
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in doubt about the action you should take, you are recommended to immediately 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 pursuant to the European Communities (Markets in Financial Instruments) Regulations (Nos. 1 to 3) 2007 of Ireland or the Investment Intermediaries Act, 1995 of Ireland (as amended), 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.

GRAFTON GROUP plc

Notice of 2011 Annual General Meeting

A letter from the Chairman of Grafton Group plc is set out on pages 3 and 4 of this document.

Your attention is drawn to the Notice of the Annual General Meeting to be held at 10.30am on 4 May 2011 at the IMI Conference Centre, Sandyford Road, Dublin 16, Ireland which is set out on pages 13 to 16 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 Registrars (Ireland) Limited, Unit 5, Manor Street Business Park, Manor Street, Dublin 7, Ireland so as to be received no later than 10.30am on 2 May 2011. Alternatively, you may appoint a proxy electronically by visiting the website of the Company's Registrars at www.capitaregistrars.ie and submitting your proxy details. You will need your Investor Code (IVC) to submit your appointment.

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EXPECTED TIMETABLE OF EVENTS

Latest time for return of proxies for Annual General Meeting	10.30am on Monday, 2 May 2011
Annual General Meeting	10.30am on Wednesday, 4 May 2011

AGENDA OF ANNUAL GENERAL MEETING

Ordinary Business

1. To receive and consider the financial statements for the year ended 31 December 2010.
2. Election and re-election of Directors.
3. Authorisation to fix the remuneration of the Auditors.
4. To receive and consider the Report on Directors' Remuneration.

Special Business

5. Authorisation to dis-apply statutory pre-emption rights.
 6. Authorisation of market purchases of the Company's own shares.
 7. Determination of the price range for the re-issue of treasury shares off-market.
 8. Authorisation to retain the power to hold EGMs on 14 days' notice.
 9. Authorisation to adopt the Grafton Group plc 2011 Long Term Incentive Plan.
 10. Authorisation to adopt the Grafton Group (UK) plc 2011 Approved SAYE Plan.
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GRAFTON GROUP plc

(Registered in Ireland No. 8149)

Directors

Michael Chadwick (Chairman)
Gavin Slark (*Chief Executive Designate,
to be appointed to the Board with effect from 1 April 2011*)
Colm Ó Nualláin (Finance Director)
Leo J. Martin (Chief Operating Officer)
Gillian Bowler (Non-Executive Director)
Annette Flynn (Non-Executive Director)
Charles M. Fisher (Non-Executive Director)
Richard W. Jewson (Non-Executive Director)
Roderick Ryan (Non-Executive Director)

Registered Office:

Heron House
Corrig Road
Sandyford Industrial Estate
Dublin 18

22 March 2011

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 4 May, 2011, which is set out on pages 13 to 16 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

Resolution No. 5 - Power to Dis-apply Statutory Pre-emption Rights

At the Annual General Meeting held in 2010, 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 €590,000, 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. The Board has no present intention of making such an issue of shares.

Resolution No. 6 - Authority to Make Market Purchases of the Company's Own Shares

At the last Annual General Meeting shareholders gave the Company and/or any of its subsidiaries authority to make market purchases of up to 10 per cent of the Company's own shares. Under Resolution No. 6 shareholders are being asked to renew this authority.

The Directors monitor the Company's share price 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 per cent of the then average market price of the shares.

Resolution No. 7 - Authority to Re-issue Treasury Shares

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 per cent and 95 per cent, respectively of the average market price of a share calculated over the five business days immediately preceding the date of such re-issue.

Resolution No. 8 – Consent pursuant to the Shareholders Rights Regulations to retain the existing authority to convene an Extraordinary General Meeting on 14 days notice

If adopted, Resolution no. 8 will maintain the existing authority in the Articles of Association which permits the Company to convene an Extraordinary General Meeting on 14 days notice in writing where the purpose of the meeting is to consider an ordinary resolution. As a matter of policy, the 14 day notice will only be utilised where the Directors believe that it is merited by the business of the meeting and is to the advantage of shareholders as a whole.

Resolution No. 9 – Authority to adopt the Grafton Group plc 2011 Long Term Incentive Plan

The Remuneration Committee is committed to developing and implementing remuneration policies which provide an appropriate motivational framework and which closely align the interests of the executive directors and key employees with the performance of the business and the interests of shareholders.

The Remuneration Committee is therefore proposing to implement the Grafton Group plc 2011 Long Term Incentive Plan which is designed to incentivise executives and other senior employees in the Group and which is linked to long term performance.

The principal features of the proposed Grafton Group plc 2011 Long Term Incentive Plan are summarised in Appendix 1.

Resolution No. 10 – Authority to adopt the Grafton Group (UK) plc 2011 Approved SAYE Plan

The Company currently operates the Grafton Group (UK) plc Savings Related Share Option Scheme. The existing Scheme will terminate on 2 May 2011 and therefore the Remuneration Committee proposes to introduce the Grafton Group (UK) plc 2011 Approved SAYE Plan as a replacement to enable similar savings-related option grants under UK HMRC approved rules to be made to Group employees in the UK.

The principal features of the proposed Grafton Group (UK) plc 2011 Approved SAYE Plan are summarised in Appendix 2.

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 Registrars (Ireland) Limited, Unit 5, Manor Street Business Park, Manor Street, Dublin 7, Ireland no later than 10.30am on 2 May, 2011. Alternatively, you may appoint a proxy electronically, by visiting the website of the Company's Registrars at www.capitaregistrars.ie. You will need your Investor Code (IVC), which can be found at the top of your proxy form. 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

APPENDIX 1

Principal features of the proposed Grafton Group plc 2011 Long Term Incentive Plan (“2011 LTIP”)

1. General

The 2011 LTIP is a long-term incentive plan which permits the grant of awards which will entitle participants to receive free shares subject to the achievement of long term performance conditions which are chosen so as to be aligned to the interests of shareholders. Share options may also be granted with the same performance conditions where this is more practicable or to avail of tax incentives intended to encourage employee share ownership.

The Remuneration Committee will oversee the ongoing operation of the 2011 LTIP.

2. Eligibility

The 2011 LTIP is available for executive directors and senior executives of any participating company who are individually nominated to participate in the plan by the Remuneration Committee. A person cannot be granted an award within two years of his/her agreed retirement date (as defined in the rules of the 2011 LTIP).

3. Grant of awards

The Remuneration Committee may grant “free share” awards in the form of conditional share awards or forfeitable and/or restricted shares.

The Remuneration Committee may grant awards to acquire ordinary shares in the Company within six weeks following the Company’s announcement of its results for any period. The Remuneration Committee may also grant awards within six weeks of shareholder approval of the 2011 LTIP or of any regulatory or legal restriction on the granting of awards under the 2011 LTIP being lifted or at any other time when the Remuneration Committee considers there are exceptional circumstances which justify the granting of awards.

An award may not be granted more than 10 years after shareholder approval of the 2011 LTIP.

4. Grant of options

Under the 2011 LTIP the Remuneration Committee may also grant “market value” share options. The exercise price per share payable upon exercise of a “market value” share option will not be less than the greater of:

- (a) the closing market price of a share on the Irish Stock Exchange on the dealing day immediately before the date of grant (or on such other dealing day(s) as the Remuneration Committee may decide); and
- (b) if the option relates only to new issue shares, the nominal value of a share.

The grant of share options will be limited to jurisdictions where such options (“Revenue approved share options”) may benefit from favourable taxation treatment of the Company, any Subsidiary or any participant. Such a favourable regime exists for the grant of options to participants who are tax resident in the United Kingdom. Under this regime, the market value (at the date of grant) of shares which are the subject of unexercised options is currently capped at STG£30,000 per participant.

5. Dilution limits

In the ten years preceding any given day, the aggregate number of shares in the Company committed for issue under:

- (a) all share plans operated by the Company shall not exceed 10 per cent of the shares in issue immediately prior to that day;
- (b) the 2011 LTIP and all other Group executive incentive share plans shall not exceed 7 per cent of the shares in issue immediately prior to that day; and
- (c) the 2011 LTIP and all Group executive incentive share plans adopted after the adoption of the 2011 LTIP shall not exceed 5 per cent of the shares in issue immediately prior to that day.

A maximum aggregate flow rate limit of 3 per cent of the shares in issue will apply to all grants over three years under all Group share plans in operation.

Prior to setting the limits described above, the Remuneration Committee discussed these limits with certain bodies which represent or advise institutional investors, including the Irish Association of Investment Managers ("IAIM"). In these discussions, the Remuneration Committee confirmed that it is its current intention that the expected number of new shares which might be the subject of awards granted under the 2011 LTIP in any financial year will not exceed 0.5 per cent of the Company's issued share capital. The 7 per cent dilution limit referred to above was agreed in order to take account of the options which had been granted up to 2009 (i.e. when the last executive share scheme expired). These options are subject to stringent performance conditions which must be satisfied over a period of 5 years but which in normal circumstances, where there is no change of control in the Company, are now unlikely to become exercisable given these performance conditions and prices at which these options are exercisable.

Treasury shares will count as new issue shares for the purposes of these limits unless otherwise agreed with the IAIM.

6. Source of shares

The vesting of awards may be satisfied by the allotment of shares comprised in the Grafton Units, the re-issue of treasury shares, or the purchase of shares on the market by an employee benefit trust. The Company may therefore establish an employee benefit trust to acquire and to hold shares from time to time for the purpose of satisfying the vesting of awards under the 2011 LTIP.

Although it does not currently intend to do so, the Remuneration Committee may also decide in appropriate circumstances to satisfy the vesting of an award by a payment in cash equal to the value of the award at the date of vesting and net of any applicable taxes or withholdings.

7. Individual limits

The aggregate value of awards which may be granted to an individual in any financial year is limited to a maximum of 150 per cent of the annual rate of the individual's base salary. This may be exceeded in exceptional circumstances, such as where the Remuneration Committee determines that it is necessary for the recruitment or retention of key employees. Where this applies, the aggregate value of the grants made to the individual in that financial year may not exceed 200 per cent of the annual rate of the individual's base salary. It is the intention of the Remuneration Committee that awards granted to any individual under the 2011 LTIP in the current financial year will not exceed 100 per cent of the annual rate of the individual's base salary.

For the purposes of this limit, the value of a "free share" award will be the market value of the shares which are subject to the award at the time of grant. Where share options are granted, 40 per cent of the market value of the shares which are the subject of the options at the time of grant will be the value which will be used in calculating this limit.

8. Performance conditions

The 2011 LTIP will provide for the issue of awards which vest subject to the achievement of one or more minimum performance objectives measured over three financial years. These performance objectives will consist of such performance conditions ("Performance Conditions") as are selected by the Remuneration Committee.

In the case of awards that will be issued in the 42 days after the adoption of the 2011 LTIP to the Company's executive directors and Persons Discharging Managerial Responsibility (PDMRs), the Performance Conditions will be dependent on the growth in the Company's EPS (i.e. earnings per share) and the Company's TSR (i.e. total shareholder return) performance (the "EPS Performance Condition" and the "TSR Performance Condition", respectively). The vesting of 50 per cent of the shares which are the subject of awards granted to the Company's executive directors and PDMRs will be subject to the EPS Performance Condition and the remaining 50 per cent will be subject to the TSR Performance Condition. EPS will be the adjusted earnings per share figure shown in the Company's annual report. TSR represents the change in share price of a listed/quoted company over a period plus dividends expressed as a plus or minus percentage of the opening value. For this reason, both EPS and TSR are accepted as a good measure of how well shareholders are doing in terms of the value of their investment in the Company when taking into account the Company's share price, any dividends paid out and Company performance.

Under the EPS Performance Condition for awards granted in the 42 days after the adoption of the 2011 LTIP, the Company's EPS for the financial year ending 31 December 2013 must be equal to 37 cents per share if the award is to vest. If this target is achieved, then 25 per cent of the shares which are subject to the EPS Performance Condition shall vest. Where the Company's EPS for the financial year ending 31 December 2013 is equal to or greater than 45 cents per share, then 100 per cent of the shares which are subject to the EPS Performance Condition shall vest. Where the Company's EPS for the financial year ending 31 December 2013 is between the thresholds of 37 cents and 45 cents per share, then between 25 per cent and 100 per cent of the shares which are subject to the EPS Performance

Condition shall vest on a straight-line basis. In view of the expected percentage growth in EPS implied by these targets, the Remuneration Committee considers that it is better to express the targets for the initial awards in terms of cents per share.

Under the TSR Performance Condition for awards to be granted initially to the members of the Company's executive directors and PDMRs, the Company's TSR performance will be compared against the TSR performance of a peer group of UK and Irish companies. Currently, this consists of 18 companies excluding the Company. These are set out below.

Balfour Beatty plc	Costain Group plc	Kingspan Group plc
Barratt Developments plc	CRH plc	Low & Bonar plc
Bellway plc	Galliford Try plc	Marshalls plc
Brammer plc	Gleeson (M J) Group plc	Morgan Sindall Group plc
Carillion plc	Howden Joinery Group plc	SIG plc
T. Clarke plc	Kier Group plc	Travis Perkins plc

This peer group has been selected for the reasons that these companies all operate in the UK and/or Ireland and are engaged in businesses that either have similarities or are related to the Company's business. If any company in the peer group ceases to exist, its shares cease to be listed on a recognised stock exchange, or otherwise is so changed as to make it, in the opinion of the Remuneration Committee, unsuitable as a member of the peer group, the Remuneration Committee may: (a) exclude that company; (b) in the event of a takeover, replace that company with the acquiring company; (c) include a substitute for that company; (d) track the future performance of that company by reference to an index; or (e) treat the company in any other way it decides is appropriate.

The benefit which an executive director or a PDMR can receive under the 2011 LTIP will depend on how well the Company's TSR performance compares against this peer group over the three year performance period commencing on 1 January 2011. Where the Company's TSR performance equals the median TSR performance of the peer group, then 25 per cent of the shares which are subject to the TSR Performance Condition shall vest. 100 per cent of the shares which are subject to the TSR Performance Condition shall vest if the Company's TSR performance is equal to or greater than the 75th percentile in the peer group. For TSR performance between the 50th and the 75th percentiles, between 25 per cent and 100 per cent of the shares which are subject to the TSR Performance Condition shall vest on a straight-line basis based on the Company's notional ranking compared against the Comparator Group. For the purpose of calculating the TSR Performance Condition, the TSR figures which will be used for the Company and the other members of the peer group will be their average TSR figures over the three months prior to the commencement of the performance period and then again over the three months prior to the end of the performance period. Notwithstanding the achievement of the TSR Performance Condition, no shares will vest in relation to the Company's TSR performance unless the Remuneration Committee considers that the overall financial results of the Group have been satisfactory in the circumstances over the performance period.

For all of the other participants in the 2011 LTIP (i.e. employees who are not PDMRs or one of the Company's executive directors), the Remuneration Committee believes it is important that the Performance Conditions should be EPS based only. This is in line with the Company's 1999 Executive Share Scheme and in the Group's business sector EPS is considered to correlate strongly with shareholder value in the medium to long term. The only Performance Conditions for the awards to be granted in the 42 days following the adoption of the 2011 LTIP to employees who are not executive directors or PDMRs will therefore be the EPS Performance Conditions described above.

No retesting of performance conditions is permitted.

The Remuneration Committee considers that the Performance Conditions described above are demanding. In respect of any awards granted after the 42 days following the adoption of the 2011 LTIP, the Remuneration Committee may adopt different Performance Conditions without shareholder approval where the new Performance Conditions will, in the reasonable opinion of the Remuneration Committee, be no less challenging, having regard to the circumstances prevailing at the time, than the Performance Conditions described above.

The Remuneration Committee may also vary any performance conditions applying to existing awards if an event has occurred which causes the Remuneration Committee to consider that it would be appropriate to amend the performance conditions, provided the Remuneration Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

9. Vesting of awards

Awards normally vest to the extent that the applicable Performance Conditions have been satisfied over three financial years and provided the participant is still employed in the Group. No award can vest, and will therefore lapse, after the Remuneration Committee has determined that the applicable Performance Conditions have not been satisfied and the Remuneration Committee must make this determination within twelve months of the end of the Performance Period. No option can be exercised more than ten years after the date of grant.

10. Claw-back

The Remuneration Committee has the discretion to require the reduction of the vesting of awards or require the repayment of vested awards (within two years of the vesting of awards) in circumstances where the vesting arose as a result of information which has subsequently proved to be inaccurate or misleading in a material respect.

11. Cessation of employment

As a general rule, an award will lapse upon a participant giving or receiving notice of his cessation of employment or directorship within the Group. However, if a participant ceases to be an employee or a director because of his death, ill-health, injury, disability, redundancy (if the Remuneration Committee so determines), agreed retirement, his employing company or the business for which he works being sold out of the Group or in other circumstances at the discretion of the Remuneration Committee, his award will vest on the date when it would have vested if he had not ceased such employment or office, subject to: (i) the Performance Conditions being satisfied at the end of the period over which the conditions are measured and (ii) the pro-rating of the award (by reference to the number of days elapsed in the performance period) to reflect the reduced period of time between the commencement of the performance period and the participant's cessation of employment as a proportion of the total performance period, although the Remuneration Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

If a participant ceases to be an employee or director in the Group for one of the "good leaver" reasons specified above, the Remuneration Committee can decide that his award will vest on the date when he leaves. The extent to which an award will vest in these situations will depend upon two factors: (i) the extent to which the Performance Conditions have been satisfied by reference to the date of cessation; and (ii) pro-rating by reference to the time of the participant's cessation of employment as a proportion of the performance period as described above.

If any of the above "good leaver" circumstances applies to any awards granted as options, which vest as a consequence of cessation, the options may be exercised within a period of 12 months starting from the date on which the award vests. Any awards granted as options which have vested prior to the participant's cessation of employment in "good leaver" circumstances may be exercised within a period of 12 months from the participant's cessation of employment.

12. Corporate events

In the event of a takeover, merger, scheme of arrangement or other similar event involving a change of control of the Company (in each case, not being an internal corporate reorganisation) all awards will vest early subject to (i) the extent that the performance conditions have been satisfied at that time as determined by the Remuneration Committee and (ii) the pro-rating of the awards (by reference to the number of days elapsed in the performance period) to reflect the reduced period of time between the commencement of the performance period and the early vesting, although the Remuneration Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances. In the case of a merger, the Remuneration Committee can decide to allow awards to be replaced by equivalent new awards over shares in a merged entity and any awards which are exchanged in this way will not vest on the happening of the merger.

In the case of an option, the Remuneration Committee will specify the period during which it may be exercised and thereafter it will lapse.

In the event of an internal corporate reorganisation awards will be replaced by equivalent new awards over shares in a new holding company unless the Remuneration Committee decides that awards should vest on the basis which would apply in the case of a takeover.

13. Adjustment of awards

In the event of a de-merger, special dividend, similar event or an alteration to the capital structure of the Company, including a capitalisation of reserves or a rights issue, then awards may be adjusted as the Remuneration Committee deems appropriate except that in the event of a de-merger, special dividend which has the effect of materially changing the Group's business or similar event the Remuneration Committee can instead decide that awards will vest on the basis which would apply in the case of a takeover as described above but subject to any adjustments which they deem appropriate to take account of such things as any legislation governing the event or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company involved in the event.

14. Participants' rights

Awards of conditional shares and options will not confer any shareholder rights until the awards have vested or the options have been exercised and the participants have been registered as the owners of the shares. Holders of awards of forfeitable and/or restricted shares will have shareholder rights from when the awards vest except that the shares may be subject to forfeiture or the right to transfer the shares may be restricted.

No payment is required for the grant of an award. Awards are not transferable, except on death and only then to the estate of the deceased. Awards are not pensionable. Shares issued under the 2011 LTIP will rank pari passu in all respects with the ordinary shares of the Company.

15. Alterations to the 2011 LTIP

The Remuneration Committee may, at any time, amend the 2011 LTIP in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of shares and the adjustment of awards.

The requirement to obtain the prior approval of shareholders will not apply to any minor alteration made to benefit the administration of the 2011 LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group. Shareholder approval will also not be required where the Remuneration Committee adopts new Performance Conditions or amends any Performance Conditions applying to an award.

16. Overseas plans

The 2011 LTIP will allow the Company and its subsidiaries to establish further plans for overseas territories, any such plan to be similar to the 2011 LTIP, but modified to take account of local tax, exchange control or securities laws, provided that any shares made available under such further plans are treated as counting against the limits on individual and overall participation in the 2011 LTIP.

APPENDIX 2

Principal features of the proposed Grafton Group (UK) plc 2011 Approved SAYE Plan (the “SAYE Plan”)

1. General

The SAYE Plan will be submitted to HM Revenue & Customs (“HMRC”) for approval under Schedule 3 to the UK Income Tax (Earnings & Pensions) Act 2003 (“Schedule 3”). No options may be granted under the 2011 SAYE Plan until such approval has been obtained.

The SAYE Plan replaces the Grafton Group (UK) plc Savings Related Share Option Scheme (the “2001 SAYE Plan”) adopted by the Company and Grafton Group (UK) plc (“Grafton UK”) on 2 May 2001, which expires on 2 May 2011. The SAYE Plan contains similar terms to the 2001 SAYE Plan.

The SAYE Plan provides for eligible employees to be invited to apply for a grant of options to acquire Grafton Units if certain conditions are met. Participants enter into a savings contract with an approved savings body. The savings are used, together with any bonus provided by the savings body, to pay the exercise price of the options (as described below).

As an HMRC approved plan, the SAYE Plan offers certain income tax and National Insurance contributions advantages to UK participants.

2. Eligibility

Grafton UK can nominate which Group companies will participate in the SAYE Plan, with the consent of the Board. Initially, these participating companies will be Grafton UK and nominated subsidiaries.

Any invitations under the SAYE Plan must be made to all UK resident and ordinarily resident employees and directors (who, in the case of directors, are contracted to work at least 25 hours per week for the Group) of the participating companies.

The Grantor (defined below) will, however, have the discretion to set a minimum service requirement of up to five years before an employee or director may be eligible to participate in a particular offer under the SAYE Plan.

The Grantor may, at its discretion, also invite other employees and executive directors of any participating company to participate.

3. Invitations and grant of options

Invitations to apply for the grant of options may be made within the period of 42 days beginning on the date on which the SAYE Plan is approved by HMRC.

Invitations to apply for the grant of options may then be made within the period of 42 days commencing on the fourth dealing day after the Company announces its results for any period, or at other times if the Grantor considers there are exceptional circumstances justifying the making of an invitation outside a normal invitation period.

Options may be granted by either Grafton UK or the trustees of an employee share trust, in both cases with the consent of the Board (the “Grantor”).

Options may only be granted during the period of 30 days beginning on the earliest of the dates used to determine the option exercise price (or if option applications are scaled down as described below, during the period of 42 days beginning on the earliest of such dates). An option will be personal to the participant and not transferable (other than on death when it can be exercised by the participant’s personal representatives).

4. Dilution limits

The SAYE Plan contains limits on the number of new shares to be issued as a result of the exercise of options granted under the SAYE Plan.

In the ten years preceding any given day, the aggregate number of relevant shares in the Company committed for issue under all employees' share schemes operated by the Company shall not exceed 10 per cent of the shares in issue immediately prior to that day.

A maximum aggregate flow rate limit of 3 per cent of the shares in issue will also apply to all grants over three years under all Group share plans in operation.

Treasury shares will count as new issue shares for the purposes of these limits unless otherwise agreed with the Irish Association of Investment Managers ("IAIM").

In addition, the rules of the SAYE Plan allow the Grantor to place a limit on the maximum number or value of Grafton Units to be applied for by all employees in any one offering. If this limit is exceeded, the SAYE Plan rules provide for a procedure of scaling down the number of Grafton Units over which options under the SAYE Plan will be granted.

5. Source of shares

The 2011 SAYE Plan allows the satisfaction of options through the allotment of shares comprised in the Grafton Units, the re-issue of treasury shares, or the purchase of shares on the market by an employee share trust.

6. Savings contract

An eligible employee who accepts an invitation to participate in an issue of SAYE options will be required to enter into a savings contract with an HMRC approved savings body for a period of three or five years.

Under the saving contract the employee must save between £5 and £250 per month (or such other minimum or maximum amount determined by the Directors and permitted by legislation). The £250 limit is reduced by any other savings contract linked to this or any other HMRC approved SAYE scheme in which the employee participates. These contributions will be deducted from the employee's salary.

If the participant ceases to make contributions before the third or fifth anniversary of the commencement of the savings contract, the option will lapse, except in the case of a deferral of contributions for a period of up to six months in certain cases.

7. Exercise price

The option exercise price shall be determined by the Board and will not be less than 80 per cent of the market value of a Grafton Unit at the date of invitation (or, if higher and the Grantor has determined that the option exercise will be satisfied by the issue of shares comprised in a Grafton Unit directly to the participant, the nominal value of the share).

8. Exercise of options

During the period of six months following the end of the savings contract, the participant may exercise his option to acquire, at the exercise price, Grafton Units up to the total value of his monthly savings contributions (plus any bonus paid thereon by the savings body under the savings contract).

Alternatively, the participant may withdraw his contributions and any bonus without exercising the option.

9. Cessation of employment

If a participant ceases to be employed by any participating company during the savings period his option will lapse except where cessation of employment is due to death, injury, disability, redundancy or retirement or as a result of his employing company or the part of the business by which the participant was employed ceasing to be under the control of Grafton UK. In these cases the participant will be able to exercise his options within six months from the date of cessation of employment, but only to the extent of his total savings plus any bonus accrued. Options can be exercised by a participant's personal representatives within a 12 month period following his death to the extent of his savings plus any bonus accrued.

10. Corporate events

In the event of change of control, scheme of arrangement or other similar event involving a change of control of the Company and/or Grafton UK during the savings period, participants may exercise options early and within a specified period to the extent of their total savings plus any bonus accrued to the date of exercise. On the occurrence of certain change of control events specified in Schedule 3, replacement options may be granted over shares in the acquiring company on terms and within a period specified in Schedule 3.

11. Adjustment of options

Upon any variation in the share capital of the Company and/or Grafton UK, whether by way of a capitalisation (other than a capitalisation issue in substitution for or as an alternative to a cash dividend), rights issue, or any consolidation, sub-division or reduction in the Company's share capital, the exercise price and/or the number of Grafton Units (or the number of shares comprised in Grafton Units) under option may be adjusted in such manner as the Board considers appropriate subject to prior approval of HMRC.

12. Participants' rights

Options will not confer any shareholder rights until the options have been exercised and the participants have been registered as the owners of the Grafton Units. Participants will therefore have no entitlement to dividends and no voting rights in respect of the shares comprised in the Grafton Units prior to the Grafton Units being issued or transferred to the participant.

Options are not pensionable. Gains made on the exercise of options under the SAYE Plan will not be taken into account when calculating the pensionable remuneration for a defined benefit pension scheme or in calculating mandatory employer contributions under a defined contribution benefit scheme.

Shares comprised in Grafton Units issued under the SAYE Plan will rank *pari passu* in all respects with the relevant class of ordinary shares of the Company and/or Grafton UK.

13. Alterations to the SAYE Plan

Following HMRC approval of the SAYE Plan, Grafton UK with the consent of the Board may, at any time, amend the SAYE Plan in any respect, provided that the prior approval of the shareholders of both the Company and Grafton UK is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of shares and the adjustment of awards.

The requirement to obtain the prior approval of shareholders will not apply to any minor alteration made to benefit the administration of the SAYE Plan, to take account of a change in legislation or to obtain or maintain favourable or avoid unfavourable tax, exchange control or regulatory treatment for participants or for any relevant Group company.

However, no amendment can be made which would adversely affect the rights of an existing participant without the consent of that participant or the consent of the participants who hold a majority, by number of Grafton Units subject to option, of options affected by the amendment.

Amendments to "key features" (as defined in Schedule 3) of the SAYE Plan also require approval of HMRC in order for the SAYE Plan to retain its HMRC approved status.

GRAFTON GROUP PLC

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 4 May, 2011 at 10.30am for the following purposes:

- (1) To receive and consider the financial statements for the year ended 31 December 2010 together with the reports of the Directors and the auditors thereon.
- (Resolution No. 1)**

- (2) By separate resolutions, to elect/re-elect the following Directors who retire and, being eligible, offer themselves for election/re-election:

Charles M. Fisher*	(Resolution No. 2a)
Annette Flynn	(Resolution No. 2b)
Richard W. Jewson*	(Resolution No. 2c)
Roderick Ryan*	(Resolution No. 2d)
Gavin Slark	(Resolution No. 2e)

* member of the Remuneration Committee

Biographical information on the Directors eligible for election/re-election is set out on page 13 of the 2010 Annual Report.

- (3) To authorise the Directors to fix the remuneration of the auditors for the year ending 31 December 2011.
- (Resolution No. 3)**

- (4) To receive and consider the Report on Directors' Remuneration for the year ended 31 December 2010. *(This is an advisory, non-binding resolution.)*
- (Resolution No. 4)**

As Special Business:

- (5) **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 €590,000 provided however that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired."

(Resolution No. 5)

- (6) **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 and/or any of its subsidiaries as aforesaid 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 per cent above the average of the closing prices of the shares taken from the Stock Exchange Daily Official List in Dublin or, as the case may be, in London 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. 6)

(7) 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 per cent 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 per cent of the Appropriate Price or the par value of a share in the case of any share issued for the purpose of any scheme or plan which has been approved by the Company's shareholders in General Meeting.

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 15 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. 7)

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

“That it is hereby resolved that the provision in Article 57 allowing for the convening of an Extraordinary General Meeting by at least fourteen Clear Days' notice (where such meetings are not convened for the passing of a special resolution) shall continue to be effective.”

(Resolution No. 8)

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

“That the Grafton Group plc 2011 Long Term Incentive Plan (the “2011 LTIP”), the principal terms of which are summarised in Appendix 1 to the Chairman's letter dated 22 March 2011 that accompanies this Notice of Annual General Meeting, be and is hereby approved and the Directors be and are hereby generally and unconditionally authorised:

- (a) to establish schemes in other jurisdictions similar in substance to the 2011 LTIP but modified to take account of local tax, exchange control or securities laws in overseas territories provided that any shares made available under any such scheme will be treated as counting towards any limits on individual or overall participation in the 2011 LTIP; and
- (b) to do or procure to be done all such acts and things as they, in their absolute discretion, may consider necessary or desirable to implement the 2011 LTIP in accordance with its terms and to make such modifications to the draft rules as they may consider necessary or desirable to take account of the requirements of any listing authority, tax authority or other regulatory body.”

(Resolution No. 9)

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

“That the Grafton Group (UK) plc 2011 Approved SAYE Plan (the “SAYE Plan”), the principal terms of which are summarised in Appendix 2 to the Chairman’s letter dated 22 March 2011 that accompanies this Notice of Annual General Meeting be and is hereby approved and the directors be and are hereby generally and unconditionally authorised to do or procure to be done all such acts and things as they, in their absolute discretion, may consider necessary or desirable to implement the SAYE Plan in accordance with its terms and to make such modifications to the draft rules as they may consider necessary or desirable to take account of the requirements of any listing authority, tax authority or other regulatory body.”

(Resolution No. 10)

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

22 March 2011

NOTES TO NOTICE OF ANNUAL GENERAL MEETING OF GRAFTON GROUP PLC

1. A member entitled to attend, speak, ask questions and vote is entitled to appoint a proxy to attend, speak, ask questions and vote on his behalf. A proxy need not be a member of the Company. Appointment of a proxy will not preclude a member from attending, speaking, asking questions and voting at the meeting should the member subsequently wish to do so. A member may appoint more than one proxy to attend and vote at the meeting provided each proxy is appointed to exercise rights attached to different shares held by that member. Should you wish to appoint more than one proxy, please read carefully the explanatory notes accompanying the Form of Proxy.
2. As a member, you have several ways to exercise your right to vote:
 - (a) By attending the Annual General Meeting in person;
 - (b) By appointing (either electronically or by returning a completed Form of Proxy) the Chairman or another person as a proxy to vote on your behalf;
 - (c) By appointing a proxy via the CREST System if you hold your shares in CREST.

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other registered holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members.

3. You may appoint the Chairman of the Company or another individual as your proxy. You may appoint a proxy by completing the enclosed Form of Proxy, making sure to sign and date the form at the bottom and return it to the Company's Registrars, Capita Registrars (Ireland) Limited, Unit 5, Manor Street Business Park, Manor Street, Dublin 7 no later than 10.30am on 2 May 2011. If you are appointing someone other than the Chairman as your proxy, then you must fill in the details of your representative at the meeting in the box located underneath the wording "I/We hereby appoint the Chairman of the AGM OR the following person" on the Form of Proxy. If you appoint the Chairman or another person as a proxy to vote on your behalf, please make sure to indicate how you wish your votes to be cast by ticking the relevant boxes on the Form of Proxy. Alternatively, a member may appoint a proxy or proxies electronically by logging on to the website of the registrars, Capita Registrars (Ireland) Limited at www.capitaregistrars.ie. Shareholders will be asked to enter their Investor Code (IVC) as printed on the top of the Form of Proxy and agree to certain conditions.
4. To be effective, the form of proxy together with any power of attorney or other authority under which it is executed, or a notarially certified copy thereof, must be deposited with the Company's Registrars, Capita Registrars (Ireland) Limited, Unit 5, Manor Street Business Park, Manor Street, Dublin 7, not less than 48 hours before the time appointed for the holding of the meeting.
5. The Company, pursuant to Section 134A of the Companies Act 1963 and Regulation 14 of the Companies Act, 1990 (Uncertificated Securities) Regulations, 1996, specifies that only those shareholders registered in the Register of Members of the Company at close of business on 2 May 2011 (or in the case of an adjournment as at 48 hours before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at the 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.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Proxy Instruction must be properly authenticated in accordance with Euroclear UK & Ireland Limited ("EUI")'s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Capita Registrars (Ireland) Limited (ID7RA08) by 10.30am on 2 May 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars (Ireland) Limited is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee

through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.

7. If you or a group of shareholders hold 6,948,268 or more Grafton Units (i.e. at least 3% of the issued share capital of the Company), you or the group of shareholders acting together have the right to put an item on the agenda of the Annual General Meeting. In order to exercise this right, written details of the item you wish to have included in the AGM agenda together with a written explanation why you wish to have the item included in the agenda and evidence of your shareholding must be received by the Company Secretary at Grafton Group plc, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 or by email to meetings@graftonplc.com no later than 42 days before the AGM meeting. An item cannot be included in the AGM agenda unless it is accompanied by the written explanation and received at either of these addresses by this deadline.
8. If you or a group of shareholders hold 6,948,268 or more Grafton Units (i.e. at least 3% of the issued share capital of the Company), you or the group of shareholders acting together have the right to table a draft resolution for inclusion in the agenda of the AGM subject to any contrary provision in company law. In order to exercise this right, the text of the draft resolution and evidence of your shareholding must be received by post by the Company Secretary at Grafton Group plc, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 or by email to meetings@graftonplc.com by no later than 42 days before the AGM meeting. A resolution cannot be included in the AGM agenda unless it is received at either of these addresses by this deadline. Furthermore, shareholders are reminded that there are provisions in company law which impose other conditions on the right of shareholders to propose resolutions at the general meeting of a company.
9. Pursuant to section 134C of the Companies Act 1963, shareholders have a right to ask questions related to items on the AGM agenda and to have such questions answered by the Company subject to any reasonable measures the Company may take to ensure the identification of shareholders. An answer is not required if (a) an answer has already been given on the Company's website in the form of a "Q&A" or (b) it would interfere unduly with preparation for the meeting or the confidentiality or business interests of the Company or (c) it appears to the Chairman that it is undesirable in the interests of good order of the meeting that the question be answered. Before the AGM, you may also submit a question in writing by sending a letter, and evidence of your shareholding at least four business days before the AGM (i.e. 27 April 2011) to the Company Secretary, Grafton Group plc, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 or by email to meetings@graftonplc.com.
10. This AGM notice, copies of any draft documents or resolutions to be submitted to the meeting and copies of the forms to be used to vote by proxy as well as the details of the total number of shares and voting rights at the date of this notice are available on the Company's website at www.graftonplc.com. Should you have not received a Form of Proxy, you may request this by telephoning the Company's Registrars on 00 353 (0) 1 8102400 or by writing to the Company Secretary at the address set out above.
11. Copies of the rules of the proposed new Grafton Group plc 2011 Long Term Incentive Plan and Grafton Group (UK) plc 2011 Approved SAYE Plan are available for inspection at the registered office of the Company, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 during normal business hours on any weekday (Saturdays and public holidays excepted) up to 4th May 2011 and at IMI Conference Centre, Sandyford Road, Dublin 16 from 15 minutes prior to the Annual General Meeting until the conclusion of the meeting.
12. As at 22 March 2011 (being the latest practicable date prior to the issue of this Notice), the maximum potential outstanding share entitlements issued by the Company would (and subject to all vesting conditions being satisfied) result in the issue of 14,859,620 Grafton Units if such share entitlements were to be exercised. Further, the issue of all of these Units would represent approximately 6.02% of the enlarged equity (including treasury shares), or 6.65% (excluding treasury shares and if the Company were to exercise in full the proposed authority being sought in Resolution 6 above to purchase its own shares).