

Trading Update

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Group Turnover for 2005 exceeded €2.6 billion and Group earnings are expected to be in line with market expectations of a basic EPS of circa 66 cent.

The Group benefited from a continuation of a favourable operating environment in Ireland that compensated for weaker trading conditions in the UK during the second half of the year. Heiton Group plc, acquired in January 2005, performed ahead of Group expectations and contributed significantly to Group profitability.

The Group remains positive in its outlook for the UK market but expects difficult conditions to continue in that market during the first half of 2006. A shortfall in like for like sales is anticipated compared to a strong performance in the first half of 2005. Following a recent marked improvement in UK macro economic indicators, including a strong increase in mortgage lending, a higher level of housing transactions, increased immigration and a reduction in UK interest rates, the prospects for the second half are more favourable. In Ireland, the Group expects to benefit from a continuation of buoyant trading conditions and good like for like merchandising sales growth throughout 2006.

During 2005 the Group continued to grow organically with the development of 19 greenfield outlets, 4 new Irish DIY stores, a new dry mortar plant in Bristol and 14 merchandising outlets across the UK.

In the year to 31 December 2005 Grafton completed 17 acquisitions, 14 in the UK and 3 in Ireland for a total consideration of circa €470 million (including €359 million for Heiton Group plc), adding 89 branches and increasing the branch network to over 480 trading locations.

Further organic growth is planned for 2006 with the development of additional greenfield locations, the completion of the 9th dry mortar plant in the UK and further DIY store openings in Ireland. The Group also expects to benefit from its healthy pipeline of potential acquisitions.

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