Grafton Group plc
2010 Preliminary Statement

For further information please contact:

Grafton Group plc + 353 1 216 0600 Michael Chadwick, Executive Chairman Colm Ó Nualláin, Finance Director	**Murray Consultants + 353 1 498 0300** Joe Murray
	Citigate Dewe Rogerson + 44 207 282 2945 Ginny Pulbrook

3 March 2011

Financial Highlights

Grafton Group plc announces its final results for the twelve months ended 31 December 2010.

	2010	2009	Change
Revenue	**€2.00bn**	€1.98bn	+1%
Adjusted operating profit*	**€50.6m**	€26.2m	+93%
Operating profit per income statement	**€33.0m**	€4.9m	
Profit before tax	**€25.6m**	€13.6m	+88%
Profit after tax	**€64.0m**	€13.4m	
Free cash flow	**€95m**	€171m	
EBITDA	**€95.1m**	€74.1m	
Adjusted earnings per share**	**18.5c**	5.4c	+246%
Basic earnings per share	**27.7c**	5.8c	
Dividend / 'A' ordinary share purchase	**7.0c**	5.0c	+40%
Net debt	**€255m**	€322m	
Gearing	**26%**	35%	

** Before intangible amortisation €2.2m (2009:€2.2m), impairment €10.0m (2009: €5.5m) and restructuring costs €5.3m (2009: €13.6m net)*

*** Before intangible amortisation, impairment, restructuring costs, taxation credit in 2010 and investment profit in 2009*

Highlights:

- Strong financial position and confidence in the future
- Emerging from the downturn with strong market positions
- Merchanting operating profit increased 57% to €61.5m
- Improved market conditions increase UK turnover and profits
- Return to profit at Irish merchanting as turnover trended towards stabilisation
- DIY remains profitable on reduced turnover

Financial:

- Cost savings and restructuring reduces overheads by a further €27.4m
- Year end net debt €67.4m lower at €255.1m and gearing reduced to 26%
- Debt refinancing completed with new three year facility

Commenting on the outlook, Michael Chadwick, Executive Chairman said:
"The Group's strong financial position and lower cost base leave it well placed to benefit from improvements in its markets. The UK economy appears to be in a modest growth phase and activity in our sector has recovered from historically low levels. The outlook for Ireland remains unpredictable. Group turnover for the first two months of 2011 is encouraging with a continuation of like for like sales growth in the UK and signs of stabilisation in Irish turnover. We expect further improvement in profit as markets recover."

Conference Call

Grafton will host an Analysts' conference call today at 8.30am (Irish Time) to discuss this announcement. The dial-in numbers are:

Ireland:	+ 353	1 436 4265
UK:	+ 44	208 817 9301
US:	+1 718	354 1226
Other Countries:	+353	1 436 4265

Preliminary Statement

For the Year Ended 31 December 2010

Overview

The Group returned to profit growth in 2010 and is emerging from the downturn with strong market positions.

The UK merchanting business benefitted from an improvement in market conditions increasing turnover and profit. The rate of decline in turnover in the Irish merchanting business moderated and the business was returned to profit for the year. Turnover was lower in the Irish DIY business but the business remained profitable.

Group turnover increased to €2.00 billion from €1.98 billion. Operating profit before amortisation, restructuring and impairment costs increased by 93 per cent to €50.6 million (2009: €26.2 million). Profit before taxation increased to €25.6 million from €13.6 million after a restructuring and impairment charge of €15.4 million. The Group continued to respond to excess capacity in the branch network and implemented measures that reduced overheads in the like for like business by €27.4 million. There was a small improvement in the gross margin.

Profit after tax of €64.0 million (2009: €13.4 million) reflected a taxation credit of €38.4 million which is principally due to a deferred tax asset in the UK business relating to future deductions that are now agreed.

The Group ended the year in a strong financial position with gearing reduced to 26 per cent of shareholders' funds from 35 per cent. Net debt was refinanced at the end of August 2010 through new three year revolving bilateral facilities and financial flexibility was maintained with a holding of cash balances and deposits of €234.3 million at the year end.

Dividend

Reflecting the return to profit growth in 2010, the Group's strong financial position and confidence in its future prospects, the second interim dividend has been increased to 4.5 cent (2009: 2.5 cent) per Grafton Unit. The payment will be made on 1 April 2011. This will result in a total dividend for the year of 7.0 cent (2009: 5.0 cent), an increase of 40 per cent on the dividend and share purchase payment for 2009.

Board and Senior Management

As previously announced, Gavin Slark was appointed as Group Chief Executive (CEO) to succeed Michael Chadwick in managing the Group. Mr. Slark will join the Group and the Board as Chief Executive Designate on 1 April 2011 and will be appointed CEO on 1 July 2011. He was previously Group Chief Executive of BSS Group plc, a leading UK distributor to specialist trades including the plumbing, heating and construction sectors.

Michael Chadwick will continue as Chairman of the Board in a non-executive capacity from 1 July 2011. He has been Executive Chairman of Grafton since 1985 and he advised the Board of his intention to retire as an executive on completion of the search for a successor. Leo Martin, Executive Director and Chief Operating Officer, has also advised the Board of his intention to retire at the end of the year. He was due to retire in August 2011 on reaching the age of 60 but has agreed to extend his contract until December 2011.

Operations Review

Merchanting

Turnover in the merchanting business was up by 2.6 per cent to €1.73 billion (2009: €1.69 billion). Merchanting segment operating profit before restructuring costs increased by 57 per cent to €61.5 million (2009: €39.3 million).

UK Merchanting branches increased turnover by 6.5 per cent to €1.40 billion (2009: €1.32 billion). The increase in sterling turnover was 2.6 per cent and average daily like for like sales increased by 2.3 per cent. Operating profit before restructuring costs increased by 33 per cent to €57.8 million (2009: €43.5 million). The UK merchanting operating profit margin improved to 4.1 per cent from 3.3 per cent.

The UK merchanting business stabilised in the second half of 2009. Trading was adversely affected by the severe weather conditions in January 2010 before growth resumed and average daily like for like sales increased by 4.0 per cent during the period from February to June 2010. This positive trend continued into the second half of the year and average daily like for like sales were up by 4.5 per cent in the period from July to November 2010. Trading in December 2010 was disrupted by the extreme weather conditions.

The UK Merchanting business traded against the background of growth in economic activity in the first three quarters of 2010 and a modest recovery in consumer spending. Housing transactions, a lead indicator of demand in the merchanting market, increased by 18 per cent from an historically low base to a level that is now running at two thirds of the long term trend rate. Consumers were generally more cautious during 2010 preferring to pay down mortgage debt over discretionary spending on home improvements.

Buildbase grew turnover driven primarily by more positive market conditions in the new build orientated civils and lintels branches and operating profit also increased due to overhead savings. Jacksons, the East Midlands regional merchant, reported unchanged like for like turnover but increased operating profit through an improvement in the gross margin and further overhead savings. Plumbase maintained turnover at last year's level in a competitive market. The 18 heating spares branches that trade under the Shoreheat brand performed well, increasing turnover and operating profit.

The implementation of a single accounting, administration and support office function for the Buildbase, Plumbase, Jacksons and smaller specialist merchanting brands was successfully completed realising a significant saving in the cost of providing these services.

Selco, the trade only warehouse format operating from a network of 28 stores, continued to report strong like for like turnover growth in the 20 mature stores. The eight stores that were opened in 2008 and 2009 performed to expectations. Thirteen Selco stores are located in the London area where further store openings are planned.

In Northern Ireland, turnover was lower but the rate of decline moderated through the year. The economy and construction sector is emerging from a deep recession and turnover in the merchanting business stabilised as the year developed. Operating profit improved from a low base due to an improvement in the gross margin and further overhead savings.

UK geographical coverage was improved with the opening of two branches and the completion of three single branch acquisitions during the year.

Turnover in the Irish merchanting branches declined by 11.5 per cent to €327.8 million (2009: €370.2 million). Despite the fall in turnover the business traded at close to

breakeven in the first half and was returned to profitability in the second half of the year. The full year operating profit before restructuring costs was €3.7 million. This marked an improvement of €14.0 million on the operating loss (before property profit and restructuring costs) of €10.3 million reported for 2009. The improved performance was attributed to the benefits of the ongoing restructuring and operating performance measures adopted in 2010 and earlier years.

The rate of decline in Irish merchanting turnover progressively moderated over the course of 2010. Turnover was down by 16 per cent in the first half and by 6 per cent in the second half of the year.

Activity in the new housing market fell to historically low levels with new build construction completed during the year estimated at the equivalent of 8,500 units. The new housing end-use market accounted for only a small proportion of Irish merchanting turnover following the decline in activity over the past four years. Investment in residential repair, maintenance and improvement (RMI) while less cyclical also declined during 2010 due to general weakness in consumer demand, tight credit conditions and households prioritising paying down debt. Against the background of challenging market conditions the rate of decline in turnover in the Chadwicks and Heiton Buckley branches moderated. There was a strong improvement in the operating performance and the business enhanced its market leadership position through an increased focus on housing RMI which helped underpin demand. The consolidation of a number of the merchanting branches in areas of overlap created significant synergies and contributed to the turnaround in profitability. Volumes recovered strongly in Heiton Steel. The division also benefitted from a recovery in international steel prices and operated at breakeven for the year having reported a loss in 2009.

The Irish Merchanting business benefitted from the full year effect of cost reductions implemented over the course of 2009. Further cost reductions were implemented during 2010 to partially offset the impact of lower turnover and return the business to profit. Overheads savings for the year amounted to €16.2 million, a decline of 17 per cent in the overall cost base of the business. Payroll costs were lower and the charge for bad debts declined.

The combined overhead savings in Irish merchanting realised in 2009 and 2010 from the actions required to preserve the long term viability of the business, including branch consolidations, amounted to €42.5 million (34%). The gross margin increased due mainly to improved purchasing arrangements, a decline in volume business and a recovery in the gross margin in the Heiton Steel business.

Retailing

Turnover declined by 7.0 per cent to €230.5 million from €247.8 million but Woodie's retained its leadership position in the Irish DIY market. The segment operating profit declined to €2.4 million from €3.3 million.

The retailing business remained resilient despite the challenging trading conditions in the Irish retail market. Consumer spending continued to decline during 2010 but at a moderating rate compared to the severe contraction during 2009. Consumers were generally cautious due to the effect of higher taxes on disposable incomes and weak labour market conditions.

Woodie's DIY performed relatively well given the challenge of further market weakness in 2010. The number of transactions was in line with 2009. Average transaction values were lower due to reduced sales of higher value seasonal categories and products that benefit from housing market transactions. Horticulture and garden maintenance products

performed strongly and the business also benefitted from the expansion of existing ranges including Pet Care and the successful roll out of new categories including Party Zone. The gross margin increased due to changes in the mix of products sold in favour of higher margin lower value products and less discounting of seasonal categories. Supply chain gains and measures adopted to improve inventory controls and merchandising also contributed to margin growth.

Operating cost savings made a significant contribution to offsetting the impact on profit of lower volumes. Overheads fell broadly in line with the decline in volumes. Meaningful savings were achieved in the costs of employment, property and utilities.

In House repositioned its kitchens business to compete more effectively during the downturn with the introduction of new ranges at more competitive price points and the launch of 'Smart Fit' fully assembled kitchens that are delivered nationally. Turnover from both initiatives enabled the business to maintain the volume of materials sold in line with 2009 on a lower turnover in a competitive market.

Manufacturing

Turnover was down by 4.0 per cent to €43.3 million (2009: €45.1 million) and the operating loss before asset impairment and restructuring costs was reduced to €3.5 million (2009: €5.1 million). The result reflected a non-cash charge for depreciation of €5.1 million (2009: €5.4 million). The segment was cash generative due to the combined effect of the non-cash charge for depreciation and a reduction in working capital in line with the reduced scale of the business in Ireland.

The UK mortar business benefitted from a recovery in the residential construction market. Housing starts in England were up by 32 per cent from a very low base having more than halved during the recession. The business, which is the UK's largest producer of dry mortar where it trades from nine plants, increased turnover strongly and was returned to profitability. Demand in January and December 2010 was affected by some of the severest winter weather conditions experienced in the UK for decades.

The manufacturing businesses in Ireland experienced further demand weakness and turnover was significantly lower. The impact of a fall in volumes was more than offset by decisive action on cost reductions and there was a small reduction in the operating loss. The business has experienced an unprecedented fall in volumes since 2007 due principally to the decline in the residential new build market. The carrying values of assets employed in the Irish manufacturing businesses were reviewed and an impairment charge of €10.0 million was taken in the Income Statement.

Financial Review

The Group ended 2010 in a healthy financial position having delivered good growth in underlying profit and generated strong cashflows for the year. The primary focus continued to be centred on reducing operating costs and deploying the substantial cashflow from operations to reduce debts while being alert to possible development opportunities in the merchanting market.

Cashflow

The results for the year demonstrated the cash generative nature of the business. Cashflow from operations of €99.4 million (2009: €138.6 million) reflected the recovery in operating profit and a non-cash charge of €44.5 million (2009: €47.9 million) for depreciation. Control of working capital remained a priority across the businesses and a reduction of €8.8 million (2009: €93.7 million) was achieved despite the increase in turnover. Capital expenditure in

2010 of €9.6 million (2009: €12.4 million) was mainly concentrated on essential asset replacement projects and amounted to 0.22 times depreciation (2009: 0.26 times). Dividend payments were €11.6 million.

Net Debt and Liquidity

Year end net debt of €255.1 million was €67.4 million lower than at the end of 2009. With lower net debt and higher shareholders' funds the gearing ratio fell to 26 per cent from 35 per cent. Net debt has fallen by 54 per cent since the end of 2007 and gearing has halved over the same period.

The Group refinanced debt of €280 million at the end of August 2010 through new three year revolving bilateral agreements with Bank of Ireland, Ulster Bank and HSBC Corporate Banking Ireland.

The amount of bank facilities on offer was substantially over-subscribed demonstrating confidence in the credit quality, financial position and prospects for the business. The amount borrowed was scaled back to the equivalent of the Group's mid year net debt of €280 million. The new facilities extended the maturity profile of net debt to 2013. EBITDA for the year was €95 million, up 28 per cent on 2009. EBITDA interest cover for 2010 was 11.

The Group continued to retain good liquidity and financial flexibility with a holding of cash balances and short term deposits of €234.3 million at the year end (31 December 2009: €302.0 million).

Net Finance Charges

The net finance charge fell to €7.5 million from €13.4 million (excluding a non-recurring investment gain in 2009). The net bank and loan note component of the charge reduced to €9.5 million (2009: €13.2 million). The Group was favourably positioned, with the majority of borrowings set at floating rates, to take advantage of lower interest rates in international financial markets and the strong cashflow from operations reduced average net debt for the year.

Shareholders' Funds

Shareholders' funds increased by €78.6 million to €990.3 million (31 December 2009: €911.7 million), equivalent to €4.28 per share. Profit after tax was €64.0 million and the strengthening of sterling against the euro resulted in a gain of €22.3 million on translation of net assets in the UK business at the year end exchange rate. Shareholders' funds were reduced by dividends paid of €11.6 million.

Pensions

Retirement benefits are principally provided under defined contribution style arrangements. The deficit on the defined benefit schemes reduced to €15.5 million from €21.3 million net of the related deferred tax asset. A return of €21.8 million on plan assets and a contribution by the Group of €3.8 million in excess of current service costs contributed to the improved position. Plan assets of €190.9 million funded 92 per cent of employee benefit obligations at the year end.

Outlook

The UK economy appears to be in a modest growth phase. In particular, activity levels in our sector have recovered from historically low levels though the availability of mortgage lending continues to be an issue. House completions and housing transactions have recovered from historically low levels and accordingly we look positively on the total levels of trading achievable during 2011.

The outlook for Ireland remains unpredictable. However, we are encouraged by the modest return to profitability in Irish merchanting and the resilience of the DIY business.

The Group recently completed the acquisition of 12 plumbing and heating branches in England and Wales from Travis Perkins Group plc and a single branch acquisition in Scotland.

Group turnover for the first two months of 2011 is encouraging with a continuation of like for like sales growth in the UK and signs of further stabilisation in Irish turnover. UK like for like turnover increased by 8 per cent and the rate of decline in the Irish business eased to 2 per cent. The Group's strong financial position, lower cost base and opportunities for restructuring leave it well placed to benefit from improvements in its markets. Further improvement in profit is expected as markets recover.

Grafton Group plc

Group Condensed Income Statement
For the year ended 31 December 2010

	Twelve months to 31 Dec 2010 (Audited) €000	Twelve months to 31 Dec 2009 (Audited) €000
Revenue	**2,004,418**	1,979,796
Operating costs and income	**(1,971,397)**	(1,974,912)
Operating profit	**33,021**	4,884
Finance expense	**(26,001)**	(29,419)
Finance income	**18,534**	38,115
Profit before tax	**25,554**	13,580
Income tax	**38,432**	(188)
Profit after tax for the financial year	**63,986**	13,392
Profit attributable to: Equity holders of the Company	**63,986**	13,392
Earnings per ordinary share - basic	**27.68c**	5.81c
Earnings per share - diluted	**27.54c**	5.79c

Grafton Group plc

Group Condensed Balance Sheet as at 31 December 2010

	31 Dec 2010 (Audited) €000	31 Dec 2009 (Audited) €000
ASSETS		
Non-current assets		
Goodwill	**552,831**	544,286
Intangible assets	**4,453**	6,665
Property, plant and equipment	**568,767**	604,838
Deferred tax assets	**46,252**	22,459
Retirement benefit assets	**1,107**	-
Derivative financial instruments	**11,068**	12,524
Investment in associate	**3,690**	3,690
Financial assets	**176**	211
Total non-current assets	**1,188,344**	1,194,673
Current assets		
Inventories	**271,918**	265,748
Trade and other receivables	**305,560**	306,863
Derivative financial instruments	**5,798**	4,405
Cash and cash equivalents	**234,275**	301,985
Properties held for sale	**14,693**	12,363
Total current assets	**832,244**	891,364
Total assets	**2,020,588**	2,086,037
EQUITY		
Capital and reserves attributable to the equity holders		
Equity share capital	**11,632**	11,598
Share premium account	**291,216**	289,800
Capital redemption reserve	**905**	905
Revaluation reserve	**31,747**	31,952
Other reserves	**5,258**	4,677
Cash flow hedge reserve	**(1,440)**	(1,182)
Foreign currency translation reserve	**(136,310)**	(158,611)
Retained earnings	**793,078**	738,356
Treasury shares held	**(5,746)**	(5,746)
Total equity	**990,340**	911,749
LIABILITIES		
Non-current liabilities		
Interest-bearing loans and borrowings	**353,019**	536,789
Provisions	**17,555**	16,800
Retirement benefit obligations	**18,666**	25,259
Derivative financial instruments	**812**	682
Deferred tax liabilities	**37,599**	43,965
Total non-current liabilities	**427,651**	623,495
Current liabilities		
Interest-bearing loans and borrowings	**151,432**	103,174
Trade and other payables	**399,890**	387,331
Current income tax liabilities	**43,959**	51,571
Derivative financial instruments	**988**	737
Provisions	**6,328**	7,980
Total current liabilities	**602,597**	550,793
Total liabilities	**1,030,248**	1,174,288
Total equity and liabilities	**2,020,588**	2,086,037

Grafton Group plc
Group Condensed Cash Flow Statement
For the year ended 31 December 2010

	Twelve months to 31 Dec 2010 (Audited)	Twelve months to 31 Dec 2009 (Audited)
	€000	€000
Profit before taxation	**25,554**	13,580
Finance income	**(18,534)**	(38,115)
Finance expense	**26,001**	29,419
Operating profit	**33,021**	4,884
Depreciation	**44,524**	47,939
Intangible amortisation	**2,212**	2,212
Goodwill write-off on termination	**-**	135
Goodwill impairment loss	**-**	5,469
Share based payments charge/(credit)	**581**	(1,364)
Non cash movement in operating provisions	**4,596**	4,420
Non cash movement on asset impairment	**10,039**	-
Profit on sale of property, plant and equipment	**(563)**	(6,819)
Contributions to pension schemes in excess of IAS 19 charge	**(3,799)**	(11,975)
Decrease in working capital	**8,792**	93,719
Cash generated from operations	**99,403**	138,620
Interest paid	**(13,955)**	(21,241)
Income taxes paid	**(974)**	(1,069)
Cash flows from operating activities	**84,474**	116,310
Investing activities		
Proceeds from sale of property, plant and equipment	**4,262**	13,210
Investment profit realised in cash	**-**	22,058
Interest received	**7,062**	5,242
Sale of financial assets	**44**	35
	11,368	40,545
Acquisition of subsidiary undertakings and businesses	**(1,638)**	(2,255)
Net cash acquired with subsidiary undertakings	**102**	604
Deferred acquisition consideration paid	**(853)**	(1,556)
Claims paid on provisions	**(3,725)**	(1,903)
Purchase of property, plant and equipment	**(9,608)**	(12,420)
Investment in associate	**-**	(3,690)
	(15,722)	(21,220)
Cash flows from investing activities	**(4,354)**	19,325
Financing activities		
Proceeds from the issue of share capital	**1,450**	873
Net proceeds from borrowings	**280,984**	73,679
	282,434	74,552
Repayments of borrowings	**(390,460)**	(78,007)
Dividends paid	**(11,551)**	-
Purchase of ‘A’ ordinary shares	**-**	(17,276)
Payment of finance lease liabilities	**(520)**	(383)
Redemption of loan notes payable net of derivatives	**(34,776)**	(49,370)
	(437,307)	(145,036)
Cash flows from financing activities	**(154,873)**	(70,484)
Net (decrease)/increase in cash and cash equivalents	**(74,753)**	65,151
Cash and cash equivalents at 1 January	**301,984**	224,827
Effect of exchange rate fluctuations on cash held	**7,044**	12,006
Cash and cash equivalents at the end of the period	**234,275**	301,984
Cash and cash equivalents are broken down as follows:		
Cash at bank and short-term deposits	**234,275**	301,985
Overdrafts	**-**	(1)
	234,275	301,984

Group Condensed Statement of Comprehensive Income

For the year ended 31 December 2010

	Twelve months to 31 Dec 2010 €000	Twelve months to 31 Dec 2009 €000
Profit after tax for the financial year	**63,986**	13,392
Other comprehensive income:		
Currency translation effects		
- on foreign currency net investments	**25,584**	60,576
- on foreign currency borrowings and derivatives designated as net investment hedges	**(3,283)**	(16,353)
Actuarial gain on Group defined benefit pension schemes	**2,971**	4,778
Deferred tax on Group defined benefit pension schemes	**(889)**	452
Deferred tax on capital gains tax rate increase	**-**	(1,012)
Fair value gain on investment	**-**	22,058
Transfer of gain on investment to income statement	**-**	(22,058)
Fair value movement in cash flow hedges:		
- Effective portion of changes in fair value of cash flow hedges	**(2,481)**	(2,353)
- Net change in fair value of cash flow hedges transferred from equity	**2,175**	994
Deferred tax on cash flow hedge	**48**	177
Total other comprehensive income	**24,125**	47,259
Total comprehensive income for the financial year	**88,111**	60,651

Grafton Group plc
Group Condensed Statement of Changes in Equity

	Equity share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Shares to be issued reserve	Cash Flow hedge reserve	Foreign currency translation reserve	Retained earnings	Treasury shares	Total equity
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Year to 31 December 2010										
At 1 January 2010	**11,598**	**289,800**	**905**	**31,952**	**4,677**	**(1,182)**	**(158,611)**	**738,356**	**(5,746)**	**911,749**
Profit after tax for the financial period	-	-	-	-	-	-	-	63,986	-	**63,986**
Actuarial gain on pensions (net of tax)	-	-	-	-	-	-	-	2,082	-	**2,082**
Deferred tax – capital gains tax rate increase	-	-	-	-	-	-	-	-	-	**-**
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	(258)	-	-	-	**(258)**
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	25,584	-	-	**25,584**
Currency translation effect on foreign currency borrowings and derivatives	-	-	-	-	-	-	(3,283)	-	-	**(3,283)**
Dividends paid	-	-	-	-	-	-	-	(11,551)	-	**(11,551)**
Issue of Grafton Units (net of issue expenses)	34	1,416	-	-	-	-	-	-	-	**1,450**
Adjustment for share based payments expense	-	-	-	-	581	-	-	-	-	**581**
Transfer from revaluation reserve	-	-	-	(205)	-	-	-	205	-	**-**
At 31 December 2010	**11,632**	**291,216**	**905**	**31,747**	**5,258**	**(1,440)**	**(136,310)**	**793,078**	**(5,746)**	**990,340**
Year to 31 December 2009										
At 1 January 2009	**11,579**	**288,951**	**900**	**32,157**	**6,041**	**-**	**(202,834)**	**737,817**	**(5,746)**	**868,865**
Profit after tax for the financial year	-	-	-	-	-	-	-	13,392	-	**13,392**
Actuarial gain on pensions (net of tax)	-	-	-	-	-	-	-	5,230	-	**5,230**
Deferred tax – capital gains tax rate increase	-	-	-	-	-	-	-	(1,012)	-	**(1,012)**
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	(1,182)	-	-	-	**(1,182)**
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	60,576	-	-	**60,576**
Currency translation effect on foreign currency borrowings and derivatives	-	-	-	-	-	-	(16,353)	-	-	**(16,353)**
Purchase of 'A' ordinary shares	(5)	-	5	-	-	-	-	(17,276)	-	**(17,276)**
Issue of Grafton Units (net of issue expenses)	24	849	-	-	-	-	-	-	-	**873**
Adjustment for share based payments credit	-	-	-	-	(1,364)	-	-	-	-	**(1,364)**
Transfer from revaluation reserve	-	-	-	(205)	-	-	-	205	-	**-**
At 31 December 2009	**11,598**	**289,800**	**905**	**31,952**	**4,677**	**(1,182)**	**(158,611)**	**738,356**	**(5,746)**	**911,749**

Grafton Group plc
Notes to Preliminary Statement for the year ended 31 December 2010

1. General Information

The financial information presented in this report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the European Union and as set out in the Group's annual financial statements in respect of the year ended 31 December 2009 except as noted below. The financial information does not include all the information and disclosures required in the annual financial statements. The Annual Report will be distributed to shareholders and made available on the Companies website www.graftonplc.com in due course. It will also be filed with the Companies Annual Return in the Companies Registration Office. The auditors have reported on the financial statements for the year ended 31 December 2010 and their report was unqualified and did not contain any matters to which attention was drawn by way of emphasis. The financial information for the year ended 31 December 2009 represents an abbreviated version of the Group's statutory financial statements on which an unqualified audit report was issued and which have been filed with the Companies Registration Office.

Basis of Preparation and Accounting Policies

The financial information contained in this Preliminary Statement has been prepared in accordance with the accounting policies set out in the last annual financial statements except for the adoption of the following accounting policies:

IFRS 3 (Revised 2008) – Business Combinations

From 1 January 2010, the Group has applied IFRS 3 Business Combinations (Revised 2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no impact on earnings per share in the current reporting period.

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as the fair value of the consideration transferred (including the fair value of any previously held equity interest in the acquiree) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit and loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The following are the other new standards that were effective for the Group's financial year ending on 31 December 2010 and that had no impact on the results or financial position of the Group for the year ended 31 December 2010:

- Amendments to IFRS 2 – Share Based Payment – Group Cash-Settled Share Based Payment Transactions
- Amendments to IAS 27 – Consolidated and Separate Financial Statements
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- IFRIC 17 – Distribution of Non-Cash Assets to Owners
- Improvements to IFRSs (issued by IASB in April 2009)

Prospective accounting changes

The following new accounting requirements and amendments to existing requirements approved by the IASB in 2009 (but not early adopted by the Group) may impact the Group's financial reporting in future periods. Where applicable they will be adopted in 2011.

- Amendment to IAS 24 – Related Party Disclosures
- Amendment to IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues
- Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

These amendments are not expected to have a material impact on the Group.

2. Segmental Analysis

The amount of revenue and operating profit under the Group's operating segments of merchanting, retail DIY and manufacturing is as follows:

	Twelve months to 31 Dec 2010 (Audited) €000	Twelve months to 31 Dec 2009 (Audited) €000
Revenue		
Merchanting	**1,730,610**	1,686,933
Retail	**230,528**	247,784
Manufacturing	**49,144**	50,985
Less: Inter-segment revenue - manufacturing	**(5,864)**	(5,906)
	2,004,418	1,979,796
Segment operating profit/(loss)		
Merchanting	**61,524**	39,305
Retail	**2,351**	3,274
Manufacturing	**(3,457)**	(5,060)
	60,418	37,519
Restructuring costs		
Merchanting	**(5,151)**	(17,014)
Retail	**-**	(508)
Manufacturing	**(185)**	(1,398)
	(5,336)	(18,920)
Segment operating profit/(loss) after restructuring costs		
Merchanting	**56,373**	22,291
Retail	**2,351**	2,766
Manufacturing	**(3,642)**	(6,458)
	55,082	18,599
Reconciliation to consolidated operating profit		
Central activities	**(9,810)**	(11,351)
Intangible amortisation	**(2,212)**	(2,212)
Asset impairment – manufacturing segment	**(10,039)**	-
Goodwill impairment – manufacturing segment	**-**	(5,469)
Past service credit on pension scheme	**-**	5,317
Operating profit	**33,021**	4,884
Finance expense	**(26,001)**	(29,419)
Finance income	**18,534**	38,115
Profit before tax	**25,554**	13,580
Income tax	**38,432**	(188)
Profit after tax for the financial year	**63,986**	13,392

The merchanting result in the year to 31 December 2009 includes a property profit of €6.1 million. Finance income in the year to 31 December 2009 includes an investment profit of €22.1 million.

The carrying values of assets employed in the Irish manufacturing business were reviewed and an impairment charge of €10.0 million was taken in the Income Statement.

The taxation credit of €38.4 million is principally the creation of a deferred tax asset in the UK business related to future deductions that are now agreed.

Operating segment assets are analysed below:

	31 Dec 2010 (Audited) €000	31 Dec 2009 (Audited) €000
Segment assets		
Merchanting	**1,550,860**	1,559,158
Retail	**111,520**	115,013
Manufacturing	**55,842**	66,592
	1,718,222	1,740,763
Unallocated assets		
Deferred tax assets	**46,252**	22,459
Retirement benefit assets	**1,107**	-
Investment in associate	**3,690**	3,690
Financial assets	**176**	211
Derivatives and other financial instruments	**16,866**	16,929
Cash and cash equivalents	**234,275**	301,985
Total assets	**2,020,588**	2,086,037

The amount of revenue by geographic area is as follows:

	Twelve months to 31 Dec 2010 (Audited) €000	Twelve months to 31 Dec 2009 (Audited) €000
Revenue		
United Kingdom	**1,432,525**	1,341,954
Ireland	**571,893**	637,842
	2,004,418	1,979,796

3. Finance Expense and Finance Income

	Twelve months to 31 Dec 2010 (Audited) €000		Twelve months to 31 Dec 2009 (Audited) €000
Finance expense			
Bank loans and overdrafts	**(9,094)**	*	(12,412)
Net changes in fair value of cash flow hedges transferred from equity	**(2,175)**		(994)
Interest payable on finance leases	**(449)**		(488)
Finance cost on pension scheme liabilities	**(11,134)**	#	(10,826)
Interest on loan notes	**(5,434)**	*	(7,091)
Fair value movement on hedged financial liabilities	**(10,168)**		7,720
Fair value movement on fair value hedges	**12,691**		(4,682)
Ineffectiveness on net investment hedge	**-**		(677)
Ineffectiveness on cash flow hedges	**(75)**		(60)
Foreign exchange (loss)/gain	**(163)**		1,009
Recycling of exchange loss on net investment hedge	**-**		(918)
	(26,001)		(29,419)
Finance income			
Investment gain realised in cash	**-**		22,058
Ineffectiveness on net investment hedge	**1,284**		-
Interest income on bank deposits	**5,007**	*	6,336
Expected return on pension plan assets	**12,243**	#	9,721
	18,534		38,115

* Net bank/loan note interest of €9.5 million (2009: €13.2 million).

Net expected pension return of €1.1 million (2009: charge of €1.1 million).

4. Reconciliation of Net Cash Flow to Movement in Net Debt

	31 Dec 2010	31 Dec 2009
	€000	€000
Net (decrease)/increase in cash and cash equivalents	**(74,753)**	65,151
Net movement in derivative financial instruments	**(381)**	(1,419)
Cash-flow from movement in debt and lease financing	**144,772**	54,081
Change in net debt resulting from cash flows	**69,638**	117,813
Non cash movement on finance lease liability extinguished	**-**	1,185
Bank loans and loan notes acquired with subsidiaries	**-**	-
Translation adjustment	**(2,280)**	(5,846)
Movement in net debt in the year	**67,358**	113,152
Net debt at 1 January	**(322,468)**	(435,620)
Net debt at 31 December	**(255,110)**	(322,468)
Gearing	**26%**	35%

The increase in current interest bearing loans and borrowings and the reduction in non-current interest bearing loans and borrowings reflects the maturity profile of the Group's debt at 31 December 2010 after the refinancing completed in August 2010 and referred to earlier in the statement.

5. Earnings per Share

The computation of basic, diluted and adjusted earnings per share is set out below.

	Year Ended 31 Dec 2010 (Audited) €000	Year Ended 31 Dec 2009 (Audited) €000
Numerator for basic, adjusted and diluted earnings per share:		
Profit after tax for the financial year	**63,986**	**13,392**
Numerator for basic and diluted earnings per share	**63,986**	**13,392**
Finance income – investment profit	**-**	**(22,058)**
Intangible amortisation after tax	**1,936**	**1,936**
Taxation credit	**(38,432)**	**-**
Net rationalisation and impairment costs	**15,375**	**19,072**
Numerator for adjusted earnings per share	**42,865**	**12,342**
	Number of Grafton Units	Number of Grafton Units
Denominator for basic and adjusted earnings per share:		
Weighted average number of Grafton Units in issue	**231,176,982**	230,467,983
Effect of potential dilutive Grafton Units	**1,202,602**	782,192
Denominator for diluted earnings per share	**232,379,584**	231,250,175
Earnings per share (cent)		
- Basic	**27.68**	5.81
- Diluted	**27.54**	5.79
Adjusted earnings per share (cent)		
- Basic	**18.54**	5.36
- Diluted	**18.45**	5.34

6. Dividend

A second interim dividend of 4.5 cent will be paid on the ‘C’ Ordinary shares in Grafton Group (UK) plc from UK-sourced income to all holders of Grafton Units on the Company’s Register of Members at the close of business on 11 March 2011 (the ‘Record Date’). The payment will be made on 1 April 2011. The second interim dividend for 2010 has not been provided for in the balance sheet at 31 December 2010, as there was no present obligation to pay the dividend at year-end.

7. Exchange Rates

The results and cash flows of the Group’s United Kingdom subsidiaries have been translated into euro using the average exchange rate. The related balance sheets of the Group’s United Kingdom subsidiaries at 31 December 2010 and 31 December 2009 have been translated at the rate of exchange ruling at the balance sheet date.

The average euro / sterling rate of exchange for the year ended 31 December 2010 was Stg85.78p (year to 31 December 2009: Stg89.09p). The euro / sterling exchange rate at 31 December 2010 was Stg86.08p (31 December 2009: Stg88.81p).

8. Movement in Working Capital

	Inventory €000	Trade and other receivables €000	Trade and other payables €000	Total €000
At 1 January 2010	**265,748**	**306,863**	**(387,331)**	**185,280**
Translation adjustment	4,997	6,594	(6,810)	4,781
Interest accrual and other movements	-	(1,719)	(60)	(1,779)
Asset impairment	(1,145)	(1,448)	-	(2,593)
Acquisitions	614	277	(200)	691
Movement in 2010	1,704	(5,007)	(5,489)	(8,792)
At 31 December 2010	**271,918**	**305,560**	**(399,890)**	**177,588**

9. Retirement Benefits

The principal financial assumptions employed in the valuation of the Group's defined benefit scheme liabilities for the current and prior year were as follows:

	Year ended 31 December			
	Irish Schemes		**UK Schemes**	
	2010 %	2009 %	**2010 %**	2009 %
Rate of increase in salaries	**3.00***	3.00*	2.55	2.75
Discount rate	**5.30**	5.60	5.50	5.85
Inflation	**2.00**	2.25	3.30**	3.45

* 3% is assumed to apply from Jan 2014

** The inflation assumption shown for the UK is based on the Retail Price Index (RPI). Following changes to the statutory indices in the UK, a separate assumption of 2.55% is made relating to increases in the Consumer Price Index (CPI) and this assumption is also used in setting the assumed future rate of salary increase.

9. Retirement Benefits (continued)

The following table provides a reconciliation of the scheme assets (at bid value) and the actuarial value of scheme liabilities:

	Year ended 31 December					
	Assets		Liabilities		Net asset/(deficit)	
	2010	2009	**2010**	2009	**2010**	2009
	€000	€000	**€000**	€000	**€000**	€000
At 1 January	**165,764**	133,855	**(191,023)**	(174,747)	**(25,259)**	(40,892)
Expected return on plan assets	**12,243**	9,721	**-**	-	**12,243**	9,721
Contributions by employer	**5,738**	9,562	**-**	-	**5,738**	9,562
Contributions by members	**2,127**	2,298	**(2,127)**	(2,298)	**-**	-
Benefit payments	**(7,091)**	(5,401)	**7,091**	5,401	**-**	-
Current service cost	**-**	-	**(2,064)**	(3,069)	**(2,064)**	(3,069)
Past service credit	**-**	-	**-**	5,317	**-**	5,317
Settlement loss	**-**	(4,435)	**-**	3,325	**-**	(1,110)
Curtailment gain	**-**	-	**125**	1,275	**125**	1,275
Interest cost on scheme liabilities	**-**	-	**(11,134)**	(10,826)	**(11,134)**	(10,826)
Actuarial gains/(losses)	**9,580**	15,331	**(6,609)**	(10,553)	**2,971**	4,778
Translation adjustment	**2,582**	4,833	**(2,761)**	(4,848)	**(179)**	(15)
At 31 December	**190,943**	165,764	**(208,502)**	(191,023)	**(17,559)**	(25,259)
Related deferred tax asset					**2,034**	3,918
Net pension liability					**(15,525)**	(21,341)

*The past service credit of €5,317,000 in 2009 arose from a benefit change under the Group's Irish defined benefit pension schemes.

The net pension deficit of €17,559,000 is shown in the Group balance sheet as retirement benefit assets (non-current assets) of €1,107,000 relating to the two UK schemes and as retirement benefit obligations (non-current liabilities) of €18,666,000 relating to the five Irish schemes.

10. Acquisition of Subsidiary Undertakings

In the twelve months to 31 December 2010 the Group made three single branch acquisitions in the merchanting sector. These were Corgi Direct (Acquired: 22 April 2010), Unvented Components Limited (Acquired: 10 May 2010) and Bain Morrison & Co Limited (Acquired: 13 December 2010).

The total acquisition consideration and the fair value of the net assets acquired were €1,638,000 and €960,000 respectively. The income statement impact of these transactions in the year was not material. Goodwill acquired during the year in the amount of €678,000 (2009: €972,000), was allocated to the Merchanting cash generating unit.

Details of the acquisitions made in 2009 are disclosed in the Group's 2009 Annual Report.

11. Goodwill

Goodwill is subject to impairment testing on an annual basis and more frequently if an indicator of impairment is considered to exist. The Group, having performed impairment testing, is satisfied that the carrying value of goodwill has not been impaired. The increase in goodwill in the year principally reflects a currency translation movement.

12. Related Party Transactions

There were no related party transactions or changes in related party transactions from those described in the 2009 Annual Report that could have materially affected the financial position or the performance of the Group during 2010.

13. Events after the Balance Sheet Date

There have been no material events subsequent to 31 December 2010 which would require disclosure in this report.

14. Cautionary Statement

This report contains forward-looking statements. These statements have been made by the directors in good faith based on the information available to them up to the time of their approval of this report. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The directors undertake no obligation to update any forward-looking statements contained in this report, whether as a result of new information, future events, or otherwise.

15. Board Approval

This announcement was approved by the Board of Grafton Group plc on 2 March 2011