1 2010.
- Growth, which returned to UK merchanting business in 2010, continued in 2011.
- Irish Merchanting 15% of Group Turnover
- DIY 5% lower
- Manufacturing revenue up 7%.
 - UK +13%
 - Ireland -8%



Geographical Analysis 72% UK Based Turnover



Geographical Analysis

- ❖ 72% of Group turnover generated in the UK (2010:71%)
- ❖ UK turnover up 5% (5% H1 2010)
- ❖ Republic of Ireland down 6%. (-14 % H1 2010)
- ❖ Belgium turnover up 7% on a like for like basis

Over 72% of turnover from UK market – Exposure to Ireland continues to reduce



Group Operating Result– H1 2011

Year	H1 2011	H1 2010
	€m	€m
Adjusted operating profit	26.2	18.7
Restructuring costs	(4.0)	(2.8)
Intangible amortisation	(1.1)	(1.1)
Operating profit per income statement	21.1	14.8

Significant improvement in operating results continues.
– adjusted operating profit up 40%



Components of Change

		Turnover	Operating profit / (loss)
		€'million	€'million
2010		979	15
Organic change	- Merchanting – UK	26	5
Organic change	- Merchanting - Ireland	(9)	1
Organic change	- DIY	(6)	1
Organic change	- Manufacturing	1	1
2010 acquisitions	- Merchanting UK	1	-
2011 acquisitions	-Merchanting UK	5	-
2011 Joint Venture	-Belgium	11	1
New branches 10 &11	– Merchanting & DIY	4	(1)
Discontinued branches		(5)	-
Exchange		1	-
Movement on central activities		-	(1)
Movement on restructuring costs		-	(1)
2011		1,008	21

Operating Result by Segment H1 2011 v H1 2010

Period	Half One					
Segment	Merchanting		Retail		Manufacturing	
	2011	2010	2011	2010	2011	2010
	€'m	€'m	€'m	€'m	€'m	€'m
Segment operating profit / (loss)	33.4	27.4	(0.4)	(1.2)	(0.9)	(2.3)
Movement H1 11 v 10	22%	-	64%	-	61%	-
Restructuring costs	(2.4)	(2.9)	(1.5)	-	(0.1)	-
Segment operating profit / (loss) after restructuring costs	31.0	24.5	(1.9)	(1.2)	(1.0)	(2.3)

Significant improvement across all divisions.
Operating profit increased and losses reduced across all segments.



Cash Generation	H1 2011	FY 2010
	€ million	€ million
Segment operating profit (before restructuring costs & amortisation)	32	61
Central costs	(6)	(10)
Adjusted operating profit	26	51
Depreciation & other non-cash items	22	49
Restructuring costs	(4)	(5)
Proceeds on asset disposals	<u>4</u>	<u>4</u>
Total cash inflow	48	99
Replacement capital expenditure	(6)	(6)
Pension contributions and claims paid	(4)	(8)
Interest (net) & tax	(9)	(8)
Working capital cash release	6	9
Free cash flow	35	86
EBIT to Cash Conversion Ratio	1.4 Times	1.7 Times



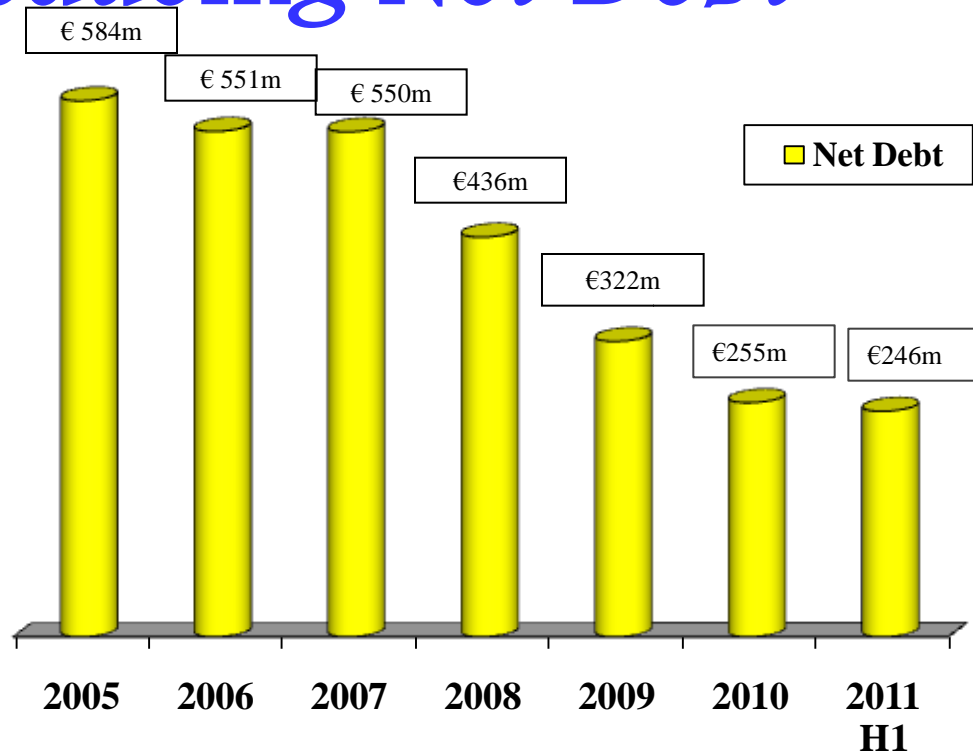
An Improving Picture

Segment Results	H1 2011	H1 2010	H1 2009	H1 2008
	€000	€000	€000	€000
Merchanting *	33,436	27,403	6,785	79,478
Retail	(431)	(1,198)	(618)	6,119
Manufacturing	(925)	(2,345)	(4,063)	318
Segment operating profit	32,080	23,860	2,104	85,915
Turnover	1,008,075	978,685	989,946	1,437,842
Operating margin	3.2%	2.4%	0.2%	6.0%

The merchanting operating profit for H1 2009 excludes property profit of €6.1m



Reducing Net Debt



- Agreement in principle to refinance debt to 2014 & 2016 with core banking partners.
- Sustained reduction in gearing & net debt
- Good liquidity, positive free cash flow and cash deposits

▪ Debt reduced by over half (€305m or 55%) since December 2007

Year	2005	2006	2007	2008	2009	2010	2011 H1
Gearing	72%	54%	52%	50%	35%	25.8%	25.7%



Working Capital Trends

	2007	2008	2009	2010	H1 2011
	€'m	€'m	€'m	€'m	€'m
Stock	386	331	265	272	290
Debtors	536	354	307	306	350
Creditors	(490)	(417)	(387)	(400)	(468)
Total	432	268	185	178	172

	164	83	7	6
Currency & other items	(56)	11	2	0
Year on year reduction	108	94	9	6

3 ½ Yr Total Reduction to June 2011

€217m or 50%



Management Initiatives for 2011

Customer retention & growth – focus on key target & growth areas

Further “self help” initiatives in progress

Maintain the positive operating improvements achieved in 2010 going forward

Focus on margin improvement

Working capital management & cash conversion

Continued Acquisition Activity - Group acquired 17 branches in UK in H1 2011 (including 16 BSS). Belgian JV grew with acquisition of Stichelbout business in H1 2011. Further merchanting business – Duyck acquired in July 2011 by the JV

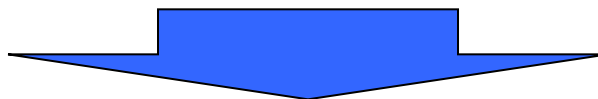


Improving Trends

- 72% of Group turnover in UK in H1 2011. Belgium 1% of Group
- UK merchanting and UK manufacturing continue to show like for like sales growth.
- Irish merchanting profitable
- Continued strong cash generation
- Free cash flow of €35m for the half year
- Bank re-financing agreed in principle – 3 & 5 year revolving facilities maturing in 2014 & 2016
- Net debt at €246 million (2010: €255m) - 26% gearing (2010: 26%)
- €212m in cash balances and deposits at 30 June 2011
- Strong balance sheet

Benefits of Cost Reduction Initiatives Reflected in Results

- Total headcount reduction since 1st January 2008 is approx 3,000 employees
- Almost €100m in annual cost reductions achieved from rationalisation measures
- Tight overhead & margin management



- Return to profit growth
- Business well positioned to take full advantage of recovery and gain market share
- Significant latent operational leverage available to drive profit growth

Solid trading base now established – delivered strong rebound in earnings in 2010. This has continued into 2011. Expected to continue over coming years as markets continue to normalise



Rationalisation Costs and Benefits

Restructuring Cost 42 months to June 2011 €' millions		Benefit per annum €' millions	<u>Staff Reductions – 42 months to June 2011</u>	
			Employee Changes Numbers	Payroll Savings per annum € millions
UK	11	51	-1,570	43
Ireland	<u>30</u>	<u>42</u>	<u>-1,450</u>	<u>41</u>
	41	93	-3,020	84

Almost €100m in Annual Cost Reductions Now Achieved

Operating Margin History (Core – before central costs)

Year	UK	ROI	Group
2000	5.9%	12.7%	8.4%
2001	6.3%	13.1%	8.6%
2002	7.0%	12.2%	8.5%
2003	7.3%	13.0%	8.7%
2004	7.8%	13.1%	9.1%
2005	6.9%	10.7%	8.4%
2006	6.7%	11.3%	8.6%
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 H1	4.5%	-0.4%	3.2%*

Margin
Recovery
Continues

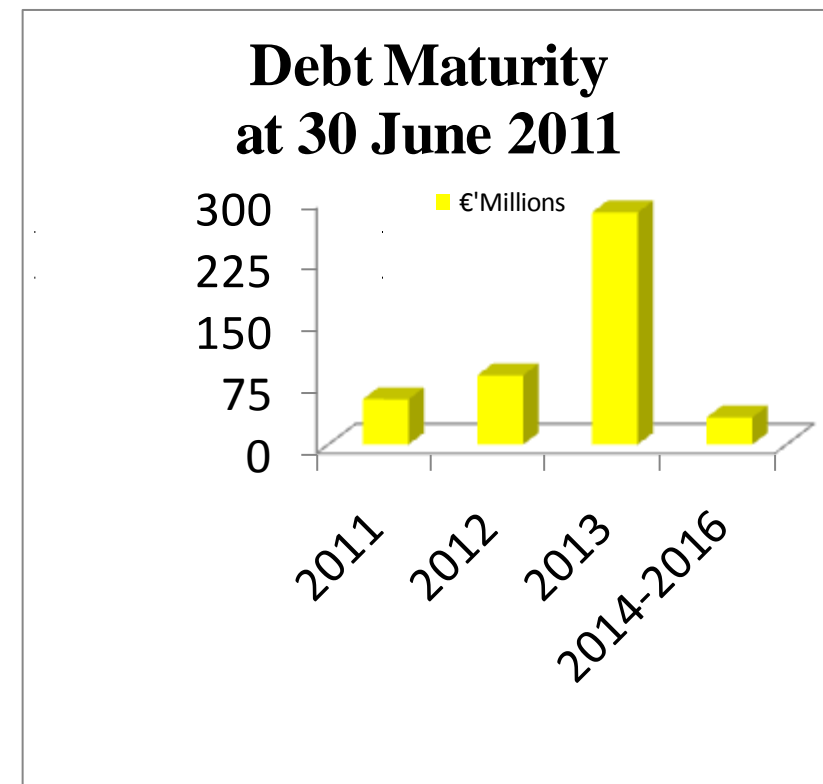
80 basis point
improvement
in H1 2011

2010 (H1)	4.0%	-1.4%	2.4%
2010 (H2)	4.1%	2.1%	3.6%

*Includes Belgium for 1st time 4.8% margin H1 2011

Limited Debt Repayments until 2013

	June 2011	Dec 2010
	€ million	€'million
Gross debt	458	489
Cash	(212)	(234)
Net debt	246	255
Gearing	26%	26%
Gross debt maturities – calendar year *		
2011	56	147
2012	85	84
2013	284	224
2014-2016	33	34
Total	458	489



Cash on deposit available to repay all maturities due in 2011 & 2012

2011 Outlook

Group

- Improved trends in turnover evident during H2 2010 continued in 2011
- Further growth in profitability expected in 2011 – H1 2011 segment operating profits up 34% on H1 2010.
- Group well positioned with latent capacity
- High operational leverage

UK

- Overall outlook in UK continues to improve
- Demand fundamentals for Group exposure to UK RMI market attractive

Ireland

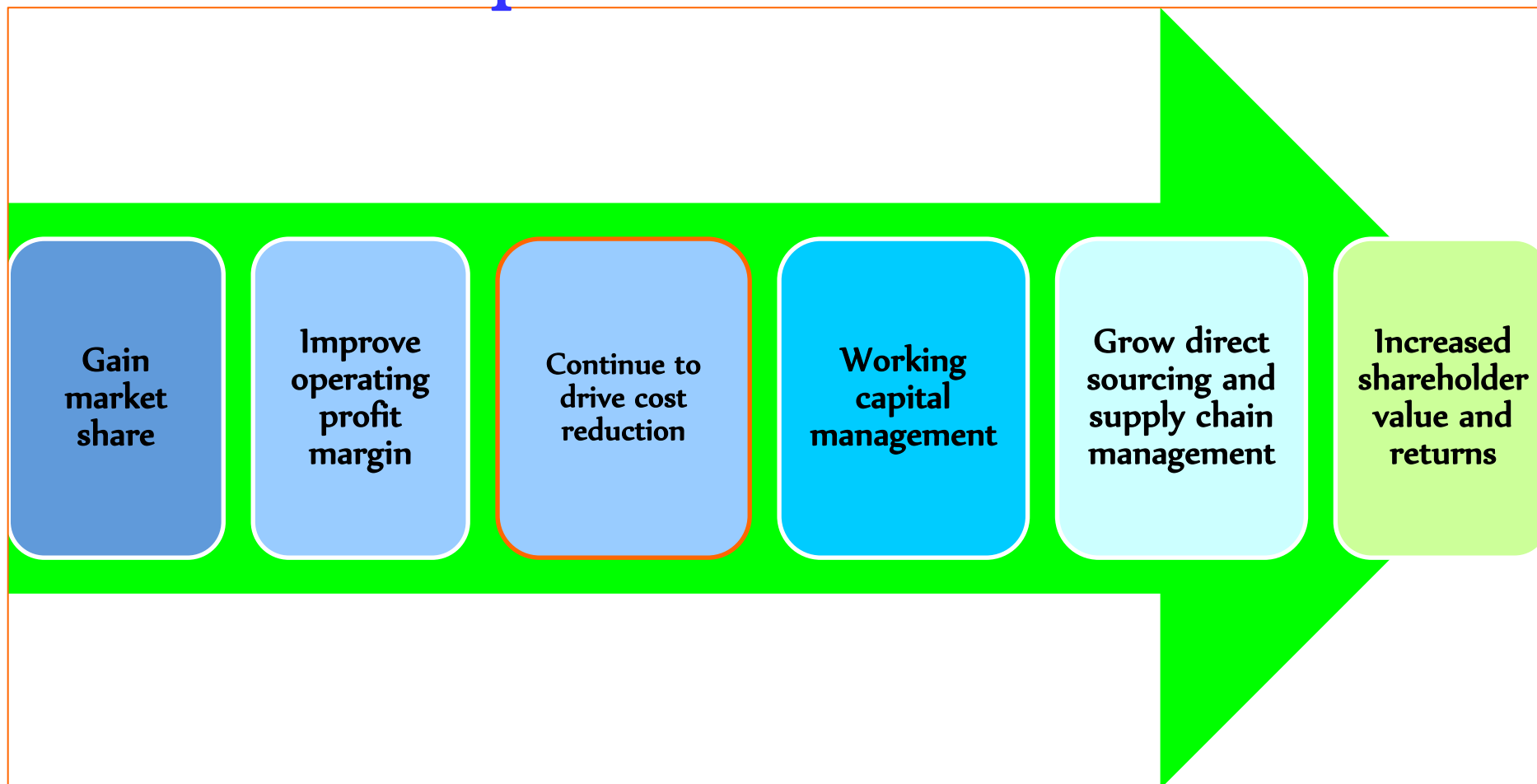
- Economy remains challenging – although some stabilisation in activity levels
- Irish merchanting profitable
- All RMI work – little or no new house building

Belgium

- JV performing well. Annualised turnover of JV now circa €50m. Like for like sales up 7% on H12010. 23



Group Focus for 2011





Grafton Group plc
Interim Results 2011

Principal Brands – UK and Northern Ireland

BUILDBASE

PLUMBASE



EuroMix



MACNAUGHTON BLAIR

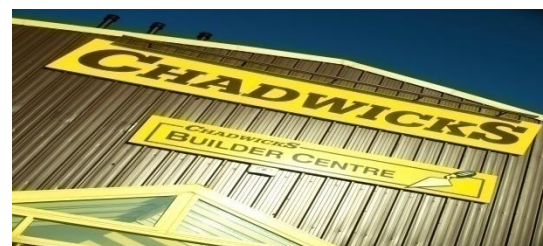




Grafton Group plc

Interim Results 2011

Principal Brands – Irish Merchanting and Manufacturing



Irish Merchants





Grafton Group plc
Interim Results 2011

Irish DIY Retail Brands



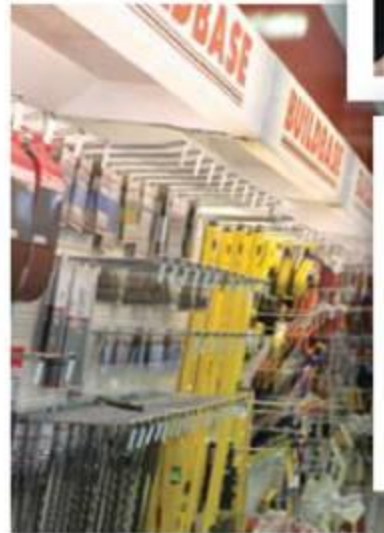
inhouse
AT THE PANELLING CENTRE



Irish DIY Retail Brands



BUILDBASE





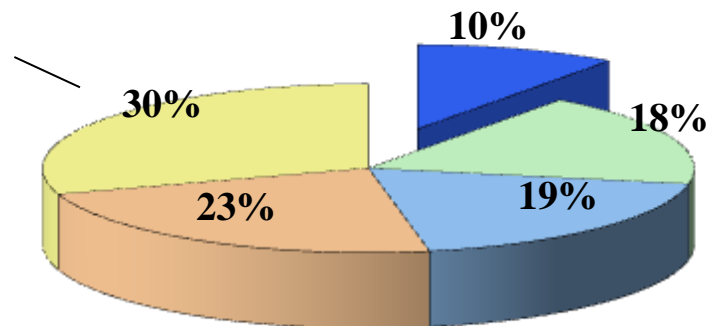
Build on our Experience





Estimated UK Merchanting League Table

Circa 2,000
independents



■ Grafton

■ Jewson

■ Wolseley

■ Travis Perkins (excluding
Wickes)

■ Independents

3rd Largest Builders
Merchant

Sector Turnover £12 billion plus
Independents £4.6 billion plus



Top 10 Debtors in UK and Ireland

	Ire June 2011 €'000	Ire June 2010 €'000	UK June 2011 £'000	UK June 2010 £'000	Total in Euro
1	590	887	1,309	1,190	
2	584	807	841	521	
3	429	722	592	449	
4	370	631	457	411	
5	306	488	419	401	
6	235	391	410	370	
7	233	382	385	339	
8	216	348	361	319	
9	214	295	353	318	
10	<u>204</u>	<u>294</u>	<u>351</u>	<u>306</u>	
	3,381	5,245	5,478	4,624	
2011 total in euro – 90.26p					€9,450
2010 total in euro – 81.75p					€10,901
June 2011 as percentage of trade and other receivables					2.70%
June 2010 as percentage of trade and other receivables					3.08%

**Only one account
exceeds €1m
across the Group**



Gross Margin Remains Consistent.

Gross Margin Management							
Financial Year	2005	2006	2007	2008	2009	2010	H1 2011
Gross Margin	31.5%	32.3%	32.7%	32.3%	31.6%	31.8%	31.8%



Bank Covenants

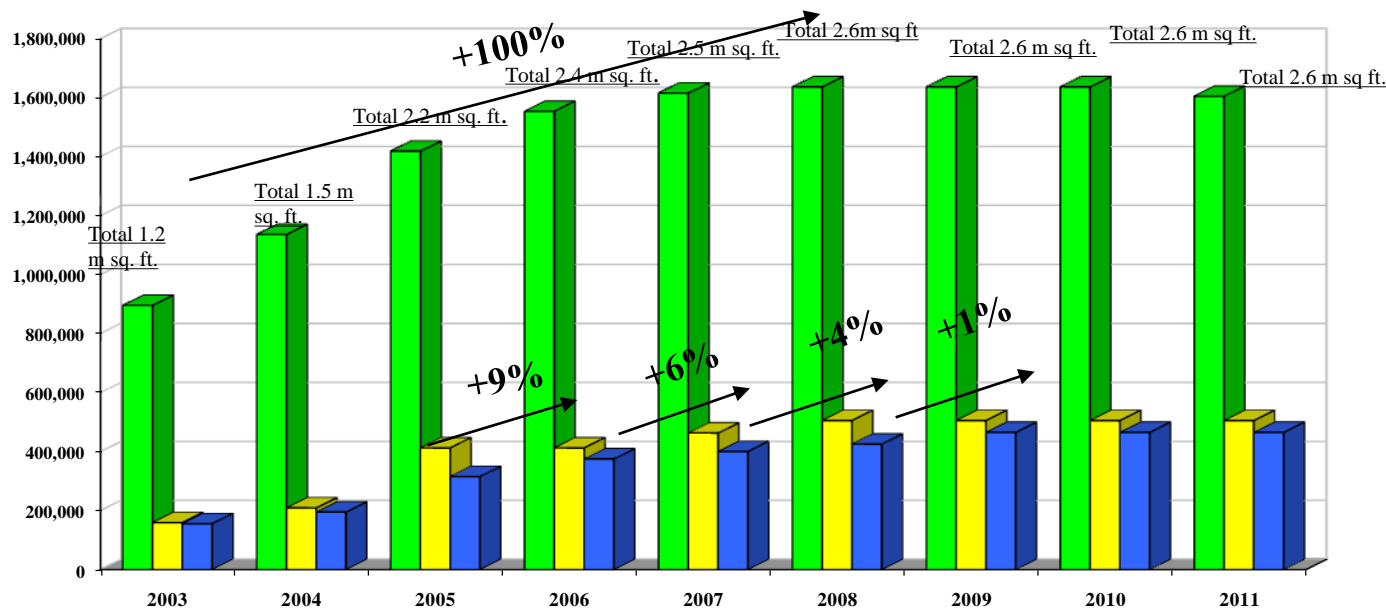
	Bank Covenants	Actual
Net worth as defined	€788m	€1,131m
Gearing *	85%	22%
Current Liabilities : Current Assets	120%	70%




Debt	€'Million	Minimum EBITDA / Interest Ratio			
		Period	Actual	Covenant	12 Mths to:
Bank Debt	379	Yr to 31/12/10	11:3	1:1	30/6/11
US Loan Notes & other	79			2:1	30/6/12
Cash	<u>(212)</u>	6 Mts to 30/6/11	7.1:1	3:1	30/6/13
Net Debt	<u>246</u>				

*Using net worth as defined



Comparison of DIY Store Sizes in the Republic of Ireland



	2003	2004	2005	2006	2007	2008	2009	2010	2011
 Woodie's & Atlantic	74%	74%	66%	64%	65%	63%	63%	63%	62%
 B & Q	13%	14%	19%	18%	19%	20%	19%	19%	20%
 Homebase	13%	12%	15%	16%	16%	17%	18%	18%	18%



For Further Information

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