



Grafton Group plc
2007 Final Results

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

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Record Sales, Profits and Earnings

Grafton Group plc, the builders merchants and DIY Group with operations in the UK and Ireland, announces its final results for the year ended 31 December 2007.

Financial Highlights

	2007	2006	Change
Revenue	€3.21bn	€2.93bn	UP 9%
Operating profit *	€265.8m	€244.9m	UP 9%
Profit before tax #	€228.6m	€211.4m	UP 8%
Earnings per share (adjusted)*	84.3c	78.0c	UP 8%
Share purchase	22.0c	18.75c	UP 17%
Cash flow per share #	108.3c	100.4c	UP 8%
Net debt	€550.4m	€550.9m	-
Gearing	52%	54%	-

* Before property profit and amortisation of intangibles

Excludes property profit

Operating Highlights

- UK merchanting business performed strongly in a favourable market
- Solid performance from the Irish merchanting business
- Significant growth in the Irish DIY business
- Operations were strongly cash generative

Commenting on the results today, Mr. Michael Chadwick, Chairman said:

“In another record year, the ongoing development of our businesses in the UK and Ireland has proved its worth. Strong brands in both markets and a healthy balance sheet leave the Group well positioned to respond to more demanding market conditions. We will continue to pursue the consistent growth orientated strategy that has been successful for the past two decades. While maintaining a focus on closer integration, scale related benefits, lower cost base and product sourcing gains, Grafton will also take advantage of acquisition and development opportunities that continue to be available and that represent value and are a good strategic fit.”

10th March 2008

Grafton Group plc reports good growth in sales, profits and earnings per share for 2007.

Highlights

- Sales were up 9 per cent to €3.21 billion (2006: €2.93 billion).
- Operating profit increased by 9 per cent to €265.8 million (2006: €244.9 million).
- Profit before tax and property profit up 8 per cent to €228.6 million (2006: €211.4 million).
- Adjusted earnings per share increased by 8 per cent to 84.3 cent (2006: 78.0 cent).
- Adjusted diluted earnings per share up 8 per cent to 83.0 cent (2006: 76.5 cent).
- Cash generated from operations was up 21 per cent to €303.8 million (2006: €251.9 million).
- Strong balance sheet with shareholders' funds of €1.07 billion.
- Lower net debt, gearing at a nine year low of 52 per cent and interest cover of 7.8 times.
- Sixteenth consecutive year of increased share purchase / dividend payments.
- Buyback of 10.5 million Grafton Units.

The Group delivered a good performance for the year against the background of a strong UK economy and continued expansion in the Irish economy despite some easing of growth in the second half as the anticipated slowdown in the Irish housing market materialised.

In the UK, the improvement in market conditions experienced in the second half of 2006 continued throughout the year. UK profits were at record levels due to good growth in the established business and contributions from acquisitions. The business experienced good like for like sales growth and this was reflected in an increased operating margin in the overall business.

The Irish business outperformed in a market that was influenced by a significant decline in activity in the new housing market during the year which was partially offset by continued growth in the repair, maintenance and improvement and DIY markets.

The overall results for 2007 reflect the benefit of pursuing a consistent strategy over the past two decades which has led to the creation of businesses with national or regional leadership positions in the builders merchandising, DIY and mortar markets in the UK and Ireland.

The UK business increased turnover by 14 per cent to €1.98 billion (2006: €1.73 billion) and operating profit increased by 24 per cent to €142.1 million (2006: €114.6 million). The record results were driven by good volume growth and generally positive trading conditions in the merchandising market.

Irish turnover increased by 2 per cent to €1.23 billion (2006: €1.20 billion). Operating profit declined by 5 per cent to €123.7 million (2006: €130.4 million). 2007 was a satisfactory year for the Irish business despite the decline in profit from the previous year's record level. The

Irish Merchanting business was, as expected, impacted by the significant decline in new residential construction.

Development and Finance

The Group continued to consolidate and expand from its existing strong positions in the UK and Irish merchanting and Irish DIY markets. The spend on acquisitions in 2007 amounted to €89.2 million (2006: €87.1 million), of which €74 million related to trading businesses acquired by the Group, including deferred acquisition consideration of €9.5 million (2006: €11.9 million) relating to prior year transactions. Capital expenditure on development projects was €55.7 million (2006: €72.8 million). The combined acquisition and development commitments for the year resulted in expenditure of €144.9 million (2006: €159.9 million).

Thirteen acquisitions in the UK increased scale and further strengthened the Group's position in the merchanting market through securing a presence in locations which complement the established branch network as well as providing enhanced product and additional route to market opportunities. A single branch acquisition improved coverage in the Irish builders merchanting market. The businesses acquired in the UK and Ireland trade from thirty three locations with annual sales of over €100 million.

Considerable resources were also devoted to organic development opportunities to expand the merchanting and retailing branch networks and to enable the Group to more effectively serve these markets into the future. Thirteen merchanting branches were opened in the UK. In Ireland, one DIY store, one builders merchanting branch and one In House at the Panelling Centre store were opened.

The addition of these forty nine trading locations marked a continuation of a successful focus and commitment to growth orientated development opportunities which will contribute to increased profitability in the future.

The Group's operations have traditionally been strongly cash generative and this trend continued in 2007 leaving the Group in a strong financial position with lower net debt at the year end. Shareholders' funds were €1.07 billion at the end of 2007 and gearing was a modest 52 per cent. The Group has retained financing flexibility by holding significant cash balances and more than adequate committed facilities are in place to refinance term debt maturing over the next three years. The Group's overall financial position leaves it well placed to take advantage of acquisition and development opportunities which continue to be available and represent good value and are a good strategic fit.

Share Purchase

The Company purchased 1 'A' Ordinary share per Grafton Unit for a cash consideration of 10.0 cent (2006: 8.25 cent) which was paid on 3 October 2007. The Board approved the purchase of a further Ordinary share per Grafton Unit for cash consideration of 12.0 cent (2006: 10.5 cent) payable on 11 April 2008.

The total purchase payments to shareholders for 2007 amount to 22.0 cent per Grafton Unit. This is an increase of 17 per cent on total share purchase payments for 2006 of 18.75 cent per Grafton Unit. This is the sixteenth consecutive year for the Group to increase its share purchase / dividend payments to shareholders. Group earnings per share cover the share purchase payments 3.8 times (2006: 4.2 times). The increase in share purchase payments over the prior year reflects the good results for 2007, strong cash flow from operations and management's confidence in the Group's future prospects.

Share Buybacks

The Group's highly cash generative trading operations, high interest cover and low gearing provided the financial strength to complete unit buybacks in the market while continuing to take advantage of ongoing acquisition and development opportunities. A total of 10.5 million Grafton Units, equivalent to 4.4 per cent of the Group's share capital, were bought back at a total cost of €72.8 million. This will have a positive impact on earnings per share in 2008 and beyond.

Operations Review – United Kingdom

UK sales increased by 14 per cent to €1.98 billion (2006: €1.73 billion) and operating profit increased by 24 per cent to €142.1 million (2006: €114.6 million). The UK operating margin increased to 7.2 per cent from 6.6 per cent reported for 2006.

The UK continued to be a good market in which to do business. The economy experienced stable conditions in 2007 with growth above its trend rate, the strongest employment growth in a decade and unemployment at a thirty year low.

The supply of housing in the UK continued to be lower than the level of demand implied by household formation rates. House prices showed good overall growth for the year although the market weakened in the second half. Mortgage approvals were also down due to higher interest rates and tighter conditions in the credit markets.

The residential repair, maintenance and improvement market, which is the primary end-use market for the Group's UK merchanting sales, enjoyed modest volume growth in demand in 2007. Like for like sales in the Group's merchanting business increased by 4.8 per cent.

UK Builders Merchanting

Buildbase had an excellent year reporting strong growth in sales and profit due to a combination of good trading and operational improvements in the underlying business together with contributions from acquisitions and greenfield developments. Volume growth due to reasonable market conditions, a more positive pricing environment, continued rationalisation of sourcing arrangements and tight control of overheads contributed to the improvement in profit. Regionally, all areas of the branch network benefited from the improved trading environment and internal initiatives to improve profitability although demand was firmer across the Midlands and South East.

Flemings, the leading independent builders and timber merchant trading from seven branches in Scotland acquired in 2006, was integrated into the Buildbase network and achieved a good level of profitability through operational efficiencies and purchasing gains. There were also good incremental contributions from three single branch acquisitions completed in 2006.

Expansion of the Buildbase branch network continued with the completion of eight acquisitions adding ten branches. The three Buildbase branch openings in Melksham, Wiltshire; Yeovil, Somerset and Stowmarket, Suffolk traded in line with expectations.

Buildbase branches in Poole, Dorset; Belper, Derbyshire and Wakefield, West Yorkshire were relocated to extensive modern facilities and now offer a wider range of products. The trading area of the Southend-on-Sea, Essex; Buckingham, Buckinghamshire and Inverness branches was expanded and new hire centres were opened in seven branches. A major refurbishment of the Cirencester, Gloucestershire branch was undertaken as well a number of smaller branch development projects.

Jacksons, the leading regional merchanting business had a good year increasing sales and profit despite tougher competition due to significant capacity expansion in the East Midlands market in recent years. The four locations acquired in 2006 were integrated into the branch network and provide a sound basis for future growth in sales and profit. Market coverage improved with the acquisition of a single branch ironmongery business and the opening of a second branch in Lincoln. Tool hire centres were added in a number of branches.

In Northern Ireland, activity in the housing and commercial markets was strong against the backdrop of an improving local economy. Macnaughton Blair reported a strong advance in sales and profits with all of the gains realised in the established branch network. Good progress was made in developing a presence in the Larne and Lisburn, Co. Antrim market following completion of two small acquisitions at the end of 2006.

Selco, a trade only warehouse format set in a modern self service environment, benefited from good levels of activity in the small project segment of the RMI market. Last year's store openings in London, Manchester and Reading traded to expectations. The opening of three further stores in London increased the network to twenty stores with the majority of these stores located in major metropolitan areas.

UK Plumbers Merchanting

The plumbers merchanting division incorporates Plumbase, the UK's fourth largest plumbers merchanting chain which trades from one hundred and eighty three branches, and the bathroom products distribution business. The division delivered a substantial increase in sales and operating profit in a stable but competitive segment of the merchanting market. Acquisitions contributed very positively to increased profitability.

Plumbase continued to improve market coverage with the opening of six branches and the completion of a two branch acquisition.

Progress, a seventeen branch boiler and heating spares business was acquired in June 2007. The acquisition improves the Group's position in the heating spares market through a better geographical spread of branches. The Group successfully entered the internet retail market for bathroom products at the end of 2006 with the acquisition of plumbworld.co.uk, the UK's largest online retailer of bathroom products. The business traded in line with demanding pre-acquisition expectations.

UK Mortar

CPI EuroMix manufactures a range of mortars for use in residential, commercial and public sector construction projects, which it supplies from a network of nine plants in England and Scotland. EuroMix consolidated its leadership position in the silo based mortar market with further growth in volumes and sales. Operating profit was maintained at last year's level in a good market but with continuing competitive pricing pressure linked to the introduction of capacity in the sector in recent years. The Leeds plant that opened in July 2006 successfully increased volumes in the West Yorkshire market and traded profitably in 2007.

Operations Review – Republic of Ireland

Irish turnover increased by 2 per cent to €1.23 billion (2006: €1.2 billion). Operating profit was down 5 per cent to €123.7 million (2006: €130.4 million).

The Irish economy performed strongly in 2007 with growth of five per cent driven by domestic demand and an impressive recovery in export growth. The volume of consumer expenditure is estimated to have increased by six per cent due to higher disposable income as a result of growth in employment and earnings and income tax reductions. Maturing SSIA's also contributed to increased consumer spending. Employment growth held up well with the rate of job creation substantially ahead of the euro zone area. Following the slowdown in construction activity during the year the financial and business services sectors replaced the construction sector as the principal source of job creation in the economy.

House building levels adjusted following a long period of strong supply that reached a level of output which exceeded the economy's medium term requirements. During 2007 house building levels responded to the weaker demand and pricing environment. The fall in the market reflected reduced affordability due to rising interest rates, which were at their highest level for six years, and the high level of house prices achieved in recent years. Housing output responded to the changing market conditions with completions falling to 78,000 units from a peak of 88,000 units in 2006. Housing registrations, an indicator of housing starts, progressively weakened as the year progressed.

Investment in non-residential building increased with good levels of activity in the commercial, industrial, civils and infrastructure markets. The housing repair, maintenance and improvement market benefited from increased spending and continued to grow.

Irish Merchandising

Sales were marginally higher at €19.2 million (2006: €16.6 million). The Irish merchandising business has developed rapidly having almost tripled its turnover over the past three years. 2007 was a satisfactory year for the business despite a small decline in profits from the record levels achieved in 2006. The business benefited from reasonably positive market conditions in the first half with relatively flat new housing activity and good growth in the non-residential construction segments of the market. Market conditions became more challenging in the second half due to the significant decline in housing starts and completions. Weakness in the housing market was partially offset by the continuing growth in the residential RMI and non-residential new build markets. Like for like sales declined by one per cent for the year.

The Heiton Buckley and Chadwicks brands delivered a good performance in a market that experienced a sharp decline in volumes. The mix of the business benefited from a significant exposure to the housing repair maintenance and improvement and non-residential markets. More subdued house building related demand in a number of the Dublin branches was largely offset by better trading in the provincial branches which continued to experience positive trading conditions and less of an impact from a reduction in scheme house and apartment development. These branches experienced good demand in the RMI and one-off housing segments of the market.

Irish merchandising grew through both acquisition and organic development. The business gained a presence in the Mid West market through the purchase of Market Hardware in Ennis. The opening of a new branch in South Dublin City provided an important base to grow market share within a catchment area that offers significant development opportunities in the years ahead. The branch in Mullingar, which opened in the second half of 2006, had a successful year and now has a well established presence in the Midlands market. Relocation of the Tullamore branch to a new purpose built facility enabled the branch to expand its product offering and strengthen its market leading position in the region.

The business continued to focus on margin improvement making gains from purchasing efficiencies and tight control of costs. The opening of a Chadwicks Plumb Centre in Sligo provides a base for sales growth in the plumbing and heating products category. The Athlone

branch was relocated from the town centre continuing the programme of branch relocations designed to increase capacity and improve customer service.

Cork Builders Providers achieved higher sales despite the more challenging market place. This reflected the benefit of measures taken to expand turnover in the one-off housing and non-residential markets helping the business to overcome the impact of a volume reduction in residential development schemes. Davies, the Dublin based specialist plumbing, heating and civils merchant continued to benefit from positive market conditions in the commercial and infrastructure markets. Telfords, the Midlands based merchant, performed well benefiting from a solid customer base and investment in its Portlaoise branch.

Heiton Steel, the market leading steel stock-holding business, had a satisfactory year. Strength in the civils and commercial markets and improved pricing helped to offset softness in housing related volumes. The Cork branch relocated to a new facility to enable it to offer a wider range of products and achieve operational efficiencies.

Chadwicks Hire Centres and Sam Hire, the plant and tool hire business, continued to increase market coverage with the opening of branches in Tullamore and Limerick. The Group now trades from thirty four hire locations primarily sharing facilities with builders merchanting branches.

Irish Retailing

Sales increased by 9 per cent to €339.8 million (2006: €311.7 million). The Irish retailing business trades from forty one stores under the Woodie's DIY and Atlantic Homecare brands and from six In House at the Panelling Centre stores. The trading environment for the business was very positive. Retail sales volumes showed the highest rate of growth since 2000. Against this favourable background, the business achieved significant sales and profit growth.

The increase in profitability was due to strong trading in the established stores and good contributions from store openings in 2006. This outcome was achieved despite absorbing increased property costs. Like for like sales growth for the year was 5.3 per cent. The first half benefited from very favourable trading in the gardening season measured against more subdued prior year trading.

Store openings in 2006 in Castlebar, Co. Mayo, Navan, Co. Meath and in Nenagh, Co. Tipperary traded in line with expectations making good profit contributions for the year.

The strong internal growth strategy for developing the Irish retailing business was sustained with the opening of a new Woodie's DIY store in Limerick and relocation of the Woodie's DIY store in Tallaght to a facility which doubles the store's trading area. The capacity of Woodie's DIY Waterford store was substantially expanded. These initiatives support the geographic development of the retail customer base and enable the marketing of a wider range of products.

The Woodie's and Atlantic Homecare support offices and management were successfully merged during the year.

The In House at the Panelling Centre business, which markets a range of quality kitchen and bedroom panelling products to trade and retail customers, benefited from strong volume growth in consumer spending, a good level of housing transactions and solid demand in the replacement market. The business achieved good sales and profit growth. The Galway store that opened at the end of 2006 traded in line with expectations and prior to the year end a sixth store was successfully opened in Waterford. Further store openings are planned.

Irish Manufacturing

The Irish manufacturing business delivered a resilient performance in the first half but second half trading conditions became more challenging and volumes declined in line with the slowdown in new house building activity.

Finance

Record profits and cash flows were generated in the merchanting, DIY and manufacturing businesses. Cash flow from operations amounted to €303.8 million (2006: €251.9 million).

Working capital was well controlled with a modest additional net investment of €14.4 million (2006: €26.1 million) required to finance the increased activity levels across the Group.

Shareholders' funds at the year end were €1.07 billion (31 Dec 2006: €1.01 billion). Retained profit after taxation for the year was €205.2 million. Year end shareholders' funds are stated after accounting for the cost of the 10.5 million units bought back during 2007 which reduced reserves by €73 million. Revenue reserves were reduced by €43.8 million due to exchange rate movements during 2007. Sterling weakness reduced the euro equivalent of the Group's net investment in the UK business on translation at the year end rate of exchange. The purchase of two 'A' Ordinary shares per Grafton Unit resulted in the return of €49.0 million (2006: €39.9 million) to shareholders and this amount was also written-off against revenue reserves.

Net borrowings at 31 Dec 2007 of €550.4 million (31 Dec 2006: €550.9 million) were marginally down despite a total spend of €266.7 million on acquisitions, routine replacement and development capital expenditure and share buybacks. Net debt was reduced by €36 million due to the favourable translation impact of converting sterling debt to the euro at the weaker year end exchange rate of Stg73.34p compared to the rate of Stg67.15p at 31 Dec 2006.

Net assets and actuarial liabilities of the Group's defined benefit pension schemes are included in the balance sheet in accordance with IAS 19. At the end of 2007 the net retirement benefit obligation, after deferred taxation, reduced to €12.6 million (31 Dec 2006: €27.3 million). The reduction of €14.7 million in the net liability was due to employer contributions, an increase in the discount rates used to value liabilities and investment income which were partially offset by more conservative assumptions concerning life expectancy.

Outlook

UK sales continued to increase in the first two months of 2008 albeit at a slightly lower rate than achieved in 2007. Sales were lower in the Irish merchanting business due to the much weaker new housing market.

In Ireland, economic growth is expected to be lower than the record levels of recent years but still good by international standards. The Irish housing market will continue to adjust to a more sustainable supply and pricing environment in response to more moderate demand. Underlying demand for housing is however expected to remain strong due to favourable demographics and growth in employment and incomes. Affordability has been improving due to lower house prices and rising incomes and the current interest rate tightening cycle appears to have come to an end. The strength of demand for rented accommodation has pushed up rents and this should begin to translate into an improvement in housing starts.

Growth in the repair, maintenance and improvement market and the non-residential and infrastructure markets is expected to continue through 2008 and should mitigate some of the impact of lower output in the new housing market. The Irish merchanting business will encounter weaker trading conditions with the prospect that there may be some improvement in housing starts later in the year.

A clear focus is now in place within Irish Merchanting to achieve closer integration, thereby driving further scale related benefits, a lower cost base, and product sourcing gains. Our policy of being the preferred first choice supplier to our trade customers is both resilient and consistent and we expect to gain further benefit from the success of this policy in 2008.

Volume growth in consumer spending is forecast although at a somewhat lower level than the very high growth rates of recent years. The Irish retailing business will also benefit from the internal initiatives and developments undertaken in 2007. A new Woodie's store in Carrick-on-Shannon was successfully opened earlier this month.

UK economic growth is expected to moderate from a rate of expansion that has been at or above trend for over two years. Consumer spending and investment in housing is easing on the back of interest rate increases and generally tighter conditions in the credit markets. The residential repair, maintenance and improvement market has historically been less cyclical and we expect to see continued growth and development opportunities in the merchanting sector. The recent sterling interest rate reduction combined with further interest rate cuts expected in 2008 should help stimulate activity in the merchanting sector as we move into the last quarter and early 2009. The continuing weakness of sterling will reduce the value of the Group's earnings when translated into euro for reporting purposes if the current exchange rate continues throughout 2008.

As in previous years the focus in the UK will be on closer integration of the merchanting business in order to achieve further scale related benefits including operational efficiencies and product sourcing gains. The Group also expects to continue making progress in developing its position in the merchanting market with a good pipeline of organic development opportunities and acquisitions. The further strengthening of the UK business in 2008 should result in financial rewards coming through in 2009 and beyond.

The Group's strong brands in the UK and Ireland and its healthy financial position leave it well placed to respond to more demanding market conditions while continuing to pursue the consistent growth orientated strategy that has been successful for the past two decades.

A copy of this statement is also available on our website www.graftonplc.com

Grafton Group plc

Group Income Statement

For the year ended 31 December 2007

	Twelve months to 31 Dec 2007 (Audited)	Twelve months to 31 Dec 2006 (Audited)
	€000	€000
Revenue	3,205,026	2,933,937
Operating costs	(2,941,481)	(2,691,206)
Operating profit before property profit	263,545	242,731
Property profit	7,254	37,989
Operating profit	270,799	280,720
Finance expense	(61,569)	(52,886)
Finance income	26,603	21,522
Profit before tax	235,833	249,356
Income tax expense	(30,658)	(32,418)
Profit after tax for the financial year	205,175	216,938
Profit attributable to: Equity holders of the Company	205,175	216,938
Basic earnings per share	86.16c	91.03c
Adjusted earnings per share	84.32c	77.97c
Diluted earnings per share	84.78c	89.34c

**Group Statement of Recognised Income and Expense
For the year ended 31 December 2007**

	2007 €000	2006 €000
Items of income and expense recognised directly within equity:		
Currency translation effects - on foreign currency net investments	(44,583)	8,584
- on foreign currency borrowings	829	(396)
Actuarial gain on Group defined benefit pension schemes	12,573	4,939
Deferred tax liability on Group defined benefit pension schemes	(2,599)	(44)
Fair value movement on cash flow hedges:		
- Fair value gains	521	1,875
- Included in finance costs	(1,784)	(353)
Deferred tax on cash flow hedge	158	(191)
Net income / (expense) recognised directly in equity	(34,885)	14,414
Profit after tax for the financial year	205,175	216,938
Total recognised income and expense for the financial year	170,290	231,352
Attributable to:		
Equity holders of the Company	170,290	231,352

Movement on Group Retained Earnings	2007 €000	2006 €000
At 1 January	662,726	475,380
Retained profit for the financial year	205,175	216,938
Purchase of 'A' Ordinary shares	(49,048)	(39,920)
Actuarial gain on pensions (net of tax)	9,974	4,895
Deferred tax on share based payments	(2,078)	1,832
Shares bought back and cancelled	(67,090)	-
Transfer from revaluation reserve	205	3,601
At 31 December	759,864	662,726

Group Statement of Changes in Equity	2007 €000	2006 €000
At beginning of period	1,014,339	813,811
Shares bought back and cancelled	(67,090)	-
Treasury shares acquired	(5,746)	-
Issue of Grafton Units (net of issue expenses)	2,553	4,000
Adjustment for share based payments expense	4,465	3,264
Deferred tax on share based payments	(2,078)	1,832
Purchase of 'A' Ordinary shares	(49,048)	(39,920)
Total recognised income and expense for the financial year	170,290	231,352
Closing shareholders' funds - equity	1,067,685	1,014,339

Grafton Group plc
Group Balance Sheet As At 31 December 2007

	2007 (Audited) €000	2006 (Audited) €000
ASSETS		
Non-current assets		
Goodwill	600,793	582,861
Intangible assets	11,095	13,307
Property, plant and equipment	703,737	686,165
Deferred tax assets	27,309	34,865
Financial assets	850	414
Total non-current assets	<u>1,343,784</u>	<u>1,317,612</u>
Current assets		
Inventories	386,179	390,400
Trade and other receivables	535,695	542,110
Derivative and other financial instruments	584	1,847
Cash and cash equivalents	204,489	231,519
Total current assets	<u>1,126,947</u>	<u>1,165,876</u>
Total assets	<u>2,470,731</u>	<u>2,483,488</u>
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Equity share capital	11,569	12,082
Share premium account	287,458	284,945
Capital redemption reserve	875	322
Revaluation reserve	32,768	32,973
Other reserve – shares to be issued	10,920	6,455
Cash flow hedge reserve	511	1,616
Foreign currency translation reserve	(30,534)	13,220
Retained earnings	759,864	662,726
Treasury shares held	(5,746)	-
Total equity	<u>1,067,685</u>	<u>1,014,339</u>
LIABILITIES		
Non-current liabilities		
Interest-bearing loans and borrowings	523,311	671,617
Provisions	10,228	4,468
Retirement benefit obligations	15,323	34,163
Derivative financial instruments	14,967	22,126
Deferred tax liabilities	50,439	49,408
Total non-current liabilities	<u>614,268</u>	<u>781,782</u>
Current liabilities		
Interest-bearing loans and borrowings	213,624	88,585
Trade and other payables	504,203	521,265
Current income tax liabilities	55,427	52,393
Derivative financial instruments	3,560	1,898
Provisions	11,964	23,226
Total current liabilities	<u>788,778</u>	<u>687,367</u>
Total liabilities	<u>1,403,046</u>	<u>1,469,149</u>
Total equity and liabilities	<u>2,470,731</u>	<u>2,483,488</u>

Grafton Group plc
Group Cash Flow Statement for the year ended 31 December 2007

	2007	2006
	€000	€000
Profit before taxation	235,833	249,356
Finance income	(26,603)	(21,522)
Finance expense	61,569	52,886
Operating profit	270,799	280,720
Depreciation	56,792	53,163
Intangible amortisation	2,212	2,212
Goodwill written-off on termination	88	243
Share based payments charge	4,465	3,264
Property profit	(7,254)	(37,989)
Profit on sale of plant and equipment	(3,226)	(3,401)
Contributions to pensions in excess of IAS 19 charge	(5,639)	(20,249)
Increase in working capital	(14,417)	(26,111)
Cash generated from operations	303,820	251,852
Interest paid	(50,445)	(43,224)
Income taxes paid	(10,564)	(14,594)
Cash flows from operating activities	242,811	194,034
Investing activities		
Proceeds from sale of property, plant and equipment	22,128	77,664
Interest received	14,416	12,216
	36,544	89,880
<i>Outflows</i>		
Acquisition of subsidiary undertakings and businesses	(84,350)	(70,621)
Net cash acquired with subsidiary undertakings	7,689	777
Deferred acquisition consideration	(9,461)	(11,958)
Purchase of property, plant and equipment	(104,650)	(124,401)
Purchase of financial assets	(452)	(90)
	(191,224)	(206,293)
Cash flows from investing activities	(154,680)	(116,413)
Financing activities		
Proceeds from the issue of share capital	2,553	4,000
Proceeds from long term borrowings	66,742	-
	69,295	4,000
<i>Outflows</i>		
Repayment of long term borrowings	-	(117,170)
Shares bought back and treasury shares acquired	(72,836)	-
Purchase of 'A' Ordinary shares	(49,048)	(39,920)
Payment of finance lease liabilities	(1,883)	(1,850)
Redemption of loan notes payable	(19,216)	(18,087)
	(142,983)	(177,027)
Cash flows from financing activities	(73,688)	(173,027)
Net increase/(decrease) in cash and cash equivalents	14,443	(95,406)
Cash and cash equivalents at 1 January	201,764	291,844
Effect of exchange rate fluctuations on cash held	(12,718)	5,326
Cash and cash equivalents at 31 December	203,489	201,764

1. Revenue and Operating Profit by Geographic Segment

The amount of revenue by geographic segment is as follows:

	Twelve months to 31 Dec 2007 €000	Twelve months to 31 Dec 2006 €000
Revenue		
Republic of Ireland	1,227,375	1,200,639
United Kingdom	<u>1,977,651</u>	<u>1,733,298</u>
	<u>3,205,026</u>	<u>2,933,937</u>
Operating profit before property profit and intangible amortisation		
Ireland	123,651	130,371
United Kingdom	<u>142,106</u>	<u>114,572</u>
	265,757	244,943
Intangible amortisation – Republic of Ireland	<u>(2,212)</u>	<u>(2,212)</u>
	<u>263,545</u>	<u>242,731</u>
Operating profit before property profit		
Ireland	121,439	128,159
United Kingdom	<u>142,106</u>	<u>114,572</u>
	<u>263,545</u>	<u>242,731</u>
Property profit		
Ireland	1,050	30,056
United Kingdom	<u>6,204</u>	<u>7,933</u>
	<u>7,254</u>	<u>37,989</u>
Operating profit		
Ireland	122,489	158,215
United Kingdom	<u>148,310</u>	<u>122,505</u>
	<u>270,799</u>	<u>280,720</u>
Finance costs (net)	<u>(34,966)</u>	<u>(31,364)</u>
Profit before tax	<u>235,833</u>	<u>249,356</u>

2. Analysis of Revenue by Business Segment

	Twelve months to 31 Dec 2007 €000	Twelve months to 31 Dec 2006 €000
Revenue		
UK merchanting	1,905,378	1,664,856
Irish merchanting	819,164	816,602
Irish DIY	339,849	311,680
Irish and UK manufacturing	140,635	140,799
	<u>3,205,026</u>	<u>2,933,937</u>

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

	2007 €000	2006 €000
For the year ended 31 December		
Net increase/(decrease) in cash and cash equivalents	14,443	(95,406)
Cashflow from (increase)/decrease in debt and lease financing	<u>(45,643)</u>	<u>141,317</u>
Change in net debt resulting from cash flows	(31,200)	45,911
Loan notes issued on acquisition of subsidiary undertakings	(81)	(1,653)
Finance leases acquired with subsidiary undertakings	(404)	(95)
Bank loans and loan notes acquired with subsidiary undertakings	(2,581)	(3,579)
Translation adjustment	36,000	(8,784)
Net movement in derivative financial instruments	<u>(1,263)</u>	<u>1,522</u>
Movement in net debt in the year	471	33,322
Net debt at 1 January	<u>(550,860)</u>	<u>(584,182)</u>
Net debt at 31 December	<u>(550,389)</u>	<u>(550,860)</u>

4. Earnings per Share

The computation of basic and diluted earnings per share is set out below:

	2007	2006
	€000	€000
Profit after tax for the financial year	<u>205,175</u>	<u>216,938</u>
Numerator for basic and diluted earnings per share	205,175	216,938
Property profit after tax	(6,311)	(33,051)
Intangible amortisation after tax	<u>1,935</u>	<u>1,935</u>
Numerator for adjusted earnings per share	<u>200,799</u>	<u>185,822</u>
Denominator for basic and adjusted earnings per share:		
Weighted average number of Grafton Units in issue	238,145,757	238,324,290
Effect of potential dilutive Grafton Units	<u>3,856,396</u>	<u>4,505,408</u>
Denominator for diluted earnings per share	<u>242,002,153</u>	<u>242,829,698</u>
Adjusted earnings per share (cent)		
- Basic	84.32	77.97
- Diluted	82.97	76.52
Earnings per share (cent)		
- Basic	86.16	91.03
- Diluted	84.78	89.34

5. Share Purchase

The Board has approved the purchase of one 'A' Ordinary share per Grafton Unit for a cash consideration of 12.0 cent. The purchase of the 'A' Ordinary share will take effect in respect of Grafton Units on the register at close of business 25 March 2008 (record date) and the cash consideration will be paid on 11 April 2008.

6. Exchange Rates

The results and cash flows of the Group's United Kingdom subsidiaries have been translated into Euro using the average exchange rate for the year. The related balance sheets of the Group's United Kingdom subsidiaries at 31 December 2007 and 31 December 2006 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 2007 was Stg68.43p (year ended 31 December 2006: Stg68.17p). The Euro / Sterling exchange rate at 31 December 2007 was Stg73.34 (31 December 2006: Stg67.15p).

Grafton Group plc
FINANCIAL OVERVIEW 2007

	2007	2006	Change
Revenue (€ million)	3,205	2,934	+9%
EBITDA # (€ million)	322.5	298.1	+8%
Operating profit before amortisation of intangibles and property profit (€ million)	265.8	244.9	+9%
Profit before taxation # (€ million)	228.6	211.4	+8%
EPS - basic (cent)	86.2	91.0	-
EPS before amortisation of intangibles and property profit (cent)	84.3	78.0	+8%
Share purchase (cent)	22.00	18.75	+17%
Share purchase (times)	3.8	4.2	-
Interest cover (times)	7.8	9.0	-
Cash flow per share #	108.3c	100.4c	+8%
Net assets per share (cent)	464.2	424.0	+9%
Net debt to shareholders' funds	52%	54%	
Depreciation charge (€ million)	56.8	53.2	
Intangible amortisation (€ million)	2.2	2.2	
Acquisition and investment expenditure (€ million)	89.2	87.1	
Capital expenditure (€ million)	104.7	124.4	

Excludes property profit