# Grafton Group plc

## Interim Results 2007





# Profile

- UK and Ireland based Building Materials Group
- Principal activities
  - Builders and Plumbers Merchanting
  - DIY Retailing
  - Dry Mortar Manufacturing
- Annualised turnover over €3 billion
- Market leader or strong market positions
- Trading from over 550 locations in the UK and Ireland
- 11,400 employees

# Principal Brands – UK and Northern Ireland

BUILDBASE

PLUMBASE

jackson Building Centres

EuroMix

MACNAUGHTON BLAIR

selco BUILDERS WAREHOUSE

PDM MAINS TO DRAINS

# Principal Brands – Irish Merchanting and Manufacturing

Heiton Buckley BUILDERS MERCHANTS

EuroMix

CHADWICKS BUILDER CENTRE

CORK BUILDERS PROVIDERS

Davies Est 1933

CHADWICKS PLUMB CENTRE

CHADWICKS HIRE CENTRE

SAM HIRE

Wright WRIGHT WINDOW SYSTEMS

TELFORDS

MFP

Heiton Steel

MORGANS TIMBER
HARDWOODS SOFTWOODS SHEET MATERIALS

# Irish Retail Brands

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

ATLANTIC HOMECARE

in-house
AT THE PANELLING CENTRE

# Strategy

- Consistent – Focused
- To continue 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

# Interim Highlights - 2007

- 18 per cent earnings growth in line with market expectations
- Like for like sales growth continued in both the UK and Ireland
- DIY sector performs strongly in the first half and further growth anticipated
- Irish operating margins maintained
- UK operating margin increased on higher turnover
- Six acquisitions completed adding 22 branches
- 10 new trading locations opened

**Now trading from over 550 locations**

# Group Financial Highlights – Interim Results

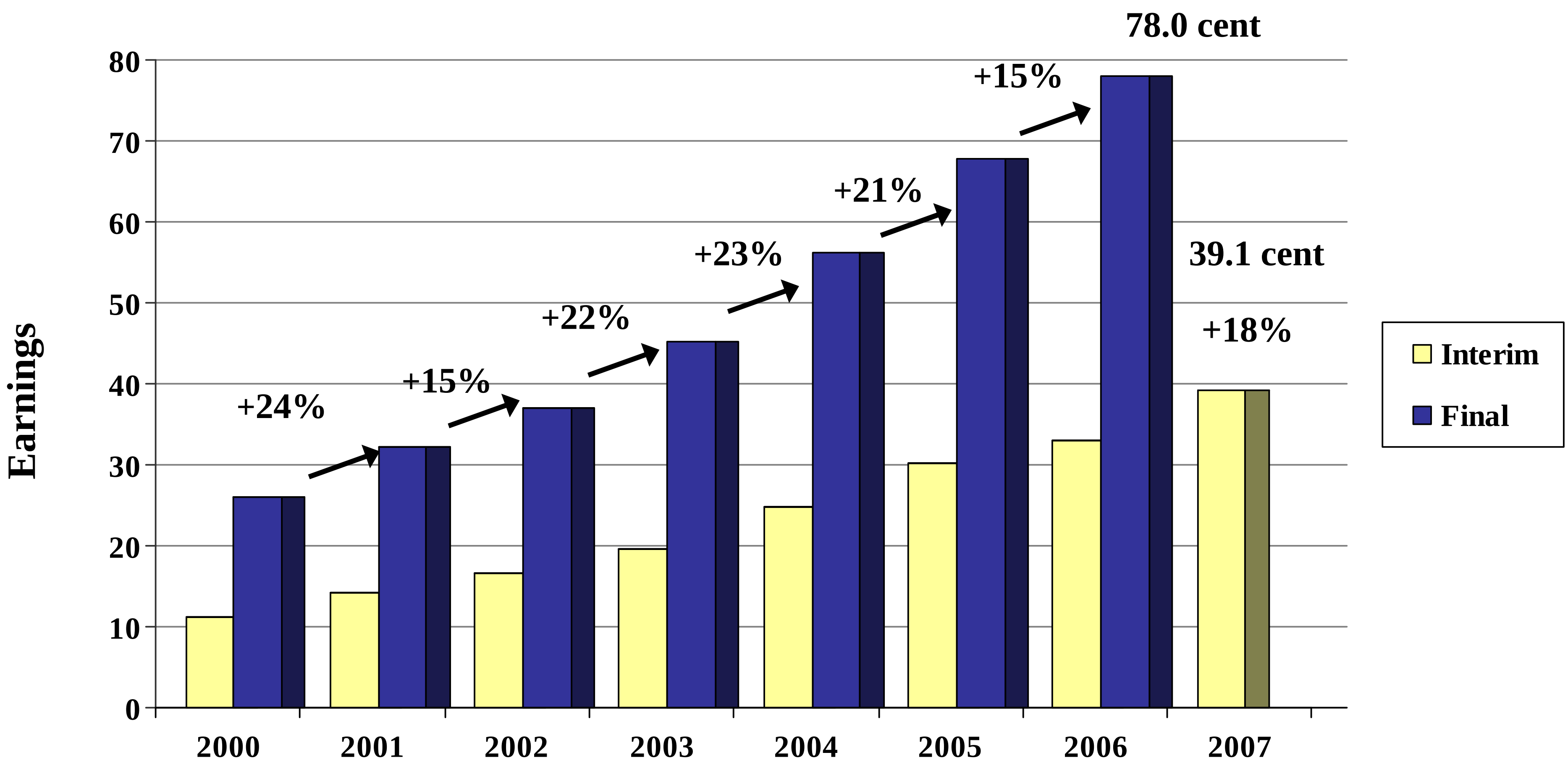
| | **2007** | 2006 | **% Change** |
|---|---|---|---|
| **Turnover** | **€1.61 bn** | €1.43 bn | **+13%** |
| **Operating profit*** | **€124.4 m** | €106.9 m | **+16%** |

| | | | |
|---|---|---|---|
| **Property profits** | **-** | €28.1 m | |
| **Pre-tax profit #** | **€106.4 m** | €90.2 m | **+18%** |
| **EBITDA #** | **€151.3 m** | €131.7 m | **+15%** |
| **Adjusted E.P.S.*** | **39.09 c** | 33.00 c | **+18%** |
| **Share Purchase** | **10.00 c** | 8.25 c | **+21%** |

**Before property profits and intangible amortisation*

*# Before property profit*

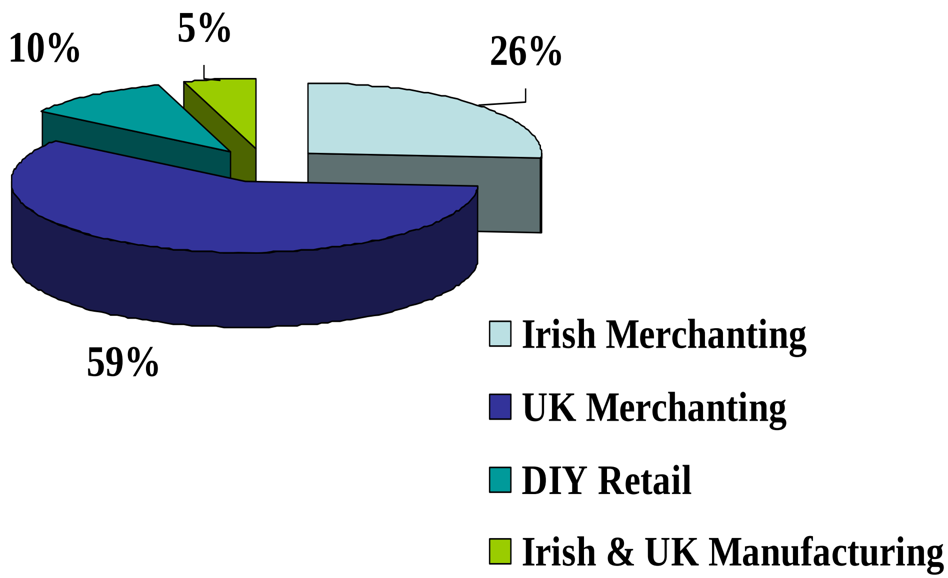
# Continuation of Strong Double Digit Growth in Earnings



# Segmental Turnover Analysis – First Half

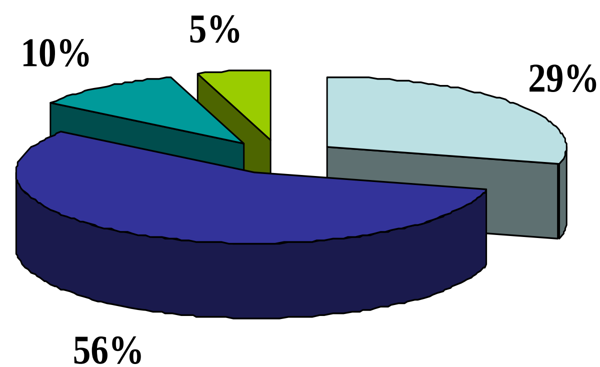
## 2007

**Group €1.61 billion**

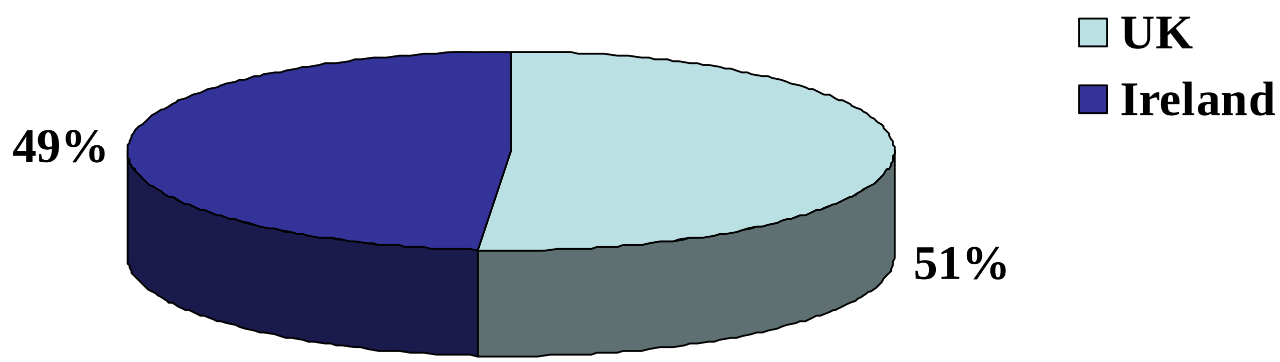



## 2006

**Group €1.43 billion**



# UK & Irish Operating Margins – First Half




| | 2007 | 2006 | | |
|---|---|---|---|---|
| UK operating margin | 6.5% | 6.0% | → | plus 50 basis points |
| ROI operating margin | 9.7% | 9.7% | | |
| Group operating margin | 7.7% | 7.5% | → | plus 20 basis points |

# Components of Growth

| | | Turnover €'million | Operating Profit* €'million |
|---|---|---|---|
| H1 2006 | | 1,427 | 106.9 |
| Organic growth | - Ireland | 26 | 2.5 |
| Organic growth | - UK | 44 | 11.6 |
| 2007 acquisitions | - UK | 7 | 0.8 |
| | - Ireland | 1 | 0.2 |
| 2006 acquisitions | - UK | 62 | 3.6 |
| New branches 2006 & 2007 and discontinued | | 26 | (2.1) |
| Exchange | | 15 | 0.9 |
| H1 2007 | | 1,608 | 124.4 |

* ***Before property profit and intangible amortisation***

# Positive Financial Statistics

| | **H1 2007** | H1 2006 |
|---|---|---|
| EBITDA margin* | **9.4%** | 9.2% |
| Operating profit margin # | **7.7%** | 7.5% |
| Total equity | **€1,104 m** | €907 m |
| Net debt | **€587 m** | €544 m |
| Gearing | **53%** | 60% |
| Debt to market capitalisation | **26%** | 22% |
| Interest cover - EBITA | **7.4** | 8.6 |
| Tax Rate | **13%** | 14% |
| Pensions Funding | **101%** | 87% |
| Annualised return avg. cap employed | **16.5%** | 16.0% |
| Annualised return avg. equity (after tax) | **20%** | 20% |

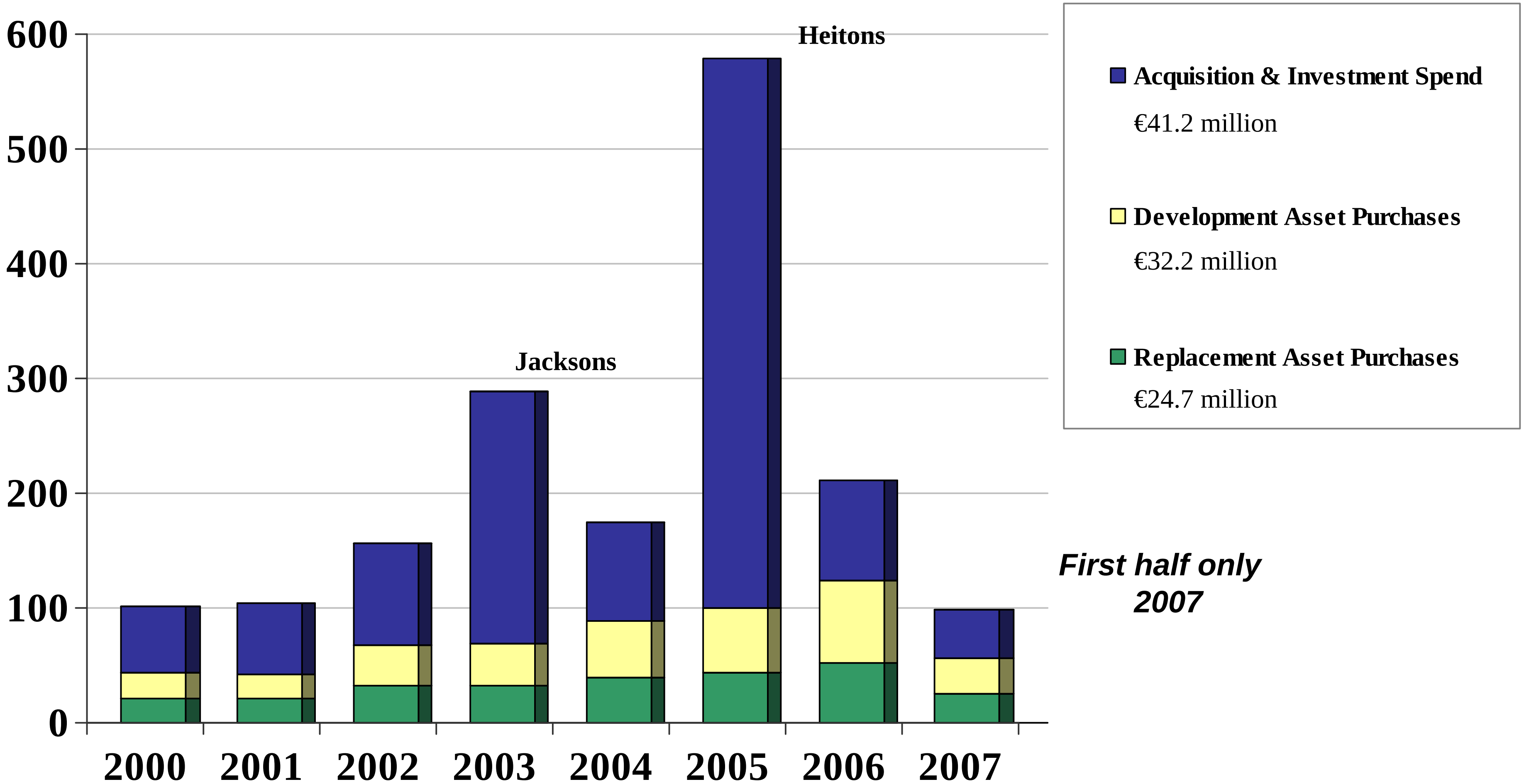
**** Before property profit***

***# Before property profit & amortisation***

# Cash Generation

| | H1 2007 € million | H1 2006 € million |
|---|---|---|
| **Operating profit** | **123.3** | **105.8** |
| Depreciation, amortisation & other | 30.3 | 27.6 |
| Property disposals, interest income | 10.9 | 63.0 |
| Total cash inflow | **164.5** | **196.4** |
| Replacement capital expenditure | (24.7) | (23.4) |
| Interest & tax | (24.9) | (24.5) |
| Working capital movement | (42.7) | (26.0) |
| **Free cash flow** | **72.2** | **122.5** |
| Market capitalisation – 12 August 2007 | 2,300 | 2,430 |
| Net debt | €587 m | €544 m |
| Gearing | 53% | 60% |

# Group Development Spend

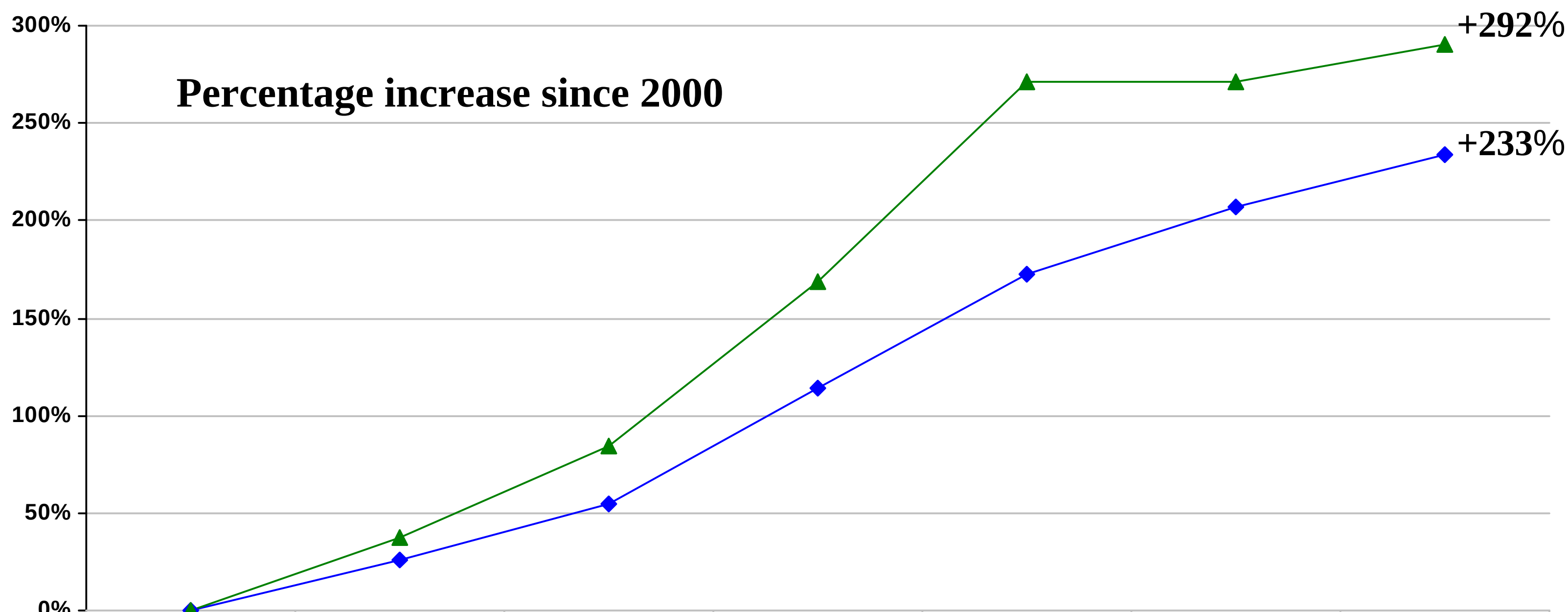


# Group Locations

### 550 Trading Locations

- Builders Merchanting
- Plumbers Merchanting
- Manufacturing
- DIY Retailing

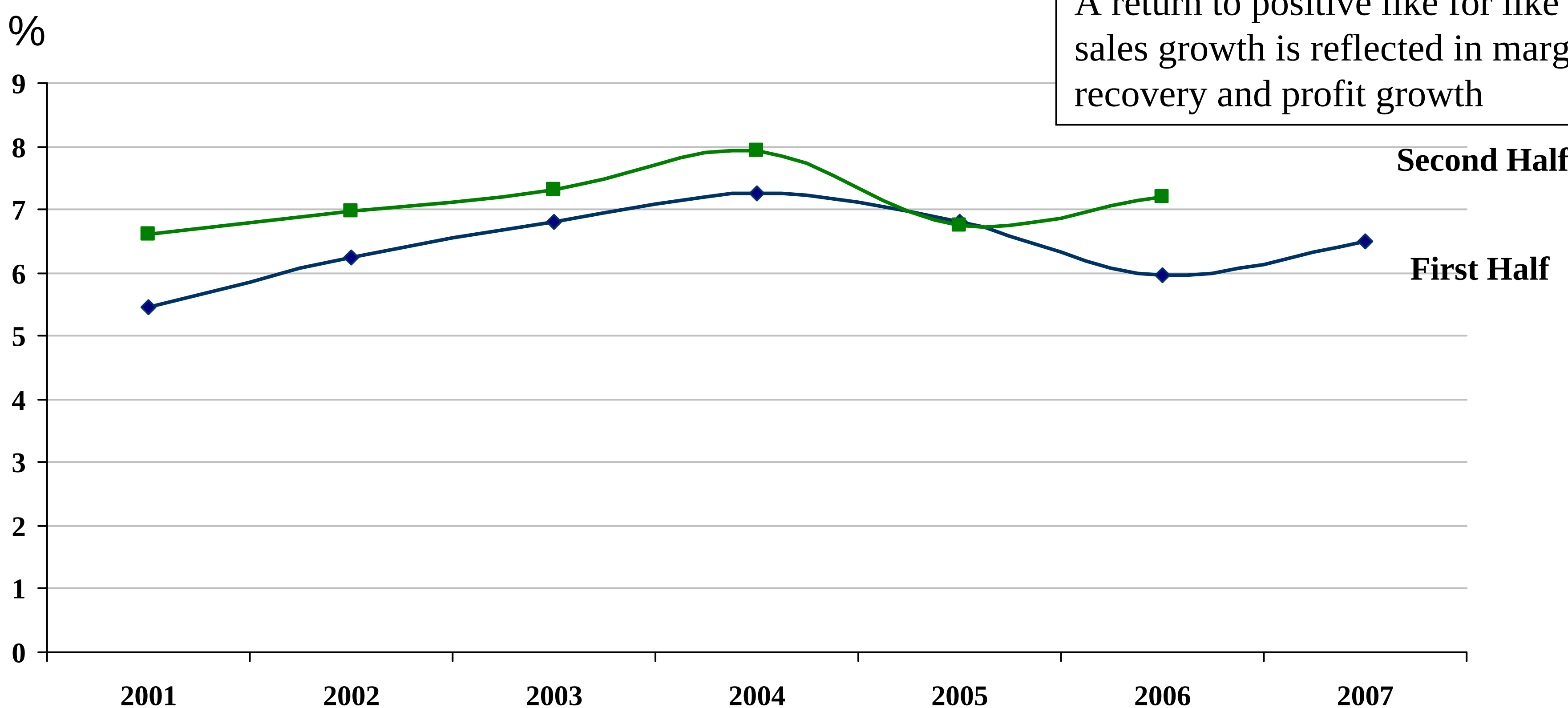
# UK Sales and Operating Profit Performance 2000 to 2006




| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|
| **Turnover** | 520.0 | 657.2 | 808.5 | 1,111.5 | 1,420.6 | 1,596.6 | 1,733.3 |
| **Operating Profit** | 29.2 | 40 | 53.7 | 78.6 | 108.2 | 108.2 | 114.6 |
| **Operating Profit Margin** | 5.6% | 6.1% | 6.6% | 7.1% | 7.6% | 6.8% | 6.6% |

# Recovery in UK Operating Profit Margin

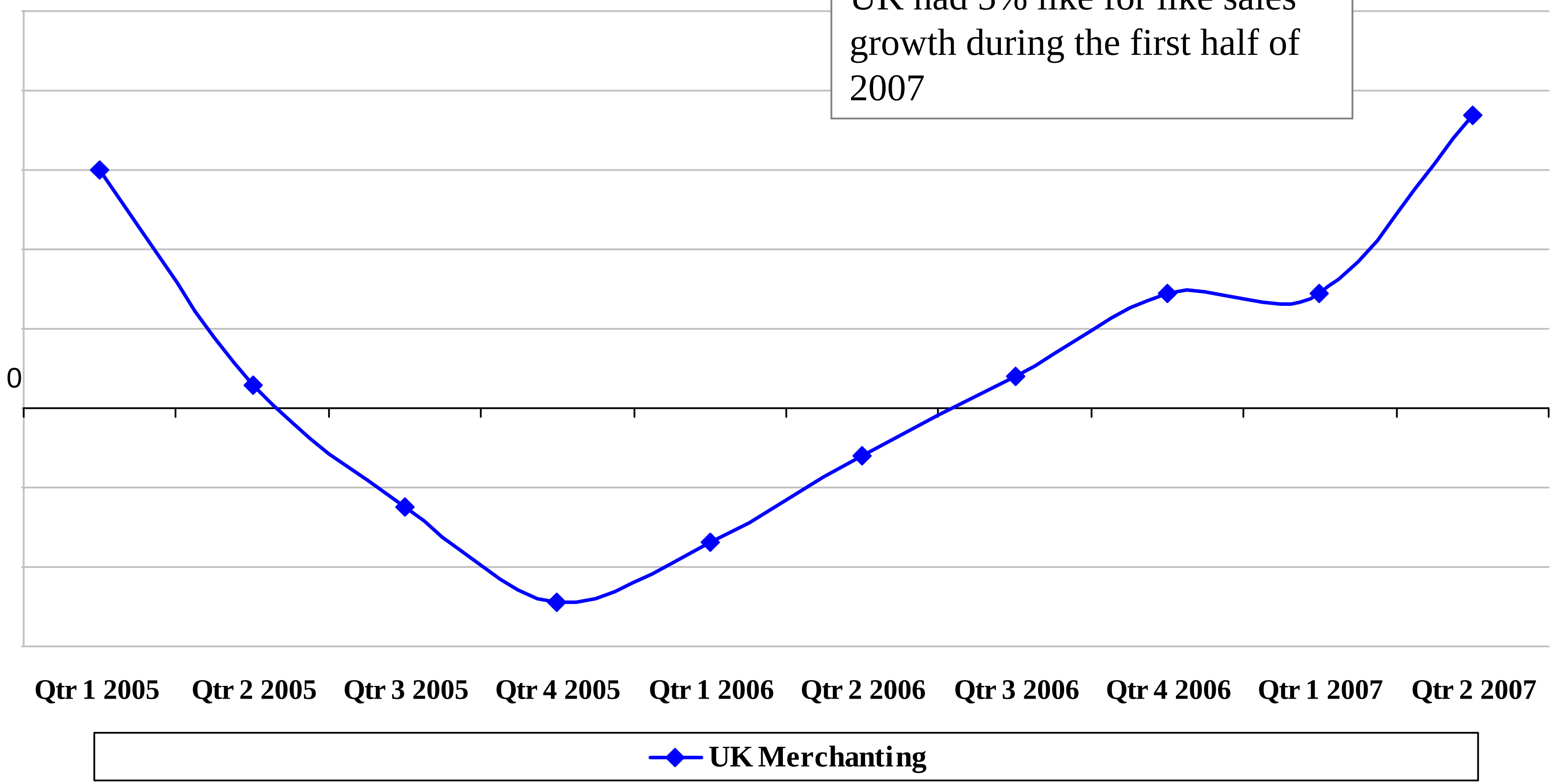
A return to positive like for like sales growth is reflected in margin recovery and profit growth




| Second Half Margin 2005 | First Half Margin 2006 | Second Half Margin 2006 | **First Half Margin 2007** |
|---|---|---|---|
| 6.7% | 6.0% | 7.2% | 6.5% |

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

UK had 5% like for like sales growth during the first half of 2007



# Group Strengths

- Highly cash generative and profitable businesses - free cash flow €72.2 million
- Strong balance sheet - gearing 53%
- Prominent market positions in the UK and Ireland – market share circa 10% and 20% respectively
- Motivated management teams
- Proven strategic record
- Unique acquisition / integration skills – 75 acquisitions in the last five years

# Economic Background

**Housing and RMI**

- Population and employment growth continues in both UK and Ireland
- Large increase in net immigration from new EU states continues into both countries
- Household formation groups still growing in both economies
- Irish house completions to fall and upside for UK completions to grow
- Housing is a priority for UK Prime Minister, Gordon Brown
- RMI demand continues to be buoyant
- Interest rates still rising but peak expected in 2008

# Outlook Ireland

- Residential new build market will continue to decline
- RMI sector will continue to show single digit like for like growth
- DIY remains a competitive growth market

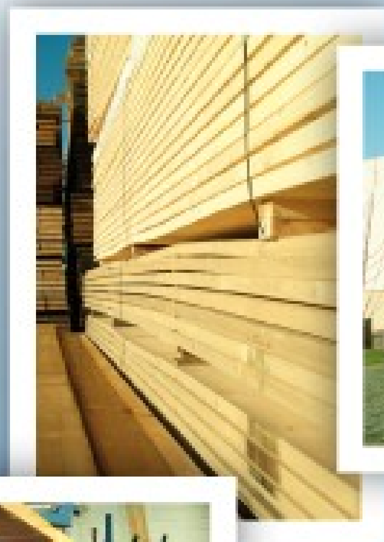
  - Few DIY store openings in the pipeline - Grafton opened a store in Limerick in July 2007 and relocation of the Tallaght store is planned during the second half
- Property disposals and relocations to release value over the next few years

# Outlook UK

- Rate of sustainable single digit like for like sales growth to continue
- Grafton view of the UK economy remains positive over the medium term
- Strong demographics pushing demand
- Population growth exceeding 300,000 per annum – political focus on housing
- Grafton’s UK merchanting exposure is to RMI market
- Demand in RMI market anticipated to sustain recovery throughout 2007
- Full year acquisition benefits flowing through
- Mortar market remains competitive – continuing volume growth
- Further greenfield developments planned to strengthen market position
- A continuing relatively healthy pipeline of potential acquisitions to consolidate

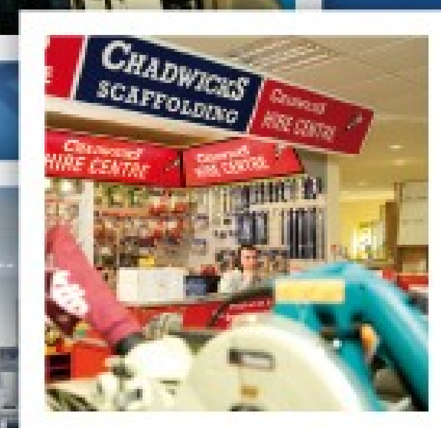
# CHADWICKS

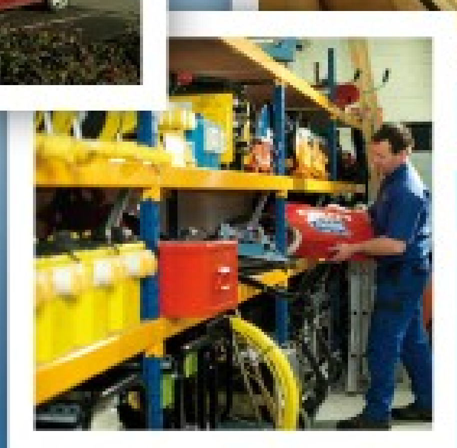

CHADWICKS



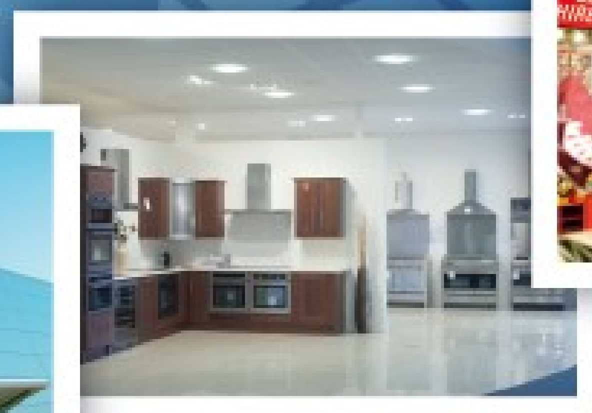

Heiton Buckley
BUILDERS MERCHANTS
Heiton Buckley
BUILDERS MERCHANTS


SAM HIRE


CHADWICKS
SCAFFOLDING
HIRE CENTRE




ENTRANCE



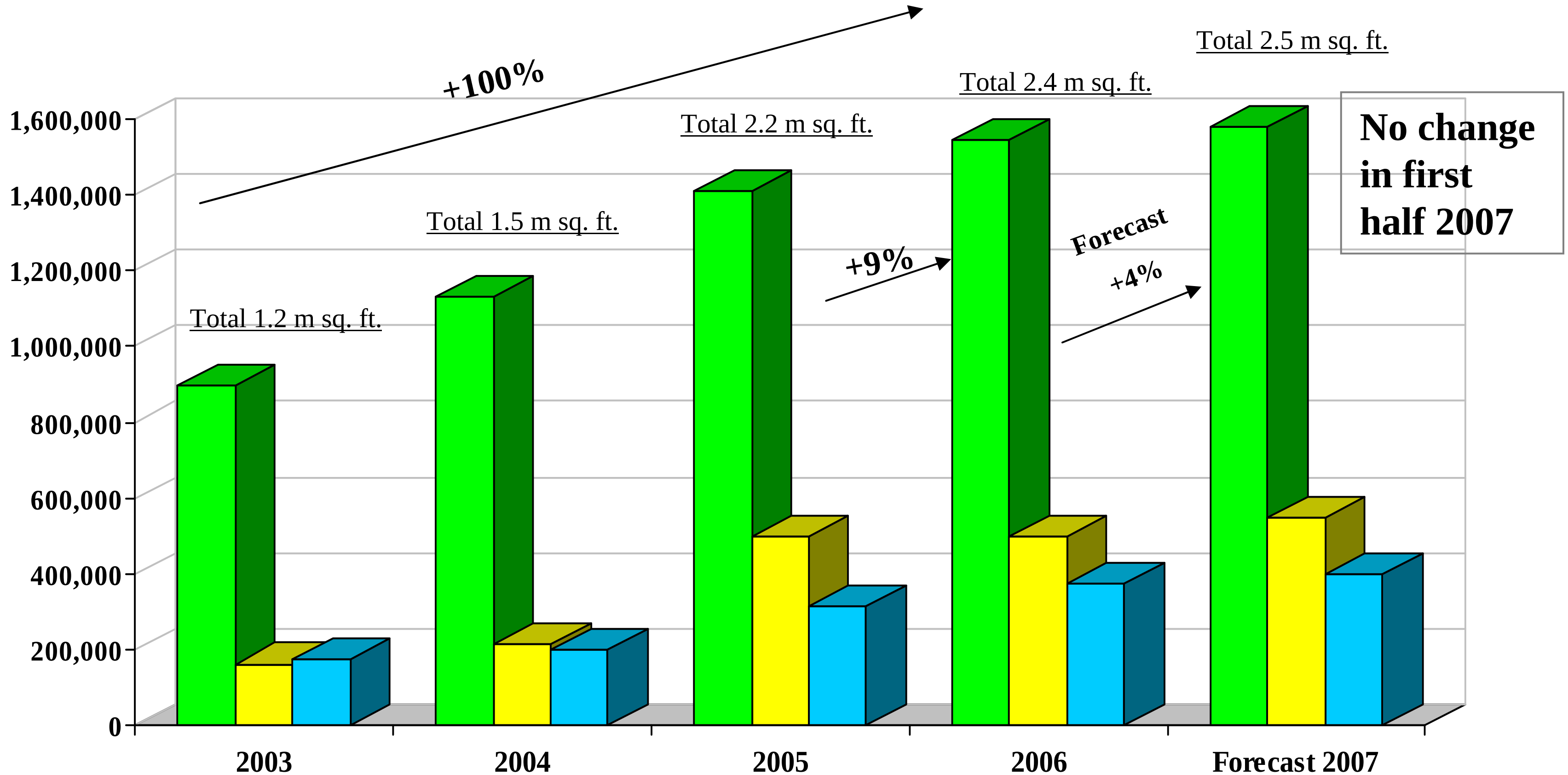
Woodie's DIY
AND GARDEN CENTRES
There's no better buy in DIY

ATLANTIC HOMECARE






# Comparison of DIY Store Sizes in the Republic of Ireland




| | 2003 | 2004 | 2005 | 2006 | Forecast 2007 |
|---|---|---|---|---|---|
| Woodie's & Atlantic | 73% | 73% | 64% | 64% | 62% |
| B & Q | 13% | 14% | 22% | 21% | 22% |
| Homebase | 14% | 13% | 14% | 15% | 16% |

# BUILDBASE


BUILDBASE
Elmes
BUILDBASE
Johnsons
BUILDBASE
HIREBASE
BUILDBASE
IVECO
Y742 WEY

PLUMBASE

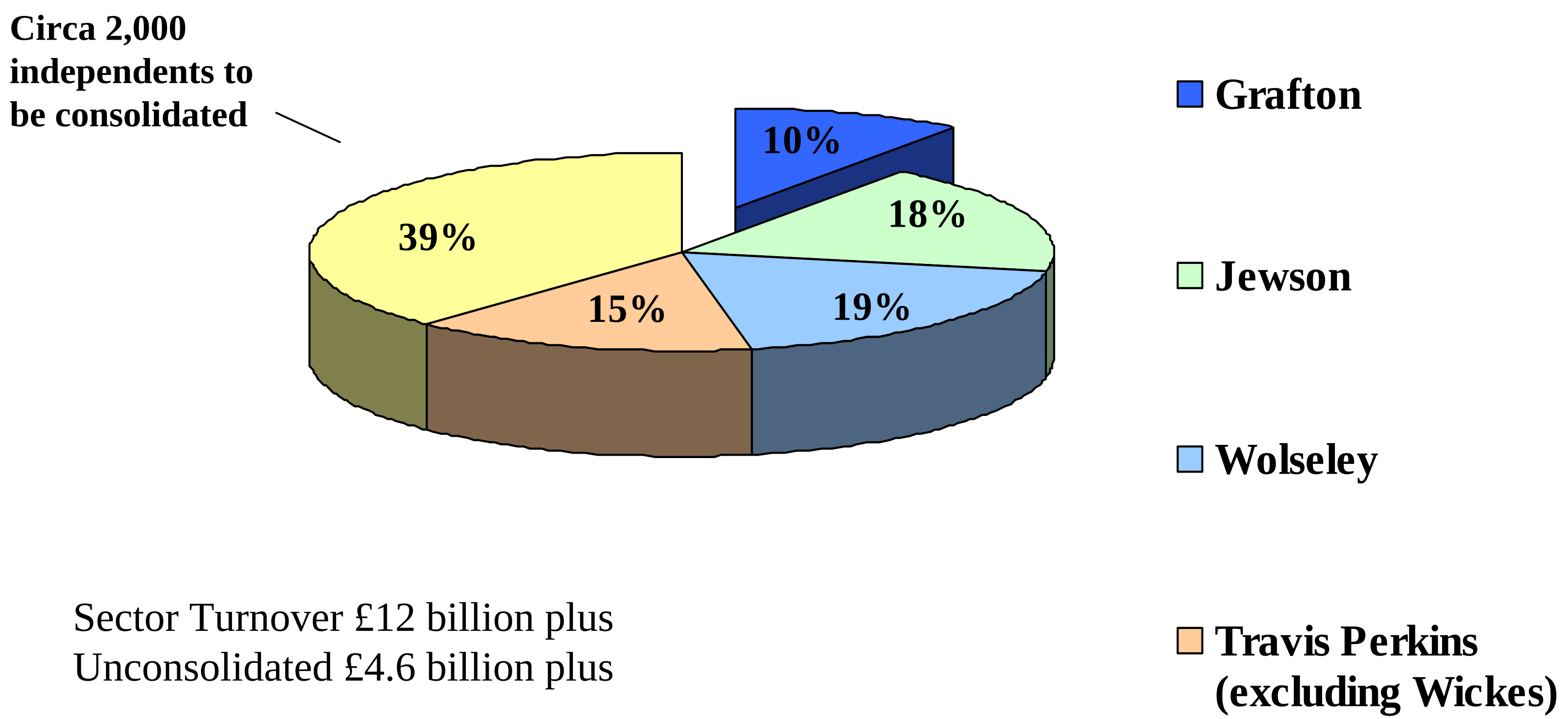
CPI

EuroMix



# Build on our Experience


# UK Merchanting League Table




Sector Turnover £12 billion plus
Unconsolidated £4.6 billion plus

# Group Performance to December 2006

Average Per Annum Compound Growth

| | 5 Year | 10 Year | Since 1987 |
|---|---|---|---|
| Turnover | 24% | 28% | 22% |
| Adjusted EPS | 19% | 24% | 26% |
| Share purchase/ dividend per share | 20% | 25% | 23% |

# Research Coverage

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# For Further Information

| | |
|---|---|
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| Colm ó Nualláin | Finance Director |
| Leo Martin | Chief Operating Officer |
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