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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in doubt about the action you should take, you are recommended immediately to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional financial adviser who, if you are taking advice in Ireland, is authorised or exempted under the Investment Intermediaries Act, 1995 of Ireland or the Stock Exchange Act, 1995 of Ireland, or, if you are taking advice in the United Kingdom, is authorised under the Financial Services and Markets Act 2000 of the United Kingdom.

If you have sold or otherwise transferred all your Grafton Units, please send this document and the accompanying Form of Proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

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# **GRAFTON GROUP plc**

## **Notice of Annual General Meeting Proposed Sub-Division of 'A' Ordinary Shares Proposed Amendments to the Articles of Association Proposed Amendment to the 1999 Grafton Group Share Scheme Electronic Communications with Shareholders**

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**A letter from the Chairman of Grafton Group plc is set out on pages 3 to 5 of this document.**

**Your attention is drawn to the Notice of the Annual General Meeting to be held at 10.30am on 8 May 2008 at the IMI Conference Centre, Sandyford Road, Dublin 16, Ireland which is set out on pages 7 to 11 of this document.**

A Form of Proxy for use at the meeting is enclosed and, if you wish to appoint a proxy, the form should be returned to the Company's Registrars, Capita Corporate Registrars Plc, Unit 5, Manor Street Business Park, Manor Street, Dublin 7, Ireland so as to be received no later than 10.30am on 6 May, 2008.

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## EXPECTED TIMETABLE OF EVENTS

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Latest time for return of proxies for Annual General Meeting	10.30am on Tuesday, 6 May 2008
Annual General Meeting	10.30am on Thursday, 8 May 2008
Record date for sub-division of 'A' Ordinary Shares	Close of business on Friday, 9 May 2008
Sub-division of 'A' Ordinary Shares takes effect	Monday, 12 May 2008

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# GRAFTON GROUP plc

(Registered in Ireland No. 8149)

## Directors

Michael Chadwick (Chairman)  
Anthony E. Collins (Non-Executive, Deputy Chairman)  
Colm Ó Nualláin (Finance Director)  
Leo Martin (Chief Operating Officer)  
Fergus Malone (Executive Director)  
Gillian Bowler (Non-Executive Director)  
Richard W. Jewson (Non-Executive Director)  
Roderick Ryan (Non-Executive Director)  
Peter S. Wood (Non-Executive Director)

## Registered Office:

Heron House  
Corrig Road  
Sandyford Industrial Estate  
Dublin 18

7 April 2008

Dear Shareholder,

## Introduction

I am writing to you to explain the resolutions to be proposed as special business at the forthcoming Annual General Meeting (the “**AGM**”), all of which the Board is recommending for your approval.

Your attention is drawn to the notice of the AGM which will be held at the IMI Conference Centre, Sandyford Road, Dublin 16, Ireland at 10.30am on 8 May, 2008, which is set out on pages 7 to 11 of this document. In addition to the ordinary business to be transacted at the AGM, there are various items of special business which are described further below.

## Special Business at AGM

### Power to Allot Shares for Cash – Resolution No. 4

At the annual general meeting held in 2007 shareholders gave the Directors power to allot shares for cash otherwise than in accordance with statutory pre-emption rights. That power will expire at the close of business on the date of the forthcoming Annual General Meeting.

The Directors will, at the forthcoming Annual General Meeting, seek power to allot shares for cash, otherwise than in accordance with statutory pre-emption rights, by way of rights issues up to the amount of the unissued share capital of the Company, or otherwise up to an aggregate nominal value of €580,000, which is approximately 5 per cent of the nominal value of the issued share capital of the Company. The power under this Resolution will expire (under the Articles of Association) at next year’s annual general meeting or 15 months after the forthcoming AGM, whichever is the earlier. There is no present intention of making such an issue of shares.

### Authority to Make Market Purchases of the Company’s Own Shares – Resolution No. 5

At the last annual general meeting shareholders gave the Company authority to make market purchases of up to 10% of the Company’s own shares. Under Resolution no. 5 shareholders are being asked to extend this authority to the Company or any of its subsidiaries. The Directors monitor the Company’s share price on an ongoing basis and may from time to time exercise this power to make market purchases of the Company’s own shares, at price levels which they consider to be in the best interests of the shareholders generally, after taking account of the Company’s overall financial position. The minimum price which may be paid for any market purchase of the Company’s own shares will be the nominal value of the shares and the maximum price which may be paid will be 105% of the then average market price of the shares.

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### **Authority to Re-issue Treasury Shares – Resolution No. 6**

Shareholders are being asked to sanction the price range at which any treasury share (that is a share of the Company redeemed or purchased and held by the Company rather than being cancelled) may be reissued other than on the Stock Exchange. The maximum and minimum prices at which such a share may be re-issued are 120% and 95%, respectively of the average market price of a share calculated over the five business days immediately preceding the date of such re-issue.

### **Authority to Purchase ‘A’ Ordinary Shares – Resolution No. 7**

The Board's existing authority to make purchases of 'A' Ordinary Shares (which was given at the annual general meeting in 2007) will expire at the close of business on the date of the forthcoming Annual General Meeting. This Resolution seeks shareholders' approval to renew the relevant authority under section 213 of the Companies Act, 1990. The Directors' intention would be to exercise this power to purchase 'A' Ordinary Shares only at price levels which they consider to be in the best interests of the shareholders generally, after taking account of the Company's overall financial position. If such purchases take place, it is unlikely that a dividend would also be paid, and vice versa.

### **Proposed Sub-Division of ‘A’ Ordinary Shares – Resolution No. 8**

The Board periodically reviews the capital structure of the Group and, in view of the fact that the number of 'A' Ordinary Shares in issue has diminished since they were first issued in 2004, as a result of purchases by the Company, it has decided that shareholders will be asked to approve the creation of additional 'A' Ordinary Shares by means of a 10 for one share split, so that the Company will retain flexibility in returning capital to shareholders.

A Grafton Unit currently comprises one Ordinary Share of €0.05 in Grafton Group plc, one C Ordinary Share of Stg0.0001p in Grafton Group (UK) plc and two 'A' Ordinary Shares of 0.01 cent in Grafton Group plc. Resolution No. 8 proposes that each 'A' Ordinary Share be sub-divided into 10 'A' Ordinary Shares.

The key features of the proposed sub-division are as follows:

- (a) The sub-division is expected to become effective on Monday, 12 May 2008.
- (b) The total value of the authorised Ordinary Shares in Grafton Group plc will remain unchanged at €15 million.

The total value of the authorised C Ordinary Shares in Grafton Group (UK) plc will remain unchanged at Stg£500.

The total value of the authorised 'A' Ordinary Shares in Grafton Group plc will remain unchanged at €300,000 but will be divided into 30 billion 'A' Ordinary Shares of 0.001 cent each (as compared to the current 3 billion 'A' Ordinary Shares of 0.01 cent each).

The number of issued 'A' Ordinary Shares in Grafton Group plc is expected to be approximately 460 million at the date of the AGM and will increase to 4.6 billion if the proposed sub-division is approved by shareholders at the AGM.

- (c) Grafton Units in issue following the sub-division will rank equivalently in all respects with Grafton Units in existence prior to the sub-division and will carry full voting rights and full rights to share in any surplus on a winding up.
- (d) Shareholders' future dividend entitlements will not be altered as a result of the 'A' Ordinary Share split and flexibility in relation to future purchases by the Company of 'A' Ordinary Shares will be maintained.
- (e) The 'A' Ordinary Share split should not constitute a disposal or acquisition by shareholders for the purposes of capital gains tax.

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### **Proposed Amendments to the Articles of Association – Resolution No. 9**

Subject to shareholders approving the proposed sub-division of the 'A' Ordinary Shares at the AGM, it is proposed (by Resolution no.9) to make minor consequential amendments to the Company's Articles of Association to reflect the sub-division of the 'A' Ordinary Shares. In addition, the Directors are taking this opportunity to propose (under Resolution no.9) other amendments to the Company's Articles of Association in order to broaden the Company's existing powers to impose sanctions on a shareholder who is in default in complying with a notice from the Company requiring disclosure of information in relation to interests in the Company's shares. These amendments would be consistent with the Companies Acts and the Listing Rules of the Stock Exchanges, which entitle a public company to require disclosure of interests in its shares. The text of these proposed amendments is set out in Resolution no.9 in the Notice of the AGM.

### **Proposed Amendment to the 1999 Grafton Group Share Scheme – Resolution No. 10**

The regulations governing the 1999 Grafton Group Share Scheme are contained in the Articles of Association of Grafton Group Management Services Limited and shareholders are being asked to approve a change to the regulation that currently stipulates a vesting period of five years in relation to Basic Shares so as to reduce that period to three years. The Board considers that this amendment would be fair and reasonable and in line with current practice. It is intended that the change would apply only to future entitlements under the Scheme and this has been approved by the Irish Association of Investment Managers.

### **Electronic Communications with Shareholders – Resolution No. 11**

Since the Electronic Commerce Act 2000, it has been possible for a company to communicate electronically with its shareholders provided the consent of the shareholder was obtained. The Transparency (Directive 2004/109/EC) Regulations 2007 (the "Transparency Regulations") introduced a more flexible regime in regard to the use of electronic communications by companies.

In order to avail of the E-Comms regime in the Transparency Regulations, the decision to use electronic means to convey information to shareholders must be taken in a general meeting. Although the Company's Articles of Association currently contain provisions relating to electronic communications, the Transparency Regulations permit the use of electronic communications to a greater extent than was previously possible. It is therefore recommended that the Company should propose an ordinary resolution at the AGM authorising the use of electronic communications under the Transparency Regulations.

In accordance with the provisions of the Transparency Regulations, the Company intends to write to all shareholders requesting their consent to the use of electronic means of conveying information, in due course. The Transparency Regulations provide that if a shareholder does not object to the use of electronic means within a reasonable period of time (one month), the shareholder's consent will be deemed to be given. Shareholders who wish to continue to receive notices, documents and information in hard copy form will be invited to notify the Company accordingly. It is therefore proposed under the last item of special business (Resolution No. 11) that the Company be authorised to take advantage of these new legislative provisions in order to facilitate communications between the Company and its shareholders.

### **Further Action**

A Form of Proxy for use at the AGM is enclosed. To be valid, the Form of Proxy must be completed and returned to the Company's Registrars, Capita Corporate Registrars Plc, Unit 5, Manor Street Business Park, Manor Street, Dublin 7, Ireland no later than 10.30am on 6 May, 2008. The completion and lodging of a Form of Proxy will not prevent you from attending and voting in person at the meeting should you so wish.

### **RECOMMENDATION**

**Your Board considers that the proposals set out above are in the best interests of shareholders as a whole and, accordingly, your Board recommends that you vote in favour of the resolutions at the Annual General Meeting.**

Yours sincerely,

Michael Chadwick  
Chairman

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## Documents Available for Inspection

The following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company (i.e. Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18) and at the offices of Arthur Cox, Earlsfort Centre, Earlsfort Terrace, Dublin 2 and at the offices of Arthur Cox, 29 Ludgate Hill, London EC4M 7JE, up to and including the date of the Annual General Meeting and at the Annual General Meeting itself:-

- (a) A copy of the existing Memorandum and Articles of Association of the Company.
- (b) A copy of the proposed amended Memorandum and Articles of Association of the Company (with the proposed amendments marked for reference).
- (c) The proposed amended Memorandum and Articles of Association of Grafton Group Management Services Limited.

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# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Grafton Group plc will be held at the IMI Conference Centre, Sandyford Road, Dublin 16, Ireland on 8 May, 2008 at 10.30am for the following purposes:

- (1) To receive and consider the financial statements for the year ended 31 December 2007 together with the reports of the Directors and the auditors thereon.

**(Resolution No. 1)**

- (2) To re-elect the following Directors who retire and, being eligible, offer themselves for re-election:

Anthony E. Collins\*

**(Resolution No. 2a)**

Gillian Bowler\*

**(Resolution No. 2b)**

Richard W. Jewson\*

**(Resolution No. 2c)**

Michael Chadwick

**(Resolution No. 2d)**

Fergus Malone

**(Resolution No. 2e)**

Colm Ó Nualláin

**(Resolution No. 2f)**

\* member of the Remuneration Committee

Biographical information on the directors eligible for re-election is set out on page 17 of the 2007 Annual Report.

- (3) To authorise the Directors to fix the remuneration of the auditors for the year ending 31 December 2008.

**(Resolution No. 3)**

## **As Special Business:**

- (4) **To consider and, if thought fit, pass the following resolution as a special resolution:**

“That in accordance with the powers, provisions and limitations of Article 8(iii) of the Articles of Association of the Company, the Directors be and they are hereby empowered to allot equity securities for cash and in respect of sub-paragraph (b) thereof up to an aggregate nominal value of €580,000.”

**(Resolution No. 4)**

- (5) **To consider and, if thought fit, pass the following as a special resolution:**

“That, the Company and/or any of its subsidiaries (as defined by section 155 of the Companies Act, 1963) be and are hereby generally authorised to make market purchases (within the meaning of Section 212 of the Companies Act, 1990) from time to time of shares of any class in the Company up to a maximum number of shares equal to ten per cent of the Company's issued share capital at the date of the passing of this resolution, provided that this authority shall expire at the close of business on the date of the next Annual General Meeting of the Company after the passing of this resolution, or the date 15 months after the date of the passing of this resolution, whichever comes first, save that the Company may before such expiry make a contract of purchase which would or might be executed wholly or partly after the expiry of this authority, so, however, that purchases of shares will be limited to a maximum price which will not exceed 5% above the average of the closing prices of the shares taken from the Irish Stock Exchange Daily Official List for the five business days before the purchase is made and to a minimum price which will not be less than the par value of the shares at the time the purchase is made.”

**(Resolution No. 5)**

- (6) **To consider and, if thought fit, pass the following resolution as a special resolution:**

“That, for the purposes of Section 209 of the Companies Act, 1990, the re-issue price range at which any treasury shares (as defined by the said Section 209) for the time being held by the Company may be re-issued off-market shall be as follows:

- (a) the maximum price at which a treasury share may be re-issued off-market shall be an amount equal to 120% of the Appropriate Price; and
- (b) the minimum price at which a treasury share may be re-issued off-market shall be an amount equal to 95% of the Appropriate Price.

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For the purposes of this resolution the expression "Appropriate Price" shall mean the average of five amounts resulting from determining whichever of the following {(i), (ii) or (iii) specified below} in relation to shares of the class of which such treasury shares is to be re-issued shall be appropriate in respect of each of the five business days immediately preceding the day on which the treasury share is re-issued, as determined from information published in the Irish Stock Exchange Daily Official List reporting the business done on each of these five business days:-

- (i) if there shall be more than one dealing reported for the day, the average of the prices at which such dealings took place; or
- (ii) if there shall be only one dealing reported for the day, the price at which such dealing took place; or
- (iii) if there shall not be any dealing reported for the day, the average of the closing bid and offer prices for the day

and if there shall be only a bid (but not an offer) or an offer (but not a bid) price reported, or if there shall not be any bid or offer price reported, for any particular day then that day shall not count as one of the said five business days for the purposes of determining the Appropriate Price. If the means of providing the foregoing information as to dealings and prices by reference to which the Appropriate Price is to be determined is altered or is replaced by some other means, then the Appropriate Price shall be determined on the basis of the equivalent information published by the relevant authority in relation to dealings on the Irish Stock Exchange or its equivalent. The authority hereby conferred shall expire at the close of business on the day of the next Annual General Meeting of the Company or the date 18 months after the date of the passing of this resolution, whichever is the earlier, unless previously varied or renewed in accordance with the provisions of Section 209 of the Companies Act, 1990."

**(Resolution No. 6)**

**(7) To consider and, if thought fit, pass the following resolution as a special resolution:**

"That the terms of the proposed contingent purchase contract (within the meaning of section 214 of the Companies Act, 1990) relating to the 'A' Ordinary Shares in the capital of the Company, as set out in Article 4A. of the Articles of Association of the Company, be and are hereby authorised. The authority hereby granted shall expire at the close of business on the date of the next Annual General Meeting of the Company after the passing of this resolution, or the date 15 months after the date of the passing of this resolution, whichever comes first, save that the Company may before such expiry make a contract of purchase which would or might be executed wholly or partly after the expiry of this authority."

**(Resolution No. 7)**

**(8) To consider and, if thought fit, pass the following resolution as an ordinary resolution:**

"That, with effect from midnight on 11 May 2008, each 'A' Ordinary Share of 0.01 cent in the capital of the Company (whether issued or unissued) be sub-divided into ten 'A' Ordinary Shares of 0.001 cent each, having the rights and being subject to the restrictions set out in the Articles of Association of the Company."

**(Resolution No. 8)**

**(9) To consider and, if thought fit, pass the following resolution as a special resolution:**

"That the Articles of Association of the Company be and are hereby amended, as follows:-

- (a) subject to the passing of Resolution no.8 sub-dividing the 'A' Ordinary Shares of the Company,
  - by the substitution of "0.001 cent" for "0.01 cent" in the definition of 'A' Ordinary Share in Article 2; and
  - by the substitution of "20" for "ten" in the definition of Grafton Unit in Article 2;
- (b) by the addition of the following provisions as paragraph (ix) of Article 12 of the existing Articles of Association:-
  - "(ix) The provisions of this Article and Article 75 are in addition to, and do not limit, any other right or power of the Company, including any right vested in or power granted to the Company by the Acts."
- (c) by the substitution of the following provisions for Article 75 of the existing Articles of Association:-

"75. (i) If at any time the Directors shall determine that a Default (as defined by paragraph (vii) below) shall have occurred in relation to any share or shares, the Directors may serve a notice to such effect on the holder or holders thereof. Upon the expiry of fourteen days from the service of any such notice (in these Articles referred to as a "Restriction Notice"), for so long as such Restriction Notice shall remain in force:-

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- (a) no holder or holders of the share or shares specified in such Restriction Notice (in these Articles referred to as "Restricted Shares") shall be entitled to attend, speak or vote either personally, by representative or by proxy at any general meeting of the Company or at any separate general meeting of the holders of the class of shares concerned or to exercise any right conferred by membership in relation to any such meeting; and
- (b) where the Restricted Shares represent not less than 0.25 percent of the class of shares concerned, the Directors shall be entitled:-
- (1) to withhold payment of any dividend (including shares issuable in lieu of dividend) or of any purchase price payable under Article 4A in respect of all or any of the Restricted Shares; and/or
  - (2) to refuse to register any transfer of the Restricted Shares or any renunciation of any allotment of new shares or debentures made in respect thereof unless such transfer or renunciation is shown to the satisfaction of the Directors to be an arm's length transfer or a renunciation to another beneficial owner unconnected with the holder or any person appearing to have an interest in the Restricted Shares (subject always to the provision of paragraph (viii)).
- (ii) A Restriction Notice shall be cancelled by the Directors not later than seven days after the holder or holders concerned shall have remedied the Default concerned. A Restriction Notice in respect of any Restricted Shares shall automatically cease to have effect in respect of any shares on receipt by the Company of evidence satisfactory to it that the Restricted Shares have been sold to a bona fide unconnected third party (in particular by way of sale through a recognised investment exchange or an overseas exchange or by acceptance of a takeover offer) or upon registration of the relevant transfer provided that a Restriction Notice shall not cease to have effect in respect of any transfer where no change in the beneficial ownership of the share shall occur and for this purpose, without prejudice to the generality of the foregoing provisions, it shall be assumed that no such change has occurred where a transfer form in respect of the share is presented for registration having been stamped at a reduced rate of stamp duty by virtue of the transferor or transferee claiming to be entitled to such reduced rate as a result of the transfer being one where no beneficial interest passes.
- (iii) The Directors shall cause a notation to be made in the register of members against the name of any holder or holders in respect of whom a Restriction Notice shall have been served indicating the number of the Restricted Shares and shall cause such notation to be deleted upon cancellation or cesser of such Restriction Notice.
- (iv) Any determination of the Directors and any notice served by them pursuant to the provisions of this Article shall be conclusive as against the holder or holders of any share and the validity of any notice served by the Directors in pursuance of this Article shall not be questioned by any person.
- (v) If, while any Restriction Notice shall remain in force in respect of any Restricted Shares, any further shares shall be issued in respect thereof pursuant to a capitalisation issue made in pursuance of these Articles, the Restriction Notice shall be deemed also to apply in respect of such further shares which shall as from the date of issue thereof form part of the Restricted Shares for all purposes of this Article.
- (vi) On the cancellation of any Restriction Notice the Company shall pay to the holder (or, in the case of joint holders, the first named holder) on the register in respect of the Restricted Shares as of the record date for any dividend or other monies so withheld, all such amounts as have been withheld pursuant to the provisions of this Article, subject always to the provisions of Article 126 which shall be deemed to apply, mutatis mutandis, to any amount so withheld.
- (vii) For the purposes of these Articles the expression "Default" in relation to any share shall mean either of the following events:
- (a) the failure by the holder thereof or any of the holders thereof to comply, to the satisfaction of the Directors, with all or any of the terms of Article 12 in respect of any notice or notices given to him or any of them thereunder; or
  - (b) the failure by the holder thereof or any of the holders thereof to comply, to the satisfaction of the Directors, with the terms of any notice given to him or any of them pursuant to the provisions of Section 81 of the Companies Act, 1990.
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(viii) For the purposes of paragraph (i) (b) (2), the Directors shall be required to accept, as an arm's length transfer to another beneficial owner, any transfer which is presented for registration in pursuance of:-

- (i) any bona fide sale made on any bona fide stock exchange, unlisted securities market or over the counter exchange; or
- (ii) the acceptance of any general offer made to all the holders of any class of shares in the capital of the Company."

**(Resolution No. 9)**

(10) **To consider and, if thought fit, pass the following resolution as an ordinary resolution:**

"That the Company hereby sanctions the amendment proposed to be made to the 1999 Grafton Group Share Scheme, which is summarised in the circular to shareholders from the Chairman of the Company containing the notice of this meeting."

**(Resolution No. 10)**

(11) **To consider and, if thought fit, pass the following resolution as an ordinary resolution:**

"That the Company be authorised to use electronic means (as defined by the Transparency (Directive 2004/109/EC) Regulations 2007) to convey all types of information (including notices) to shareholders or debt securities holders, including by making such information available on a website".

**(Resolution No. 11)**

Charles Rinn  
Company Secretary  
Grafton Group plc  
Heron House  
Corrig Road  
Sandyford Industrial Estate  
Dublin 18

7 April, 2008

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## Notes

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies (who need not be a member of the Company) to attend, speak and vote in his/her place. Completion of a form of proxy will not affect the right of a member to attend, speak and vote at the meeting in person.
- (2) To be valid, proxy forms duly signed together with the power of attorney or such other authority (if any) under which they are signed (or a certified copy of such power or authority) must be lodged with the Company's Registrars, Capita Corporate Registrars Plc, Unit 5, Manor Street Business Park, Manor Street, Dublin 7, Ireland not later than 10.30am on 6 May, 2008.
- (3) The Company, pursuant to Regulation 14 of the Companies Act, 1990 (Uncertificated Securities) Regulations, 1996, hereby specifies that only those shareholders entered in the register of members of the Company as at 6.00 pm on 6 May, 2008 (or in the case of an adjournment as at 6.00 pm on the day prior to the day before the time fixed for the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register after that time will be disregarded in determining the right of any person to attend and/or vote at the meeting.

