



GRAFTON GROUP PLC

INTERIM RESULTS 2006



Profile

- UK and Ireland based Building Materials Group
- Principal activities
 - Builders and Plumbers Merchandising
 - DIY Retailing
 - Dry Mortar Manufacturing
- 2005 Turnover exceeded €2.6 billion, first half 2006 €1.43 billion (up 10%)
- Market leader or strong market positions
- Trading from over 500 locations in the UK and Ireland
- 10,500 employees
- Full listing in Dublin and London
- Market capitalisation circa €2.5 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
- **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



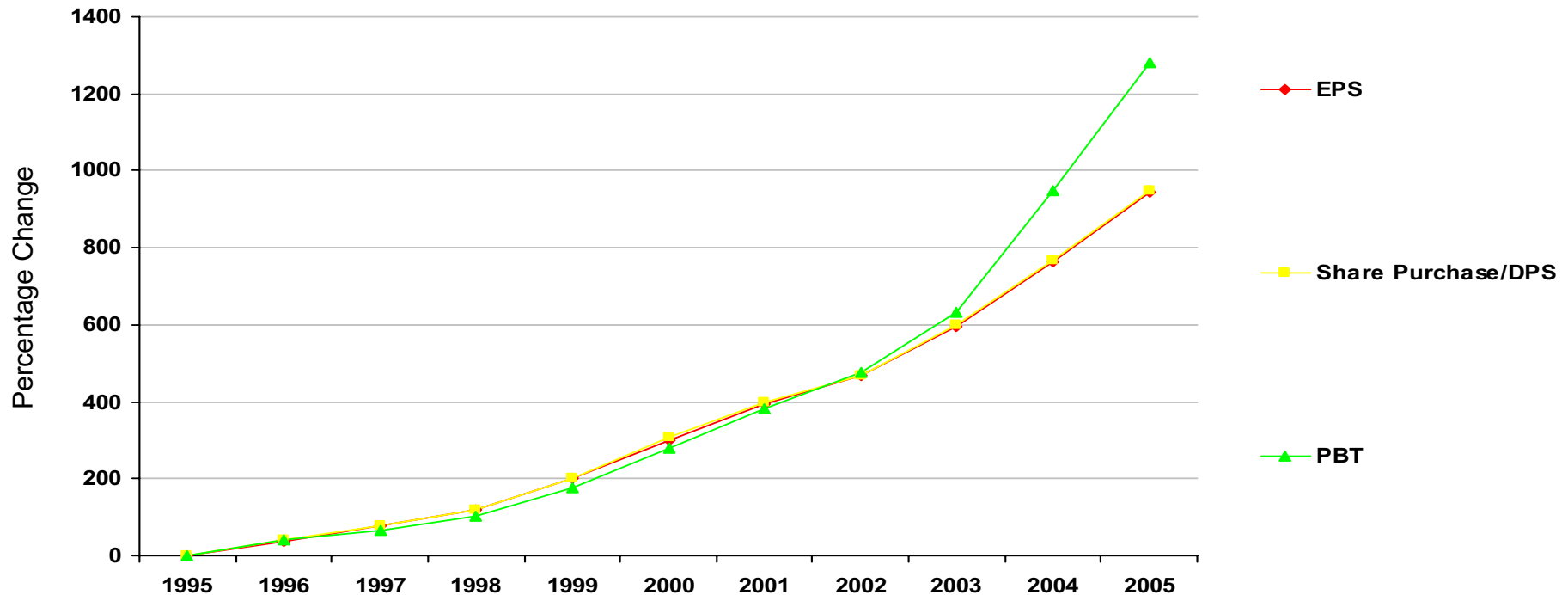


Strategy

- 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	
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
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



2006 First Half Overview

- A period benefiting from strong trading in Ireland once again and as expected compensating for a softer but improving trading environment in the UK
- Seven additional bolt on acquisitions and 10 new developments completed
- A very positive contribution made by Heiton Group plc trading ahead of pre acquisition expectations
- Seven bolt on acquisitions successfully completed adding 16 branches to the Group
- Continuation of organic development
 - 2 new DIY stores opened in Ireland (Navan and Castlebar)
 - 2 new builders merchants branches opened in the UK
 - 6 new plumbers merchants branches opened in the UK
 - Ninth dry mortar plant opened in Leeds in July 2006
- 10% increase in operating profit and a 9% increase in adjusted EPS
- A significant €28.1 million in property profits realised during the period



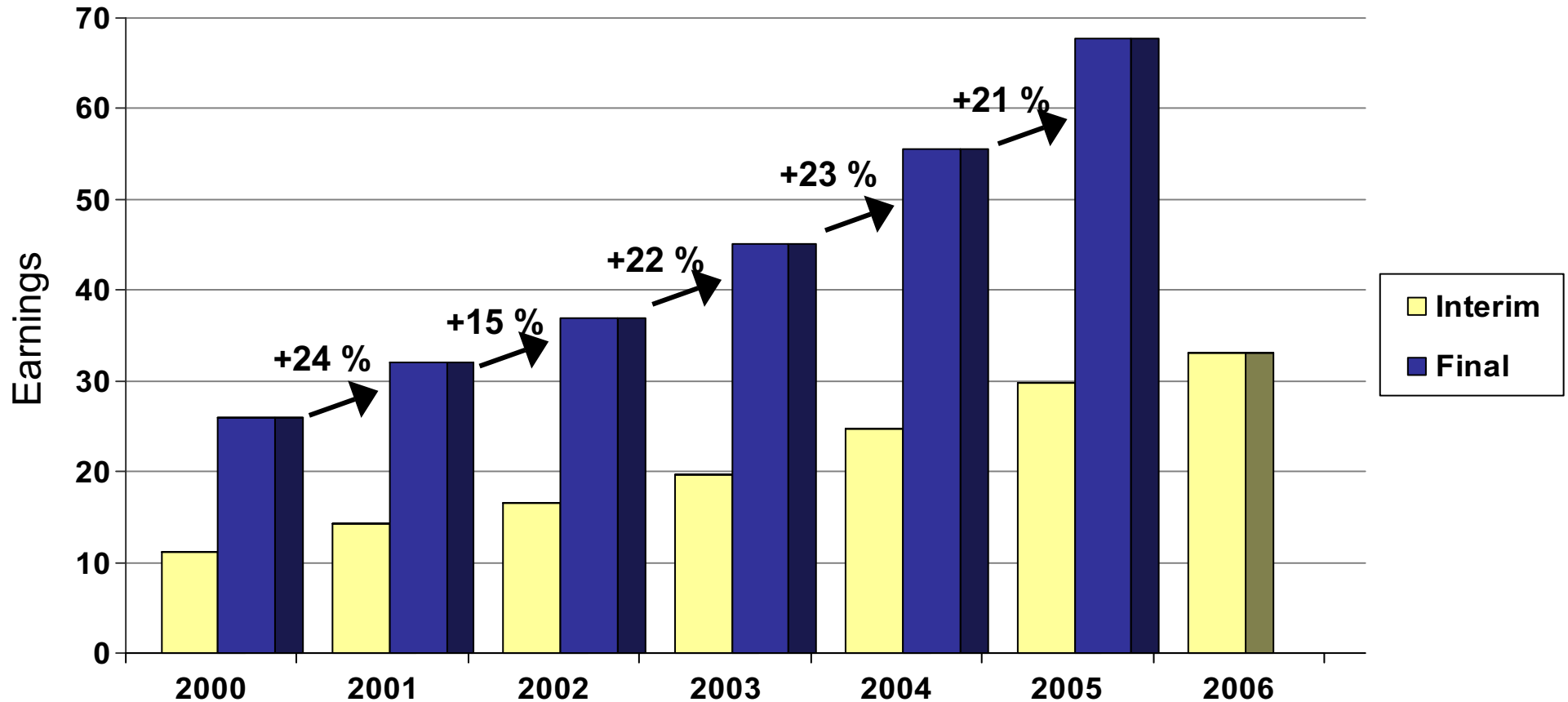
Group Financial Highlights

	2006	2005	% Change
Turnover	€1,427 m	€1,293 m	+10%
Operating profit*	€105.8 m	€96.5 m	+10%
Pre-tax profit	€118.3 m	€87.4 m	+35%
EBITDA	€159.8 m	€126.5 m	+26%
Property profits	€28.1 m	€5.9 m	
Adjusted E.P.S.*	33.00 c	30.21 c	+9%
Share Purchase	8.25 c	7.25 c	+14%

* Before property profits



Consistently Strong Growth in Earnings





Components of Profit Growth

	Turnover	Operating Profit*
	€'million	€'million
H1 2005	1,293	97.6
Organic growth - Ireland	33	8.8
Organic growth - UK	(13)	(6.4)
2005 acquisitions - UK	34	2.6
- Ireland	39	3.3
2006 acquisitions - UK	7	0.8
New branches 2005 & 2006	36	0.3
Exchange	<u>(2)</u>	<u>(0.1)</u>
H1 2006	<u>1,427</u>	<u>106.9</u>

* Before intangible amortisation



Financial Statistics

	H1 2006	H1 2005
EBITDA margin*	9.2%	9.3%
Operating profit margin #	7.5%	7.5%
Total equity	€907 m	€740 m
Net debt	€544 m	€540 m
Gearing	60%	73%
Debt to market capitalisation	22%	24 %
Interest cover - EBITA	8.6	6.9
Tax Rate	14.0%	13.8%
Annualised return avg. cap employed	16.0%	17.3%
Annualised return avg. equity (after tax)	20.1%	21.6%

**Before property profit*

#Before property profit & amortisation



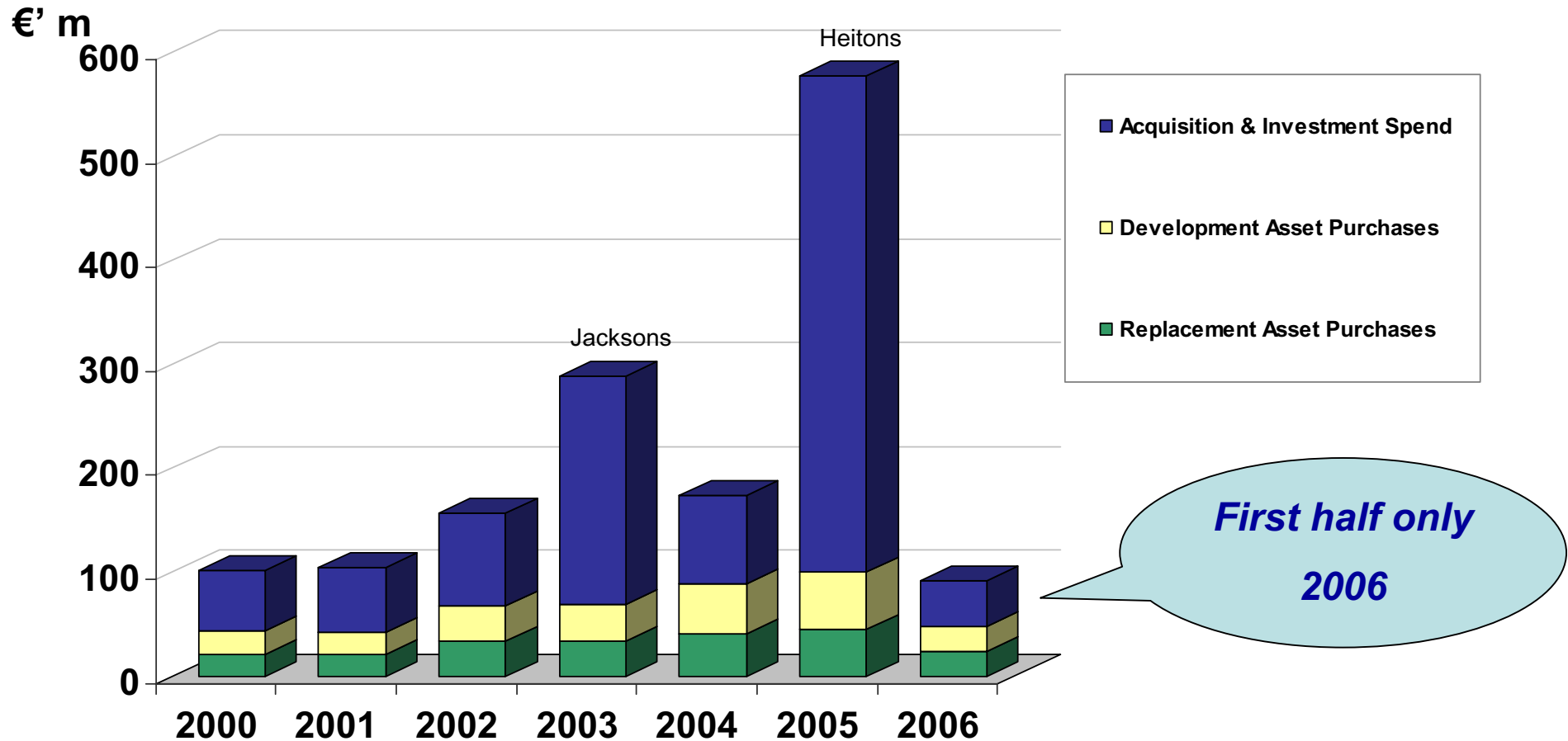
Cash Generation

	H1 2006 € million	H1 2005 € million
Operating profit	105.8	96.5
Depreciation, amortisation & other	27.6	24.9
Property disposals, interest/investment income	<u>63.0</u>	<u>18.5</u>
Total cash inflow	196.4	139.9
Replacement capital expenditure	(23.4)	(30.7)
Interest & tax	<u>(24.5)</u>	<u>(20.9)</u>
Free cash flow	148.5	88.3
Working capital movement*	(26.0)	(3.7)
Discretionary pension contributions over IAS 19 charge	(1.5)	(0.6)
Shares issued	2.0	178.1
Development capital expenditure	(24.8)	(27.7)
Acquisitions & investments	(42.9)	(388.5)
Share purchase	(20.2)	(16.5)
Translation & IFRS	<u>5.1</u>	<u>(21.6)</u>
Debt decrease / (increase)	<u>40.2</u>	<u>(192.2)</u>

* Working capital intensity 2006: 13.7% (2005: 12.4%)



Group Development Spend





Analysis of UK and Ireland Turnover & Operating Profit

	H1 2006 € 'million	H1 2005 € 'million	Change %
<u>Turnover</u>			
Ireland	590.7	500.0	+18%
UK	<u>836.5</u>	<u>793.3</u>	<u>+5%</u>
	<u>1,427.2</u>	<u>1,293.3</u>	<u>+10%</u>
 <u>Operating profit*</u>			
Ireland	57.1	43.5	+31%
UK	<u>49.8</u>	<u>54.1</u>	<u>-8%</u>
	<u>106.9</u>	<u>97.6</u>	<u>+10%</u>

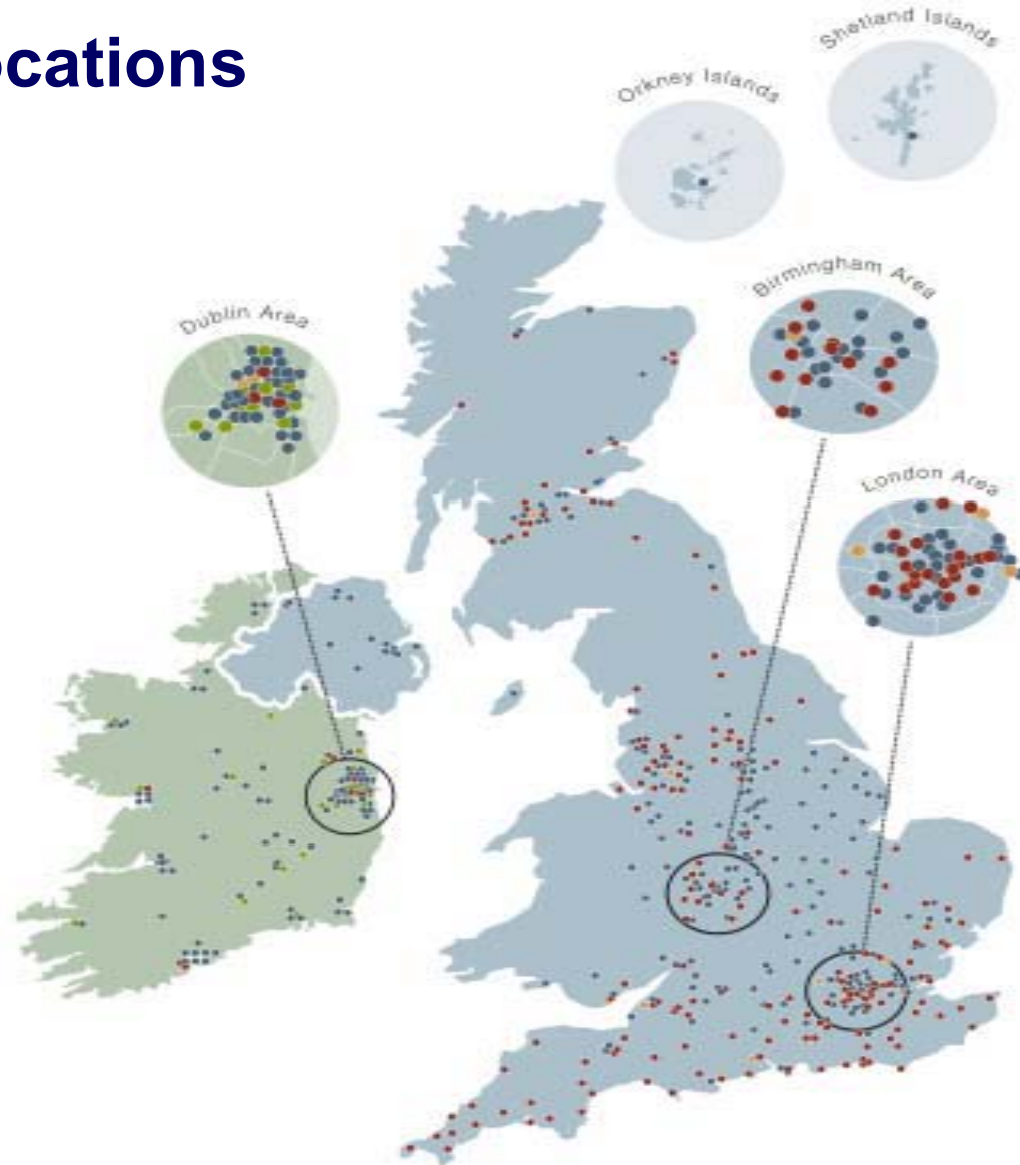
**Before intangible amortisation*



Enlarged Group Locations

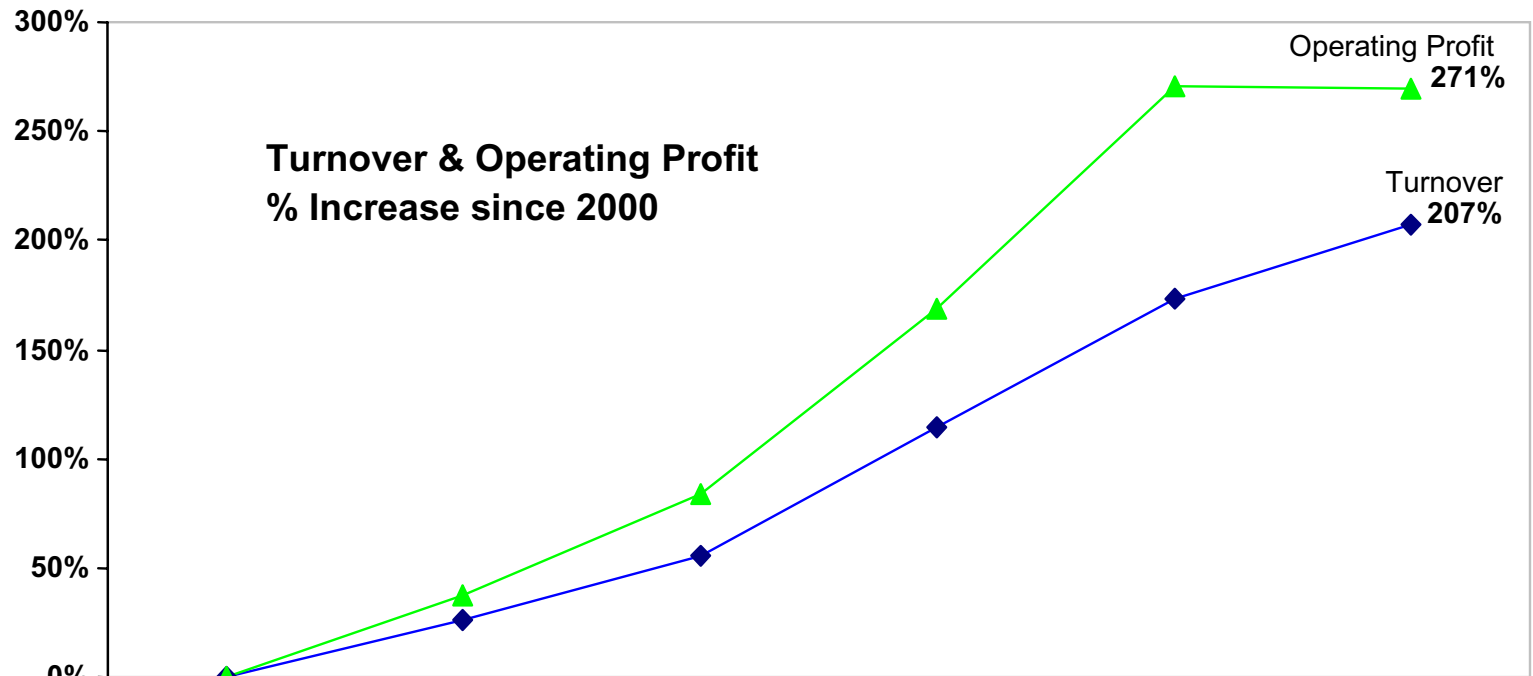
505 Trading Locations

- Builders Merchants
- Plumbers Merchants
- Manufacturing
- DIY Retailing





UK Performance 2000/2005

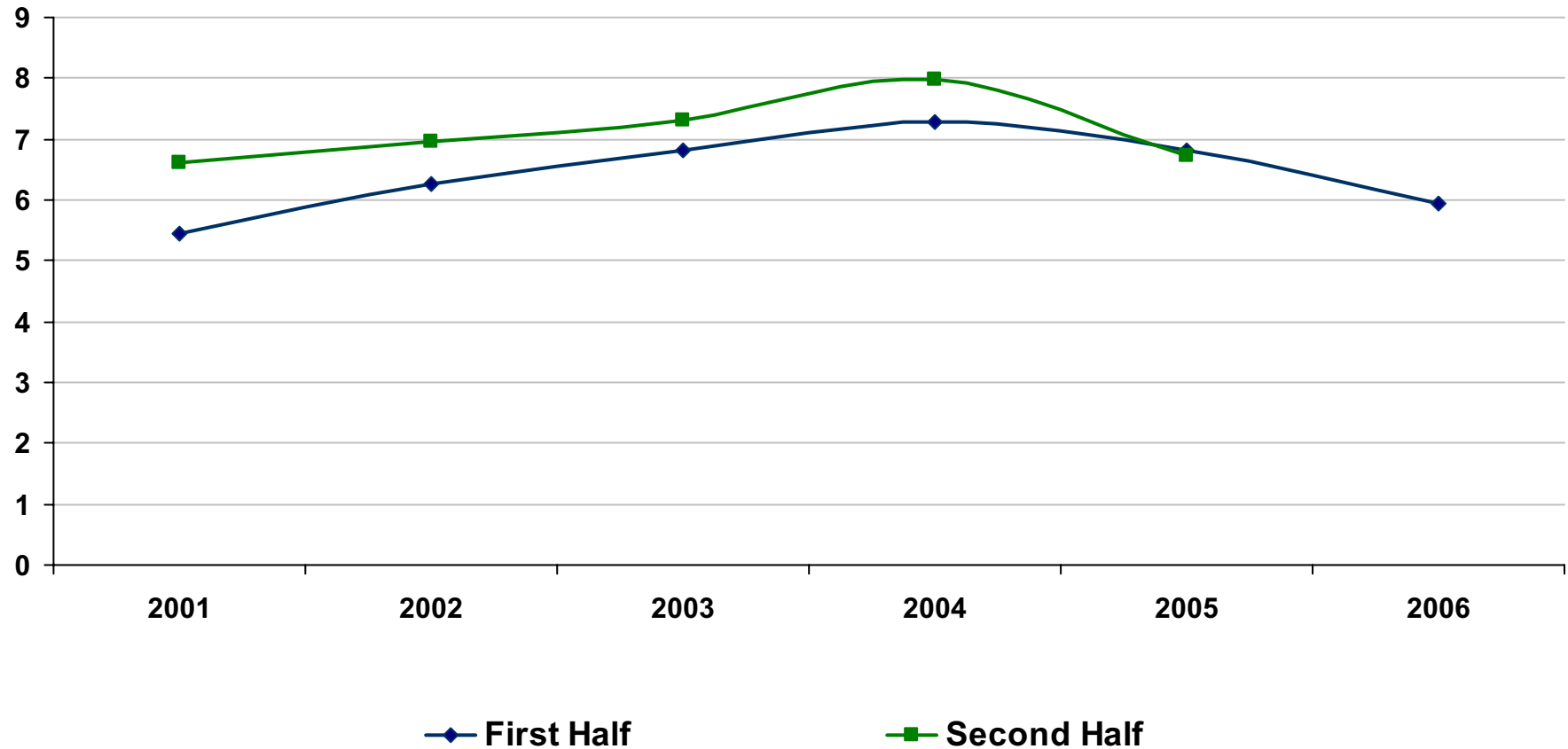


	2000	2001	2002	2003	2004	2005
◆ Turnover	520.0	657.2	808.5	1,111.5	1,420.6	1,596.6
▲ Operating Profit	29.2	40	53.7	78.6	108.2	108.2
Operating Profit Margin	5.6%	6.1%	6.6%	7.1%	7.6%	6.8%

Interim Margin 2005 6.8%	Interim Margin 2006 6.0%
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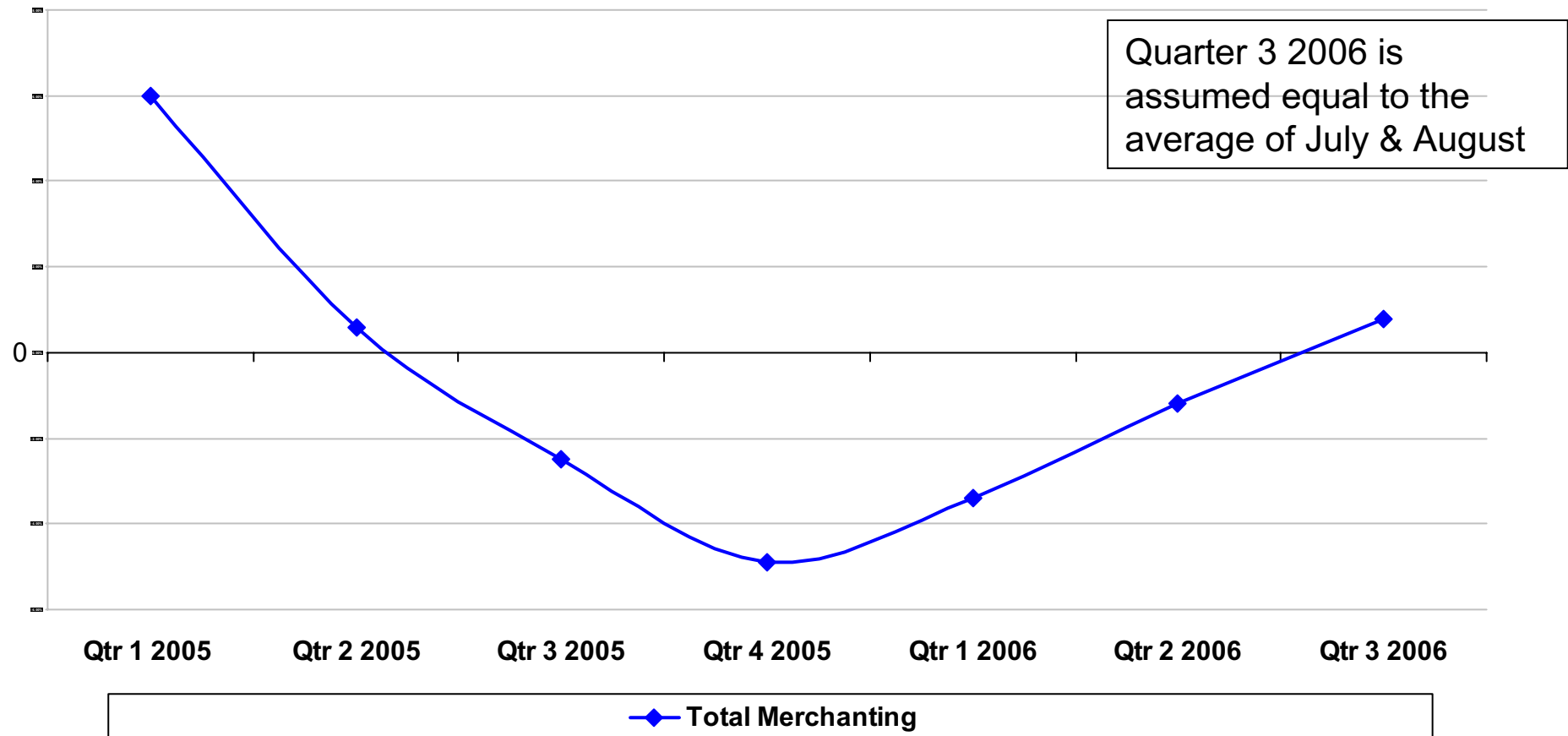


History of UK H1 and H2 Margins 2001-2006





Quarterly Percentage UK Like for Like Merchanting Sales Changes Adjusted for Trading Days





Heiton Group plc

- **THE HEITON BUSINESS POST ACQUISITION**
 - Stillorgan property and others sold realising €42 million cash since acquisition
 - Net investment by Grafton now reduced to €364 million
 - On target to achieve 17.5% return on investment in 2007
 - Turnover increased to €608 million in 2005 – 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 2005 €49 million or 8.0% margin - further improvement in 2006



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 Irish market forecast to continue through 2007
- Signs of a recovery to low single digit like for like sales growth in the UK

Heiton Buckley
BUILDERS MERCHANTS



CHADWICK'S



Irish Merchanding First Half 2006

Overview of the Period:

- Strong sales & PBIT growth
 - Buoyant construction sector
 - Over 86,000 new homes built in 2005
- Merchanding sales up 21%
- Like for like sales up 9%
 - Positive outlook for 2006
- Growing share of RMI market
- Realising integration benefits

	2006	+/- vs'05	% Group
Sales €'m	408	+21%	29%

 23 Locations		 28 Locations
 14 Locations		 14 Locations
 8 Locations		 

The Group continues to build on market leadership and strong brands

Woodie's DIY



inhouse
AT THE SHARPLEY CENTRE





Irish Retailing First Half 2006

Overview of the Period:

- More competition from new stores
 - Sq. ft. occupied by DIY superstores increased by 5% in 2006
 - less cannibalisation – returning to growth
- Continued PBIT growth
- Sales +15%
- Return to modest like for like growth expected in second half
- Strong focus on margins
- Strong product innovation
- Strong cash generation

Investments in:

- Regional expansion, two stores opened in Navan and Castlebar
- Opened Galway Panelling Centre
- 9% increase in store footprint
- Broadening product range
- Customer focused staff training

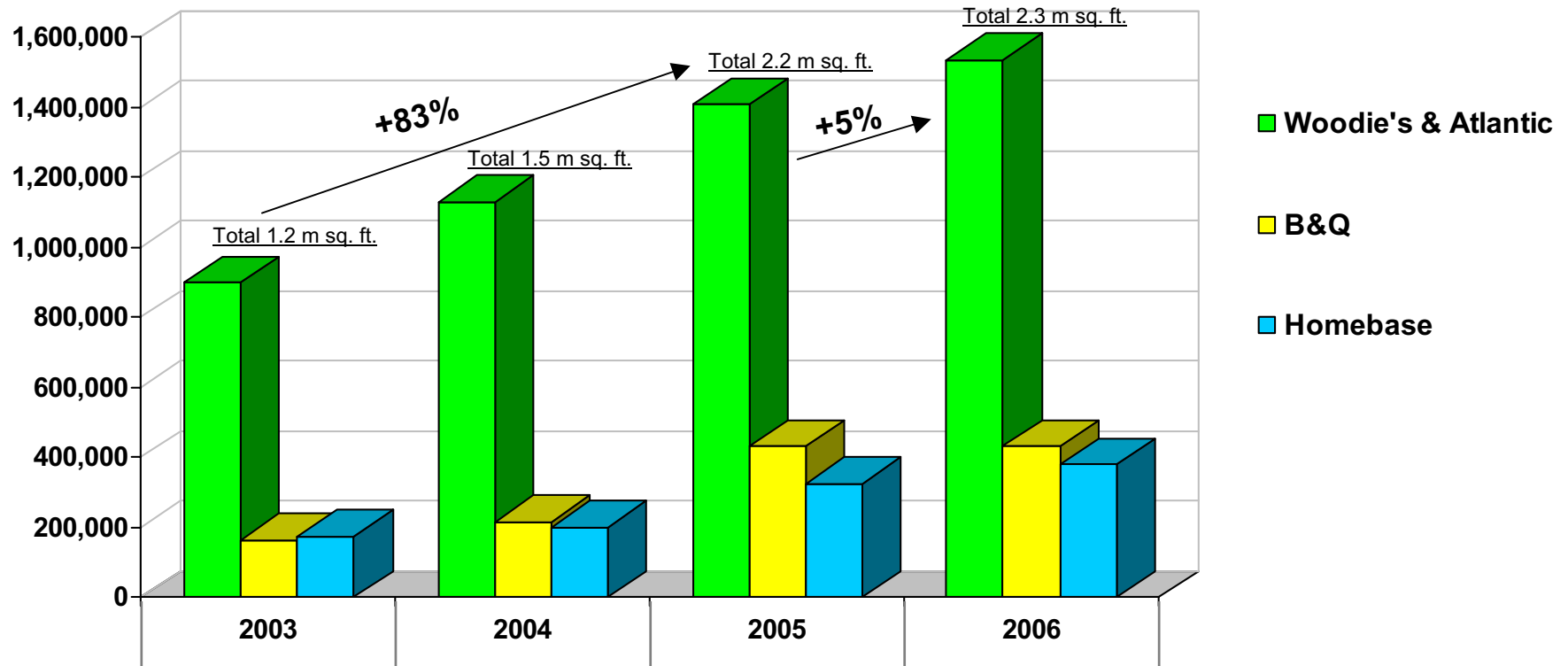
	2006	+/- vs'05	% Group
Sales €'m	147	+15%	10%

 	24 Locations
 	16 Locations
	5 Locations

Most successful DIY retailer in Ireland



Comparison of DIY Store Sizes in the Republic of Ireland



	2003	2004	2005	2006
Woodie's & Atlantic	73%	73%	65%	66%
B & Q	13%	14%	20%	18%
Homebase	14%	13%	15%	16%

BUILDBASE





PLUMBASE





UK Merchenting First Half 2006

Overview of the Period:


- Increased sales through acquisition
- Small decline in like for like sales - 1.7% versus a very strong first half in 2005
- Cost cutting contributed
- Further signs of improved trading and a return to modest sales growth expected in second half
- Expanding product range
- Positive macro economic indicators recently being converted into sales growth

Investments in:

- 7 bolt on acquisitions
- 8 branch openings
- Adding 24 branches to the Group

Continued Expansion through Acquisition and Greenfield development

	2006	+/- vs'05	% Group
Sales €'m	803	+5%	56%

Builders Merchants	<u>BUILDBASE</u> 174 Locations
Builders Merchants	 21 Locations
Plumbers Merchants	<u>PLUMBASE</u> 177 Locations
UK Total	372



Build on our Experience





UK & Irish Manufacturing First Half 2006

Overview of the Period:

- 9th dry mortar plant commissioned in Leeds in July 2006
- Increased competition and price pressure as expected in UK Mortar market - flat UK like for like sales and some margin pressure
- Continued like for like sales growth in Ireland
- Overall a superior ROC maintained but at a lower level as expected

	2006	+/- vs'05	% Group
Sales €'m	69	+4%	5%

Dry Mortar Plants	 UK: 9 Locations ROI: 1 Location
Plastic Pipe Manufacturer	 1 Location

Roll out of UK Dry Mortar plants continue



Irish Economic Background

Housing, RMI and DIY drivers

- €16 billion maturing from 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 continues
- 25-29 age groups have increased by over 21% in the last five years and household formation group still growing
- House completions 86,000 in 2005 and more expected in 2006 running at the rate of 19 per 1,000 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
- Circa 20% of new homes being acquired by non-nationals sustaining housing activity



Outlook Ireland

- Residential new build market continues strongly heading towards 90,000 new homes in 2006
- RMI sector will show single digit like for like growth
- DIY remains a competitive market but like for like sales are improving
- 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
- Property potential

“Buoyant trading conditions sustaining growth”



Outlook - UK

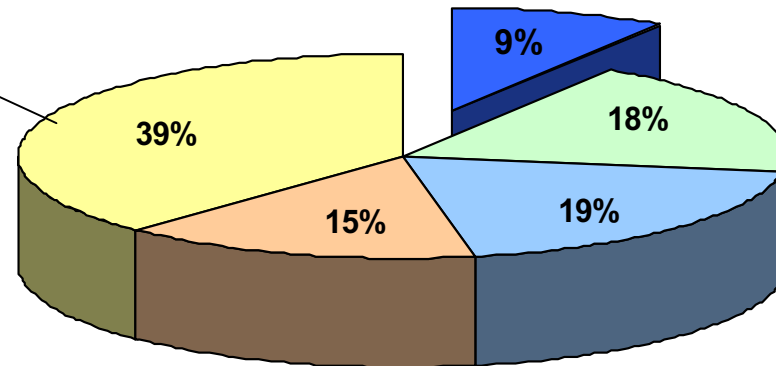
- Grafton view of the UK economy is positive
- Strong demographics and mortgage approvals
- Population growth exceeding 300,000 per annum
- Softer first half 2006 returning to like for like sales growth in the second half
- Main UK merchanting exposure to RMI market
- Demand in RMI market anticipated to recover in second half – positive macro economic data continues to be released
- Full year acquisition benefits flowing through
- Mortar market remains competitive - 9th plant in Wakefield (Leeds) now in operation
- 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 Merchanting 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	First Half 2006
€2.3 m	€3.7 m	€3.4 m	€7.5 m	€9.6 m	€28.1 m

505 locations 172 freehold 333 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

Projects with potential:

- Development / sale of 20 acre prime site in Cork City
- 16 acre Naas Road site with development potential
- Orchard Warf in the UK – Prime Docklands site
- Other planned branch relocations and property disposals



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