

Development Update

Released: 08/01/2004

In the year ended December 31st, 2003 Grafton Group plc completed 10 acquisitions for a total consideration in excess of €200 million. Each of the larger acquired businesses, Jacksons, Plumblin and Telfords, continues to trade in line with or ahead of initial expectations. In a year of strong growth, Group earnings are expected to be in line with market forecasts.

Throughout the year, the Group continued to implement its successful strategy of growth through acquisition and organic development. The acquisitions added 50 branches to the Group's network. Greenfield developments of 12 merchandising outlets, 2 Woodie's DIY stores and a Dry Mortar plant added a further 15 locations, bringing the Group's network to a total of over 330 locations in the UK and Ireland. Six of these acquisitions were made in the second half of the year.

The Group has completed the sale and leaseback of the Naas Road property acquired in 2002 on which a new flagship Woodie's DIY store is scheduled for completion during the third quarter of 2004. It is anticipated that a book profit in excess of €6 million will be realised and accounted for in 2004 on successful completion of the development.

Further organic growth is planned for 2004 with the development of greenfield merchandising locations, the completion of the 7th Dry Mortar plant in the UK and new Woodie's DIY store openings in Ireland. The Group also expects to benefit from its healthy pipeline of potential acquisitions.

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