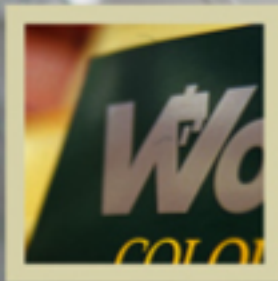




GRAFTON GROUP PLC
FINAL RESULTS 2005





Profile

- UK and Ireland based Building Materials Group
- Principal activities
 - Builders and Plumbers Merchanting
 - DIY Retailing
 - Dry Mortar Manufacturing
- 2005 Turnover exceeded €2.6 billion
- Market leader or strong market positions
- Trading from 480 locations
- 10,300 employees
- Full listing in Dublin and London
- Market capitalisation circa €2.4 billion

Development History - Summary

- **1987** Grafton Group became an independent plc.
Turnover €62.8 million, Operating profit €2.2 million,
EPS 0.9 cent (full year)
- **1987** First Woodie's DIY superstore opened
- **1994** Acquired First UK Plumbers Merchant
- **1995** Entered UK Dry Mortar market
- **1996** Acquired first UK Builders Merchant
- **1998** Acquired British Dredging plc
- **2003** Acquired Jackson Building Centres
- **2005** Acquired Heiton Group plc
- **Full year 2005** Turnover €2.6 billion, Operating profit €216* million, EPS 67.8* cent

* Before property profit and intangible amortisation

Principal Brands - UK

BUILDBASE



Builders Merchenting - Significant Market Positions

PLUMBASE

Plumbers Merchenting - Significant Market Position

EuroMix

Silo Mortar Manufacturing - Market Leader

Principal Brands – Ireland

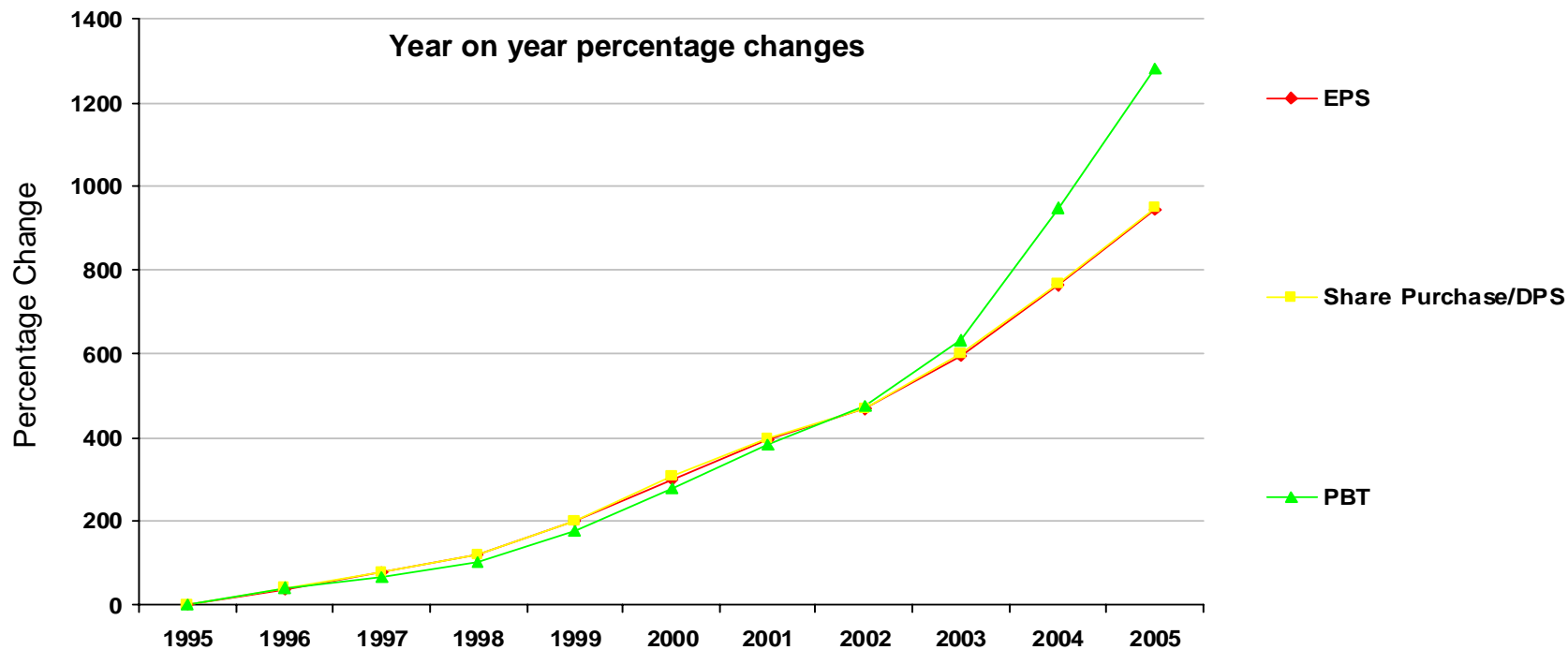


Strategy

- Consistent – Focused
- To achieve above average long-term returns for shareholders by:
 - Building on strong market 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



Consistently Moving Forward Profitability and Earnings



	IRISH GAAP										IFRS	
PBT	13.9	19.6	23.2	28.2	38.2	52.8	67.2	80.2	102.0	145.8	192.2	
EPS	6.5	9	11.6	14.2	19.5	25.9	32.1	37	45.1	56.1	67.8	
Share Purchase/DPS	1.5	2.1	2.7	3.3	4.5	6.1	7.5	8.5	10.5	13	15.75	

Consistently yielding superior shareholder value



2005 Overview

- A year benefiting from a continuation of strong trading in Ireland compensating for a weaker trading environment in the UK
- Over €527 million invested in acquisitions and organic developments
- A very positive contribution made by Heiton Group plc trading at a new record level post acquisition
- 17 bolt on acquisitions completed successfully adding 89 branches to the Group
- Continuation of organic developments
 - 4 new DIY stores opened in Ireland
 - 6 new builders merchants branches opened in the UK
 - 8 new plumbers merchants branches opened in the UK
 - Eighth new dry mortar plant opened in Bristol
- A very successful outturn for the year with a 34% increase in operating profit and a 21% increase in adjusted EPS
- A further €9.6 million in property profits realised during the year



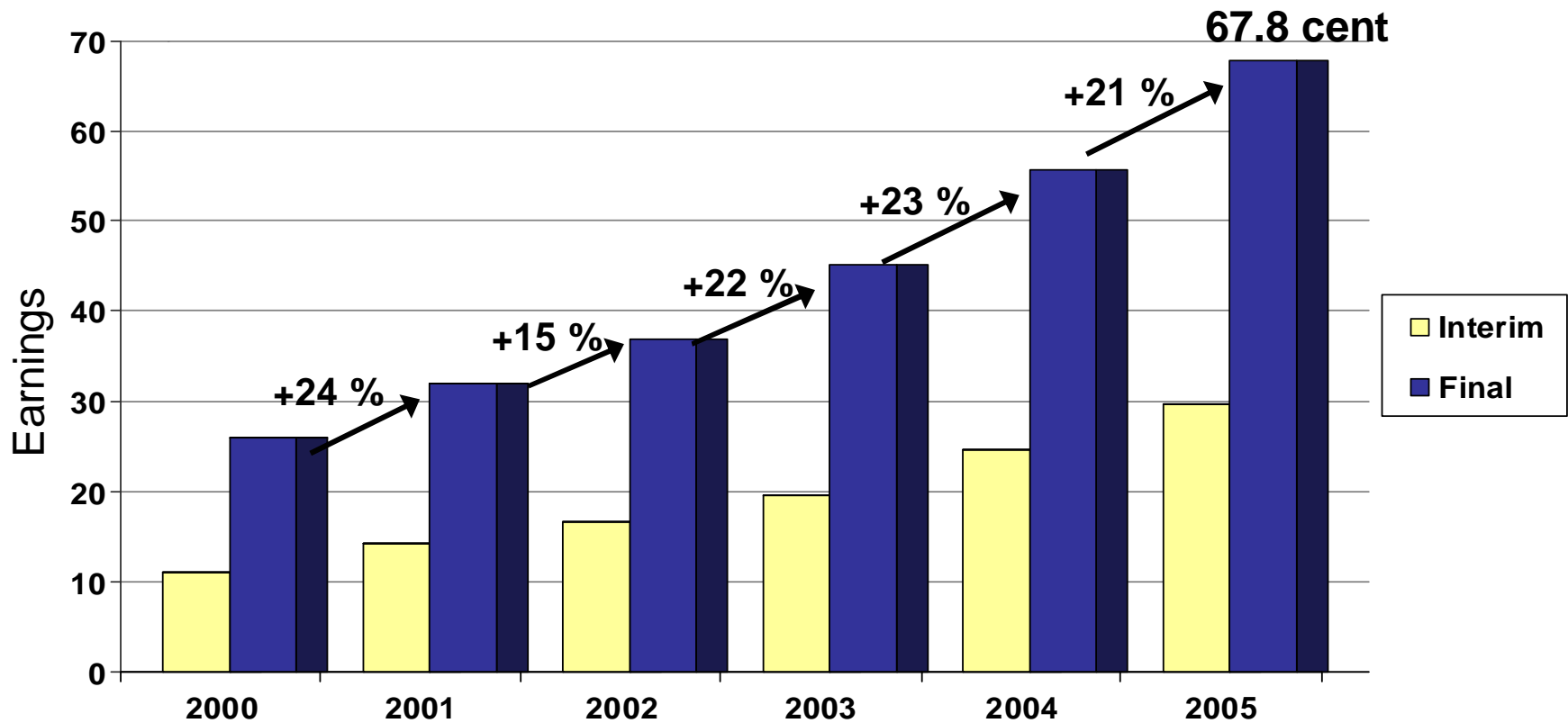
Group Financial Highlights

	2005	2004	% Change
Turnover	€2,629 m	€1,872 m	+40%
Operating profit*	€13.8 m	€159.5 m	+34%
Pre-tax profit	€192.2 m	€145.8 m	+32%
EBITDA	€73.8 m	€203.2 m	+35%
Property profits	€9.6 m	€7.5 m	+28%
Adjusted E.P.S.*	67.80 c	56.11 c	+21%
Share Purchase/ Dividend	15.75 c	13.00 c	+21%

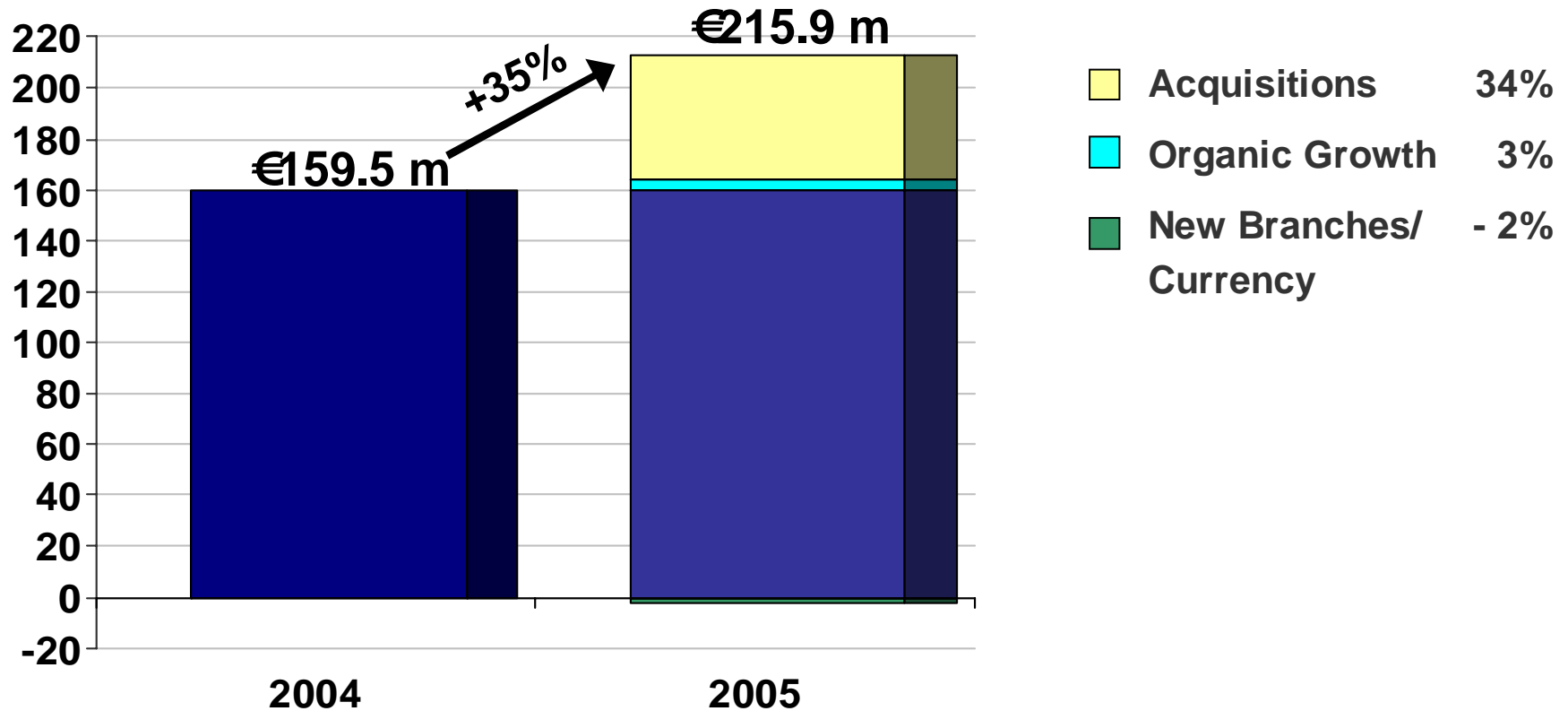
* Before property profits



Consistently Strong Growth in Earnings



Components of Profit Growth Full Year 2005



Components of Profit Growth

	€million
2004 operating profit*	159.5
Organic growth - Ireland	6.5
Organic growth - UK	(2.4)
2004 acquisitions - UK incremental	3.6
2005 acquisitions - Ireland	48.3
- UK	3.0
New branches 2004 & 2005	(1.8)
Exchange effects	<u>(0.8)</u>
2005 operating profit	<u>215.9</u>

* Before intangible amortisation



Analysis of Increased Activity to 31 December 2005

	2004 €000	Established Business and Other Acquisitions Increase €000	Heiton* Group plc €000	2005 €000	Group Increase 2005 V 2004 %	Established Business and Other Acquisitions Increase %
Turnover						
UK	1,420	103	74	1,597	12%	7%
ROI	<u>452</u>	<u>47</u>	<u>534</u>	<u>1,033</u>	<u>129%</u>	<u>10%</u>
Total	<u>1,872</u>	<u>150</u>	<u>608</u>	<u>2,630</u>	<u>40%</u>	<u>8%</u>
Operating Profit*						
UK	108.2	(0.6)	0.6	108.2	-%	(0.6%)
ROI	<u>51.3</u>	<u>8.2</u>	<u>48.2</u>	<u>107.7</u>	<u>110%</u>	<u>16%</u>
Total	<u>159.5</u>	<u>7.6</u>	<u>48.8</u>	<u>215.9</u>	<u>35%</u>	<u>5%</u>

* Last published operating profit to April 2004 €33m up 48%



Financial Statistics

	2005	2004
Interest Cover – EBITA	7.2	7.4
Gearing	72%	70%
Tax Rate	13.6%	13.7%
Annualised return avg. cap employed	16.5%	19.9%
Annualised return avg. equity (after tax)	21.4%	26.6%

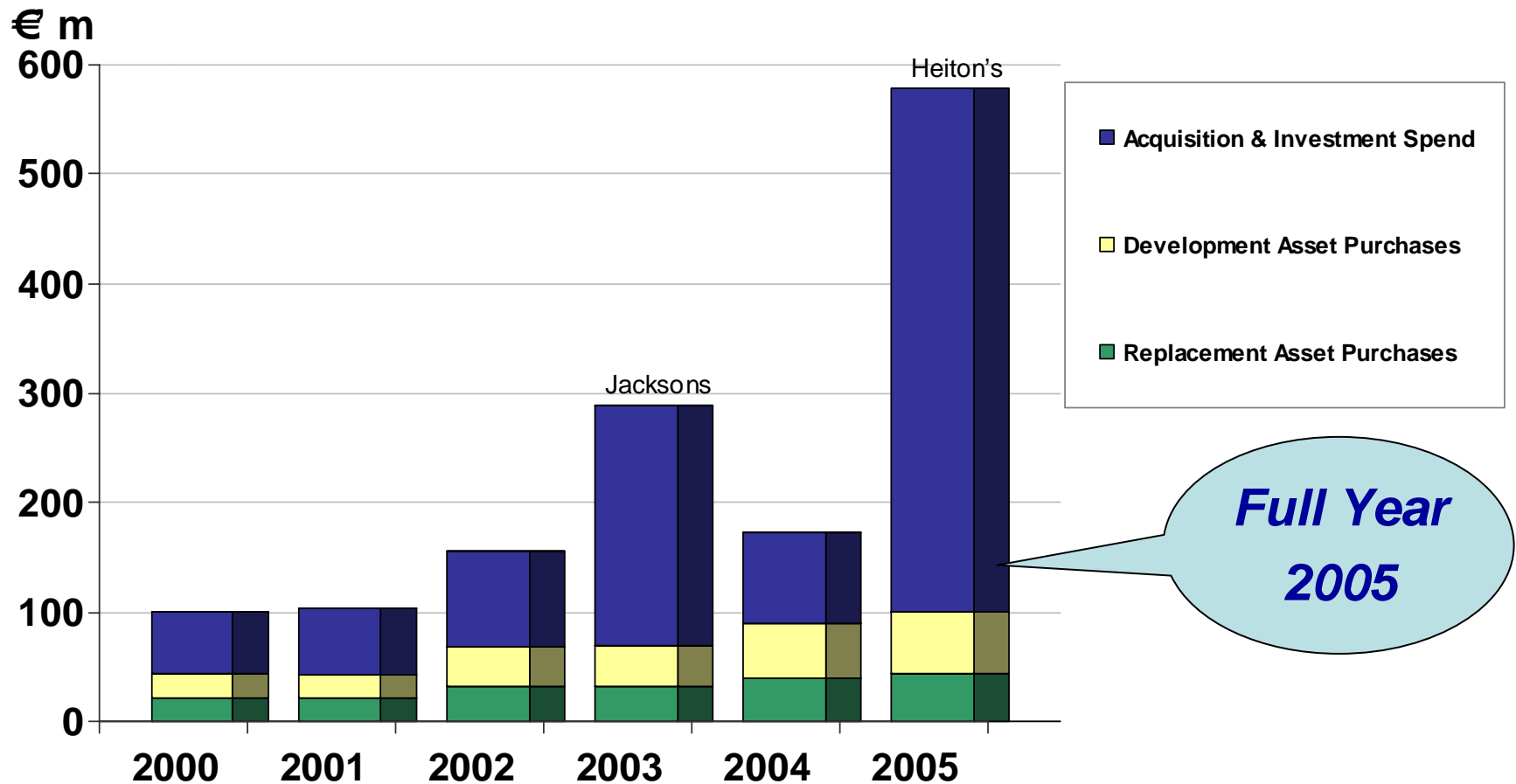


Cash Generation

	2005	2004
	€million	€million
Operating profit	213.8	159.5
Depreciation, amortisation & other	52.6	35.5
Property disposals, interest/investment income	<u>38.0</u>	<u>37.2</u>
Total cash inflow	304.4	232.2
Replacement capital expenditure	(44.3)	(39.9)
Interest & tax	<u>(54.4)</u>	<u>(34.4)</u>
Free cash flow	205.7	157.9
Working capital movement*	(28.5)	(19.6)
Discretionary pension contributions over IAS 19 charge	(10.9)	(1.8)
Shares issued	178.7	1.3
Development capital expenditure	(56.3)	(49.0)
Acquisitions & investments	(477.7)	(88.7)
Share purchase/redemption	(33.8)	(25.5)
Translation adjustment & other	<u>(13.8)</u>	<u>(0.6)</u>
Debt increase	<u>(236.6)</u>	<u>(26.0)</u>

* Working capital intensity 2005: 12.2% (2004: 12.7%)

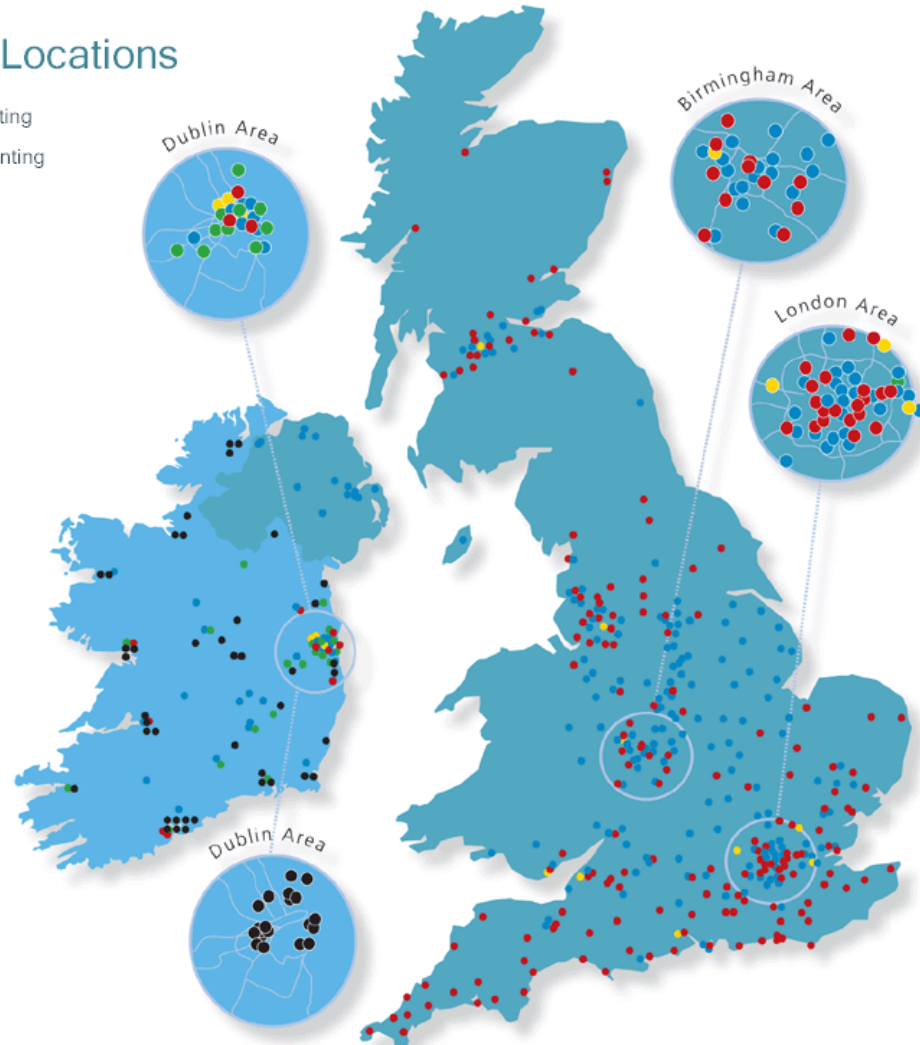
Group Development Spend



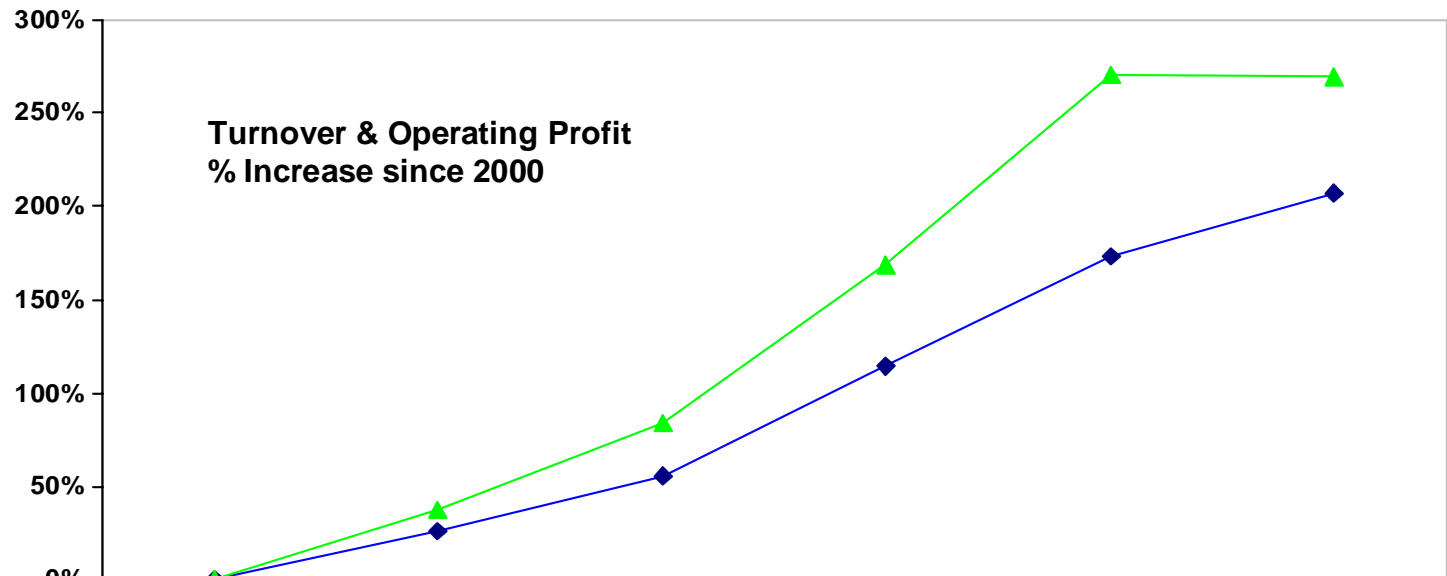
Enlarged Group Locations

480 Trading Locations

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



UK Performance 2000/2005



	2000	2001	2002	2003	2004	2005
Turnover	520.0	657.2	808.5	1,111.5	1,420.6	1,596.6
Operating Profit	29.2	40	53.7	78.6	108.2	108.2
Operating Profit Margin	5.6%	6.1%	6.6%	7.1%	7.6%	6.8%

Interim Margin 2004 7.3%	Interim Margin 2005 6.8%
-----------------------------	-----------------------------

Heiton Group plc

- **THE HEITON BUSINESS POST ACQUISITION**

- Net investment by Grafton €406 m (based on January 05 share price)
- Turnover increased to €608 million – another record for Heiton
- Strong like for like sales growth in Ireland in buoyant sector
- Integration benefits being realised as projected
- Only positive surprises since acquisition
- Operating profit earned 7th January to 31 December €49 million or 8.0% margin
- Initial return on investment – in excess of 12.1%
- Earnings enhancing

- **STRATEGIC RATIONALE:**

- Excellent strategic fit with Grafton's Irish and UK businesses
- Scale benefits from two geographically complementary businesses being realised
- Further integration planned



Group Strengths

- Highly cash generative and profitable businesses
- Strong balance sheet
- Prominent market positions in the UK and Ireland
- Motivated management teams
- Proven strategic record
- Unique acquisition / integration skills
- Buoyant trading conditions in our home markets

Heiton Buckley
BUILDERS MERCHANTS



CHADWICKS

Irish Merchanding 2005

Overview of the Year:

- Strong sales & PBIT growth
 - Buoyant construction sector
 - Over 81,000 new homes built in 2005
- Merchanding sales up 141%
 - Heiton Group 55% of total
- Like for like sales up 7%
 - Positive outlook for 2006
- Growing share of RMI market
- Realised integration benefits

	2005	+/- vs'04	% Group
Sales €m	690	+141%	26%

The Group continues to build on market leadership and strong brands

 Grafton Group plc		+	 Heiton GROUP PLC	
 23 Locations		 25 Locations		
 14 Locations		 14 Locations		
 8 Locations				

Woodie's DIY



Irish Retailing 2005

Overview of the Year:

- More competition from new stores
 - Sq. ft. occupied by DIY superstores increased by 46% in 2005
 - some cannibalisation
- Continued PBIT growth
- Sales +110% including Atlantic
- Like for like sales down -2%
 - Better performance in second half
- Strong focus on margins
- Strong product innovation
- Strong cash generation

Investments in:

- Regional expansion, four stores opened in Naas, Limerick, Dublin and Drogheda
- Two relocations – Cork and Bray
- 40% increase in store footprint
- Broadening product range
- Customer focused staff training

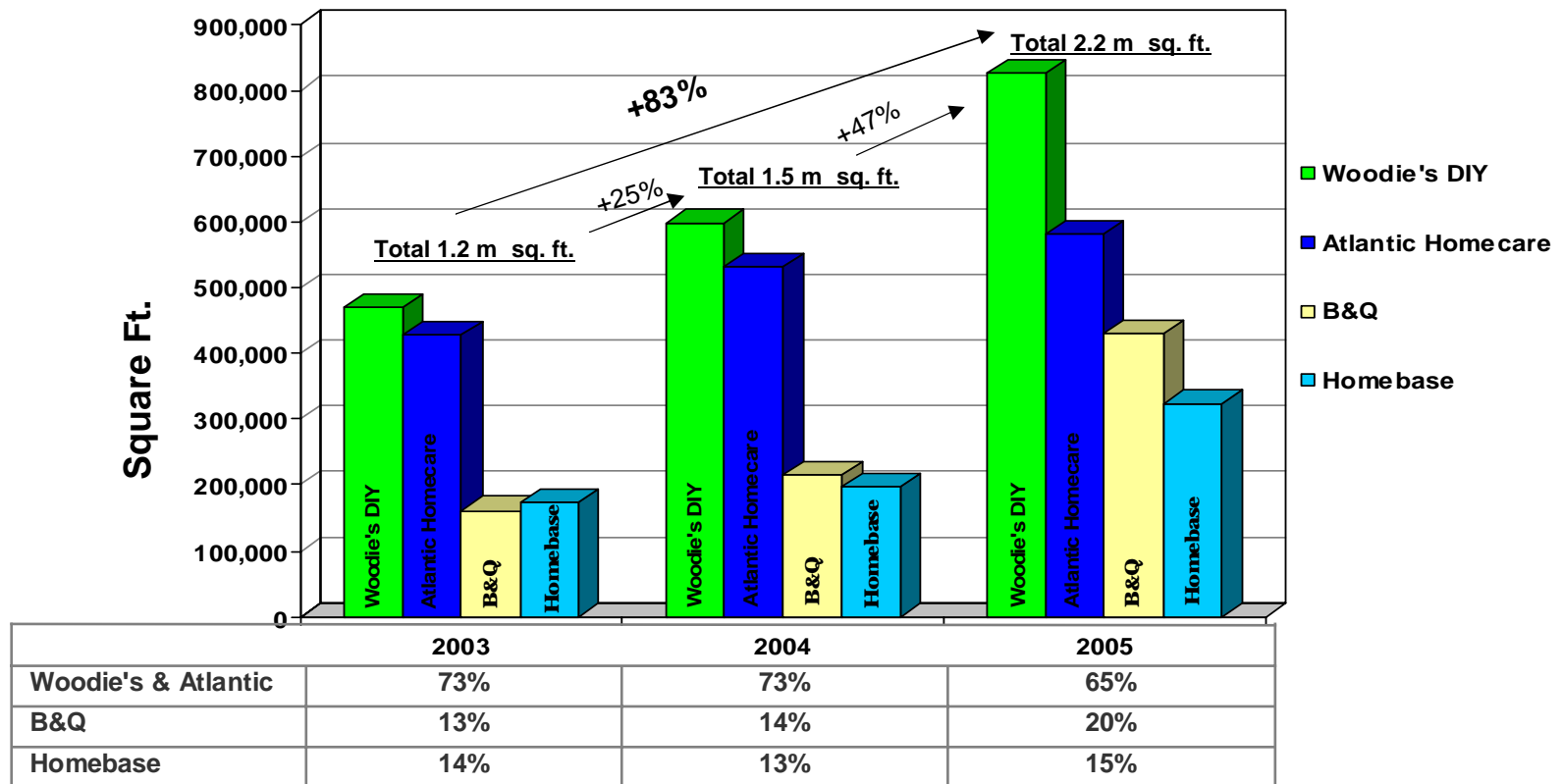
	2005	+/- vs'04	% Group
Sales €m	273	+110%	11%

 	
+	
 <p>22 Locations 4 Planned</p>	 <p>16 Locations 2 Planned</p>



Most successful DIY retailer in Ireland

Comparison of DIY Store Sizes in the Republic of Ireland



BUILDBASE





PLUMBASE



UK Merchanding 2005

Overview of the Year:




- Increased sales through acquisition and organic growth
- Flat like for like comparatives
- Some cost cutting
- Some recent signs of improved trading
- Expanding product range
- Positive macro economics point towards recovery in 2006

Investments in:

- 14 bolt on acquisitions
- 6 Heiton UK branches
- 14 organic branch expansions
- Adding 39 branches to the Group

Continued Expansion through Acquisition and Greenfield development

	2005	+/- vs'04	% Group
Sales €m	1,534	+13%	58%

Builders Merchants	 162 Locations
Builders Merchants	 20 Locations
Plumbers Merchants	 167 Locations
UK Total	349



EuroMix



Build on our Experience






UK & Irish Manufacturing 2005

Overview of the Year:

- 8th Dry Mortar plant commissioned in Bristol
- Increased competition as expected in UK Mortar market and some price pressure in the market - flat UK like for like sales
- Positive outlook for 2006
- Strong like for like growth in Ireland +10%
- Ready-mix concrete price competition in Ireland continued
- Superior ROC maintained

	2005	+/- vs'04	% Group
Sales €m	133	+37%	5%

Dry Mortar Plants	  <p>UK: 8 Locations ROI: 1 Location</p>
Plastic Pipe Manufacturer	 <p>1 Location</p>

Roll out of UK Dry Mortar plants continue

Overview of Enlarged Group

- **Sales: UK 61% - Ireland 39% (2004: 76% - 24% respectively)**
- **Annualised Group turnover now €2.6 billion and planned to grow**
- **Market leader in both Irish Merchanting and DIY markets**
- **Strong No. 4 in UK Merchanting market – over 345 Branches**
- **Modest gearing and strong cashflows to fund further acquisitions and organic developments**
- **Ireland continuing to compensate for weaker trading conditions in the UK**

Irish Economic Background

Housing, RMI and DIY drivers

- €16 billion to mature in SSIA between May 06 and May 07.
- €2.5 billion per annum was being invested in these accounts.
- Population is growing by over 2% per annum.
- Large increase in net inward migration from new EU states.
- 25-29 age groups have increased by over 21% in the last five years and still growing household formation groups.
- House completions 81,000 in 2005 running at the rate of 19 per 1000 of population – Ireland still has the lowest housing stock per thousand of population, less than 400 v European average of circa 450 – still in catch up phase.

Outlook Ireland

- Residential new build market to continue strongly in 2006
- RMI sector will show single digit like for like growth
- DIY remains a competitive market
- Release of SSIA funds to fuel consumer demand in our sector
- Continuing integration of Heiton businesses with Grafton activities
- More regional DIY stores in the pipeline for 2006 and 2007:
Ennis, Navan, Donegal, Castlebar
- A small number of properties with potential to realise strong gains

“Buoyant trading conditions sustaining growth”

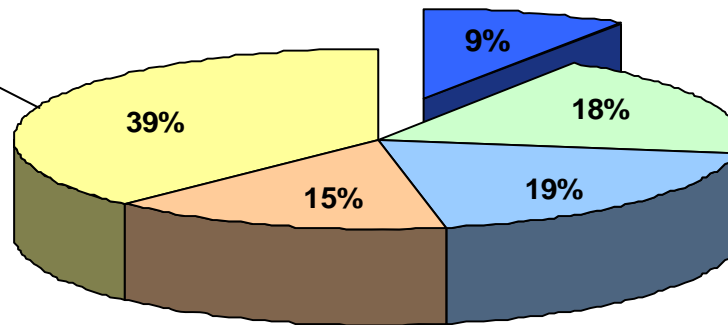
Outlook - UK

- Grafton view of the UK economy is positive
 - Lower interest rates, strong demographics and buoyant planning permissions and mortgage approvals
- Weaker first half 2006 with leading indicators predicting recovery
- Main UK merchanting exposure to RMI market
- Demand in RMI market anticipated to recover in second half – positive macro economic data continues to be released
- Full year acquisition benefits flowing through
- EuroMix remains competitive and 9th plant in Wakefield (Leeds) under construction
- Further greenfield developments planned to strengthen market position
- A continuing healthy pipeline of potential acquisitions to consolidate

“Definitely a market with pent-up potential to improve”

UK Merchenting Super League Table

Circa 2,000
Independents to
be consolidated



■ Grafton

■ Jewson

■ Wolseley

■ Travis Perkins
(excluding Wickes)

Sector Turnover £12 billion plus
Unconsolidated £4.6 billion plus



Group Performance to December 2005

Average Per Annum Compound Growth

	<u>5 Year</u>	<u>10 Year</u>	<u>Since 1987</u>
Turnover	26%	30%	23%
Adjusted EPS	21%	27%	27%
Share purchase/ dividend per share	21%	27%	23%

Group Properties

History of realised capital profits from relocations and sale of surplus properties

2001	2002	2003	2004	2005
€2.3 m	€3.7 m	€3.4 m	€7.5 m	€9.6 m

480 locations

171 freehold

309 leasehold

Last valuation December 1998 (Grafton Irish properties) and April 2004 for Heiton properties

Current projects in progress:

- Joint development of retail park in Navan with Woodie's DIY as anchor tenant
- Sale and lease back of Waterford Woodie's Store and disposal of surplus land to discount food store Lidl
- Sale of surplus land in Wales, Haverhill (UK) and Tralee

Short term projects with potential:

- Sale of 2 acre prime site in Stillorgan/ Sandyford for mixed use high rise development

Long term projects with potential:

- Development / sale of 20 acre prime site in Cork City which already has planning approval
- Walkinstown freehold site with potential for development
- Orchard Warf in the UK – Prime Docklands site
- Other branch relocations and property disposals



International Financial Reporting Standards – Principal Policy Changes for Grafton

		IFRS Impact On Profit
• Goodwill	IFRS 3	-
• Intangibles	IAS 38	(€2.1 m)
• Pensions	IAS 19	€1.5 m
• Deferred tax	IAS 12	-
• Financial Instruments	IAS 32 & 39	-
• Share based payments	IFRS 2	(€2.2 m)
• Business combinations (purchased stock)	IFRS 3	<u>(€0.9 m)</u>
• Net effect on profit before tax	Not material	<u>(€3.7m)</u>

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