



Final Results 2008



Profile

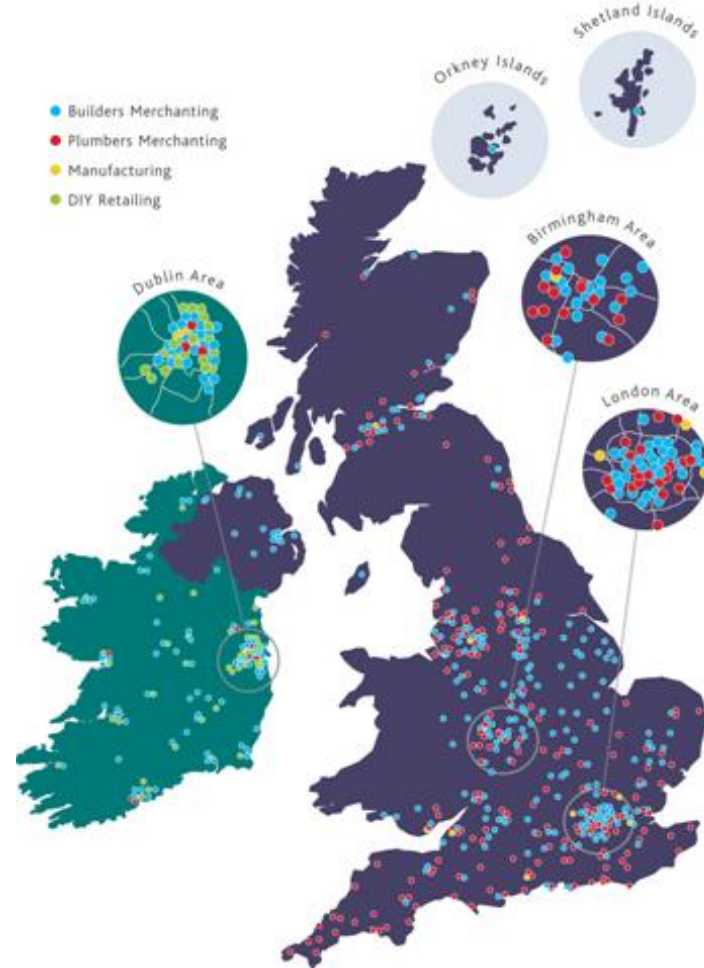
- ❖ UK and Ireland based Building Materials Group
- ❖ Principal activities
 - Builders and Plumbers Merchanting
 - DIY Retailing in Ireland
 - Dry Mortar Manufacturing
- ❖ Annual turnover €2.7 billion
- ❖ Market leader or strong market positions
- ❖ Trading from over 589 locations in the UK and Ireland
- ❖ 10,400 employees



Group Locations

589 Trading Locations

- Builders Merchants
- Plumbers Merchants
- Manufacturing
- DIY Retailing





Principal Brands – UK and Northern Ireland

BUILDBASE

PLUMBASE



EuroMix



 **MACNAUGHTON BLAIR**





Principal Brands – Irish Merchandising and Manufacturing





Irish Retail Brands





Best placed to weather the storm

Reasons:

- ◆ A profitable and cash generative business. Adjusted operating profit of €18.6m in 2008
- ◆ Free Cash Flow of €206m in 2008
- ◆ A cash conversion ratio of 207% in 2008 (90% in 2007)
- ◆ €225 million in available cash deposits to finance operations and loan repayments
- ◆ More than adequate cash on hand
- ◆ 63% of turnover in UK - €1.7 billion
- ◆ 63% of operating profit now in UK
- ◆ Net debt at €436 million or 50% gearing
- ◆ Strong Balance Sheet
- ◆ No P&L or EBITDA ratio bank covenants. Minimum net worth covenants and 100% maximum net debt are principal bank commitments
- ◆ Rationalisation well advanced with significant cost reduction in excess of €45 million annually already in place
- ◆ Tight credit control exercised across the Group and Debtor Insurance in place for over 60% of the Debtors ledger



2008 Financial Highlights

Turnover	→	€2,673 million	-17%
Operating Profit *	→	€118.6 million	-55%
Operating Margin *	→	4.4%	-
Profit before Tax	→	€64.1 million	-73%
Adjusted EPS *	→	32.2 cent	-62%
Basic EPS	→	25.1 cent	-71%
Free Cash Flow	→	€206 million	-13%
Rationalisation + Pension costs	→	€17.2 million	
Annual cost savings achieved	→	€45 million	

* before intangible amortisation and restructuring costs



Cash Generation

	2008	2007
	€million	€million
Operating profit (before restructuring costs)	116.4	263.5
Restructuring costs	(17.2)	-
Operating profit	<u>99.2</u>	<u>263.5</u>
Depreciation, amortisation & other	54.5	63.6
Asset disposals	<u>6.3</u>	<u>33.3</u>
Total cash inflow	160.0	360.4
Replacement capital expenditure	(27.7)	(49.0)
Interest (net) & tax	(38.4)	(61.0)
Working capital movement	<u>111.7</u>	<u>(14.4)</u>
Free cash flow	<u>205.6</u>	<u>236.0</u>
Market capitalisation – 25 February 2009	<u>305</u>	<u>1,245</u>
Net debt	€436 m	€550 m
Gearing	50%	52%

Cash Conversion Ratio in 2008 was 2 to 1



Action taken to improve cash position

	1 st Half	2 nd Half	Year
Working capital reduction	€45.5m	€66.2m	€111.7m
Capital expenditure	€62.0m	€16.6m	€78.6m
Acquisition spend	€25.3m	€2.8m	€28.1m
Dividends	€23.0m	€11.5m	€34.5m



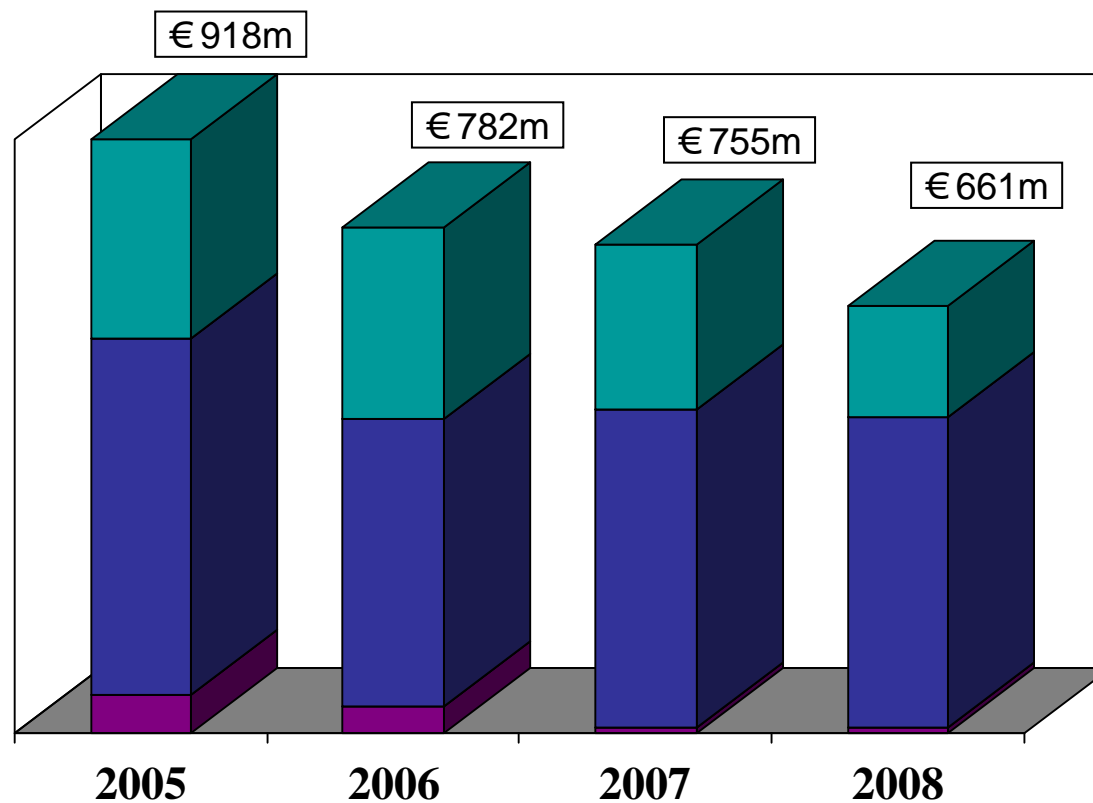
Net Debt Position and Maturity

	€million
Gross Debt	661
Cash + Cash Equivalent	(225)
Net Debt	436
Gearing	50%
Gross Debt Maturities	
2009	109
2010	43
2011	319
2012	146
2013 - 2015	44
Total	661

- Undrawn Committed Bank facilities of €67.4 million
- No Interest cover covenants and no EBITDA ratio covenants with any Bank
- €152m of loan repayments due in 2009 and 2010 covered 1.5 times by €225m available cash



Funding Structure - Type of Gross Debt



■ Overdraft / Leases ■ Bank loans ■ US Private Placement



Top 10 Debtors in UK and Ireland

	Ireland €000	UK £'000	Total in Euro - 95.25p.
1	1,567	982	
2	1,169	678	
3	590	626	
4	494	619	
5	393	615	
6	340	588	
7	335	562	
8	310	541	
9	303	443	
10	<u>225</u>	<u>394</u>	
	€5,726	£ 6,048	€12,076
Insurance + Provisions	<u>€1,457</u>	<u>£ 2,866</u>	<u>€7,466</u>
Net	<u>€1,269</u>	<u>£ 3,182</u>	<u>€4,610</u>
Total Group			
Total trade debtors			€73,885
Percentage in Top 10 in both UK + Ireland			4.4 %
Net exposure of Top 10 in UK + Ireland as a Percentage of Total			1.7 %



Banking Covenants

	Actual	Bank Covenant	Capacity
100% Net Debt	50%	100%	50%
Minimum Net Worth as defined	€882m	€773m	€109m
Net Debt at December 2008	€436m	€869m	€433m

Headroom ranges up to €400 million depending on loan provider



Accelerated Group Integration

- **Grafton Merchanting GB:**
 - Merchanting GB formed successfully
 - Buildbase
 - Plumbase
 - Jackson

- **Grafton Merchanting ROI:**
 - Heiton Buckley and Chadwicks Head Offices integrated
 - Regional structure changed



Rationalisation measures

- Employee base reduced in both Ireland and UK
 - Cost reduction initiatives progressed with significant results
 - Internet based tendering
 - Chinese facility established
 - Small number of stores closed
 - Credit terms from suppliers renegotiated
 - Debtors managed tightly with significant cash generation
- **Further plans to manage through crisis in 2009:**
- Store rationalisation and closure possible
 - Further rationalisation costs to be incurred

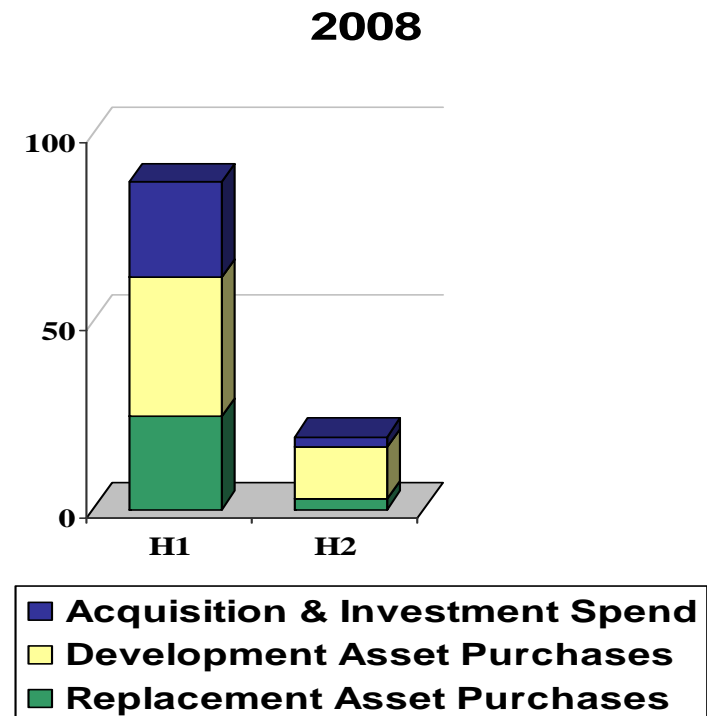
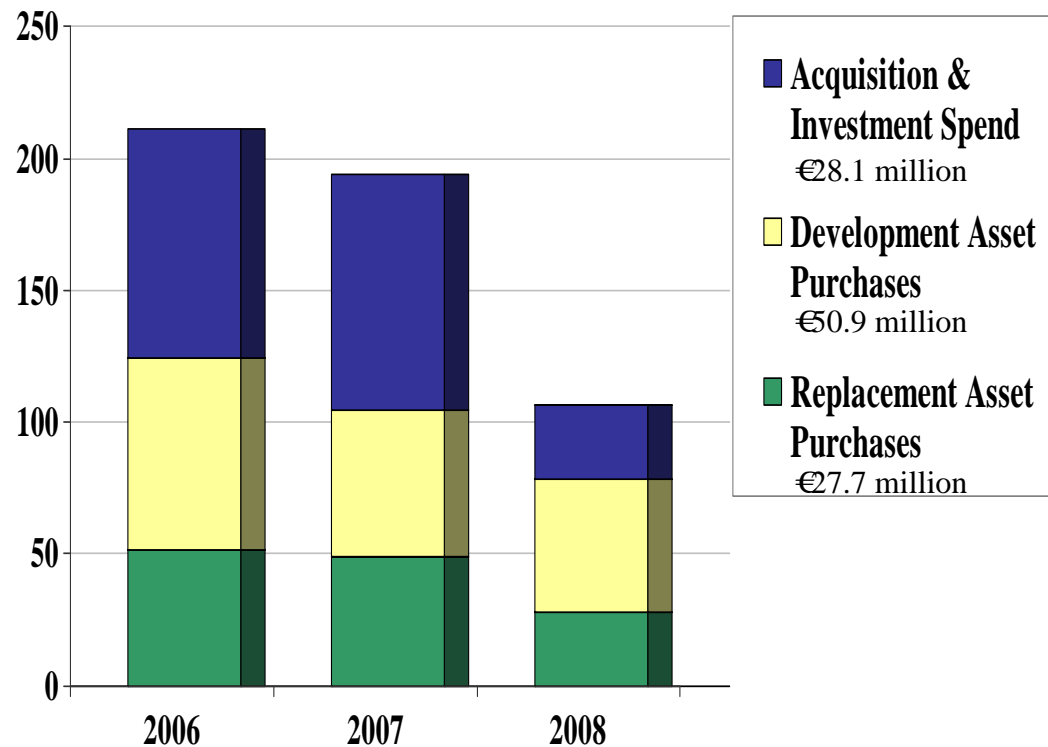


Rationalisation costs and benefits

	Cost €m	Benefit €m per annum	<u>Staff Reductions</u>	
			Employee Changes Numbers	Payroll Savings per annum €millions
UK	€3m	€25m	-806	€22m
Ireland	€9m	€20m	-692	€19m
	<hr/> €12m	<hr/> €45m	<hr/> -1,498	<hr/> €41m



Capital Expenditure and Acquisitions

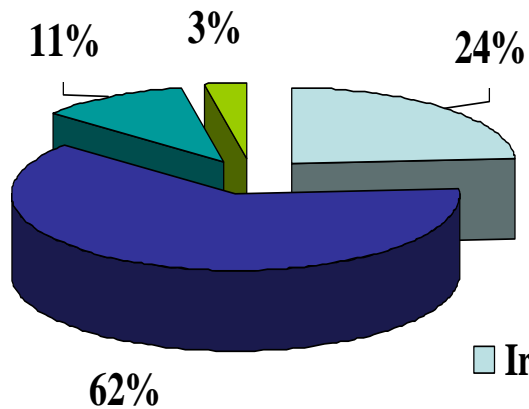




Segmental Turnover Analysis – Full Year

2008

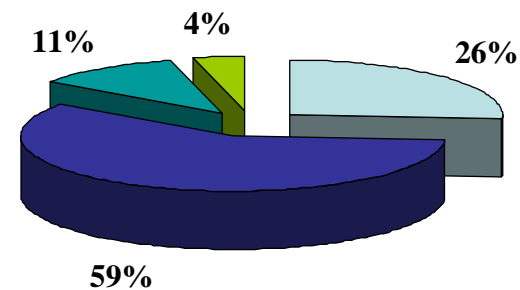
Group €2.67 billion



- Irish Merchanding
- UK Merchanding
- DIY Retail
- Irish & UK Manufacturing

2007

Group €3.2 billion



Now UK business with an Irish tail

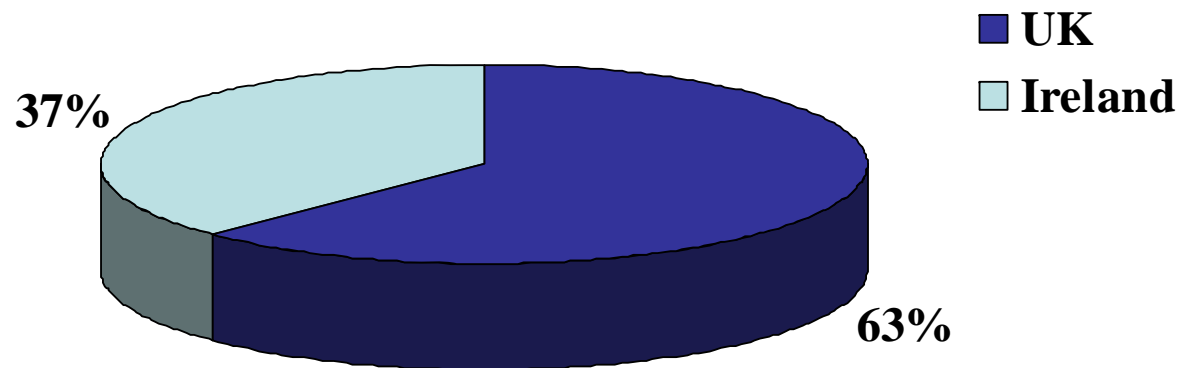


UK Sales and Operating Profit Performance 2000 to 2008

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Turnover	520.0	657.2	808.5	1,111.5	1,420.6	1,596.6	1,733.3	1,977.7	1,687.3
Operating Profit	29.2	40	53.7	78.6	108.2	108.2	114.6	142.1	74.1
Operating Profit Margin	5.6%	6.1%	6.6%	7.1%	7.6%	6.8%	6.6%	7.2%	4.4.%



UK & Irish Operating Margins



	2008	2007
UK operating margin *	4.4%	7.2%
ROI operating margin *	4.5%	10.1%
Group operating margin *	4.4%	8.3%

* before intangible amortisation and restructuring costs



Components of Change

	Turnover	Operating Profit*
	€million	€million
2007	3,205	265.8
Organic growth - Ireland	(249)	(78.9)
Organic growth - UK	(120)	(48.7)
2008 acquisitions - UK	29	1.9
2007 acquisitions - UK	47	4.3
- Ireland	2	(0.1)
New branches 2007 & 2008 and discontinued	37	(5.7)
Restructuring costs	-	(17.2)
Exchange	<u>(278)</u>	<u>(20.0)</u>
2008	<u>2,673</u>	<u>101.4</u>

* *Before intangible amortisation*



Economic Background

- ❑ Global Credit crunch seriously restricting liquidity to fund house buyers, RMI projects and commercial building
- ❑ RMI demand continues
- ❑ House completions still falling – although underlying demand remains
- ❑ Positive demographics in both Ireland and the UK to keep the pressure on for recovery in time
- ❑ Household formation groups still growing in both economies underpins long term demand
- ❑ Interest rates have fallen significantly now 2% or less
- ❑ Affordability improving with significant decline in property prices
- ❑ Government intervention at unprecedented levels

Low interest rate environment will stimulate recovery when credit becomes available



Group Strengths

- ❖ Highly cash generative and profitable businesses - free cash flow €206 million in 2008
- ❖ Deposits ensure continued access to cash.
- ❖ No P&L Banking Covenants
- ❖ Strong balance sheet – modest gearing 50%
- ❖ No material refinancing required before 2011
- ❖ 63% of turnover in UK
- ❖ Prominent market positions in the UK and Ireland – market share circa 10% and 20% respectively
- ❖ Motivated management teams
- ❖ Proven strategic record, past experience of managing down cycles

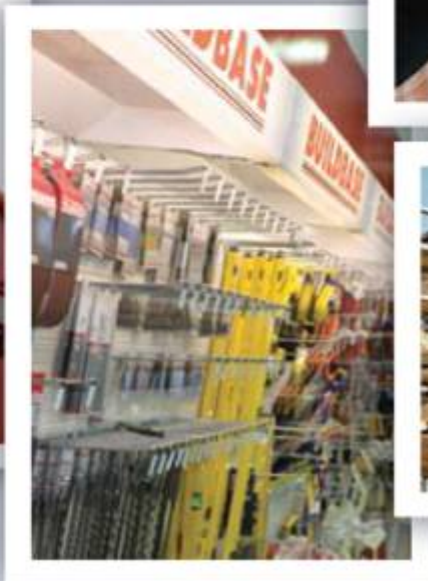
Heiton Buckley
BUILDERS MERCHANTS

CHADWICKS





BUILDBASE





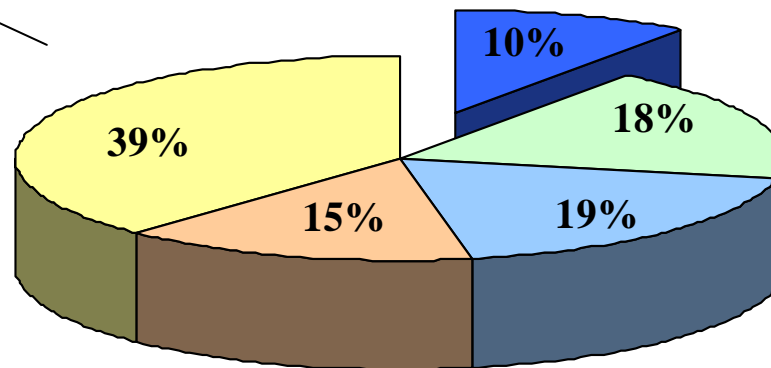
Build on our Experience





UK Merchanting League Table

Circa 2,000
independents to
be consolidated



■ Grafton

■ Jewson

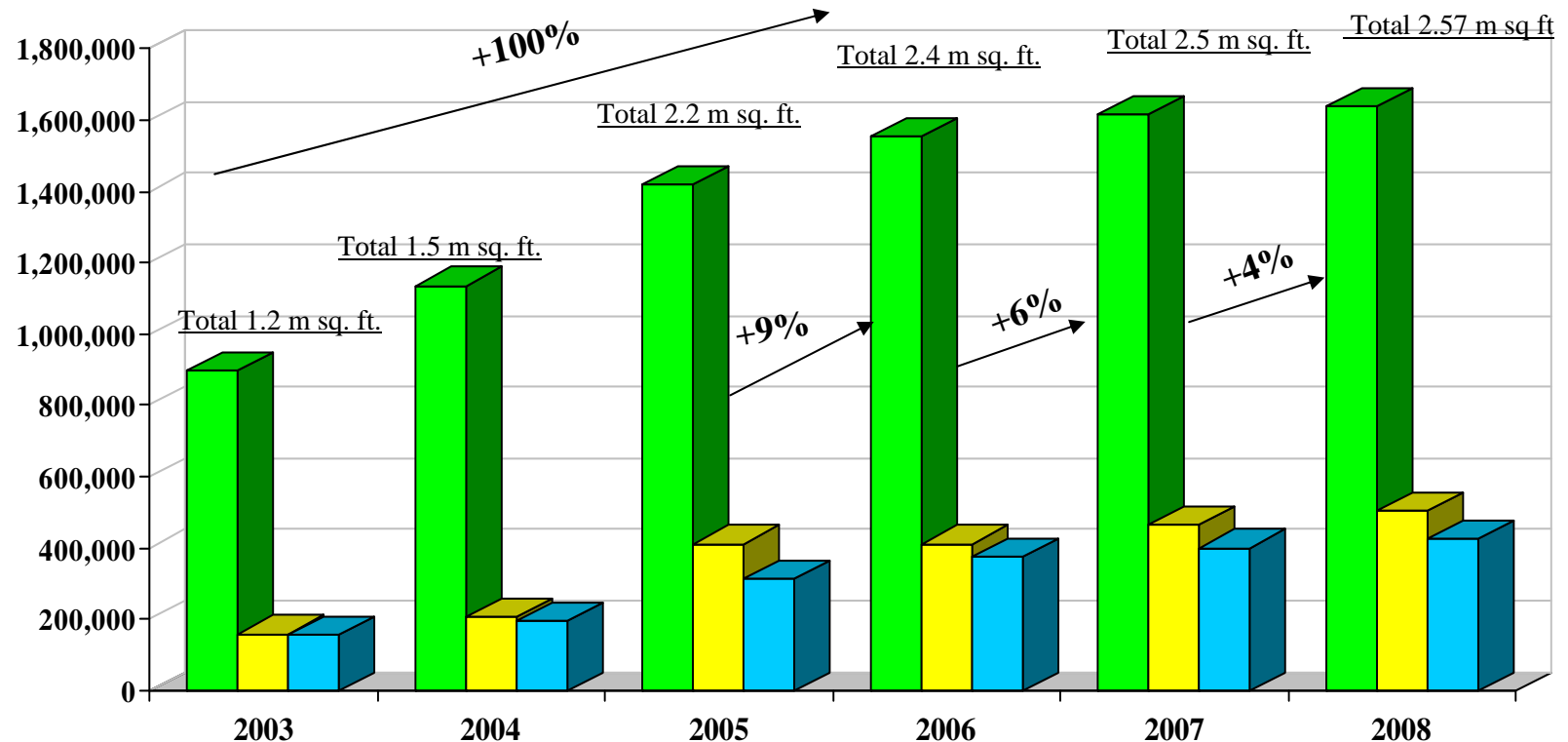
■ Wolseley

■ Travis Perkins
(excluding Wickes)

Sector Turnover £12 billion plus
Unconsolidated £4.6 billion plus



Comparison of DIY Store Sizes in the Republic of Ireland



	2003	2004	2005	2006	2007	2008
Woodie's & Atlantic	74%	74%	66%	64%	65%	63%
B & Q	13%	14%	19%	18%	19%	20%
Homebase	13%	12%	15%	16%	16%	17%



For Further Information

Michael Chadwick
Colm ó Nualláin
Leo Martin
Charles Rinn

Executive Chairman
Finance Director
Chief Operating Officer
Group Financial Controller / Secretary

Address:

Grafton Group plc,
Heron House, Corrig Road,
Sandyford Industrial Estate, Dublin 18

Telephone:

353 1 216 0600

Fax:

353 1 295 4470

Email:

email@graftonplc.com

Web:

www.graftonplc.com