

## Grafton Group plc

### Trading Update for the Six Months Ended 30 June 2006

Group turnover for the first six months of 2006 exceeded €1.4 billion and Group earnings continue to be in line with market expectations.

As expected, the favourable trading environment in Ireland continued to compensate for the softer trading conditions experienced by the Group in the UK. Increased like for like sales in the Irish merchanting business were driven by good growth in both Chadwicks and Heiton Buckley. Davies and Garvey's, the two Irish merchanting businesses acquired in December 2005, showed positive growth in their first full six months trading under Group ownership. The Group experienced a slower start to the retail season in its Irish DIY businesses but recent trading has been stronger. New DIY stores opened in Castlebar and Navan during the period are performing in line with Group expectations.

Group turnover in the UK was over €800 million for the six months. However, as previously indicated, like for like sales were modestly down on the comparatively strong first six months of 2005. UK macro economic indicators have been positive for the RMI sector for some time and UK merchanting sales were relatively stronger in the second quarter compared to the first quarter. The UK mortar market continues to grow although it remains very competitive.

The Group continued to grow organically in the first half, opening ten outlets - two Irish DIY stores and eight merchanting branches in the UK.

Seven acquisitions were completed in the UK during the six month period for a total consideration of €35 million. These added 16 branches, expanding the Group's branch network to over 500 trading locations. The businesses acquired included Fleming Holdings Limited, the leading independent Scottish Builders and Timber Merchant with eight branches.

The Group has continued its property disposal programme and expects to report profits on disposals, including the Atlantic Stillorgan property, in excess of €25 million for the period.

The Irish merchanting and DIY markets remain strong. Recent trends in UK merchanting suggest an improvement in trading during the second half. The Group remains confident of continued growth in profits and earnings per share in 2006 and is well placed to participate in further consolidation of the Irish and UK merchanting markets and to take advantage of organic growth opportunities.

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