



Interim Results 2009

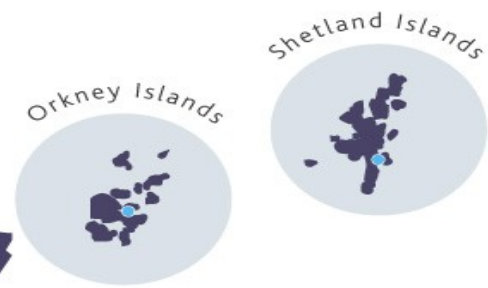


Profile

- ❖ UK and Ireland based Building Materials Group
- ❖ Principal activities
 - Builders and Plumbers Merchanting
 - DIY Retailing in Ireland
 - Dry Mortar Manufacturing
- ❖ Annualised turnover circa €2 billion
- ❖ Market leader or strong market positions
- ❖ Trading from over 585 locations in the UK and Ireland
- ❖ 9,800 employees

Trading Locations

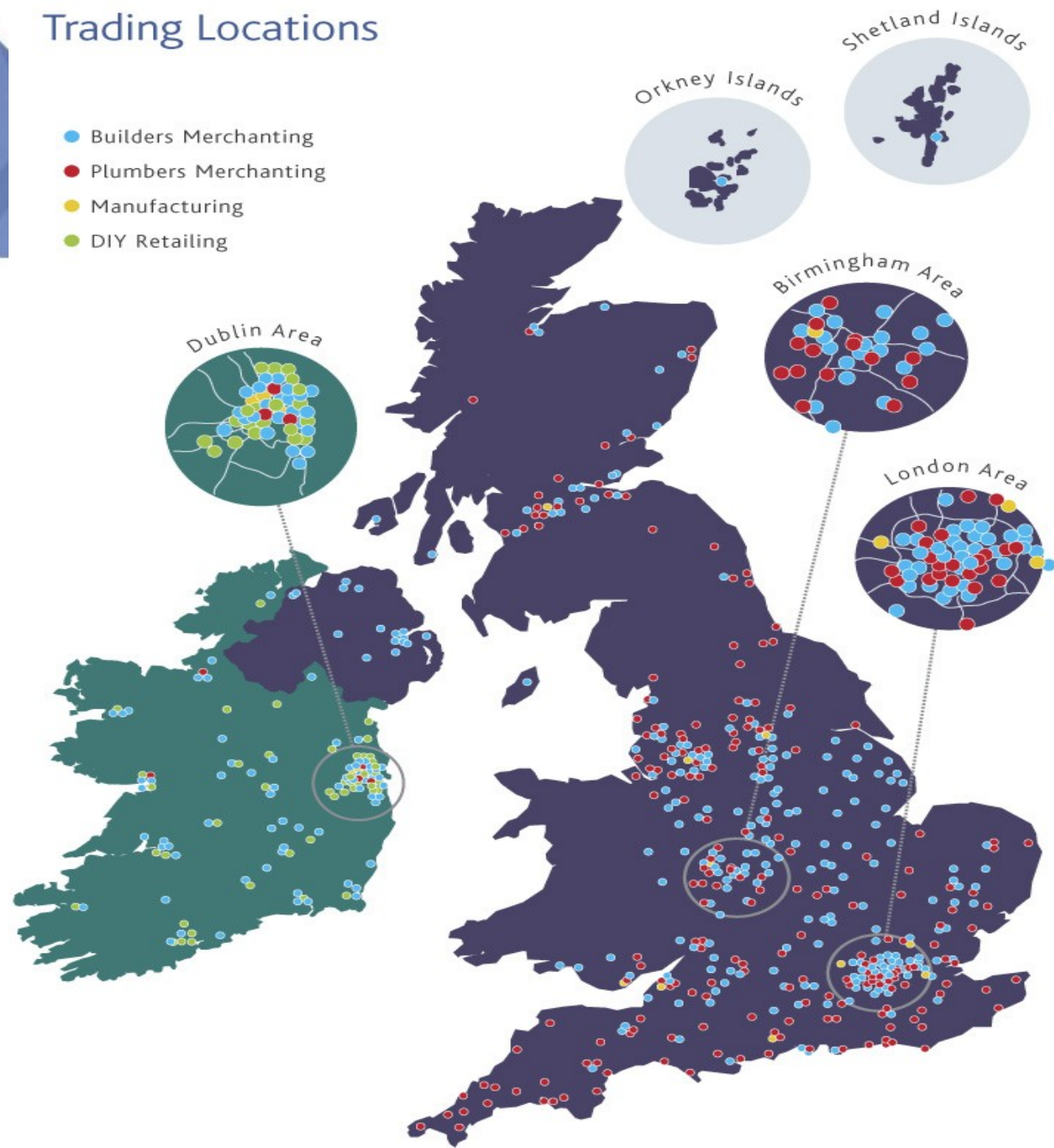
- Builders Merchants
- Plumbers Merchants
- Manufacturing
- DIY Retailing



Group Locations

585 Trading Locations

- Builders Merchants
- Plumbers Merchants
- Manufacturing
- DIY Retailing





Interim Financial Highlights - 2009

H1 2009

H2 2008

| | | H1 2009 | H2 2008 |
|------------------------------|---|----------|----------|
| Turnover | → | €990 m | €1,438 m |
| Operating (loss)/profit | → | (€8.3 m) | €71.8 m |
| Profit before tax | → | €3.7 m | €53.4 m |
| Basic EPS | → | 1.5 c | 20.2 c |
| Free cash flow | → | €90.7 m | €112.7 m |
| Rationalisation costs | → | €9.1 m | €2.0 m |
| Annual cost savings achieved | → | €70 m | |



Components of Change

| | | Turnover | Operating (loss)/ profit* |
|-----------------------------------|-----------------|-------------------|--------------------------------------|
| | | €'million | €'million |
| H1 2008 | | 1,438 | 79.6 |
| Organic change | - Merchanting | (291) | (63.5) |
| Organic change | - DIY | (27) | (8.1) |
| Organic change | - Manufacturing | (23) | (4.1) |
| 2008 acquisitions | - Merchanting | 7 | 0.1 |
| New branches 08&09 & discontinued | - Merchanting | 7 | (1.5) |
| New branches 08&09 & discontinued | - DIY | (1) | 0.3 |
| Exchange | | <u>(120)</u> | <u>(6.9)</u> |
| H1 2009 | | <u>990</u> | <u>(4.1)</u> |

•Before intangible amortisation, restructuring costs and property profit



Cash Generation

| | H1 2009 | H1 2008 |
|---|--------------------|---------------------|
| | € million | € million |
| Operating profit (before restructuring costs) | 0.8 | 78.5 |
| Restructuring costs | (9.1) | (6.7) |
| Operating (loss)/profit | <u>(8.3)</u> | <u>71.8</u> |
| Depreciation, amortisation & other | 21.0 | 32.4 |
| Investment profit realised in cash | 22.1 | - |
| Proceeds on asset disposals | <u>2.2</u> | <u>9.4</u> |
| Total cash inflow | 37.0 | 113.6 |
| Replacement capital expenditure | (1.8) | (24.9) |
| Interest (net) & tax | (12.7) | (19.0) |
| Working capital retention | <u>68.2</u> | <u>43.0</u> |
| Free cash flow | <u>90.7</u> | <u>112.7</u> |
| Market capitalisation @ €2.62 (2008: €3.70) | <u>604</u> | <u>851</u> |
| Net debt | €380 m | €510 m |
| Gearing | 41% | 49% |



Weathering the Storm and Well positioned for the Recovery

- ◆ A cash generative business – high level of operational leverage
- ◆ Free Cash Flow of €90.7 million in the half year
- ◆ Annualised savings now implemented yielding circa €70 million
- ◆ €270 million in available cash to finance operations and loan repayments
- ◆ 67% of turnover in UK
- ◆ Net debt at €380 million or 41% gearing
- ◆ Strong Balance Sheet
- ◆ Minimum net worth covenants and 100% maximum net debt are principal bank commitments
- ◆ No P&L or EBITDA ratio bank covenants
- ◆ €300 million headroom over minimum net worth covenant with principle bankers
- ◆ Net worth for covenant purposes protected from sterling weakness
- ◆ Tight credit control exercised across the Group



Cost Reduction Initiatives

- Incremental cost savings of €35m anticipated in H2 2009.
- Total headcount reduced from 10,400 at December 2008 to 9,800 at June 2009

| | Launched | Completed | Savings €'m | |
|---|----------|-----------|-----------------------|---|
| Phase I | 2008 | Q4 2008 | 45 | ✓ Headcount reductions |
| Phase II | 2009 | Q2 2009 | 25 | ✓ Headcount reductions ✓ Overhead cost savings |
| Annualised Savings to Date | | | <hr/> 70 | |
| Phase III | 2009 | Q4 2009 | 4 | ✓ Further integration measures |
| Anticipated Projected Annualised Savings | | | <hr/> 74 <hr/> | |

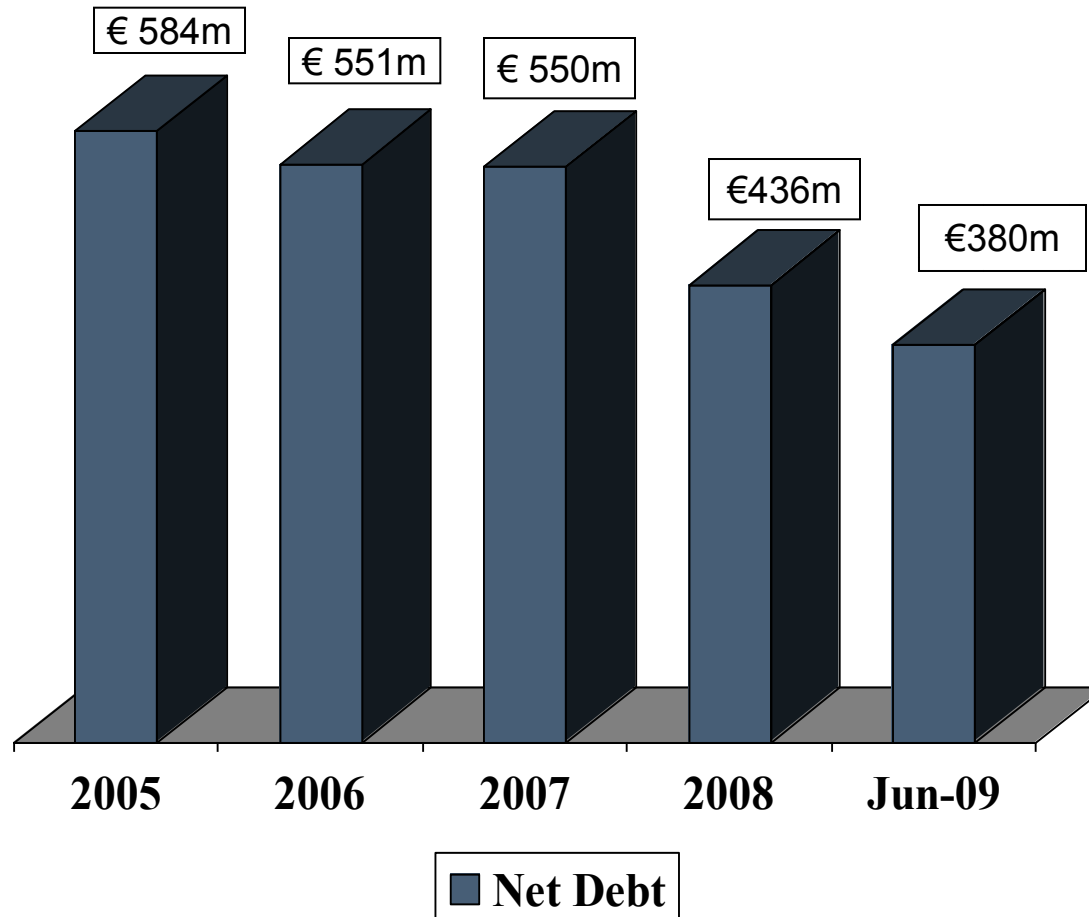


Action taken to improve cash position

| | 1st Half 2009 | 1st Half 2008 | Year 2008 |
|-------------------------------------|-------------------------------------|-------------------------------------|----------------------|
| Working capital reduction | €68.2m | €43.0m | €109.2m |
| Capital expenditure | €7.2m | €62.0m | €78.6m |
| Acquisition/investment spend | €3.7m | €25.3m | €28.1m |
| Share purchase / dividend | €5.8m | €23.0m | €34.5m |



Reducing Net Debt

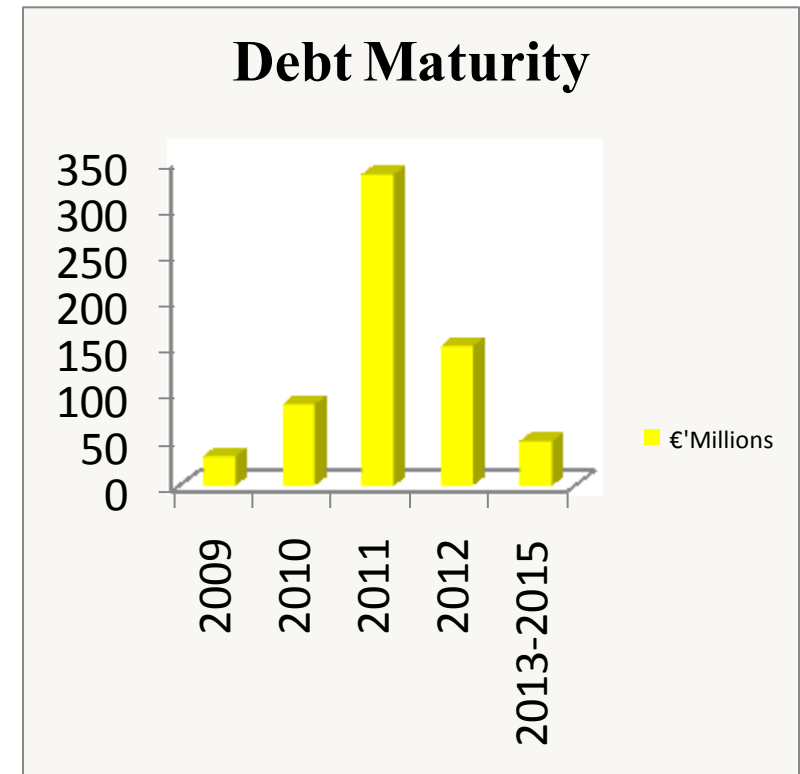


- ☐ Strengthened balance sheet
- ☐ Sustained reduction in gearing & net debt
- ☐ Good liquidity, positive free cash flow and high cash deposits



Net Debt Position and Maturity

| | €'million |
|------------------------------|------------|
| Gross Debt | 650 |
| Cash | (270) |
| Net Debt | 380 |
| Gearing | 41% |
| Gross Debt Maturities | |
| 2009 | 31 |
| 2010 | 87 |
| 2011 | 335 |
| 2012 | 150 |
| 2013 - 2015 | 47 |
| Total | 650 |



❖ No Interest cover covenants and no EBITDA ratio covenants with any Bank

❖ €118m of loan repayments due in 2009 and 2010 covered 2.3 times by €270m available cash



Banking Covenants

| | Actual | Bank Covenant | Headroom 2009 | Headroom Dec 2008 |
|------------------------------|---------------|--------------------------|--------------------------|------------------------------|
| Minimum Net Worth as defined | €1,075m | €775m | €300m* | €109m |
| Net Debt at 30 June 2009 | €380m | €930m | €550m | €433m |

* Excluding revolving loan facilities



Rationalisation measures - continue

- Employee base reduced in both Ireland and UK
- Cost reduction initiatives progressed with significant results
- 10 locations consolidated or closed and six new locations added
- Credit terms from suppliers renegotiated
- Debtors managed tightly with significant cash generation

Further plans to manage through 2009:

- Store rationalisation and closure still possible
- Further rationalisation costs to be incurred in second half



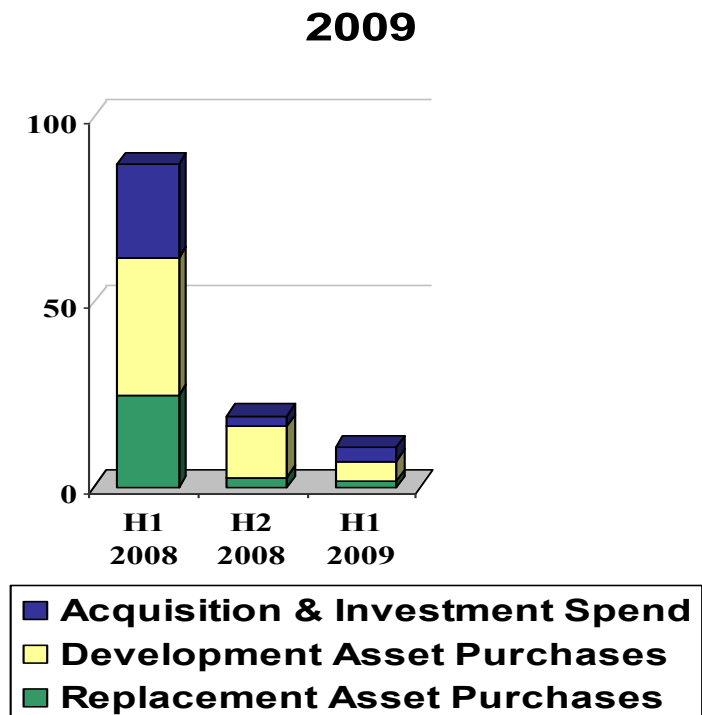
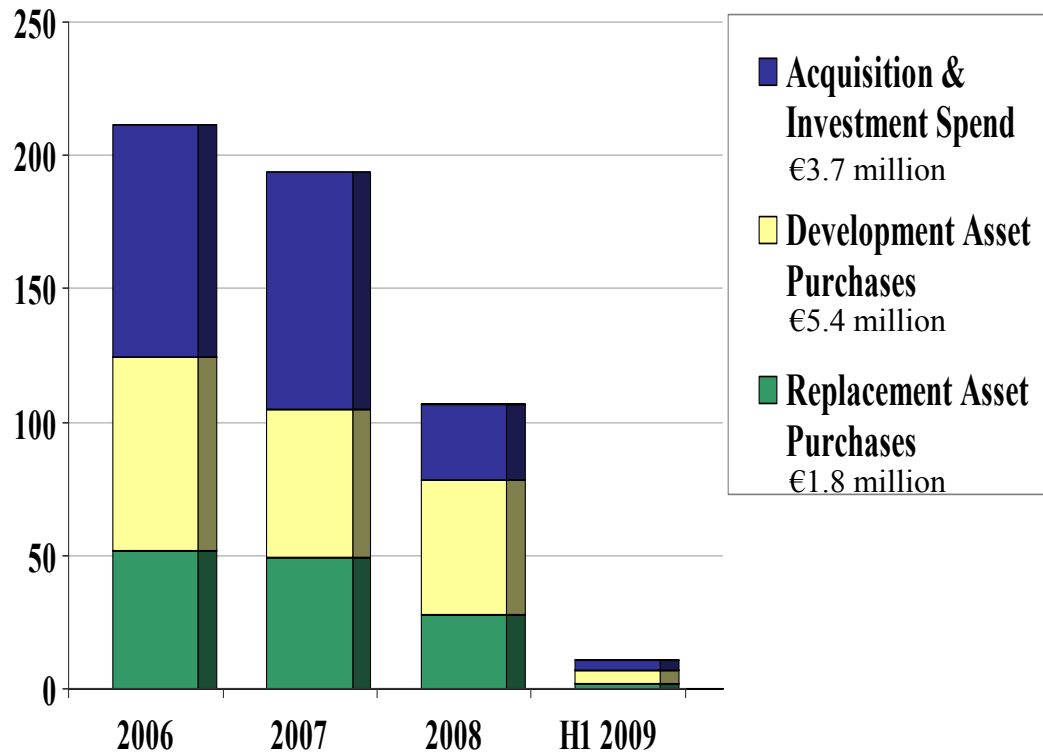
Rationalisation costs and benefits

| | Restructuring Cost 18 months to June 2009 €'m | Benefit per annum €'m |
|----------------|--|--------------------------------------|
| UK | €5m | €38m |
| Ireland | €16m | €32m |
| | <u>€21m</u> | <u>€70m</u> |

| <u>Staff Reductions – 18 months to June 09</u> | |
|--|--------------------------------------|
| Employee Changes | Payroll Savings per annum |
| Numbers | € millions |
| -1,148 | €31m |
| -1,063 | €30m |
| <u>-2,211</u> | <u>€61m</u> |



Capital Expenditure and Acquisitions

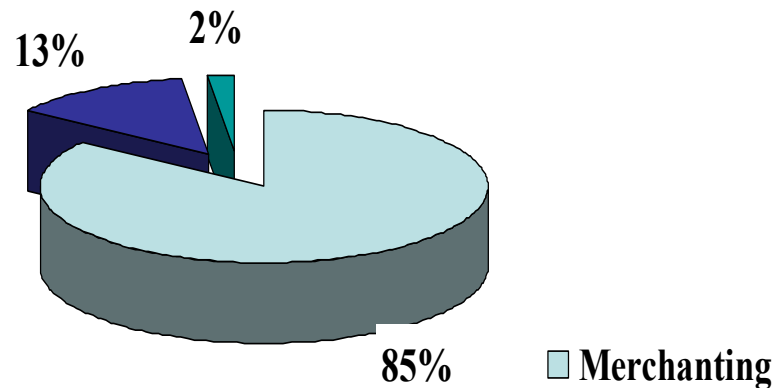




Segmental Turnover Analysis – First Half

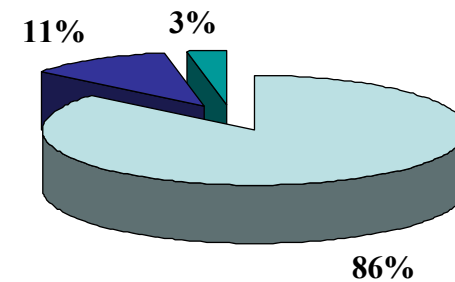
2009

Group €0.99 billion



2008

Group €1.44 billion



- Merchancing
- DIY Retail
- Manufacturing

Strategically poised to benefit from a UK recovery



UK Sales and Operating Profit Performance 2000 to 2009

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | H12009 |
|--------------------------------|-------|-------|-------|---------|---------|---------|---------|---------|---------|--------|
| 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 | 659.9 |
| Operating Profit | 29.2 | 40 | 53.7 | 78.6 | 108.2 | 108.2 | 114.6 | 142.1 | 74.1 | 11.6 |
| Operating Profit Margin | 5.6% | 6.1% | 6.6% | 7.1% | 7.6% | 6.8% | 6.6% | 7.2% | 4.4.% | 1.8% |

| | 2008 | | 2009 |
|--------------------------------|-------|-------|-------|
| | H1 | H2 | H1 |
| Turnover | 907.3 | 780.0 | 659.9 |
| Operating Profit | 51.8 | 22.3 | 11.6 |
| Operating Profit Margin | 5.7% | 2.9% | 1.8% |



Economic Background

UK

- Macro Economic Indicators slowly improving in the UK
- Mortgage lending increasing from low base
- Housing starts rising from low base
- House prices stabilising / increasing

UK & ROI

- Interest rates at historical lows
- RMI demand continues
- Underlying demand for housing 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 1% or less
- Affordability improving with significant decline in property prices
- Government intervention at unprecedented levels

Some signs of an improvement in credit availability (although on tighter terms)



Group Strengths

- ❖ Highly cash generative streamlined businesses
- ❖ Significant cash deposits ensures liquidity
- ❖ No P&L Banking Covenants - protection from exchange fluctuations now in banking agreements
- ❖ Strong balance sheet – modest gearing 41%
- ❖ No material refinancing required before 2011
- ❖ 67% 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

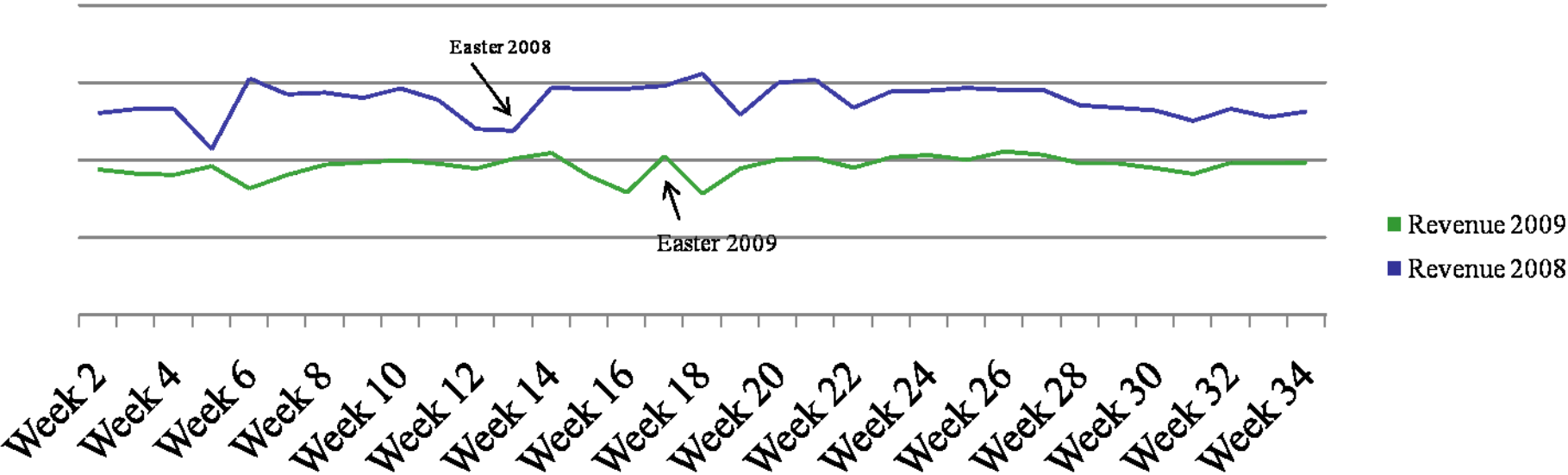


Top 10 Debtors in UK and Ireland

| | Ireland 27 Aug 09 €'000 | Ireland Dec 08 €'000 | UK 27 Aug 09 £'000 | UK Dec 08 £'000 | Total in Euro |
|-----------------------------|-------------------------------|----------------------------|--------------------------|-----------------------|---------------|
| 1 | 1,750 | 1,567 | 831 | 982 | |
| 2 | 991 | 1,169 | 603 | 678 | |
| 3 | 850 | 590 | 491 | 626 | |
| 4 | 610 | 494 | 341 | 619 | |
| 5 | 581 | 393 | 339 | 615 | |
| 6 | 540 | 340 | 333 | 588 | |
| 7 | 461 | 335 | 319 | 562 | |
| 8 | 439 | 310 | 305 | 541 | |
| 9 | 310 | 303 | 302 | 443 | |
| 10 | <u>309</u> | <u>225</u> | <u>301</u> | <u>394</u> | |
| | €6,841 | €5,726 | £ 4,165 | £6,048 | |
| 2009 Total in Euro – 87.95p | | | | | €11,576 |
| 2008 Total in Euro – 95.25p | | | | | €12,076 |



Turnover Trend Analysis Year on Year





Principal Brands – UK and Northern Ireland

BUILDBASE

PLUMBASE



EuroMix

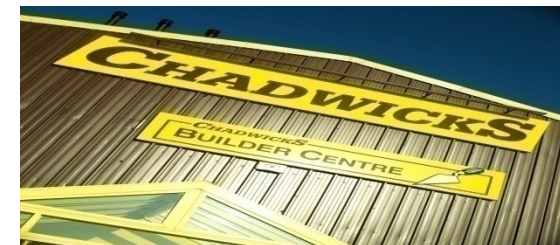


MACNAUGHTON BLAIR





Principal Brands – Irish Merchandising and Manufacturing





Irish Retail Brands



Heiton Buckley
BUILDERS MERCHANTS

CHADWICKS



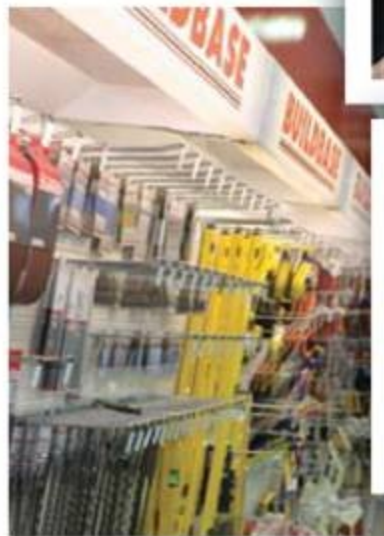
Woodie's DIY
AND GARDEN CENTRES

There's no better buy in DIY

**ATLANTIC
HOMECARE**



BUILDBASE





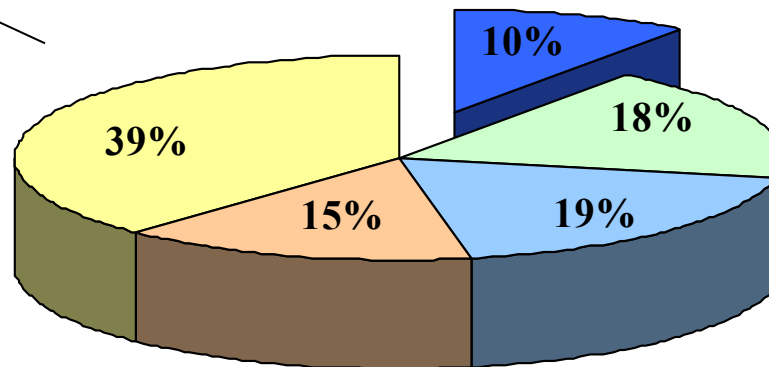
Build on our Experience





UK Merchanting League Table

Circa 2,000
independents to
be consolidated



■ Grafton

■ Jewson

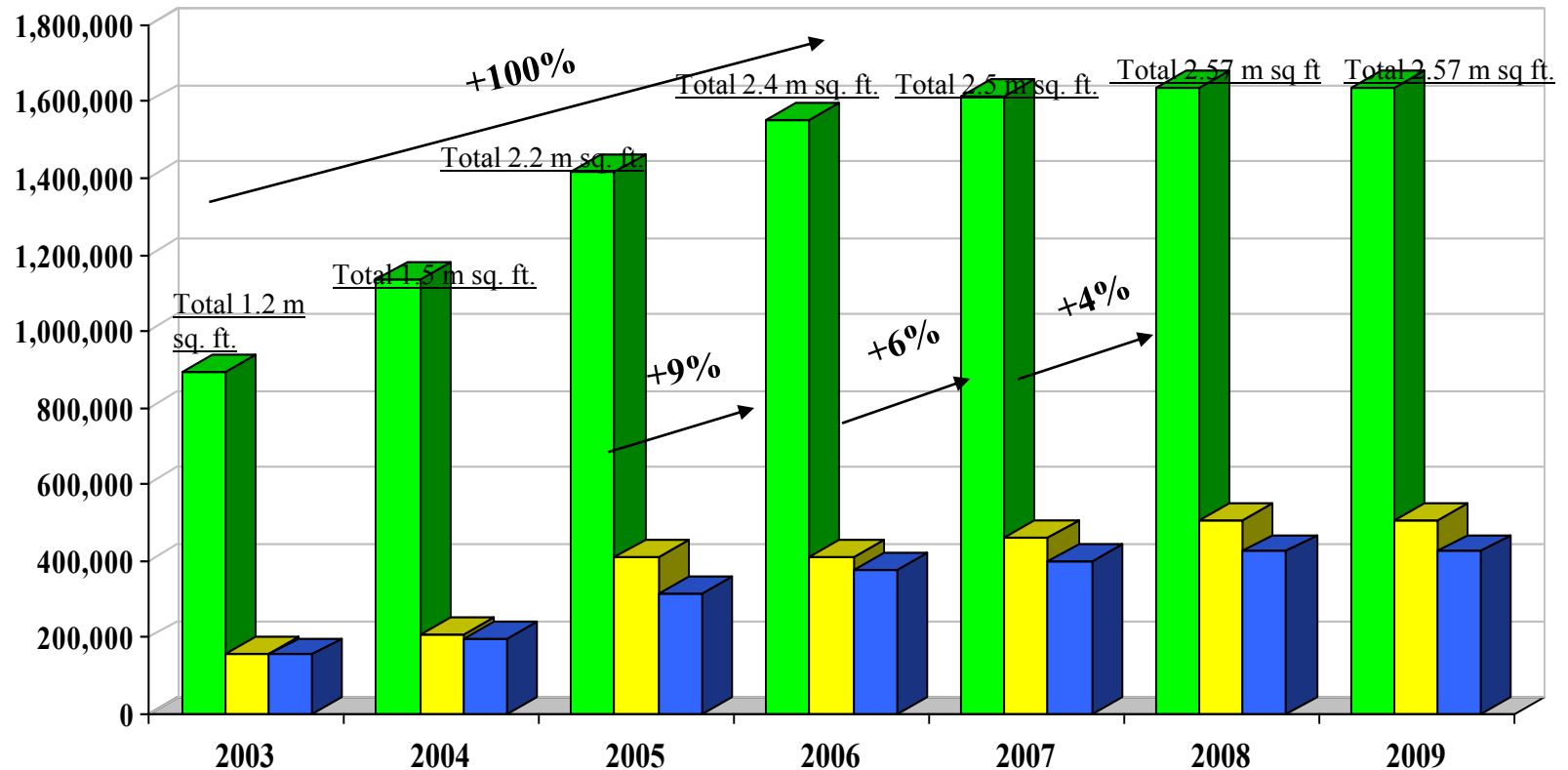
■ Wolseley

■ Travis Perkins
(excluding Wickes)

Sector Turnover £12 billion plus
Unconsolidated £4.6 billion plus



Comparison of DIY Store Sizes in the Republic of Ireland



| | | | | | | | |
|---------------------|-----|-----|-----|-----|-----|-----|-----|
| Woodie's & Atlantic | 74% | 74% | 66% | 64% | 65% | 63% | 63% |
| B & Q | 13% | 14% | 19% | 18% | 19% | 20% | 20% |
| Homebase | 13% | 12% | 15% | 16% | 16% | 17% | 17% |

Grafton Group plc

Interim Results 2009



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