Grafton Group plc

Final Results 2011

Profile

Predominantly UK and Ireland based Building Materials Group

JV operation in Belgium growing – Now in top 20 merchants in Belgium

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 587 locations in the UK and Ireland, 9 locations in Belgium & 3 in Poland

8,950 employees

Positive Highlights of 2011

Revenue up 3% to €2.05 billion despite continued market weakness during 2011

Underlying operating profit up 13% to €54.7m

Underlying EPS of 15.4 cent

Positive Trends

Successful growth of JV operation in Belgium continues – annualised turnover now circa €55m

UK turnover & profit increased

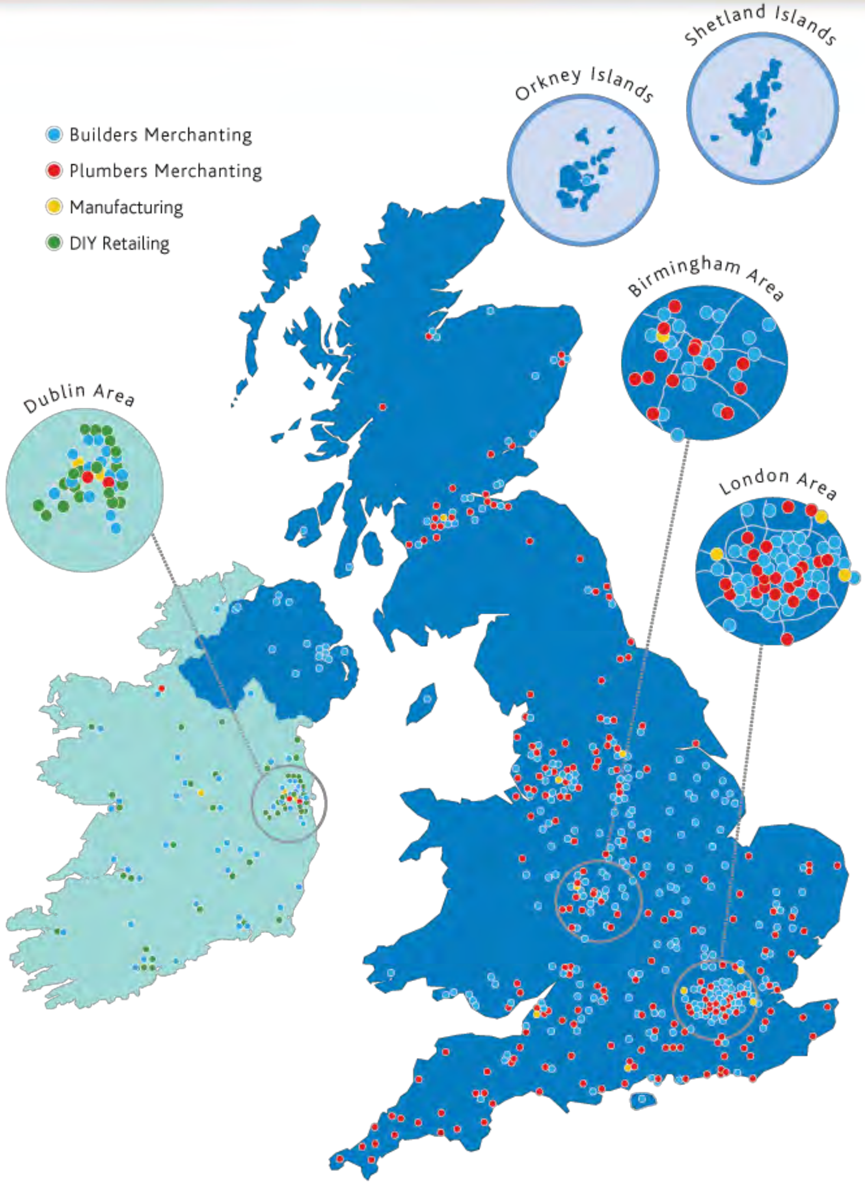
Growth of 7% in dividend to 7.5 cent – Increase in annual dividend of 50% over last 2 years

Strong cash flow from operations of €96.9m

Operating profit ahead in Irish business

Group Irish & UK Trading Locations

- Builders Merchanting
- Plumbers Merchanting
- Manufacturing
- DIY Retailing



Group Belgium Trading Locations

Branches at 31st December 2011
Menen (2 branches)
Lauwe
Gullegem
Ieper
Mouscron
Comines
Zwelevele
Roselare

● Builders Merchanting

Final Financial Highlights ~ 2011

	2011	2010	% Growth
Turnover	€2,054m	€2,004m	2.5%
EBITDA #	€97.4m	€95.1m	2.4%
Adjusted operating profit *	€56.9m	€50.6m	12.5%
Operating Profit	€22.7m	€33.0m	(31.4%)
Adjusted EPS **	15.4c	18.5c	
Free Cash Flow	€67m	€86m	
Exceptional Items	€32.1m	€15.4m	
Dividends	7.5c	7.0c	

#EBITDA is before onerous lease provision / asset impairment and restructuring costs
*Before intangible amortisation €2.2m (2010: €2.2m), onerous lease provision and related asset impairment €19.4m (2010: €10.0m) & restructuring costs €12.7m (2010: €5.3m).
** Before intangible amortisation ,onerous lease provision and impairment & restructuring costs & before taxation credit in 2010

Final Results 2011 – Trends & Comments

Turnover Growth

- Group turnover up 3% on 2010 to €2.05 billion (1% increase in 2010)
- Sustained modest turnover growth continues into 2012
- 4.3% like for like growth in UK merchanting business in 2011

Profit Recovery

- Profit recovery continued in 2011
- Group underlying operating profit (before exceptional items) up 13% to €54.7m
- Restructuring completed in 2011 will benefit profitability in 2012 and going forward.
- Operating profit ahead in Irish businesses despite turnover decline

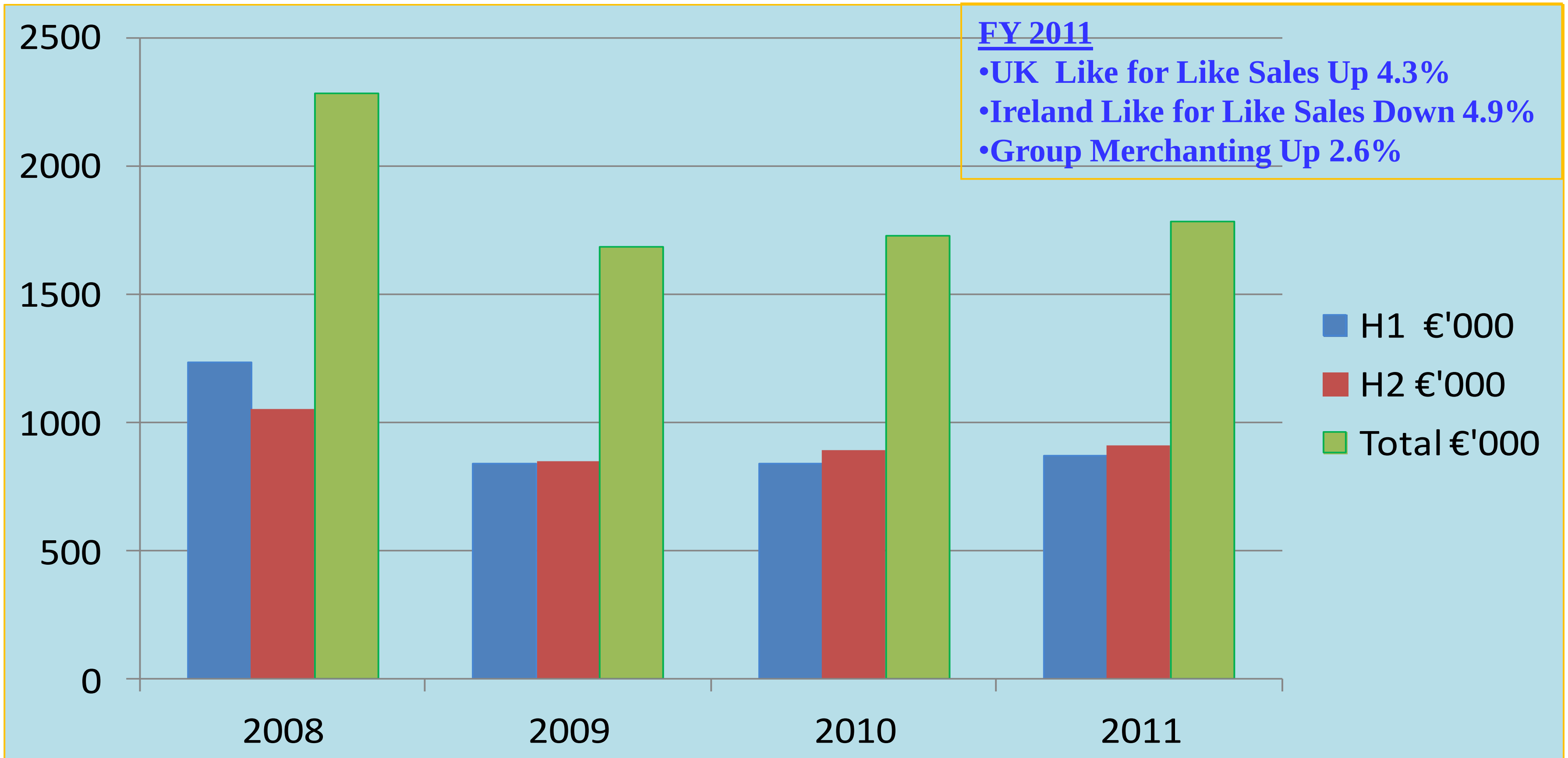
Other Areas & Comments

- Dividend increased by 7% to 7.5c
- Well placed to benefit from cyclical growth and development opportunities as they arise.
- Group gearing of 23% and FCF of €67m
- Stabilisation of Irish market although demand remains weak, UK market medium-term demand fundamentals remain exceptionally strong
- Significant Group refinancing completed in 2011

Grafton Group –Cautious Growth Targeted

- Experienced acquirers participating in industry consolidation - potential for further expansion
- Belgium annualised turnover now circa €55m.
- Further operating profit growth expected in 2012 based on cost savings and modest turnover growth subject to market conditions
- Management succession and development provides renewed capacity to improve performance in difficult markets

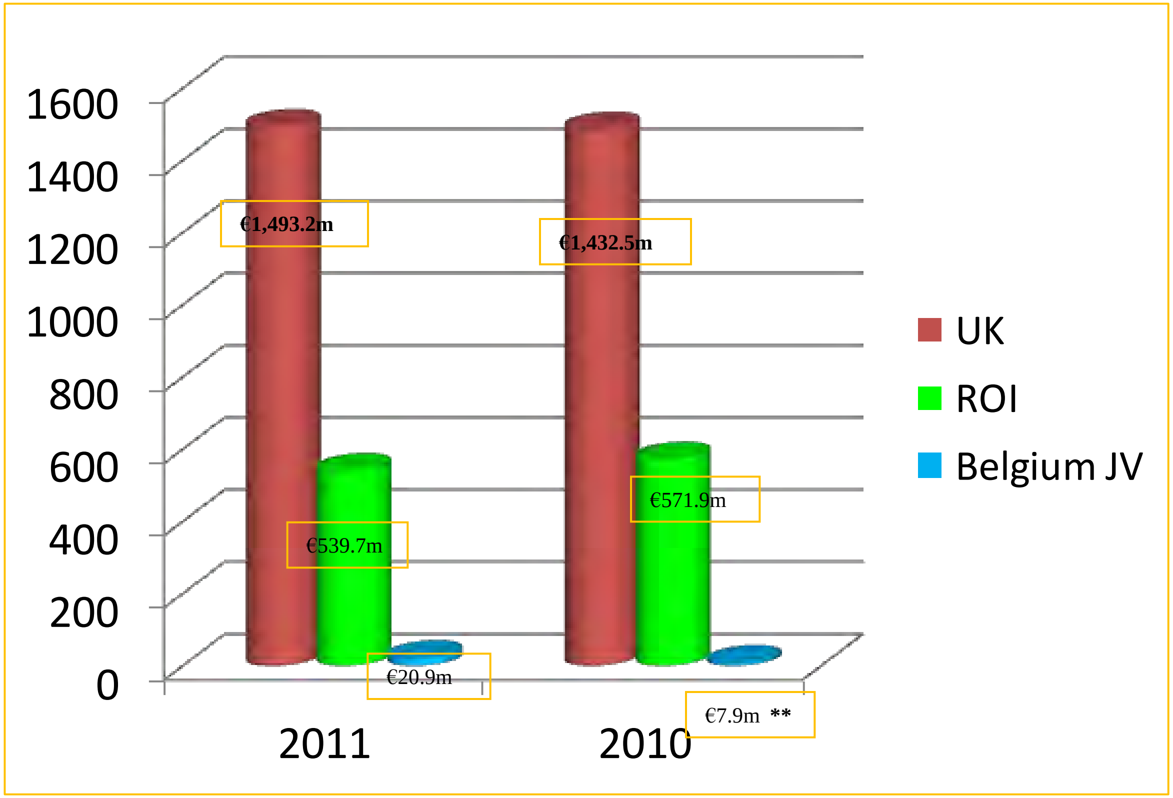
Merchanting Turnover Showing Positive Growth Again



FY 2011
- **UK Like for Like Sales Up 4.3%**
- **Ireland Like for Like Sales Down 4.9%**
- **Group Merchanting Up 2.6%**

Total rising but progress held back by Ireland

Geographical Analysis ~ 73% UK Based Turnover



Geographical Analysis

- 73% of Group turnover generated in the UK (2010: 71%)
- UK turnover up 4% (2010: 7%)
- Republic of Ireland down 6%. (2010: -10%)
- Belgium turnover up 8% on a like for like basis
- Belgium – 1% of Group turnover in 2011 – circa 2.4% of Group turnover on annualised basis in 2011

73% of turnover from UK market
Exposure to Ireland continues to reduce
Belgium 1% in 2011

**JV included as associate in 2010 accounts, therefore turnover figure not included in 2010. Shown for comparison only

Group Operating Result – 2011

Year	2011	2010
	€m	€m
Adjusted operating profit	**56.9**	**50.6**
Restructuring costs	(12.7)	(5.3)
Intangible amortisation	(2.2)	(2.2)
Onerous lease provision & asset impairment – Ireland	(19.3)	(10.1)
Operating profit per income statement	**22.7**	**33.0**

Significant improvement in operating results continues
– adjusted operating profit up 12.5%

An Improving Picture

Segment Results	2011	2010	2009	2008
	€000	€000	€000	€000
Merchanting *	64,924	61,524	33,250	121,921
Retail	2,120	2,351	3,274	11,790
Manufacturing	(535)	(3,457)	(5,060)	(3,159)
Segment operating profit	66,509	60,418	31,464	130,552
Turnover	2,053,833	2,004,418	1,979,796	2,672,984
Operating margin	3.2%	3.0%	1.6%	4.9%

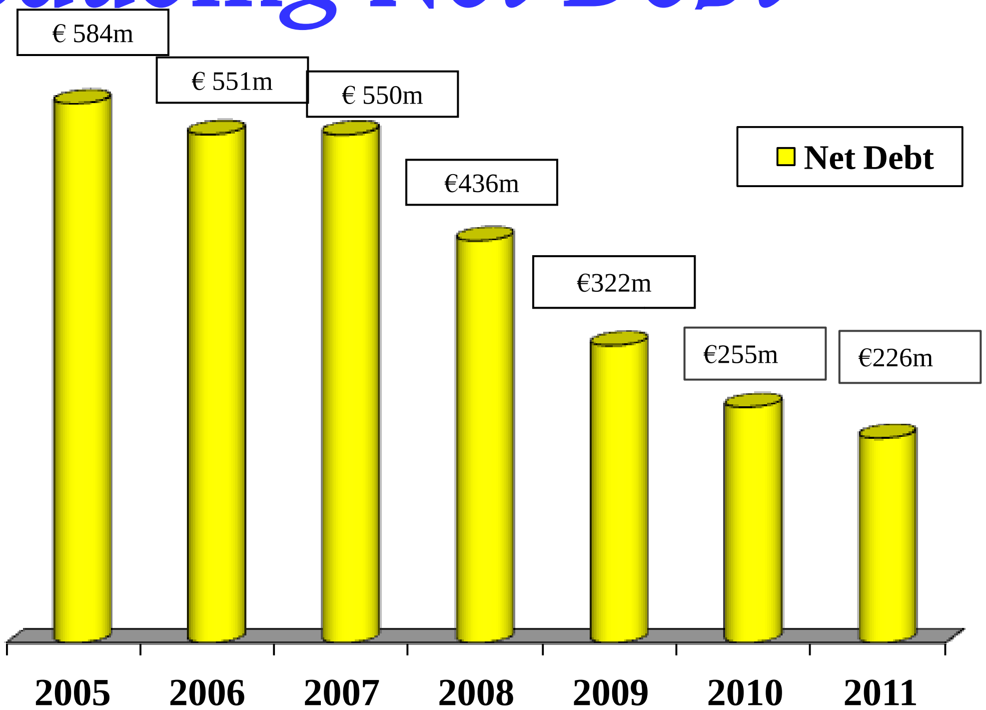
The merchanting operating profit for 2009 excludes property profit of €6.1m

Improving Trends

- 73% of Group turnover now in UK. Belgium 1% of Group turnover in 2011
- UK merchanting and UK manufacturing continue to show like for like sales growth. First 9 weeks in 2012 UK merchanting up 5% (4% like for like)
- Irish merchanting profitable in difficult market
- Continued strong cash generation
- Free cash flow of €67m
- Bank re-financing completed – 3 & 5 year revolving facilities maturing in 2014 & 2016
- Net debt at €226 million (2010: €255m) - 23% gearing (2010: 26%)
- €135m in cash balances and deposits at 31 December 2011
- Strong balance sheet
- No 2 Irish merchant in examinership and others financially distressed

Cash Generation	2011 € million	2010 € million
Segment operating profit (before exceptional items & amortisation)	**67**	**61**
Central costs	(10)	(10)
Adjusted operating profit	57	51
Exceptional items – onerous leases / impairment & restructuring costs	(32)	(5)
Depreciation & other non cash items	63	49
Proceeds on asset disposals	9	4
Total cash inflow	**97**	**99**
Replacement capital expenditure	(23)	(6)
Pension contributions and claims paid	(9)	(8)
Interest (net) & tax	(16)	(8)
Working capital cash release	18	9
Free cash flow	**67**	**86**
EBIT to Cash Conversion Ratio	**1.2 Times**	**1.7 Times**

Reducing Net Debt



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

Year	2005	2006	2007	2008	2009	2010	2011
Gearing	72%	54%	52%	50%	35%	26%	23%

- Debt reduced by over half (€324m or 59%) since December 2007

Working Capital Trends

	2007	2008	2009	2010	2011
	€'m	€'m	€'m	€'m	€'m
Stock	386	331	265	272	271
Debtors	536	354	307	306	323
Creditors	(490)	(417)	(387)	(400)	(422)
Total	**432**	**268**	**185**	**178**	**172**

	164	83	7	6
Currency & other items	(56)	11	2	12
Year on year reduction	108	94	9	18

4 Yr Total Reduction to Dec 2011	**€229m or 53%**

Operating Margin History (Core – before central costs)

Year	UK	ROI	Group
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	4.1%	0.7%	3.2%*
2011 (H1)	**4.5%**	**-0.4%**	**3.2%***
2011 (H2)	**3.8%**	**1.8%**	**3.3%***
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

Margin Recovery Continues

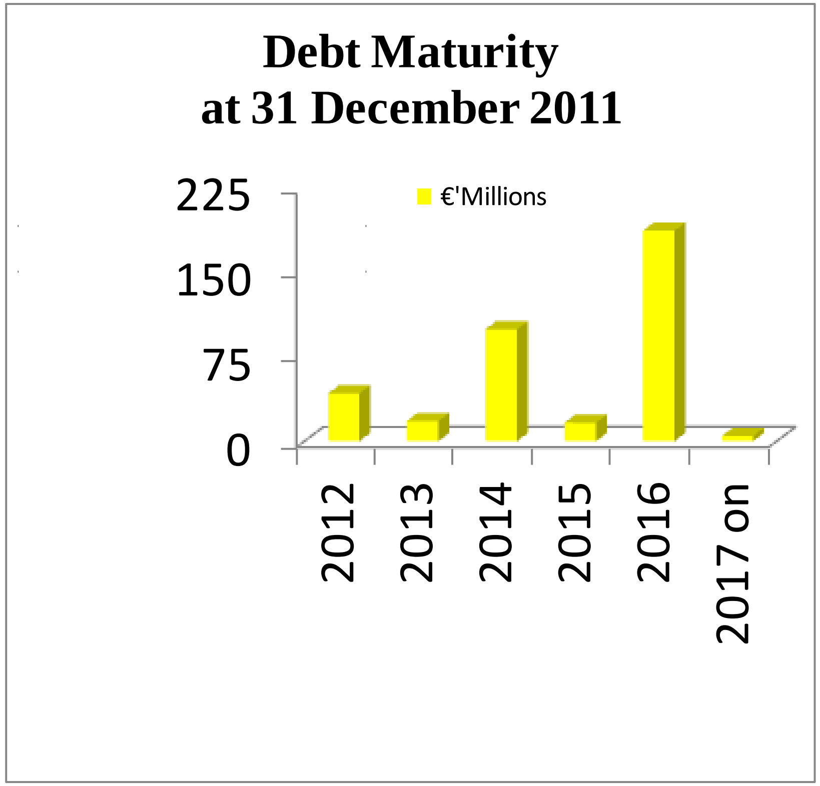
Steady in 2011

Group Operating Margin Recovering

On the road to margin improvement

Very Limited Debt Repayments until 2014 & 2016

	Dec 2011	Dec 2010
	€ million	€'million
Gross debt	361	489
Cash	(135)	(234)
Net debt	226	**255**
Gearing	23%	**26%**
Gross debt maturities – calender year *		
2011	-	147
2012	40	84
2013	16	224
2014	97	15
2015	16	14
2016	187	5
2017	5	-
Total	361	**489**



Cash on deposit available to repay all maturities due in 2012 & 2013

2012 ~ Outlook and Management Focus

Management succession and development provides renewed capacity to improve performance in difficult markets

UK growth forecast to remain subdued in near term. In medium-term demand fundamentals for the housing RMI market remain exceptionally strong with need for investment in aging housing stock

Further "self-help" initiatives in progress

– Closure of concrete products manufacturing division in Ireland in early 2012

Continued focus on working capital management & cash conversion

Irish economy stabilised , immediate outlook remains challenging, demand expected to remain weak in Irish merchanting & DIY businesses

- continuing pressure on disposable incomes
- concerns on employment prospects
- tight credit conditions

Benefits of Cost Reduction Initiatives Reflected in Results

- Total headcount reduction since 1st January 2008 is approx 3,350 employees
- Over €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 – strong rebound in earnings in 2010 consolidated despite difficult trading conditions in 2011. Trend expected to continue over coming years as markets continue process of normalisation.

Rationalisation Costs and Benefits

	Restructuring Cost 48 months to Dec 2011 €' millions	Benefit per annum €' millions
UK	13	**56**
Ireland *	37	**47**
	50	**103**

Staff Reductions – 48 months to December 2011	Employee Changes Numbers	Payroll Savings per annum € millions
UK	-1,730	**48**
Ireland	-1,640	**46**
	-3,370	**94**

Over €100m in Annual Cost Reductions Now Achieved

* Ireland cost above does not include onerous leases in 2011

Group Focus for 2012

Gain market share

↓

Management changes improve operating profit margin

↓

Further self-help initiatives planned

↓

Working capital management

↓

Continue to grow direct sourcing and supply chain management

↓

Increased shareholder value and returns

Principal Brands – UK and Northern Ireland

BUILDBASE

PLUMBASE

jackson
Building Centres

EuroMix

MACNAUGHTON BLAIR

selco BUILDERS WAREHOUSE

Principal Brands – Ireland

Heiton Buckley BUILDERS MERCHANTS

CHADWICKS BUILDER CENTRE

CORK BUILDERS PROVIDERS

Davies

Heiton Steel

SAM HIRE

TELFORDS

Specialist Brands – UK

plumbworld

CORGI CORGIdirect
Essential products and services delivered direct to your door

ACORN INSULATION & DRYWALL

Keelsupply

HIREBASE

seconsolar

Est 1946
BOUNDARY BATHROOMS
.co.uk

FRONTLINE
The Complete Bathroom

Heiton Buckley
BUILDERS MERCHANTS

CHADWICKS

Irish Merchanting

Irish DIY Retail Brands

Woodie's DIY
AND GARDEN CENTRES
There's no better buy in DIY

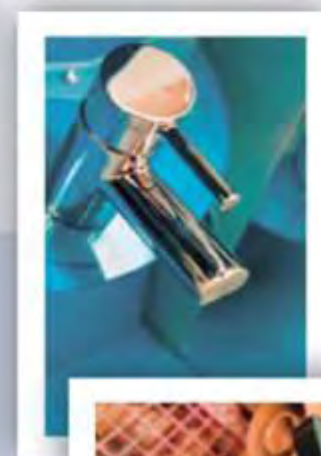
in-house
AT THE PANELLING CENTRE

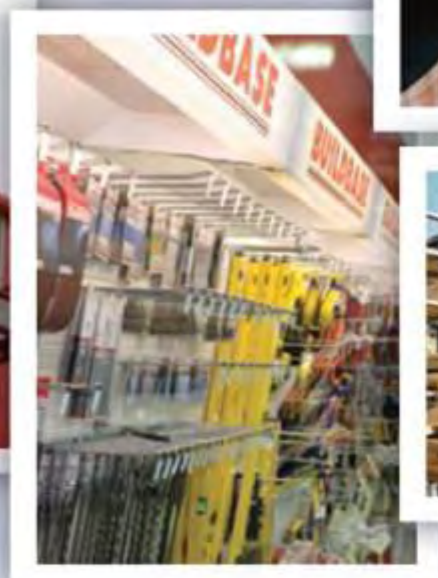
Woodie's DIY AND GARDEN CENTRES
There's no better buy in DIY

ATLANTIC HOMECARE

Irish DIY Retail Brands

BUILDBASE



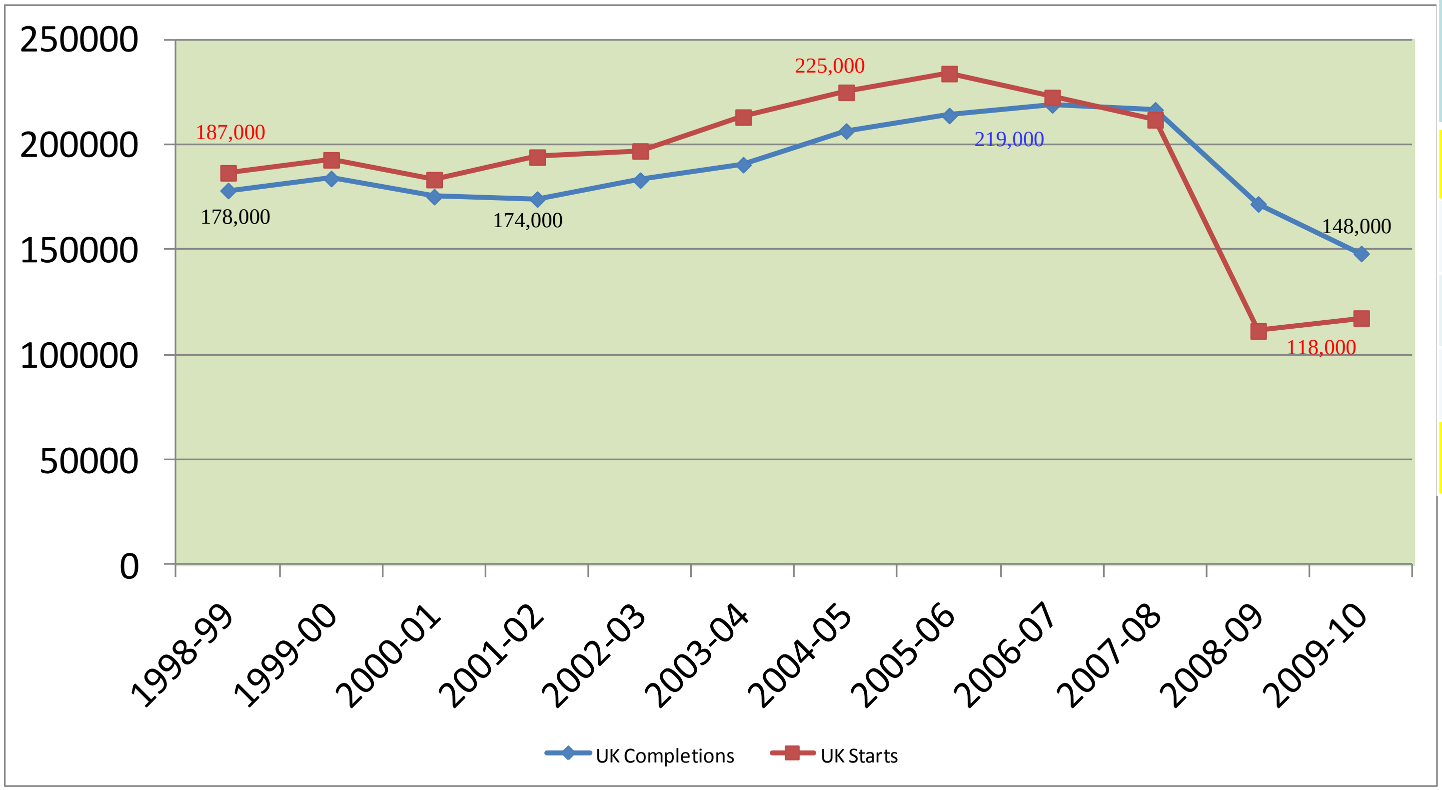


CPI

EuroMix

Build on our Experience

House Starts & Completions UK 1998- 2010 – Last 11 Years



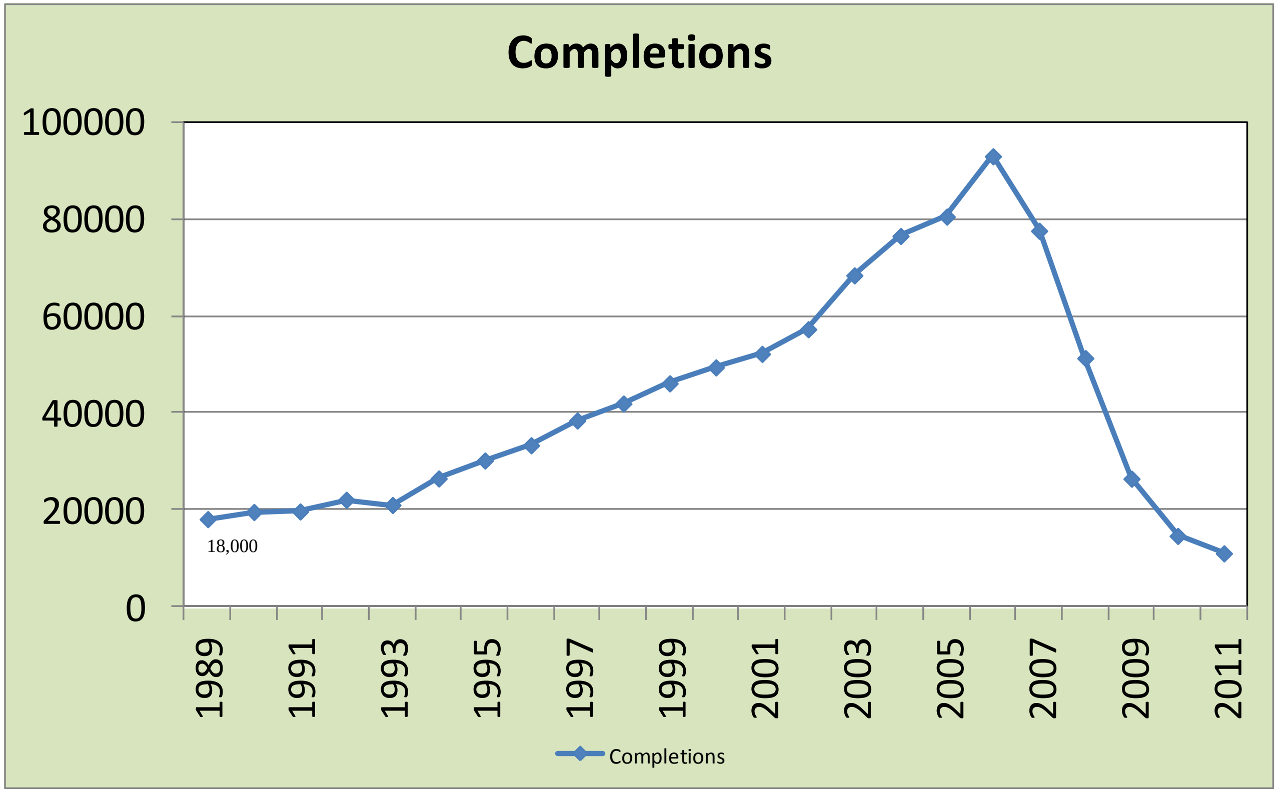
	Starts '000	Completions '000
Average	191	189
High	234	219
Low	111	148
Median	195	184
Current	118 *	120*

Historic Lows!

*Estimated

Significant pent up demand – poised for recovery

House Completions – Ireland 1990- 2010



	Completions '000
Average	44
High	93
Low	11
Median	36
Current	11*

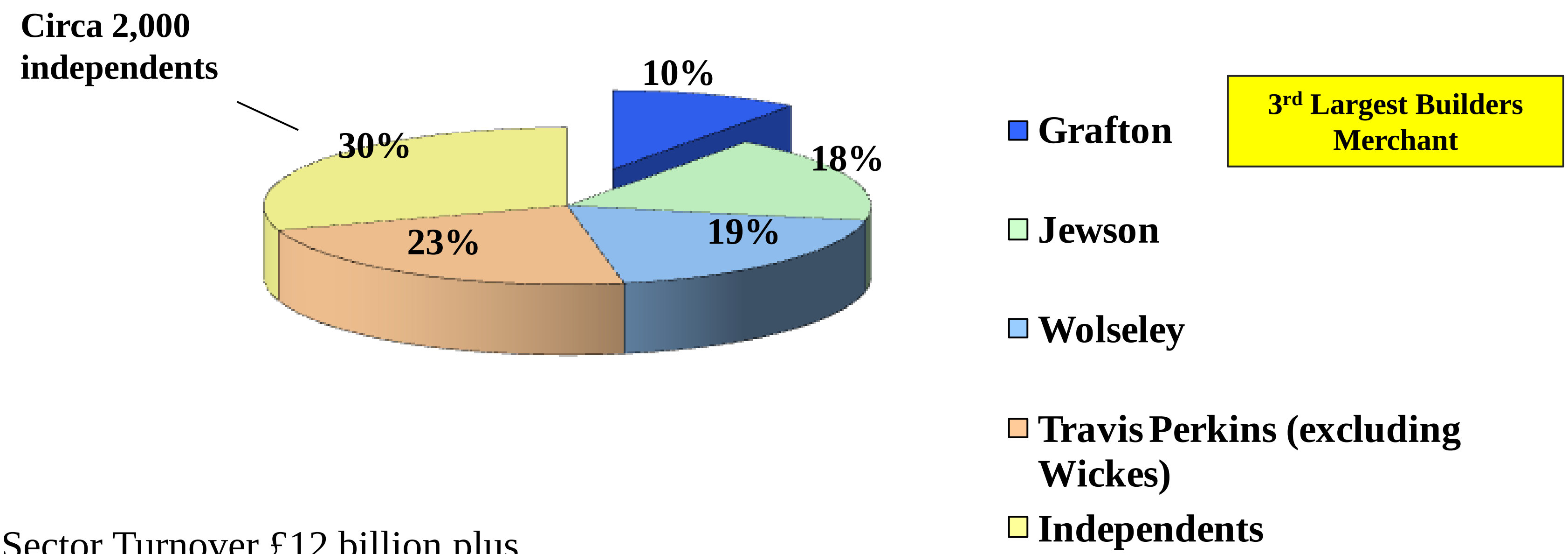
Historic Lows!

*Estimated

Current activity is at an unsustainably low level

Source: http://www.cso.ie

Estimated UK Merchanting League Table



Sector Turnover £12 billion plus
Independents £4.6 billion plus

Top 10 Debtors in UK and Ireland

	Ire Dec 2011 €'000	Ire Dec 2010 €'000	UK Dec 2011 £'000	UK Dec 2010 £'000	Total in Euro
1	581	524	1,410	1,153	
2	262	478	978	855	
3	192	328	829	450	
4	185	252	577	400	
5	153	234	574	339	
6	152	202	555	316	
7	151	152	527	307	
8	140	135	435	289	
9	137	133	368	286	
10	120	128	341	276	
	2,073	2,566	6,594	4,671	
2011 total in euro – 83.53p					€9,967
2010 total in euro –86.08p					€7,992
December 2011 as percentage of trade and other receivables					3.09%
December 2010 as percentage of trade and other receivables					2.62%

Only two accounts exceed €1m across the Group

Gross Margin Remains Consistent

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

Bank Covenants

	Bank Covenants	Actual
Net worth as defined	€783m	€1,094m
Gearing *	85%	21%
Current Liabilities : Current Assets	120%	68%

Debt	€'Million
Bank Debt	277
US Loan Notes & other	84
Cash	(135)
Net Debt	**226**

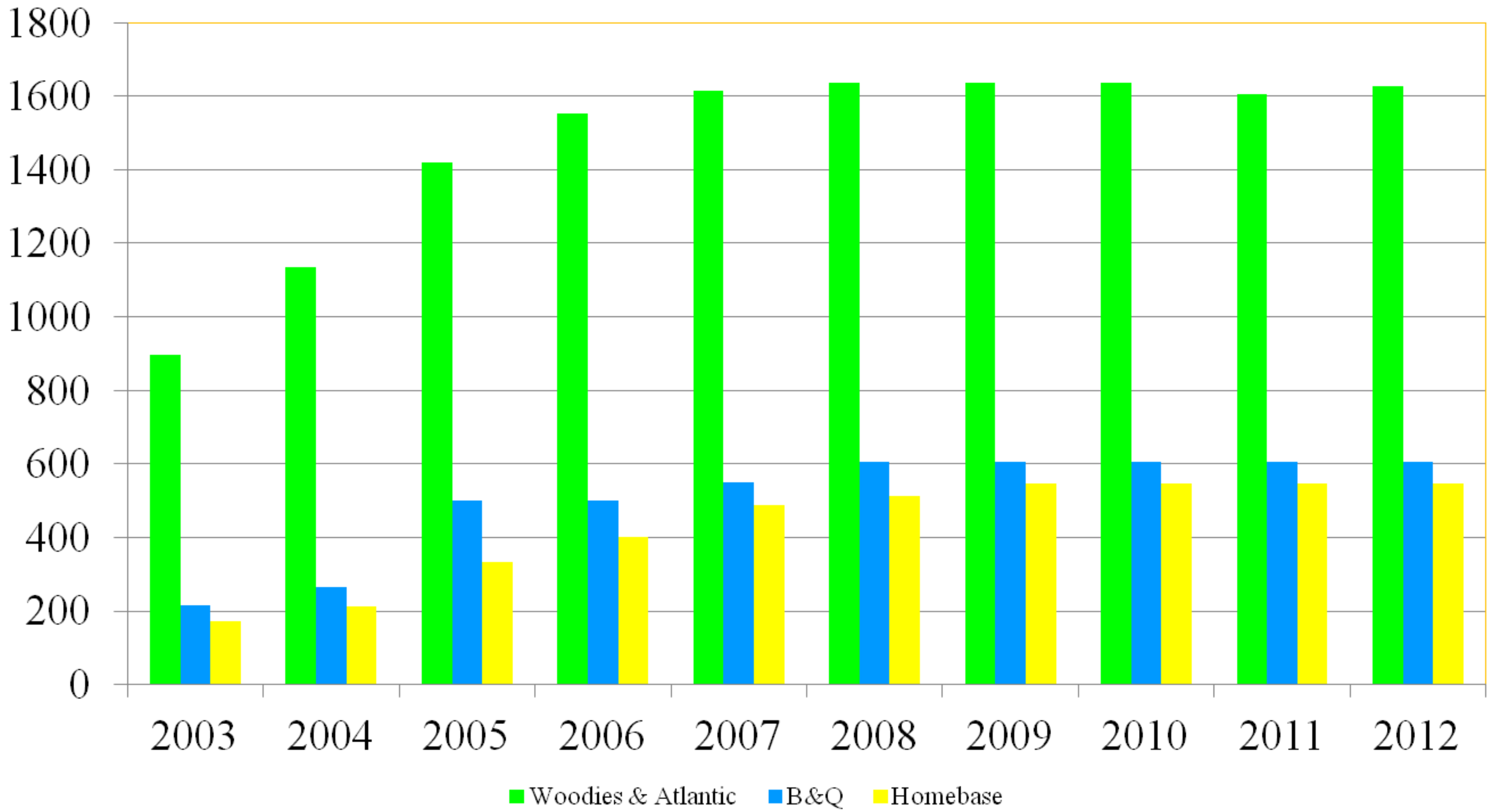
Minimum EBITDA / Interest Ratio

Period	Actual
Yr to 31/12/10	11:3 : 1
Yr to 31/12/11	7.2 : 1

Covenant	12 Mths to:
3 : 1	31/12/11
3.5 : 1	31/12/12
4 : 1	31/12/13

*Using net worth as defined

Summary of DIY Store Sizes in the Republic of Ireland



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