

Grafton Group plc
Final Results 2004




Profile

- UK and Ireland based Building Materials Group
- Principal activities
 - ➔ Builders and Plumbers Merchanting
 - ➔ DIY Retailing
 - ➔ Dry Mortar Manufacturing
- Market leader or strong market positions
- 2004 turnover to exceed €1.87 billion, 2005 to be well over €2 billion
- Trading from over 400 locations
- About 9,500 employees
- Full listing in Dublin and London

Strategy

- **Consistent - Focused**
- **To achieve above average long-term returns for shareholders by :-**
 - ➔ **Building on strong positions in businesses serving the UK and Irish construction markets**
 - ➔ **Developing in other Irish markets**
 - ➔ **Growing outside Ireland in businesses with which we are familiar**

Principal Brands - UK



BUILDBASE



PLUMBASE



jackson



EuroMix

Builders Merchanding

Significant Market positions

Plumbers Merchanding

Significant Market position

Silo Mortar Manufacturing

Market Leader

Principal Brands – Ireland



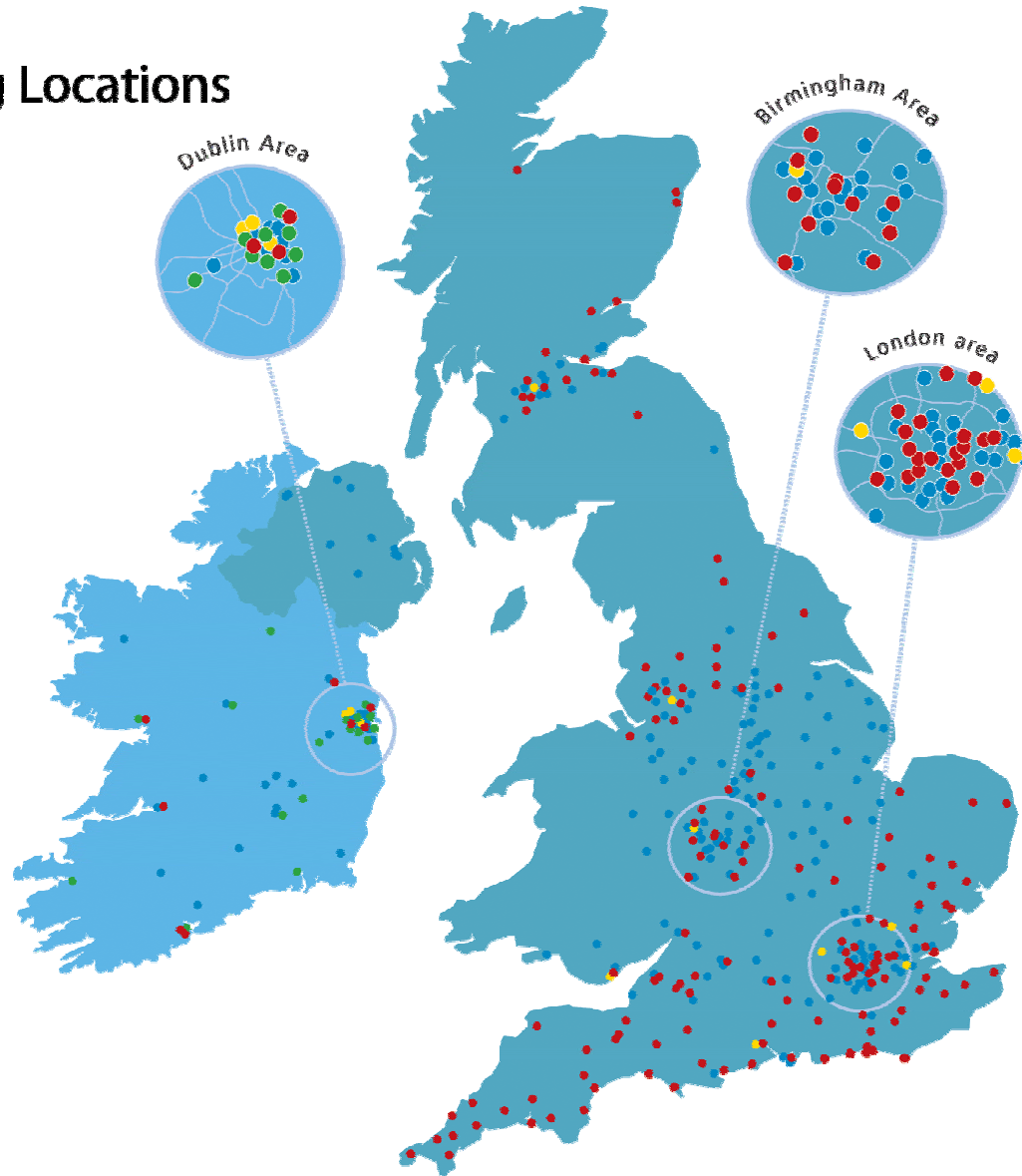
Group Strengths

- Profitable growth philosophy
- Prominent market positions in the UK and Ireland
- Motivated management teams
- Proven strategic record
- Unique acquisition / integration skills
- Strong balance sheet
- Highly cash generative and profitable businesses

Trading Locations 2004

Grafton Trading Locations

- Builders Merchants
- Plumbers Merchants
- Manufacturing
- DIY Retailing



Group Financial Highlights

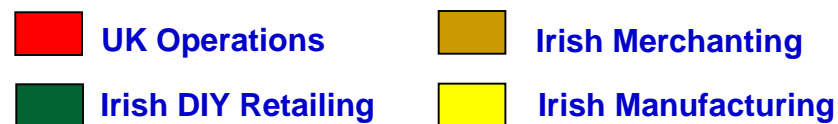
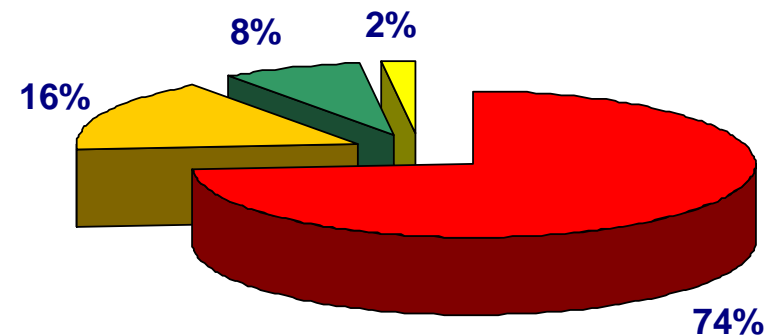
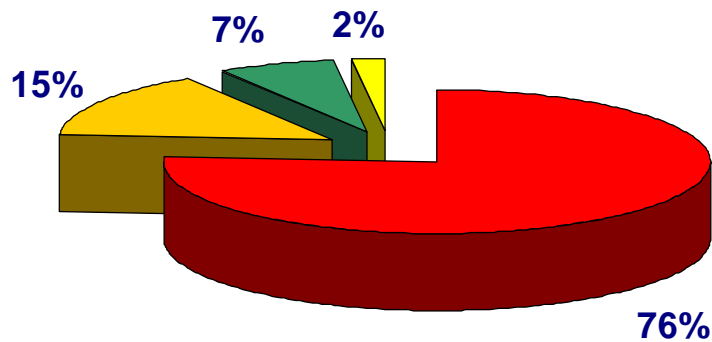
	2004	2003	% Change
Turnover	€1,872 m	€1,496 m	+ 25%
Operating profit before goodwill	€157.4 m	€123.3 m	+ 28%
Pretax profit	€131.9 m	€102.0 m	+ 29%
EBITDA	€200.7 m	€156.8 m	+ 28%
Property profits	€7.5 m	€3.4 m	
Adjusted E.P.S.*	55.64 c	45.07 c	+ 23%
Share purchase/redemption	13.0 c	10.5 c	+ 24%

* Before goodwill and property profits

Group Turnover – UK and Ireland

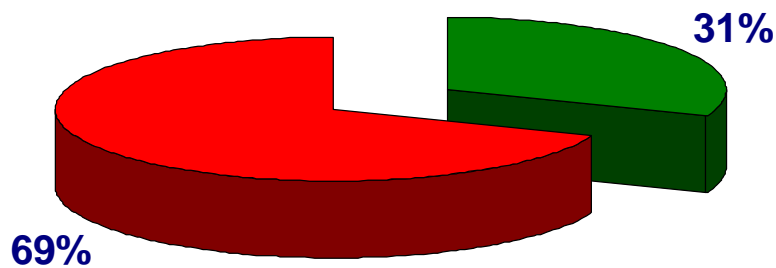
2004: €1,872 m

2003: €1,496 m



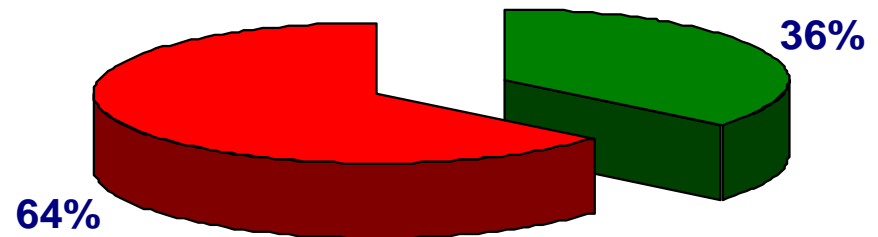
Group Operating Profit*

2004: €157 m



UK Operating margin 7.6%
ROI Operating margin 10.9%

2003: €123 m



UK Operating margin 7.1%
ROI Operating margin 11.6%

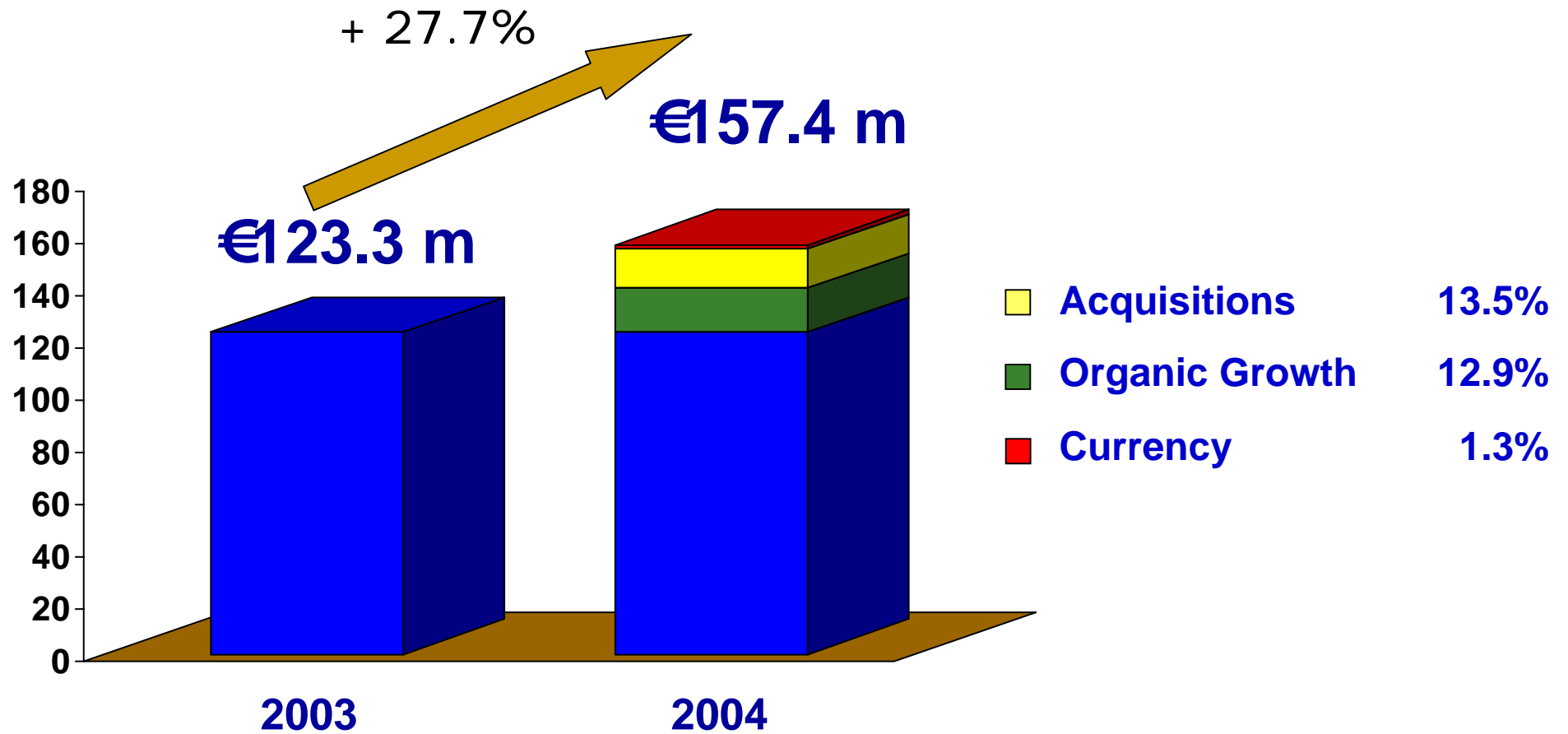
UK **Ireland**

* Before goodwill and property development profit

Financial Statistics

	2004	2003
Interest Cover - EBITA	7.6	7.5
Gearing	63%	69%
Tax Rate	15%	15%
Return avg. cap employed	17.3%	17.1%
Return avg. equity (after tax)	21.3%	21.0%

Components of Profit Growth



Components of Profit Growth

€ million

■	2003 Operating profit before goodwill	123.3
	Organic growth – UK	13.8
	Organic growth – Ireland	1.9
	2003 acquisitions – incremental	12.1
	2004 acquisitions	4.5
	New branches 2003 & 2004	(0.1)
	Discontinued	0.3
	Exchange effects	<u>1.6</u>
■	2004 Operating profit before goodwill	<u><u>157.4</u></u>

Cash Generation

	2004 €million	2003 €million
■ Operating profit	151.3	114.0
Disposals, property & investment income	25.6	31.0
Depreciation & amortisation	47.0	37.5
Shares issued	<u>1.3</u>	<u>69.2</u>
Total cash inflows	225.2	251.7
Working capital movement*	(19.1)	(20.1)
Capital expenditure**	(88.9)	(69.3)
Acquisitions & investments	(88.7)	(215.8)
Share redemption, interest & tax	(54.4)	(43.4)
Translation adjustment	<u>(0.6)</u>	<u>25.8</u>
■ Debt increase	<u>(26.5)</u>	<u>(71.1)</u>

* *Working capital intensity 2004: 12.7% (2003: 13.4%)*

***Development capex €49.0m (2003: €36.3m)*

Group Performance to December 2004

Average per annum compound growth

	5 Year	10 Year	Since 1987
Turnover	25%	27%	22%
Adjusted EPS	23%	28%	28%
Share Purchase / dividend per share	24%	29%	23%

Irish Performance

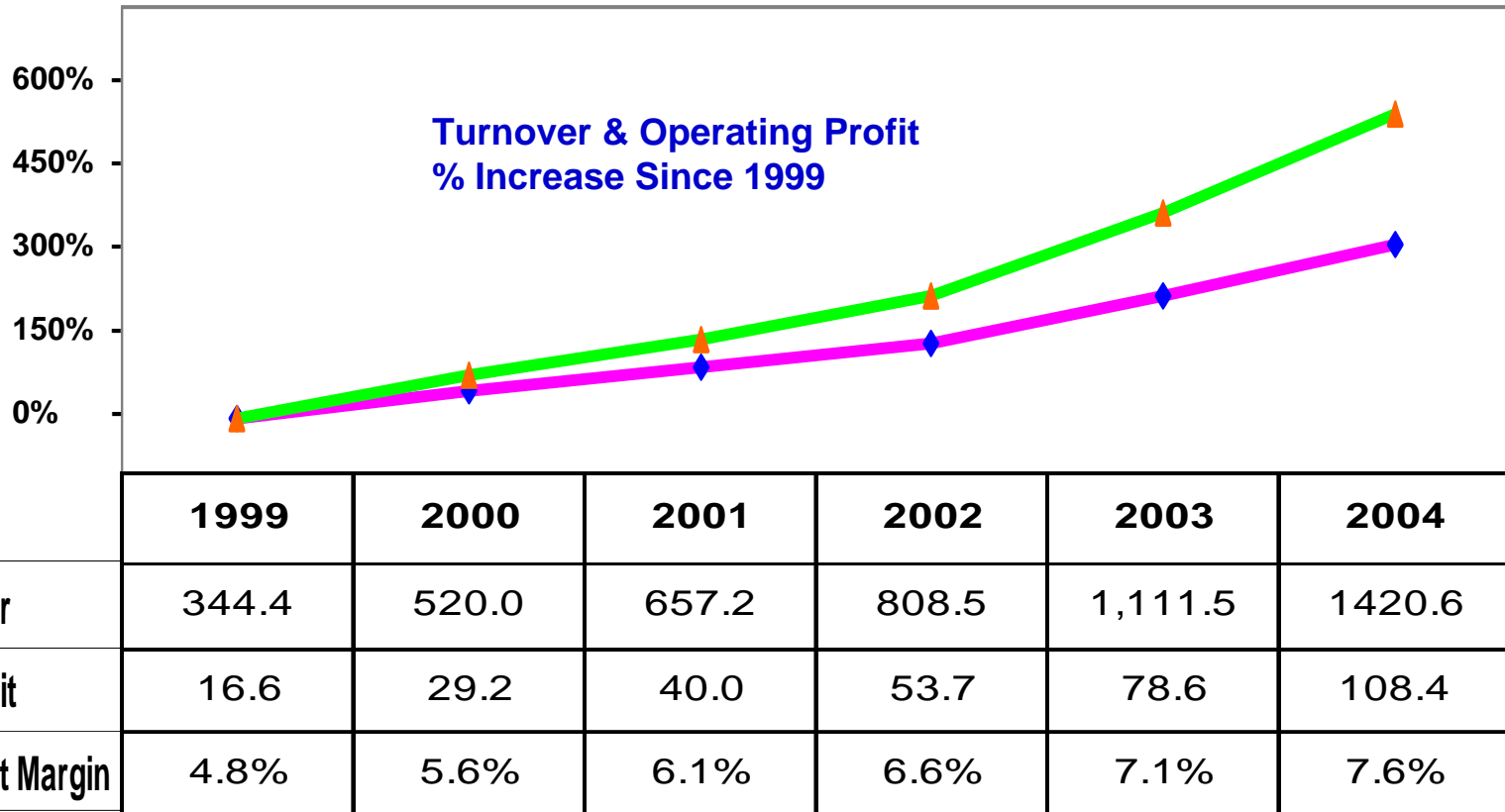
- Turnover €452 m + 17%
- Operating profit €49.0 m + 9.5%
- Operating margin 10.9% (2003: 11.6%)
- Buoyant market sustaining strong growth
- Cycle must be at the top
- Competitive margins in DIY and Manufacturing

UK Performance

- 76% of turnover / 69% of operating profit*
- Turnover ↑ up 28% to €1,421m
- Operating profit ↑ up 38% to €108m
- Operating margin ↑ up to 7.6% from 7.1%
- Like for like merchanting sales increased by 7%
- 17 acquisitions – cost €1.7m
- 35 additional branches in year including 13 Greenfield
- 310 merchanting locations in UK

* Before goodwill and property development profit

UK Performance 1999 / 2004



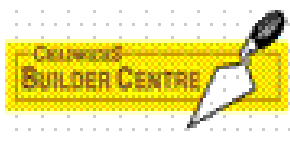


Irish Merchanding 2004

Overview of the Year:

- Strong sales & PBIT growth
- Merchanding sales up 19%
- Like for like sales up 7%
- Growing share of RMI market

Continues to build on market leadership and strong brands

	FY'04	+/- vs'03	% Group
Sales €m	286	+19%	15%

		Heiton GROUP PLC
	No.1 23 Locations	 25 Locations
	8 Locations	Paddy Power
	No.1 14 Locations	 14 Locations

Irish Retailing 2004

Overview of the Year:



- Continued PBIT growth
- Woodies sales + 18%
- Like for like sales + 2%
- Strong focus on margins
- Strong product innovation
- More competition from new stores – some cannibalisation

Investments in:

- Regional expansion
- Broadening product range
- Customer focused staff training

	FY'04	+/- vs'03	% Group
Sales €m	130	+18%	7%



	<p>No. 1</p> <p>19 Locations</p> <p>4 Planned</p>	 <p>15 Locations</p> <p>2 Planned</p>
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Most successful DIY retailer in Ireland

UK Merchating 2004

Overview of the Year:




- Continued like for like growth +7%
- Integration benefits continue to accumulate

Investments in:

- 17 Bolt on Acquisitions
- 12 Organic Branch expansions
- Expanding Product range

Continued expansion through acquisition & Greenfield development

	FY'04	+/- vs'03	% Group
Sales €m	1,360	+28%	73%



Builders merchants	143 Locations	
Builders merchants	20 Locations	
Plumbers merchants	147 Locations	
UK Total	310	

UK & Irish Manufacturing 2004

Overview of the Year:

- 7th Dry Mortar plant commissioned in Southampton
- Increased competition as expected on UK Mortar sales and some price pressure in the market
- Plastics affected by significant polymer price rises
- Ready-mix concrete price competition in Ireland
- Like for like sales +6%

	FY'04	+/- vs'03	% Group
Sales €m	96	+12%	5%

Dry Mortar Plants	No.1 8 Locations (7 UK, 1 ROI)	
	– Plastic Pipe Manufacturer	

Roll out of UK Dry Mortar plants continue

■ **RECOMMENDED OFFER:**

- Acquisition totally unconditional on 7th January
- Net investment by Grafton €400m*
- Enterprise value €448m** including debt of €67m at acquisition
- Multiples 2004: Sales 0.80x EBITA 11.6x

■ **THE BUSINESS:**

- Group Turnover April 2004 €503m; EBITA 2004 €34m
- No.1 Irish Builders Merchant, Heiton Buckley – Sales 2004: €339m
- No.2 Irish DIY Retailer, Atlantic Homecare – Sales 2004: €95m
- No.1 Irish Steel Stockholder
- Specialist Merchant in UK, Cooper Clarke/Willis – Sales 2004: €69m

■ **STRATEGIC RATIONALE:**

- Excellent strategic fit with Grafton's Irish and UK businesses
- Opportunities for scale benefits from two geographically complementary businesses

*Calculated as the net cost to Grafton of acquiring the 71% of Heiton that it did not already own (on the basis of the Grafton share price on 6th January 2005) together with the historic cost of the existing 29% stake and Heiton estimated debt on 7th January 2005.

**Calculated on the basis of Grafton's share price on 6th January 2005, the day before the offer became unconditional in all respects.

Overview of Enlarged Group

- Sales: UK 63% - Ireland 37% Group Turnover > €2.3 billion.
- Market leader in Irish Merchandising and DIY markets
- Strong No. 4 in UK Merchandising market – over 300 branches
- 19% of Irish Merchandising market – over 50 branches
- 15% of Irish DIY market – 34 stores
- 9% of UK Merchandising market
- Operating Profit starting base in 2004 year - EBITA

Grafton December 2004 €157m

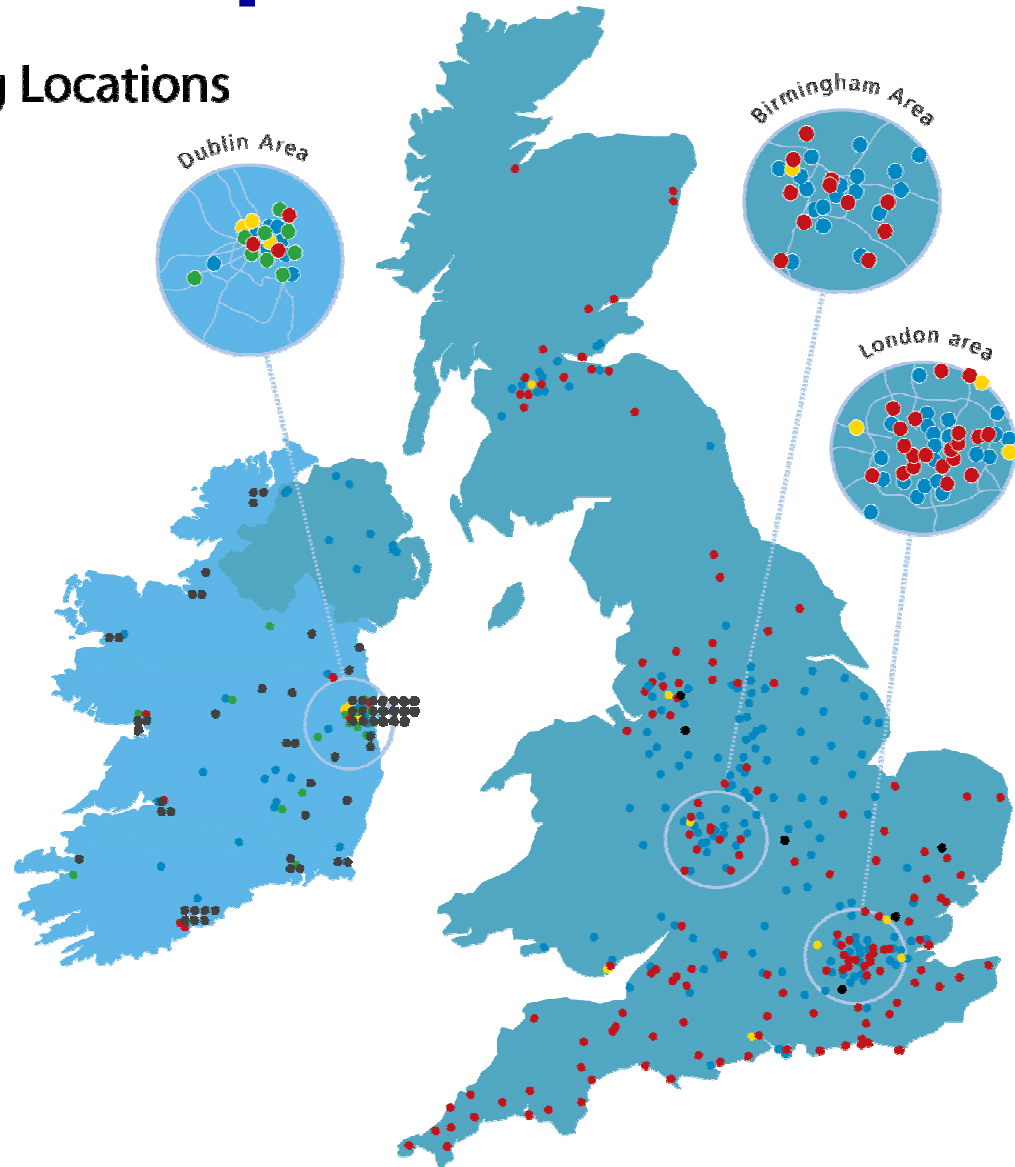
Heiton April 2004 €34m

Proforma Base €191m

Enlarged Group Locations

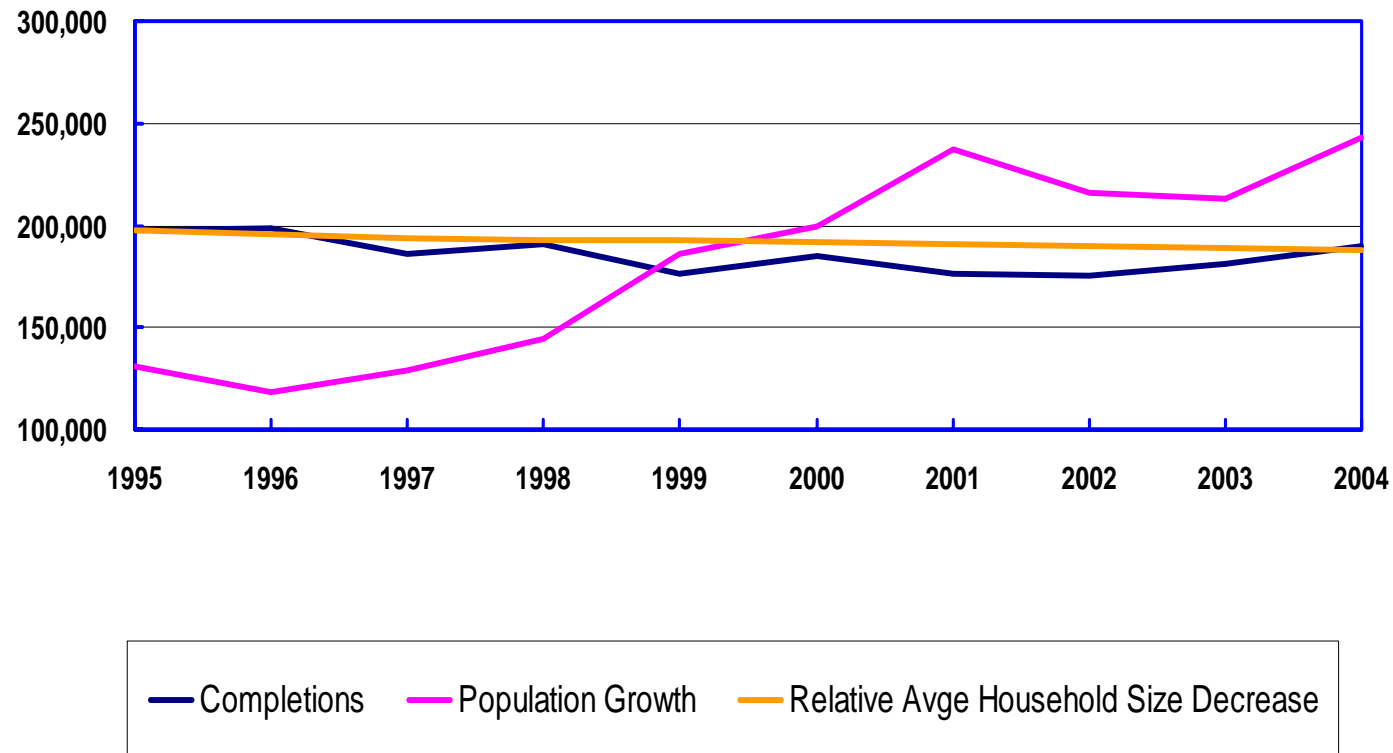
Grafton Trading Locations

- Builders Merchants
- Plumbers Merchants
- Manufacturing
- DIY Retailing
- Heiton Locations



UK Housing Outlook

- UK housing completions remain low relative to average household size decreases and population growth



UK Merchanting Super League Table

Market Shares 2005*

■ Jewson	20%
■ Wolseley	19%
■ Travis Perkins (Excl. Wickes)	17%
■ Grafton Group	9%

***Fastest
Growing
Merchant***

*Based on AMA Research and BMJ estimates, Jan 2005

Outlook 2005 - Ireland

- Construction sector peaking
- Residential new build market to moderate in 2005
- RMI and DIY market to continue to show single digit growth
- Heiton Acquisition successfully completed
- Integration of Heiton businesses with Grafton activities
- More DIY stores in the pipeline :-
Dublin, Ennis, Navan, Limerick, Drogheda, Naas.

Basically "more of the same"

Outlook 2005 - UK

- Outlook for UK economy is positive
- Main UK merchanting exposure to RMI market
- Continued single digit growth expected in RMI market
- Full year acquisition and buying benefits being realised on 2004 acquisitions
- 17 bolt-on acquisitions completed in 2004 – more to follow
- EuroMix expansion – 8th UK plant in Severnside to be opened June 2005
- Healthy pipeline of potential acquisitions

Basically “more of the same”

International Financial Reporting Standards

- **First IFRS results June 2005**
- **Comparative Year Restated**
- **IFRS Opening Balance Sheet 1 January 2004**
- **Restated figures for 2004 to be released in the 2nd quarter 2005**

Principal Policy Changes for Grafton

- **Goodwill** IFRS 3
- **Intangibles** IAS 38
- **Pensions** IAS 19
- **Deferred Tax** IAS 12
- **Financial Instruments** IAS 39
- **Share Based Payments** IFRS 2
(Black Scholes model)

Comparison of IFRS and GAAP

Initial Pro Forma Comparison Based on 2004 figures	GAAP	IFRS	% +/-
Operating Profit	€151m	€164 m	+9%
Profit After Tax	€112m	€125 m	+12%
Adjusted EPS	55.6 c	55.7 c	Negligible
Net Assets	€536 m	€500 m	-7%

Research Coverage



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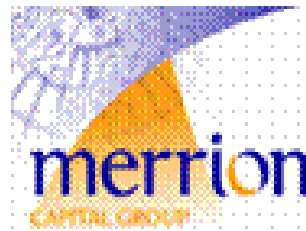
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