

FINAL RESULTS 2010

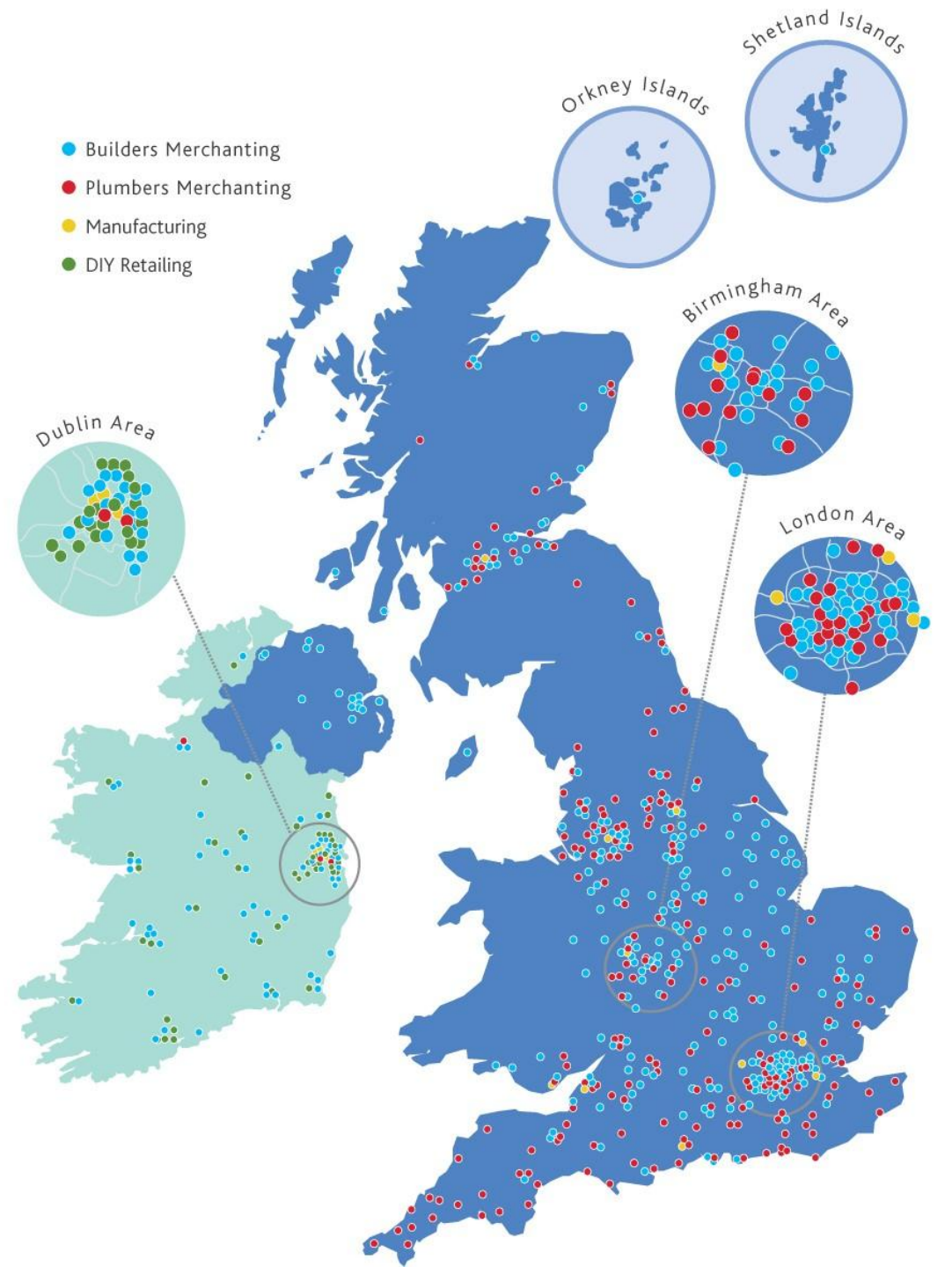


Profile

- ❖ UK and Ireland based Building Materials Group
- ❖ Principal activities
 - Builders Merchenting (No. 1 in ROI, No. 3 in UK)
 - Plumbers Merchenting (No. 2 in ROI, No 4 in UK)
 - DIY Retailing in Ireland (No. 1 in ROI)
 - Dry Mortar Manufacturing (No. 1 in UK)
- ❖ Turnover of €2 billion
- ❖ Market leader or strong market positions
- ❖ Trading from 580 locations in the UK and Ireland
- ❖ 9,050 employees

Group Locations

- Builders Merchanding
- Plumbers Merchanding
- Manufacturing
- DIY Retailing





Final Results Comments for 2010

Improving
Turnover

- ❖ Improving turnover trends in H1 were sustained in H2 despite impact of very poor weather in Q4 2010

Profit Recovery

- ❖ Strong profit recovery experienced throughout 2010 – Merchenting in particular

Demand
Fundamentals

- ❖ Demand fundamentals for Grafton UK Merchenting – particularly in RMI market remain strong

Stabilisation
Irish Market

- ❖ Both Irish Merchenting & DIY markets stabilising

Refinancing
Completed

- ❖ Refinancing of €280m of Group debt completed in August 2010 - extended maturity profile of net debt
- ❖ Bank facilities offered were substantially oversubscribed
- ❖ HSBC Corporate Banking Ireland new provider of finance for Group

Latent
Operational
Leverage

- ❖ Groups lower cost base and spare capacity means well placed to benefit from cyclical growth and development opportunities as they arise throughout 2011 and into the future.



Grafton Group – Reasons for Optimism

- Well positioned for recovery – reduced cost base
- Strong position in UK Merchanting market (>70% of Group Turnover)
- Now back into profit growth - Group experiencing strong profit recovery
- Consistent focus on development and growth of business
- Good history of distributions to shareholders – return to dividend growth
- Well capitalised balance sheet - shareholders funds €990m
- Financial flexibility maintained with undrawn committed bank facilities and available cash reserves
- Modest gearing at 26%
- Experienced acquirers participating in industry consolidation
- Geographical expansion planned as part of future strategy
- Management succession issue clarified



Final Financial Highlights ~ 2010

	2010	2009	% Growth
Turnover	€2,004m	€1,980m	1%
EBITDA	€95.1m	€74.1m	28%
Adjusted Operating profit ***	€50.6m	€26.2m	93%
Operating profit	€33.0m	€4.9m	576%
Basic EPS	27.7c	5.8c	376%
Adjusted EPS#	18.5c	5.4c	246%
Free cash flow	€95 m	€171m	

***Before intangible amortisation €2.2m (2009:€2.2m), impairment €10.0m (2009:€5.5m) & restructuring costs €5.3m (2009 €13.6m net). 2009 inclusive of property profit of €6.1m

Before intangible amortisation €2.2m (2009:€2.2m), impairment €10.0m (2009:€5.5m) & restructuring costs €5.3m (2009 €13.6m net) & before taxation credit of €38.4m in 2010



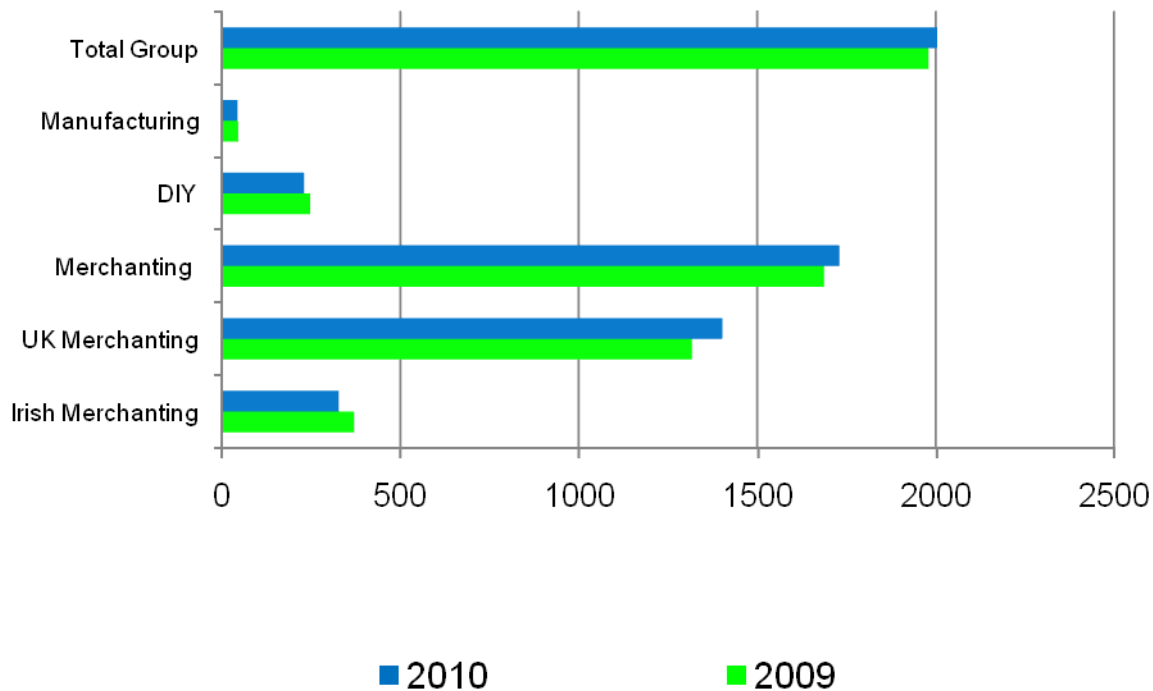
Financial Highlights 2010 ~ Summary

- Group Turnover up 1% on 2009
- Positive group like-for-like sales trends maintained since Q2 2010.
- Group adjusted operating profit up 93% on 2009.
- Dividend total for the year 7.0c - up 40% on 2009 levels
- Free cash flow of €95m
- Continued focus on controlling the controllables
 - ✓ Control capital expenditure
 - ✓ Tight working capital management
 - ✓ Further cost reduction initiatives taken and branch integration completed
 - ✓ Back in acquisitions mode – 3 small acquisitions completed during 2010
 - ✓ Acquisition of 12 plumbing and heating branches in England and Wales from Travis Perkins Group plc completed in February 2011



Segmental Turnover Analysis 2010 v 2009

Euro Turnover €'millions

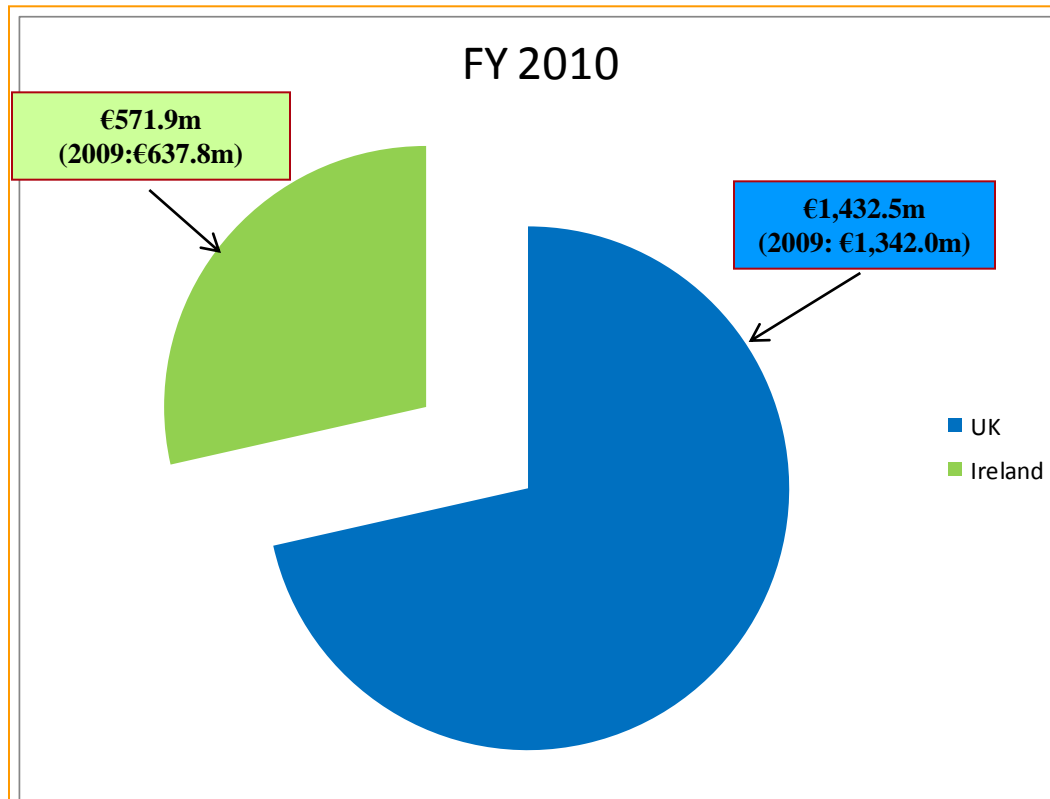


- Group Revenue up 1% to €2.0 bn.
- H2 Group Revenue up 3.6% on 2009
- Merchanding Revenue up 2.6% on 2009.
- Merchanding Improved H2 performance – Up 5% on 2009.
- Growth which returned to UK Merchanding in H1 2010 continues and grows.
- Irish Merchanding stabilising
- DIY 7% lower - consistent through out 2010, but trending towards stabilisation
- Manufacturing revenue down 4% for year.



Geographical Analysis

71% UK Based Turnover



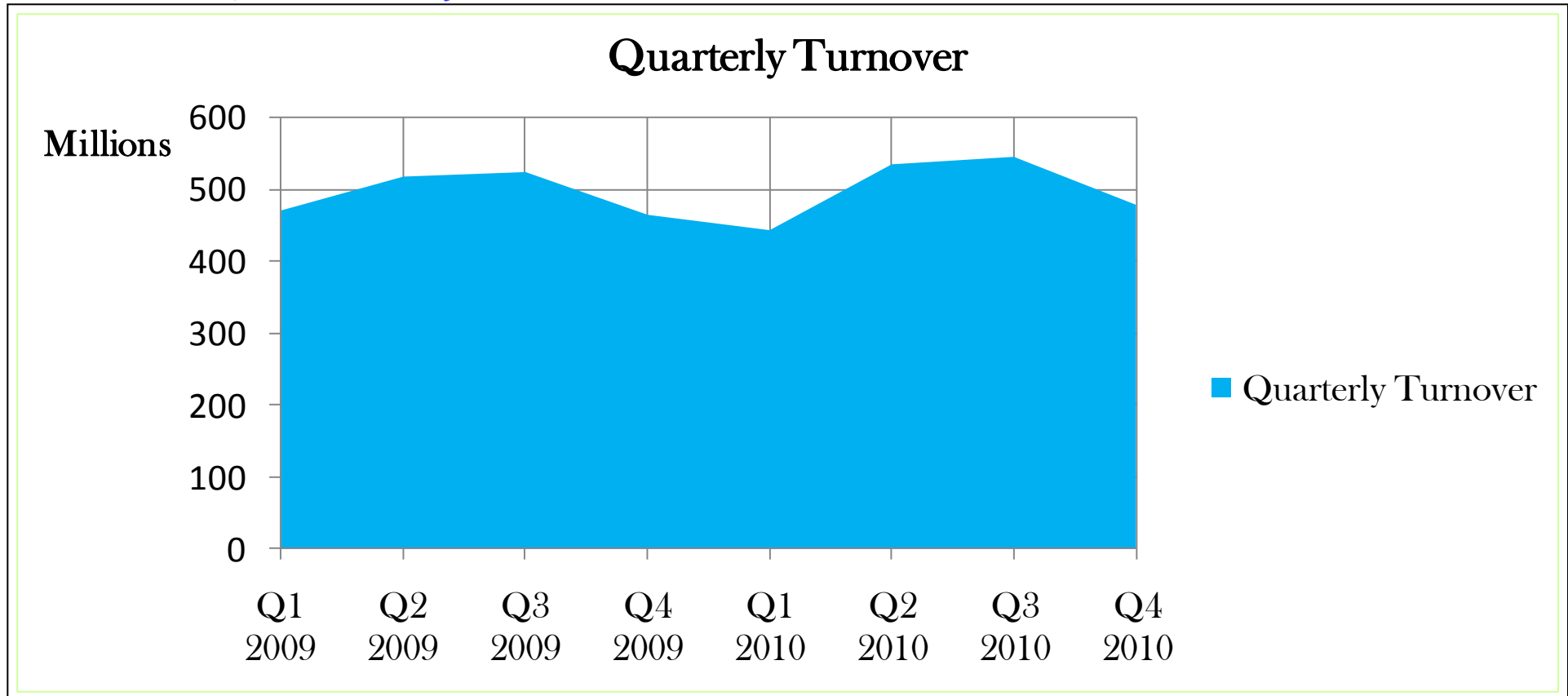
Geographical Analysis

- ❖ 71% of Group turnover generated in the UK (2009:68%)
- ❖ UK turnover up 7% (8% H2 2010)
- ❖ Republic of Ireland down 10%. (7% H2 2010)

Over 71% of turnover from UK market – Exposure to Ireland reduces



Quarterly Turnover Trends 2009 ~ 2010



Return to Modest Growth Maintained since Q2 2010



Group Operating Result– 2010

Year	2010	2009
	€m	€m
Adjusted operating profit	50.6	26.2
Restructuring costs	(5.3)	(18.9)
Intangible amortisation	(2.2)	(2.2)
Goodwill impairment	-	(5.5)
Asset Impairment provision – Ireland	(10.1)	-
Past service credit – pension scheme	=	<u>5.3</u>
Group operating profit per income statement	33.0	4.9

Significant improvement in operating results – adjusted operating profit almost doubled – up 93%



Operating Result by Segment

Period	2010			2009		
Segment	Merchanting	Retail	Manufacturing	Merchanting	Retail	Manufacturing
	€'M	€'M	€'M	€'M	€'M	€'M
Segment operating profit / (loss)	61.5	2.4	(3.5)	39.3	3.3	(5.1)
Restructuring costs	(5.1)	-	(0.2)	(17.0)	(0.5)	(1.4)
Segment operating profit / (loss) after restructuring costs	56.4	2.4	(3.7)	22.3	2.8	(6.5)
% Movement 2010 v 2009	153%	(15%)	44%			

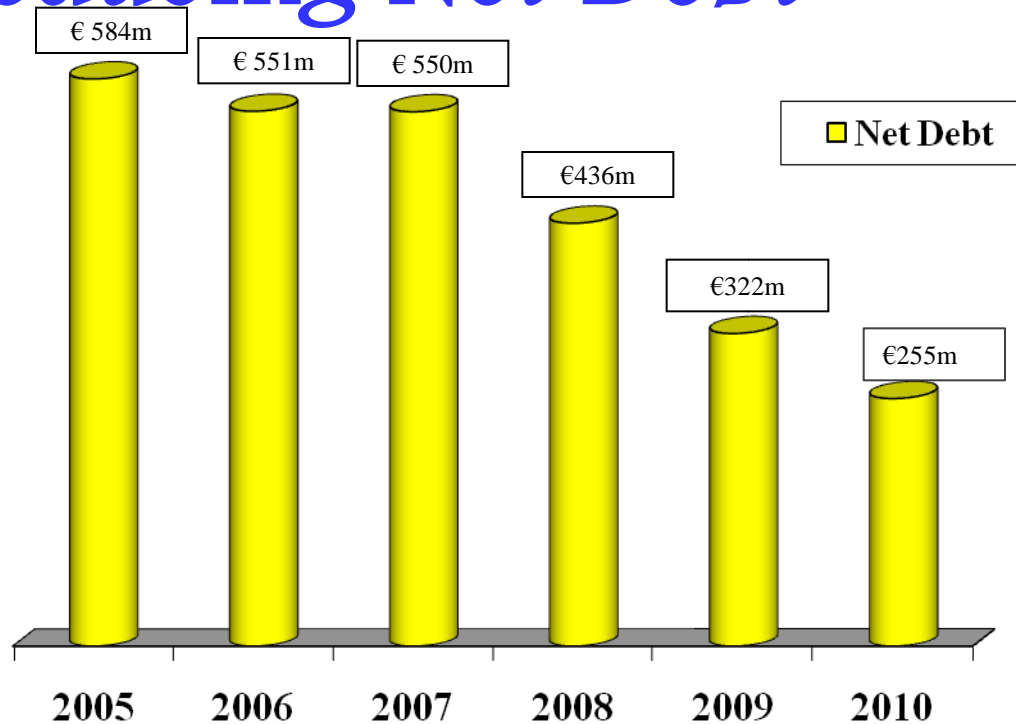
Significant improvement in Merchanting profitability levels in 2010



Cash Generation	2010	2009
	€ million	€ million
Segment operating profit (before restructuring costs)	61	38
Head office costs	(10)	(12)
Adjusted operating profit	51	26
Depreciation, impairment & other	50	57
Restructuring Costs	(5)	(19)
Investment profit realised in cash	-	22
Proceeds on asset disposals	4	13
Total cash inflow	100	99
Replacement capital expenditure	(6)	(5)
Interest (net) & tax	(8)	(17)
Working capital cash release	9	94
Free cash flow	95	171
EBIT to Cash Conversion Ratio	1.9 Times	6.6 Times



Reducing Net Debt



- €280m debt successfully refinanced in August 2010 [largely out to 2013]
- Sustained reduction in gearing & net debt
- Good liquidity, positive free cash flow and high cash deposits

▪ Debt reduced by over half (€295m or 54%) in 3 years since 2007

Year	2005	2006	2007	2008	2009	2010
Gearing	72%	54%	52%	50%	35%	26%

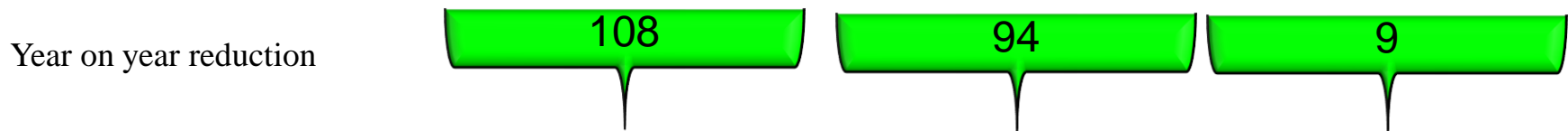


Working Capital Trends

	2007	2008	2009	2010
	€'m	€'m	€'m	€'m
Stock	386	331	265	272
Debtors	536	354	307	306
Creditors	(490)	(417)	(387)	(400)
Total	432	268	185	178



Currency & other items	(56)	11	2
------------------------	------	----	---



3 Yr Total Reduction to Dec 2010

€211m or 49%



Management Initiatives for 2011

Customer retention & growth – focus on key target & growth areas

Increase market share in key sectors, develop in smaller specialist markets

Maintain the positive operating improvements achieved in 2010 going forward

Focus on margin improvement

Working capital management & cash conversion

Continued Acquisition Activity - Group acquired 12 BSS plumbing branches from Travis Perkins operating in England & Wales on 25 February 2011



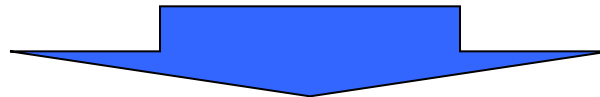
Improving Trends

- Return to like for like sales and profit growth in UK Merchanting and UK manufacturing sectors during H1 2010 maintained into H2 and 2011.
- 71% of Group turnover in UK in 2010
- Irish merchanting returned to profitability in 2010
- Continued strong cash generation
- Free cash flow of €95m for the full year
- Bank re-financing successfully completed in August 2010
- Net debt at €255 million (2009: €322m) - 26% gearing (2009: 35%)
- €234m in available liquid cash and deposits at 31 December 2010
- Strong balance sheet



Benefits of Cost Reduction Initiatives –Continues to be Evident in Results

- Total headcount reduced by further 250 during 2010 to 9,050. (Total reduction since 1st January 2008 is approx 3,000 employees)
- Almost €100m in annual cost reductions achieved from rationalisation measures implemented to date
- Like for like overheads reduced year on year in 2010 by €27m
- Tight overhead & margin management



- Return to profit growth
- Business well positioned to take full advantage of recovery and gain market share
- Significant latent operational leverage available to drive profit growth

Solid trading base now established –delivered strong rebound in earnings in 2010
Expected to continue over coming years as markets normalise



Rationalisation Costs and Benefits

	Restructuring Cost 36 months to December 2010 €' millions	Benefit per annum €' millions	<u>Staff Reductions – 36 months to December 2010</u>	
			Employee Changes Numbers	Payroll Savings per annum € millions
UK	10	50	-1,564	42
Ireland	27	42	-1,450	41
	37	92	-3,014	83

Almost €100m in Annual Cost Reductions Now Achieved



Operating Margin History (Core – before central costs)

Year	UK	ROI	Group
2000	5.9%	12.7%	8.4%
2001	6.3%	13.1%	8.6%
2002	7.0%	12.2%	8.5%
2003	7.3%	13.0%	8.7%
2004	7.8%	13.1%	9.1%
2005	6.9%	10.7%	8.4%
2006	6.7%	11.3%	8.6%
2007	7.3%	10.8%	8.7%
2008	4.5%	5.5%	4.9%
2009	3.2%	-1.7%	1.6%
2010	4.1%	0.4%	3.0%

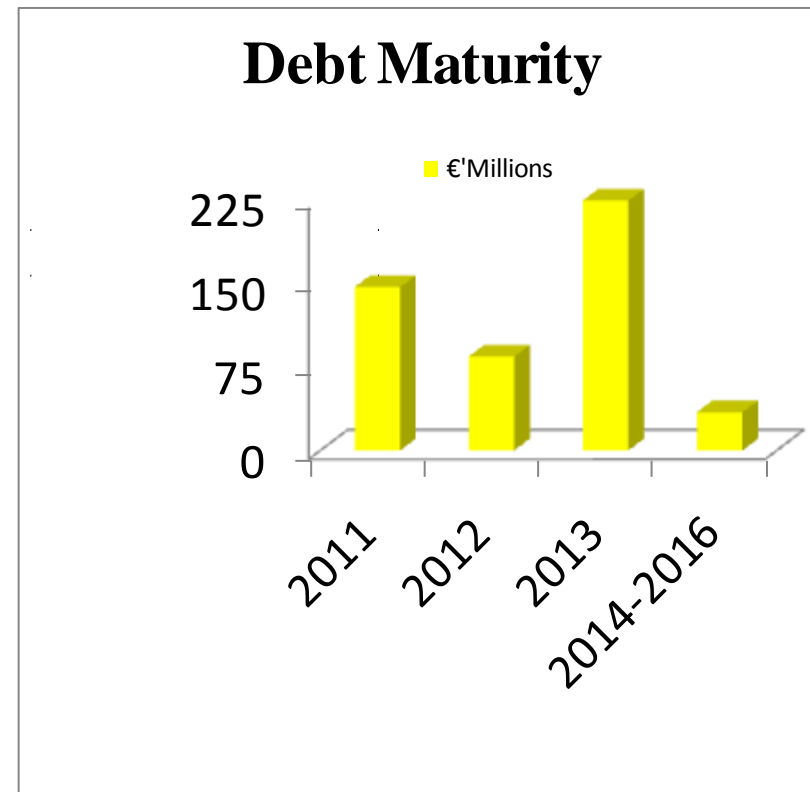
Margin
Recovery

2010 (H1)	4.0%	-1.4%	2.4%
2010 (H2)	4.1%	2.1%	3.6%



Improved Debt Maturity to 2013

	Dec 2010	Dec 2009
	€ million	€'million
Gross debt	489	624
Cash	(234)	(302)
Net debt	255	322
Gearing	26%	35%
Gross debt maturities – calendar year **		
2010	-	99
2011	147	330
2012	84	149
2013	224	14
2014-2016	34	32
Total	489	624



Cash on deposit available to repay all maturities due in 2011

**Bank facilities of €280m were refinanced in August 2010 out to 2013.



2011 Outlook

Group

- Improved trends in turnover evident during H2 2010 continue into 2011
- Further growth in profitability expected in 2011 – largely UK based
- Group well positioned with latent capacity
- High operational leverage

UK

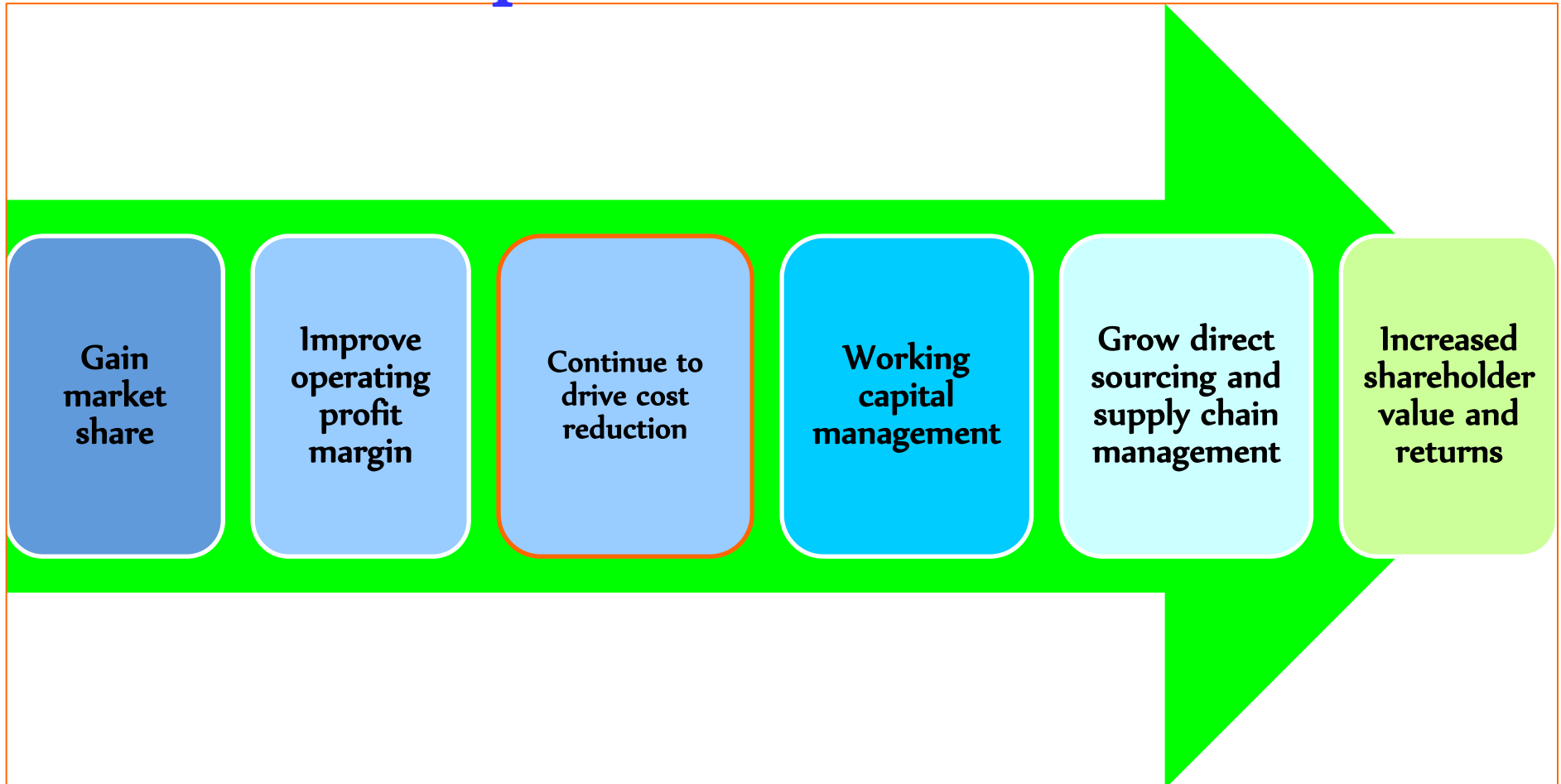
- Overall outlook in UK continues to improve
- Demand fundamentals for Group exposure to UK RMI market attractive

Ireland

- Economy remains challenging – although some stabilisation in activity levels
- Irish merchanting profitable
- All RMI work – little or no new house building



Group Focus for 2011





Grafton Group plc

Final Results 2010

Principal Brands – UK and Northern Ireland

BUILDBASE

PLUMBASE

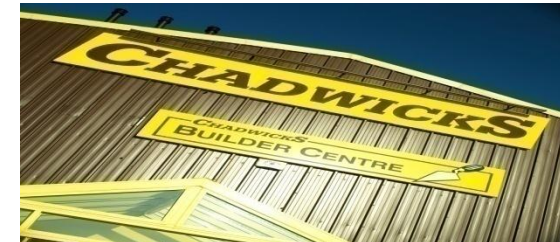


 **MACNAUGHTON BLAIR**





Principal Brands – Irish Merchanding and Manufacturing

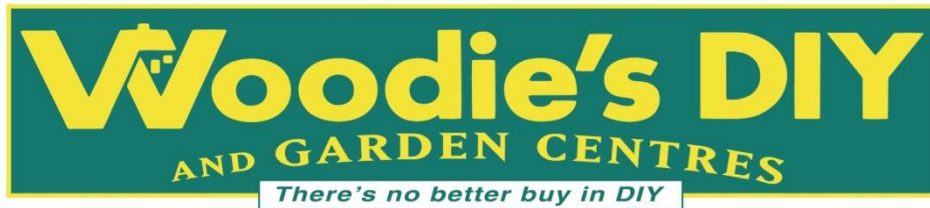


Irish Merchants





Irish DIY Retail Brands

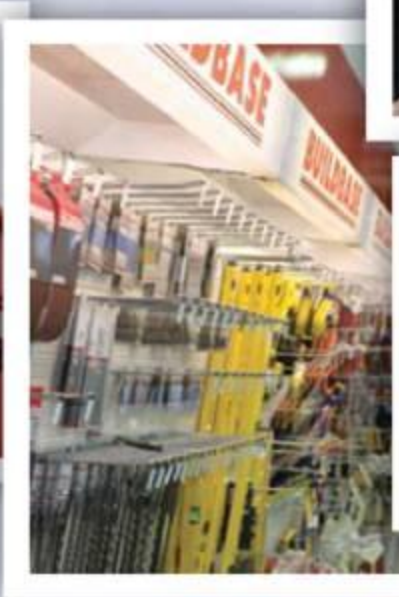
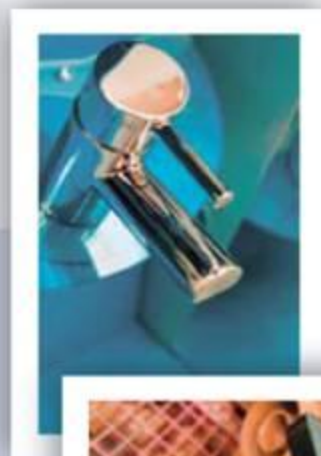




Irish DIY Retail Brands



BUILDBASE





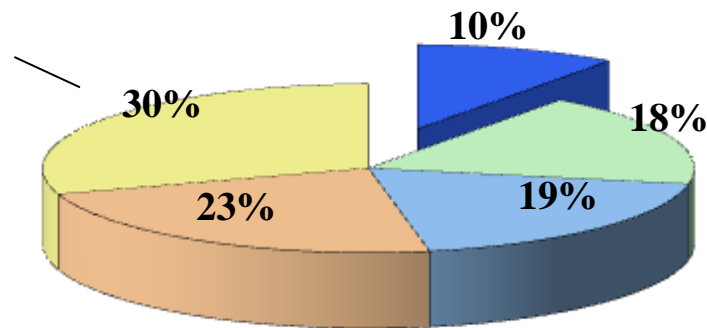
Build on our Experience





Estimated UK Merchanting League Table

Circa 2,000
independents



■ Grafton

3rd Largest Builders
Merchant

■ Jewson

■ Wolseley

■ Travis Perkins (excluding
Wickes)

■ Independents

Sector Turnover £12 billion plus
Independents £4.6 billion plus



Top 10 Debtors in UK and Ireland

	Ire Dec 2010 €'000	Ire Dec 2009 €'000	UK Dec 2010 £'000	UK Dec 2009 £'000	Total in Euro
1	524	530	1,153	1,000	
2	478	358	855	730	
3	328	317	450	335	
4	252	257	400	297	
5	234	241	339	274	
6	202	229	316	270	
7	152	205	307	267	
8	135	188	289	252	
9	133	184	286	246	
10	<u>128</u>	<u>173</u>	<u>276</u>	<u>242</u>	
	2,566	2,682	4,671	3,913	
2010 total in euro – 86.08p					€7,992
2009 total in euro – 88.81p					€7,088
Dec 2010 as percentage of trade and other receivables					2.62%
Dec 2009 as percentage of trade and other receivables					2.31%

**Only one account
exceeds €1m
across the Group
at December 2010**



Gross Margin Remains Consistent.

Gross Margin Management						
Financial Year	2005	2006	2007	2008	2009	2010
Gross Margin	31.5%	32.3%	32.7%	32.3%	31.6%	31.8%



Bank Covenants

	Bank Covenants	Current
Net worth as defined	€782m	€1,127m
Gearing *	85%	23%
Current Liabilities : Current Assets	120%	72%

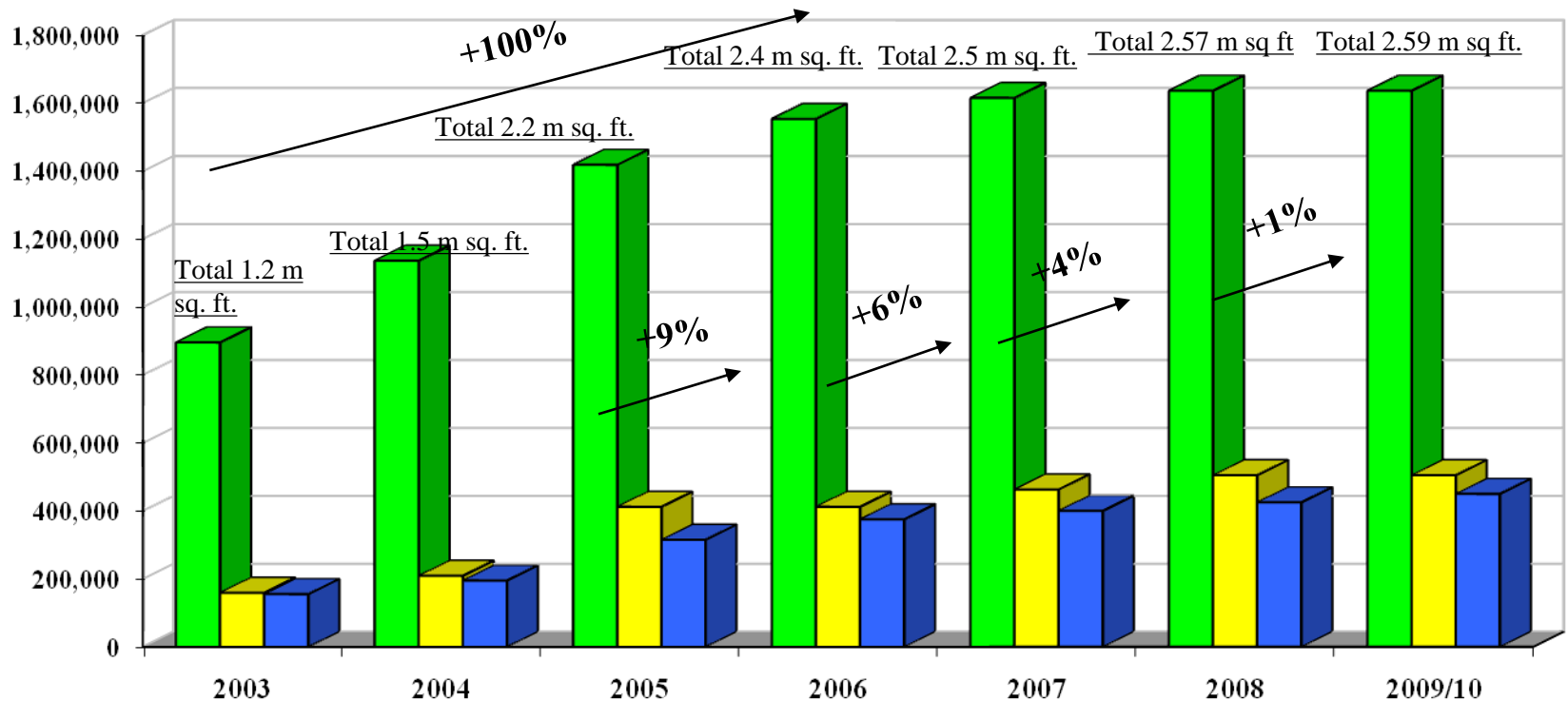
Debt	€'Million
Bank Debt	373
US Loan Notes & other	116
Cash	<u>(234)</u>
Net Debt	<u>255</u>

Minimum EBITDA / Interest Ratio			
Year To	Actual	Covenant	12 Months To
31/12/10	11:3	1:1	30/6/11
31/12/11		2:1	30/6/12
31/12/12		3:1	30/6/13

*Using Net worth as defined



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%



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