Grafton Group plc
2013 Interim Results

GRAFTON GROUP PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

Grafton Group plc, the builders merchanting and DIY Group with operations in the UK, Ireland and Belgium, announces its results for the six months ended 30 June 2013.

		Restated*	
	2013	2012	
	€'m	€'m	% change
Revenue	**1,072**	1,055	+1.7
Operating profit	**68.4**	24.5	+179.2
Profit before tax	**60.5**	15.8	+283.9
Profit after tax	**47.7**	11.2	+324.9
Earnings per share – basic	**20.6c**	4.8c	+325.0
Before pension credit in 2013 and in the case of 2012 before exceptional items & amortisation (Underlying)			
Operating profit	**36.6**	31.3	+17.1
Profit before tax	**28.7**	22.5	+27.5
Profit after tax	**21.8**	17.6	+23.8
Earnings per share – basic	**9.4c**	7.6c	+23.9
Dividend	**3.5c**	3.0c	+16.7
Net debt	**174.7**	200.6	-

*Restated as required by IFRS following the adoption of IAS 19 (Revised) 'Employee Benefits'.

Financial Highlights

- All three segments, Merchanting, Retailing and Manufacturing improved profitability
- Cash generation from operations of €66.8 million - net debt reduced by €27.3 million
- Shareholders' equity of €1 billion and gearing of 17% at end of June 2013
- Improved financial flexibility with €135 million of new and refinanced debt

Operating Highlights

- More positive revenue trends developed in Merchanting business in the UK over the half year
- Revenue in Merchanting business in Ireland stabilised and profitability improved
- Retailing business in Ireland profitable following restructuring in 2012

Gavin Slark, Chief Executive Officer commented:

"The Group continues to make good progress following several years of challenging market conditions and the measures we have undertaken to reduce overheads, strengthen gross margins and improve profitability have provided the business with a strong platform from which to build. There are tangible signs of stability returning in our core markets with the recovery in the UK housing market providing a positive backdrop for the Group, although we feel it is prudent to assume that any recovery will be gradual and will involve its own challenges. However, regardless of the wider market conditions, we remain focused on driving further internal improvements in our existing businesses in order to maximise shareholder returns".

For further information please contact:

Grafton Group plc + 353 1 216 0600
Gavin Slark, Chief Executive Officer
Colm Ó Nualláin, Finance Director

Murray Consultants + 353 1 498 0300
Joe Murray

MHP Communications + 44 20 3128 8756
John Olsen

Conference Call

A results presentation for analysts and investors will be held today 28 August 2013 at 8.30 am (Irish Time). The dial-in numbers are:

Ireland:	+ 353	1 436 4265
UK:	+ 44	208 817 9301
US:	+1 718	354 1226
Other Countries:	+353	1 436 4265

The results presentation can be viewed/downloaded at http://www.graftonplc.com

Cautionary Statement

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied by these forward looking statements. They appear in a number of places throughout this announcement and include statements regarding the intentions, beliefs or current expectations of Directors and senior management concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and the businesses operated by the Group. The Directors do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Interim Results

For the Six Months Ended 30 June 2013

The Group made further progress in the half year reporting improved profit and strong cash generation against the background of tough but improving trading conditions in its key markets.

- **Revenue** increased by 1.7 per cent to €1.07 billion from €1.05 billion in the first half of 2012. The translation of UK Sterling revenue to Euros at a less favourable exchange rate relative to the prior period reduced revenue by €26.6 million. Revenue increased by 4.3 per cent in constant currency. The UK generated 75 per cent of Group revenue, the Republic of Ireland 22 per cent and Belgium 3 per cent.

- **Operating profit** increased to €68.4 million, including a non-recurring pension scheme credit of €31.8 million, from €24.5 million in 2012. Underlying operating profit increased by 17 per cent to €36.6 million from €31.3 million.

- **Profit before tax** increased to €60.5 million from €15.8 million. Underlying profit before tax increased by 28 per cent to €28.7 million from €22.5 million.

- **Basic earnings per share** increased to 20.6 cent from 4.8 cent and underlying basic earnings per share increased by 24 per cent to 9.4 cent from 7.6 cent.

Trading in the UK Merchanting business was affected by the severe weather conditions in March and April but recovered in May and June. Trading in the Irish Merchanting and the Irish Retailing businesses stabilised and contributed a significantly improved result following the restructuring and self help measures implemented in 2012. The Group's underlying operating profit margin increased by 46 basis points from 2.96 per cent to 3.42 per cent.

Non-recurring Pension Scheme Credit: The Group's defined benefit pension schemes were restructured on a more sustainable long term basis during the period. The cost and benefits associated with funding the schemes' substantial deficits were shared between the Group and scheme members. A consequent reduction in the deficit liability for the Group has lowered operating costs and crystallised a €31.8m pension credit resulting in a once off uplift to profits.

Cash flow generated from operations increased to €66.8 million (2012: €54.8 million) and the Group ended the half year with shareholders' equity of €1.0 billion and a gearing ratio of 17 per cent.

Dividend

The interim dividend has been increased by 17 per cent to 3.5 cent (2012: 3.0 cent). This is in line with the Board's progressive dividend policy which is based on increasing dividends as underlying earnings recover.

Board

As previously announced, David Arnold will be joining the Group and the Board as Chief Financial Officer with effect from 9 September 2013. David succeeds Colm Ó Nualláin who retires from the Board on that date. The Board thanks Colm for his outstanding contribution to the Group over a long and distinguished career and looks forward to working with David for the continued development of the Group. Colm will be available to the Group on a consultancy basis throughout 2014.

Appointment of Joint Broker

Numis Securities is appointed joint corporate broker alongside Goodbody, the Group's existing corporate broker. The appointment is with immediate effect.

Review of Listing Arrangements

The Board is currently undertaking a review of the listing arrangements for the Group's shares.

The Group has achieved significant growth in scale and geographic diversification since its original stock exchange listing in Dublin and London. Three quarters of the Group's revenues have, for some time, been generated in the UK and most of the Group's development activity is taking place outside Ireland. In addition, the shareholder profile has changed significantly with the majority of the Group's shares now held by institutional investors outside Ireland.

The Board is specifically considering whether inclusion in the FTSE UK Index would increase UK and international investor awareness of Grafton. As part of this process the Board is also considering whether it would be appropriate to change the reporting currency for the Group from Euro to Sterling. It is expected that this review will be completed within the next few weeks and a further announcement will be made as appropriate.

None of the changes being contemplated would have any impact on the operations of Grafton Group plc which will remain headquartered, domiciled and tax resident in Ireland. The Group also remains fully committed to its Irish operations.

Outlook

There is increasing evidence that the UK economy is growing at a moderate rate and that the recovery now underway is taking hold and is likely to be sustained. There are clear signs that the UK housing market has strengthened this year and the improving trend in property transactions and mortgage approvals should over time lead to a gradual pick-up in spending on residential Repair, Maintenance and Improvement (RMI) from the current low levels following almost five years of weak underlying demand.

In Ireland, modest economic growth is forecast for the year continuing the trend established over the last two years. An improvement in the labour market and increased consumer confidence should help to stabilise consumer spending. Against this background, the Merchanting and Retailing businesses in Ireland anticipate underlying trading conditions over the remainder of the year to be similar to the first half.

In July and August to date average daily like-for-like revenue increased by 5.5 per cent in the UK Merchanting business and by 5 per cent in the Irish Merchanting business. The Irish Retailing business benefitted from the exceptionally good weather in July and increased revenue by 6 per cent over the two months.

The Group will be focused over the remainder of the year on optimising the operational gearing impact of any improvement in its markets and the Board is confident of its performance expectations being met for the year as a whole.

Operational Review

Merchanting Segment (89% of Group Revenue)

Group Merchanting Revenue increased by 2.7 per cent to €957.7 million (2012: €932.8 million) in the half year and operating profit increased by 5.7 per cent to €41.1 million (2012: €38.9 million).

UK Merchanting revenue increased by 1.0 per cent to €788.2 million (2012: €780.5 million) and by 4.5 per cent in constant currency. UK Merchanting operating profit was up by 4.1 per cent to €39.1 million (2012: €37.5 million). Currency translation reduced operating profit by €1.3 million. Operating profit increased by 7.7 per cent in constant currency. The operating margin increased by 15 basis points to 4.96 per cent (2012: 4.81 per cent).

UK Merchanting revenue growth of 4.5 per cent incorporates growth in average daily like-for-like revenue of 1.7 per cent and growth of 2.8 per cent from new branches, acquisitions and branch consolidations. Average daily turnover in the four months to the end of April was marginally positive. Trading conditions were more favourable in May and June. Average daily like-for-like revenues increased by 4.7 per cent and total revenue by 8.6 per cent in these two months.

Product price deflation is estimated at 1.3 per cent and volume growth for the half year of 3.0 per cent outperformed the market. The gross margin increased by 13 basis points and overheads were tightly controlled in the overall UK Merchanting business with the benefit of rationalisation measures mainly undertaken in the second half of 2012.

The recovery underway in the UK economy grew stronger in the first half following a two year period when the economy was broadly flat. The construction sector returned to growth and there were clear signs of an improvement in the housing market.

Activity in the housing market gained momentum helped by an improvement in the wider economy and government measures to stimulate housing demand which contributed to an improvement in the availability and cost of mortgages. Mortgage lending in June rose to its highest level for almost five years while property transactions, also a lead indicator of activity in the residential RMI market, grew by 12 per cent in the second quarter following a marginal decline in the first quarter.

Buildbase revenues were flat in the four months to the end of April but improved strongly in May and June finishing the half year with good momentum as the economy and the housing market showed signs of recovery. Operating profit for the half year advanced strongly due to the operational gearing impact of increased revenue, a flat gross profit margin and a lower cost base following the self-help measures implemented last year. Development activity in the period involved the acquisition of Thompsons, a five branch merchanting business, which extended market coverage to the North East of England. Electricbase implants were rolled out in five branches and a Hirebase centre was incorporated into one branch.

The Buildbase Civils & Lintels division experienced a decline in revenues in the first four months. Volumes recovered strongly in May and June helped by increased housing starts. The Scottish branches performed strongly and delivered a good increase in profitability.

The specialist drywall and insulation products branches were successfully repositioned to widen their product offering and focus on contractors engaged in lower volume residential new build projects.

Selco Builders Warehouse, a trade only business that operates a retail style self-select format, grew revenues and operating profit in the period. Increased revenue was driven by growth in the second quarter supported by increased confidence about the outlook for the economy and the housing market.

Selco continued to develop its market position in the Greater London area growing turnover strongly in the Hanworth and Tottenham stores that opened in 2012. The branch network increased to 34 with the opening of branches at Old Kent Road and Wimbledon. Selco Hire Centres which hire access equipment, plant and power tools were trialled in two branches and a new range of kitchens supplied by the Group's In-House business was launched in almost all Selco stores.

Plumbase revenues were higher for the half year. The impact of competitive pressures in the plumbing and heating market on the operating margin were largely mitigated by improving the operational efficiency of the business and maintaining strong pricing discipline. The specialist bathroom products distribution business increased revenue and profit from the roll out of new own brand ranges and investment in logistics.

Macnaughton Blair, the Northern Ireland merchanting business, reported flat revenues. Strong competitive gains by the provincial branches were offset by declines in the Belfast market due to reduced spending on public sector and commercial new build projects and lower revenue in the architectural ironmongery division.

Operating profit in the **Irish Merchanting** branches doubled to €1.8 million (2012: €0.9 million). Revenue declined by one per cent to €135.1 million overall (2012: €136.4 million) and increased by 1.0 per cent in the like-for-like business in what was the first period of growth since the first half of 2007.

Trading in the Irish Merchanting business was set against the backdrop of an economy that has stabilised and where a relatively slow recovery is underway. The weak labour market, higher taxes and pressure to reduce debt levels while less acute continued to weigh on consumer spending.

The volume of new houses fell to an estimated 4,500 units in 2012. Housing registrations and commencements, forward looking indicators of activity, have shown some improvement in recent months indicating that new housing construction has stabilised at a very low level of activity by historic standards. There is anecdotal evidence of a shortage of housing supply starting to emerge in Dublin and other urban areas which is putting upward pressure on prices and rents.

Activity levels in the Irish merchanting market were fragile but there were signs of stability following a prolonged downturn that led to a contraction in volumes by two thirds since 2007. The decisive actions taken by management in response to the very challenging market conditions have helped to consolidate the market leadership of the business and position it to grow organically as market conditions start to normalise.

The rate of decline in revenue in the **Heiton Buckley** and **Chadwicks** branch networks eased progressively over the course of 2012 and revenue stabilised in the half year. A stronger RMI market in the greater Dublin area led to higher volumes and profit growth. Volumes were flat in the Southern region supported by a number of competitors exiting the market but operating profit was ahead due to lower costs following branch consolidations in Limerick and Cork in the second half of 2012. The Midlands and West regions experienced

more challenging market conditions but improved operating profit due to cost savings and efficiencies. The gross margin was down by 72 basis points due to investment in promotional activity. This cost was offset by a lower charge for bad debts.

Group revenue in the **Belgium Merchanting** business, which trades from 11 branches, increased to €34.4 million from €15.9 million. The business was consolidated as a subsidiary with effect from the end of October 2012 having been previously accounted for as a joint venture. The change of accounting treatment and an acquisition completed at the end of October 2012 accounted for the increase in revenue. Operating profit reduced to €0.3 million from €0.5 million due to the adverse effect on trading from the severe winter weather and tough economic conditions which reduced residential construction and RMI activity.

Retailing Segment (9% of Group Revenue)

Revenue declined by 3.4 per cent to €94.9 million from €98.2 million. Operating profit was €0.3 million, a significant turnaround from a loss of €3.5 million reported for the first half of 2012.

Consumer sentiment in Ireland improved as employment data showed a gradual increase in the numbers at work but this was not translated into increased spending due to pressure on disposable incomes from increased taxes and a high personal savings rate.

The decline in **Woodie's** overall revenue followed the closure of two stores in the second half of 2012. Woodie's like for like revenue was in line with the prior year. Severe weather conditions in March and April 2013 delayed the start of the outdoor season leading to a decline in like-for-like revenue for the first four months. Revenue in May and June 2013 benefited from prolonged periods of exceptionally good weather leading to strong demand for seasonal products. The number of transactions fell by 2.3 per cent but the decline was offset by increased demand for higher value products including barbeques, lawnmowers and garden furniture which increased average transaction values. The gross margin increased by 52 basis points through optimising buying benefits from Woodie's market leadership position and direct sourcing from manufacturers.

The benefit of restructuring completed in the second half of 2012 that involved the consolidation of two stores and the realignment of rents to current open market levels in ten stores enabled the comparative half year loss to be eliminated and the business returned to profitability.

During the half year Woodie's DIY continued to expand and refresh its product ranges and successfully trialled a range of ready assembled kitchens in three stores. Woodie's 38 stores serve 150,000 customers every week. Last year three stores were upgraded with a new store format designed to position product groups in the most convenient locations, optimise space planning and make it easier for customers to shop. The new format was rolled out in three stores in the half year. More products were made available to customers on-line and a Reserve and Collect facility was launched. Woodie's DIY has over 50,000 weekly visitors to its website which now offers greater choice, expert advice, improved navigation, a wider customer reach and mobile functionality.

Ray Colman recently retired as Chief Executive of Woodie's DIY having played a major role in the development of the business since his appointment to the position in 1992. The Board thanks Ray for his contribution over a forty five year career with the Group. Declan Ronayne has succeeded Ray as Chief Executive. He was previously Managing Director of Dixons Ireland.

Manufacturing Segment (2% of Group Revenue)

Revenue declined by 16.5 per cent to €19.6 million (2012: €23.5 million) and operating profit doubled to €1.0 million (2012: €0.5 million)

Revenue at **CPI EuroMix**, the market leader in the supply of silo based mortar from nine plants in Britain, was flat in the half year. This reflected a 9 per cent decline in volumes related to adverse weather conditions in the first quarter, offset by a 16 per cent increase in volumes in the second quarter due to increased market demand.

The house building market recovered strongly with registrations, a proxy for housing starts, up by 30 per cent from a low base, the strongest performance since 2008. The increase in underlying demand for new houses, an improvement in mortgage availability and the Help to Buy scheme provided a favourable market back drop for the recovery in mortar volumes.

Rationalisation of the loss making Irish Manufacturing business in 2012 accounted for the decline in segment revenue in the half year and contributed to the improved segment result.

Financial Review

The Group continued to improve operating returns from its businesses despite the relatively flat market conditions over the half year. Capital was selectively allocated to good development opportunities that provide for the future growth of the business. A strong balance sheet was maintained with shareholders' equity of €1 billion and a continued focus on improving operational cash flow and tight working capital management saw net debt decline.

The Group's funding position was improved with the agreement in recent weeks of new and refinanced term loan facilities for €135 million. The cost of funding net debt was reduced by €1.6 million in the half year and significant progress was made in reducing the long term financial risk and cost of maintaining the defined benefit pension schemes.

Pensions

During the half year the Group engaged in consultations with the Trustees and active members of the defined benefit pension schemes in Ireland and the UK with a view to exploring options to address deficits in the schemes. The arrangements agreed are based on sharing the cost of funding the deficits and providing for more sustainable future benefits at an affordable cost while also reducing the financial risks of the schemes to the businesses.

Active members in the Irish schemes continue to accrue benefits on a defined benefit basis subject to excluding salary increases over the next five years from the calculation of pensionable salary and changing the normal retirement age to bring it in line with the new State pension age. Equivalent changes apply to deferred members. There are no changes to arrangements for existing pensioners. Active members in the UK schemes will continue to accrue future benefits subject to excluding future salary increases from the calculation of pensionable salary.

The Group will make additional cash contributions over an eleven year period as part of the new arrangements including €6.9 million over the next three years. A net pension credit of €31.8 million is recognised in the income statement. This is a non-cash credit that represents a one-off reduction in pension liabilities related to the new pension arrangements.

The IAS 19 deficit after tax on the defined benefit pension schemes reduced to €13.6 million (31 December 2012: €53.9 million). The decline reflects a return of €12.5 million on scheme

assets during the half year, scheme contributions of €3.8 million in addition to the reduction in liabilities related to the new benefit arrangements.

Net Debt and Financing

Net debt at 30 June 2013 declined by €27.3 million to €174.7 million (31 December 2012: €202.0 million). The gearing ratio reduced to 17 per cent from 20 per cent. Good liquidity and financial flexibility was maintained through the holding of deposits and cash balances of €176.8 million at 30 June 2013 (30 June 2012: €138.5 million) and undrawn committed term bank loans of €86.6 million.

In August 2013, as part of its ongoing funding programme, the Group put in place a new three year revolving term loan facility for €50 million with Barclays Bank Ireland plc at a competitive margin and extended the maturity profile of its revolving term facility for €85 million with Ulster Bank until October 2016.

Net Finance Income and Expense

The net finance charge for the year was €7.9 million (30 June 2012: €8.7 million). Net bank and loan note interest fell by €1.6 million to €5.8 million (30 June 2012: €7.4 million) due to optimising the benefit of short term interest rates and the maturity of an interest rate swap.

Following the adoption of amendments to IAS 19, the return on defined benefit pension scheme assets recognised in the income statement is no longer based on an estimate of returns but is now based on the rate used to discount liabilities. The half year numbers for 2012 have been restated on a comparable basis. The pension expense incorporated in the net finance income and expense charge was €1.2 million (2012: €0.8 million).

The net finance charge also included a net charge of €0.7 million due to movements on hedges and foreign currency translation (2012: €0.4 million).

Cash Flow

Cash flow generated from operations of €66.8 million (2012: €54.8 million) demonstrated the ongoing strength of the Group's cash generative business model. Operating cash flow was ahead of the prior year with the benefit of increased operating profit, no major restructuring costs and a reduction in working capital.

Capital expenditure, net of asset disposals, of €9.2 million (2012: €8.7 million) was incurred on asset replacement and strategic capex investments including new branches and Hire and Electrical branch implants. Expenditure of €3.8 million (2012: €2.1 million) was incurred on the acquisition of the trade and mainly freehold property assets of Thompsons. Deferred acquisition expenditure of €1.8 million (2012: €1.1 million) was largely incurred in connection with a prior year acquisition made by the Belgium business.

Shareholders' Equity

Shareholders' equity was €998.7 million at 30 June 2013 (31 December 2012: €996.8 million). Profit after tax contributed €47.7 million due to the continued profitable growth of the business and the decline in the retirement benefit obligation. This gain was partly offset by a currency adjustment of €40.5 million on translation of net sterling assets in the UK business at the sterling/euro exchange of STG85.72p at 30 June 2013 which was 5.0 per cent weaker than the translation rate of STG81.61p at 31 December 2012. Payment of the second interim dividend for 2012 reduced shareholders' equity by €12.8 million.

Taxation

The effective rate of tax, calculated on profit excluding the pension accounting credit, is estimated at 24 per cent for the year. The effective tax rate is a blend of tax rates in various jurisdictions but it is primarily influenced by the UK rate of corporation tax as this jurisdiction accounts for the majority of Group profit. The estimated tax rate of 24 per cent reflects the

impact on deferred tax assets and liabilities of a further 3.0 per cent fall in the UK rate of corporation tax.

Risks and Uncertainties

The Transparency (Directive 2004/109/EC) Regulations 2007 requires disclosure of the principal risks and uncertainties which could have a material impact on the Group's performance over the remainder of the financial year and cause actual results to differ materially from expected and historical results.

Trading in the Group's business is affected by economic conditions in the UK, Ireland and Belgium where the Group's earnings are generated. Demand in the builders merchanting markets in the UK, Ireland and Belgium and in the Irish DIY and UK mortar markets are sensitive to economic conditions generally including credit conditions, consumer confidence, interest rates, employment trends, inflation, demographic factors and housing market conditions. More difficult market conditions would reduce demand in the Group's markets resulting in lower revenue and operating profit. Adverse weather conditions would also reduce revenue and operating profit in the Group's businesses.

Grafton Group plc

Group Condensed Income Statement
For the six months ended 30 June 2013

Continuing activities	Notes	2013 (Unaudited) €'000	Restated* 2012 (Unaudited) €'000
Revenue	**2**	**1,072,163**	1,054,523
Operating costs	**3**	**(1,035,540)**	(1,030,020)
Operating income	**3**	**31,794**	-
Operating profit		**68,417**	24,503
Finance expense	**4**	**(9,570)**	(10,526)
Finance income	**4**	**1,676**	1,790
Profit before tax		**60,523**	15,767
Income tax	**16**	**(12,850)**	(4,547)
Profit after tax for the financial period		**47,673**	11,220
Profit attributable to:			
Owners of the Company		**47,714**	11,220
Non-controlling interests	**8**	**(41)**	-
Profit after tax for the financial period		**47,673**	11,220
Earnings per ordinary share - basic	**5**	**20.57c**	4.84c
Earnings per ordinary share - diluted	**5**	**20.51c**	4.81c

*IAS 19 (Revised) 'Employee Benefits' has been adopted as required by IFRS for the half year ended 30 June 2013. The comparatives for the half year ended 30 June 2012 have been restated (refer to note 20).

Grafton Group plc
Group Condensed Statement of Comprehensive Income
For the six months ended 30 June 2013

	Notes	**Six months to 30 June 2013 (Unaudited) €'000**	Restated* Six months to 30 June 2012 (Unaudited) €'000
Profit after tax for the financial period		**47,673**	11,220
Other comprehensive income			
Items that may be reclassified subsequently to the income statement			
Currency translation effects			
- on foreign currency net investments		**(42,661)**	31,683
- on foreign currency borrowings and derivatives designated as net investment hedges		**2,162**	(1,494)
Fair value movement on cash flow hedges:			
- Effective portion of changes in fair value of cash flow hedges		**(80)**	(157)
- Net change in fair value of cash flow hedges transferred from equity		**403**	331
Deferred tax on cash flow hedges		**(40)**	(20)
		(40,216)	30,343
Items that will not be reclassified to the income statement			
Actuarial gain/(loss) on Group defined benefit pension schemes	**13**	**7,275**	(27,156)
Deferred tax on Group defined benefit pension schemes	**13**	**(1,366)**	3,890
		5,909	(23,266)
Total other comprehensive income		**(34,307)**	7,077
Total comprehensive income for the financial period		**13,366**	18,297
Total comprehensive income attributable to:			
Owners of the Company		**13,407**	18,297
Non-controlling interests	**8**	**(41)**	-
Total comprehensive income for the financial period		**13,366**	18,297

*IAS 19 (Revised) 'Employee Benefits' has been adopted as required by IFRS for the half year ended 30 June 2013. The comparatives for the half year ended 30 June 2012 have been restated (refer to note 20).

Grafton Group plc

Group Condensed Balance Sheet as at 30 June 2013

	Notes	**30 June 2013 (Unaudited) €'000**	30 June 2012 (Unaudited) €'000	31 Dec 2012 (Audited) €'000
ASSETS				
Non-current assets				
Goodwill	**15**	**568,712**	577,454	583,466
Intangible assets		**-**	975	-
Property, plant and equipment	**9**	**533,290**	563,865	561,616
Deferred tax assets		**24,977**	37,031	32,933
Retirement benefit assets	**13**	**3,385**	-	-
Derivative financial instruments	**11**	**1,790**	3,587	2,691
Other financial assets		**170**	157	176
Total non-current assets		**1,132,324**	1,183,069	1,180,882
Current assets				
Inventories	**10**	**302,555**	311,319	305,516
Trade and other receivables	**10**	**374,939**	367,051	332,439
Derivative financial instruments	**11**	**1,789**	1,794	1,345
Cash and cash equivalents	**11**	**176,849**	138,509	156,876
Properties held for sale		**22,787**	19,346	17,709
Total current assets		**878,919**	838,019	813,885
Total assets		**2,011,243**	2,021,088	1,994,767
EQUITY				
Equity share capital		**11,664**	11,664	11,664
Share premium account		**293,012**	293,009	293,009
Capital redemption reserve		**905**	905	905
Revaluation reserve		**29,693**	30,464	29,795
Shares to be issued reserve		**5,603**	3,885	4,337
Cash flow hedge reserve		**(60)**	(677)	(343)
Foreign currency translation reserve		**(130,558)**	(80,578)	(90,059)
Retained earnings		**794,162**	737,962	753,197
Treasury shares held		**(5,746)**	(5,746)	(5,746)
Equity attributable to owners of the Company		**998,675**	990,888	996,759
Non-controlling interests	**8**	**5,081**	-	5,122
Total equity		**1,003,756**	990,888	1,001,881
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings	**11**	**327,133**	319,759	334,507
Provisions		**31,591**	31,111	30,983
Retirement benefit obligations	**13**	**18,531**	57,662	62,971
Derivative financial instruments	**11**	**-**	273	39
Deferred tax liabilities	**16**	**46,387**	39,307	44,181
Total non-current liabilities		**423,642**	448,112	472,681
Current liabilities				
Interest-bearing loans and borrowings	**11**	**27,714**	23,773	27,815
Trade and other payables	**10**	**532,920**	512,007	469,501
Current income tax liabilities	**16**	**12,135**	36,056	13,548
Derivative financial instruments	**11**	**312**	726	590
Provisions		**10,764**	9,526	8,751
Total current liabilities		**583,845**	582,088	520,205
Total liabilities		**1,007,487**	1,030,200	992,886
Total equity and liabilities		**2,011,243**	2,021,088	1,994,767

Grafton Group plc
Group Condensed Cash Flow Statement
For the six months ended 30 June 2013

	Notes	Six Months to 30 June 2013 (Unaudited) €'000	Restated* Six Months to 30 June 2012 (Unaudited) €'000
Profit before taxation		**60,523**	15,767
Finance income		**(1,676)**	(1,790)
Finance expense		**9,570**	10,526
Operating profit		**68,417**	24,503
Depreciation	**9**	**18,813**	19,804
Intangible amortisation		**-**	1,266
Share-based payments charge		**1,266**	310
Non-cash movement in operating provisions		**(5)**	481
Claims paid on insurance provisions		**(2,549)**	(1,267)
Non-cash movement on asset impairment		**-**	523
Profit on sale of property, plant and equipment	**9**	**(816)**	(183)
Non-cash decrease in pension liabilities (net of pension provision)		**(31,794)**	-
Contributions to pension schemes in excess of IAS 19 charge	**13**	**(2,224)**	(4,177)
Decrease in working capital	**10**	**15,737**	13,501
Cash generated from operations		**66,845**	54,761
Interest paid		**(7,266)**	(8,669)
Income taxes paid		**(5,720)**	(433)
Cash flows from operating activities		**53,859**	45,659
Investing activities			
Inflows			
Proceeds from sale of property, plant and equipment	**9**	**1,482**	1,847
Interest received		**493**	1,097
		1,975	2,944
Outflows			
Acquisition of subsidiary undertakings and businesses	**14**	**(3,835)**	(1,473)
Investment in joint venture		**-**	(650)
Net cash/(overdraft) assumed with joint venture		**-**	69
Deferred acquisition consideration paid		**(1,766)**	(1,098)
Purchase of property, plant and equipment	**9**	**(10,697)**	(10,558)
		(16,298)	(13,710)
Cash flows from investing activities		**(14,323)**	(10,766)
Financing activities			
Inflows			
Proceeds from the issue of share capital		**3**	472
Proceeds from borrowings		**11,525**	10,687
		11,528	11,159
Outflows			
Dividends paid	**6**	**(12,760)**	(11,015)
Movement on finance lease liabilities		**(293)**	(162)
Redemption of loan notes payable net of derivatives		**(13,369)**	(34,877)
		(26,422)	(46,054)
Cash flows from financing activities		**(14,894)**	(34,895)
Net increase/(decrease) in cash and cash equivalents		**24,642**	(2)
Cash and cash equivalents at 1 January		**156,876**	134,600
Effect of exchange rate fluctuations on cash held		**(4,669)**	3,911
Cash and cash equivalents at the end of the period		**176,849**	138,509

*IAS 19 (Revised) 'Employee Benefits' has been adopted as required by IFRS for the half year ended 30 June 2013. The comparatives for the half year ended 30 June 2012 have been restated (refer to note 20).

Grafton Group plc
Group Condensed Statement of Changes in Equity

	Equity share capital €'000	Share premium account €'000	Capital redemption reserve €'000	Revaluation reserve €'000	Shares to be issued reserve €'000	Cash Flow hedge reserve €'000	Foreign currency translation reserve €'000	Retained earnings €'000	Treasury shares €'000	Total €'000	Non-Controlling Interests €'000	Total equity €'000
Six months to 30 June 2013 (Unaudited)												
At 1 January 2013	**11,664**	**293,009**	**905**	**29,795**	**4,337**	**(343)**	**(90,059)**	**753,197**	**(5,746)**	**996,759**	**5,122**	**1,001,881**
Profit after tax for the financial period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**47,714**	**-**	**47,714**	**(41)**	**47,673**
Total other comprehensive income												
Actuarial gain on pensions (net of tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,909**	**-**	**5,909**	**-**	**5,909**
Movement in cash flow hedge reserve (net of tax)	**-**	**-**	**-**	**-**	**-**	**283**	**-**	**-**	**-**	**283**	**-**	**283**
Currency translation effect on foreign currency net investments	**-**	**-**	**-**	**-**	**-**	**-**	**(42,661)**	**-**	**-**	**(42,661)**	**-**	**(42,661)**
Currency translation effect on foreign currency borrowings and derivatives designated as net investment hedges	**-**	**-**	**-**	**-**	**-**	**-**	**2,162**	**-**	**-**	**2,162**	**-**	**2,162**
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**283**	**(40,499)**	**5,909**	**-**	**(34,307)**	**-**	**(34,307)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**283**	**(40,499)**	**53,623**		**13,407**	**(41)**	**13,366**
Transactions with owners of the Company recognised directly in equity												
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12,760)**	**-**	**(12,760)**	**-**	**(12,760)**
Issue of Grafton Units (net of issue expenses)	**-**	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**-**	**3**
Share based payments charge	**-**	**-**	**-**	**-**	**1,266**	**-**	**-**	**-**	**-**	**1,266**	**-**	**1,266**
Transfer from revaluation reserve	**-**	**-**	**-**	**(102)**	**-**	**-**	**-**	**102**	**-**	**-**	**-**	**-**
	-	**3**	**-**	**(102)**	**1,266**	**-**	**-**	**(12,658)**	**-**	**(11,491)**	**-**	**(11,491)**
At 30 June 2013	**11,664**	**293,012**	**905**	**29,693**	**5,603**	**(60)**	**(130,558)**	**794,162**	**(5,746)**	**998,675**	**5,081**	**1,003,756**
Six months to 30 June 2012 (Unaudited)												
At 1 January 2012	11,656	292,545	905	30,566	4,588	(831)	(110,767)	759,908	(5,746)	982,824	-	982,824
Profit after tax for the financial period	-	-	-	-	-	-	-	11,220	-	11,220	-	11,220
Total other comprehensive income												
Actuarial loss on pensions (net of tax)	-	-	-	-	-	-	-	(23,266)	-	(23,266)	-	(23,266)
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	154	-	-	-	154	-	154
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	31,683	-	-	31,683	-	31,683
Currency translation effect on foreign currency borrowings and derivatives designated as net investment hedges	-	-	-	-	-	-	(1,494)	-	-	(1,494)	-	(1,494)
Total other comprehensive income	-	-	-	-	-	154	30,189	(23,266)	-	7,077	-	7,077
Total comprehensive income	-	-	-	-	-	154	30,189	(12,046)	-	18,297	-	18,297
Transactions with owners of the Company recognised directly in equity												
Dividends paid	-	-	-	-	-	-	-	(11,015)	-	(11,015)	-	(11,015)
Issue of Grafton Units (net of issue expenses)	8	464	-	-	-	-	-	-	-	472	-	472
Share based payments charge	-	-	-	-	310	-	-	-	-	310	-	310
Transfer from shares to be issued reserve	-	-	-	-	(1,013)	-	-	1,013	-	-	-	-
Transfer from revaluation reserve	-	-	-	(102)	-	-	-	102	-	-	-	-
	8	464	-	(102)	(703)	-	-	(9,900)	-	(10,233)	-	(10,233)
At 30 June 2012	11,664	293,009	905	30,464	3,885	(677)	(80,578)	737,962	(5,746)	990,888	-	990,888

Restated*	Equity share capital €'000	Share premium account €'000	Capital redemption reserve €'000	Revaluation reserve €'000	Shares to be issued reserve €'000	Cash Flow hedge reserve €'000	Foreign currency translation reserve €'000	Retained earnings €'000	Treasury shares €'000	Total €'000	Non-Controlling Interests €'000	Total equity €'000
Year to 31 December 2012 (Audited)												
At 1 January 2012	11,656	292,545	905	30,566	4,588	(831)	(110,767)	759,908	(5,746)	982,824	-	982,824
Profit after tax for the financial year	-	-	-	-	-	-	-	39,022	-	39,022	-	39,022
Total other comprehensive income												
Actuarial loss on pensions (net of tax)	-	-	-	-	-	-	-	(28,976)	-	(28,976)	-	(28,976)
Deferred tax due to capital gains tax rate increase	-	-	-	(566)	-	-	-	-	-	(566)	-	(566)
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	488	-	-	-	488	-	488
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	21,025	-	-	21,025	-	21,025
Currency translation effect on foreign currency borrowings and derivatives designated as net investment hedges	-	-	-	-	-	-	(317)	-	-	(317)	-	(317)
Total other comprehensive income	-	-	-	(566)	-	488	20,708	(28,976)	-	(8,346)	-	(8,346)
Total comprehensive income	-	-	-	(566)	-	488	20,708	10,046	-	30,676	-	30,676
Transactions with owners of the Company recognised directly in equity												
Dividends paid	-	-	-	-	-	-		(17,975)	-	(17,975)	-	(17,975)
Issue of Grafton Units (net of issue expenses)	8	464	-	-	-	-		-	-	472	-	472
Share based payments charge	-	-	-	-	762	-		-	-	762	-	762
Transfer from shares to be issued reserve	-	-	-	-	(1,013)	-	-	1,013	-	-	-	-
Transfer from revaluation reserve	-	-	-	(205)	-	-	-	205	-	-	-	-
	8	464	-	(205)	(251)	-	-	(16,757)	-	(16,741)	-	(16,741)
Acquisition of subsidiary with non-controlling interest	-	-	-	-	-	-	-	-	-	-	5,122	5,122
At 31 December 2012	11,664	293,009	905	29,795	4,337	(343)	(90,059)	753,197	(5,746)	996,759	5,122	1,001,881

*IAS 19 (Revised) 'Employee Benefits' has been adopted as required by IFRS for the half year ended 30 June 2013. The comparatives for the half year ended 30 June 2012 and year ended 31 December 2012 have been restated (refer to note 20).

1. General Information

The condensed consolidated interim financial statements for the half-year ended 30 June 2013 are unaudited but have been reviewed by the auditor whose report is set out on page 32.

The financial information presented in this report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union. These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements in respect of the year ended 31 December 2012 that are available on the Company's website www.graftonplc.com.

The financial information included in this report in relation to the year ended 31 December 2012 does not comprise statutory annual financial statements within the meaning of section 19 of the Companies (Amendment) Act 1986. Those 2012 annual financial statements have been filed with the Registrar of Companies and the audit report thereon was unqualified and did not contain any matters to which attention was drawn by way of emphasis.

Basis of Preparation, Accounting Policies and Estimates

(a) Basis of Preparation and Accounting Policies

The accounting policies applied by the Group in the condensed interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012 with the exception of Retirement Benefits Obligations the impact of which is disclosed below. Certain comparative information has been presented in line with IAS 19 (Amendment) and IAS 1 (Amendment).

The following standard is effective for the Group from 1 January 2013 and has an impact on the results and financial position of the Group.

IAS 19 (Amendment) - Employee Benefits
Amended IAS19 - Employee Benefits (endorsed by the EU in June 2012) changes a number of disclosure requirements for post-employment benefits and restricts the options currently available on how to account for defined benefit pension plans. This standard is effective for annual periods beginning on or after 1 January 2013 with retrospective application applied. Under the amended IAS19, the expected return on assets and interest cost on scheme liabilities will be replaced by a single net finance income/expense figure which is required to be calculated using the liability discount rate rather than using an assumed long term expected rate of return for calculating the expected return on assets element. In addition all past service costs and credits are required to be recognised immediately. Note 20 discloses the impact of these changes on the condensed interim financial statements.

The following standards are effective for the Group and only affect the presentation of the condensed consolidated interim financial statements of the Group:

		Effective Date
IAS 1 (Amendment)	Presentation of Financial Statements The amendment to IAS 1 has revised the layout of the Group Condensed Statement of Comprehensive Income but has no impact on the results or financial position of the Group	1 January 2013

IAS 34 (Amendment)	Interim Financial Reporting IFRS 13 and IFRS 7 disclosures required by IAS 34 (Amendment) are applicable for periods beginning on or after 1 January 2013. These disclosures are set out in note 11.	1 January 2013

The following standards and interpretations are effective for the Group from 1 January 2013 but do not have a material effect on the results or financial position of the Group.

IFRS 1 (Amendments)	First-time adoption of International Financial Reporting Standards
IFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
IFRS 13	Fair Value Measurement
IAS 1 (Amendment)	Presentation of Financial Statements
IAS 16 (Amendment)	Property, Plant & Equipment
IAS 27 (Amendment)	Separate Financial Statements
IAS 28 (Amendment)	Investments in Associates and Joint Ventures
IAS 32 (Amendment)	Financial Instruments: Presentation

The adoption of other new standards and interpretations (as set out in the 2012 Annual Report) that become effective for the year ended 31 December 2013 did not have any significant impact on the interim financial statements.

(b) Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012.

2. Segmental Analysis

The amount of revenue and operating profit/(loss) under the Group's operating segments of Merchanting, Retailing and Manufacturing is as follows:

	Six months to 30 June 2013 (Unaudited) €'000	Restated* Six months to 30 June 2012 (Unaudited) €'000
Revenue		
Merchanting	**957,659**	932,767
Retailing	**94,856**	98,223
Manufacturing	**23,695**	26,468
Less: Inter-segment revenue - manufacturing	**(4,047)**	(2,935)
	1,072,163	1,054,523
Segment operating profit/(loss) before non-recurring income/(costs)		
Merchanting	**41,133**	38,928
Retailing	**284**	(3,523)
Manufacturing	**996**	501
	42,413	35,906
Non-recurring income/(costs)		
Merchanting	**31,794**	(2,646)
Retailing	**-**	(907)
Manufacturing	**-**	(1,940)
	31,794	(5,493)
Segment operating profit/(loss) after non-recurring income/(costs)		
Merchanting	**72,927**	36,282
Retailing	**284**	(4,430)
Manufacturing	**996**	(1,439)
	74,207	30,413
Reconciliation to consolidated operating profit		
Central activities	**(5,790)**	(4,644)
Intangible amortisation	**-**	(1,266)
Operating profit	**68,417**	24,503
Finance expense	**(9,570)**	(10,526)
Finance income	**1,676**	1,790
Profit before tax	**60,523**	15,767
Income tax	**(12,850)**	(4,547)
Profit after tax for the financial period	**47,673**	11,220

*IAS 19 (Revised) 'Employee Benefits' has been adopted as required by IFRS for the half year ended 30 June 2013. The comparatives for the half year ended 30 June 2012 have been restated (refer to note 20).

2. Segmental Analysis (continued)

Operating segment assets are analysed below:

	30 June 2013 (Unaudited) €'000	30 June 2012 (Unaudited) €'000
Segment assets		
Merchanting	**1,659,615**	1,684,382
Retailing	**90,584**	99,586
Manufacturing	**52,084**	56,042
	1,802,283	1,840,010
Unallocated assets		
Deferred tax assets	**24,977**	37,031
Retirement benefit assets	**3,385**	-
Other financial assets	**170**	157
Derivative financial instruments	**3,579**	5,381
Cash and cash equivalents	**176,849**	138,509
Total assets	**2,011,243**	2,021,088

The amount of revenue by geographic area is as follows:

	Six months to 30 June 2013 (Unaudited) €'000	Six months to 30 June 2012 (Unaudited) €'000
Revenue		
United Kingdom	**806,118**	799,180
Ireland	**231,638**	239,492
Belgium	**34,407**	15,851
	1,072,163	1,054,523

3. Operating Costs and Operating Income

Included within operating income and operating costs are a non-recurring pension credit in 2013 and restructuring costs in 2012 as analysed below:

	Six months to 30 June 2013 (Unaudited) €'000	Six months to 30 June 2012 (Unaudited) €'000
Pension restructuring - UK and Ireland		
Past service credit	**(18,098)**	-
Settlement gain	**(20,996)**	-
Settlement contribution liability	**6,900**	-
Net settlement gain	**(14,096)**	-
Professional fees	**400**	-
Restructuring costs:		
Redundancy and other costs	**-**	4,970
Impairment of property, plant and equipment	**-**	523
	(31,794)	5,493

3. Operating Costs and Operating Income (continued)

The past service credit of €18.1 million arose due to the implementation of a permanent pensionable salary freeze in the United Kingdom and a pensionable salary freeze in Ireland for five years, together with an alignment of the normal retirement age and the State pension age in Ireland.

The net settlement gain of €14.1 million arose due to the settlement of transfer values with the deferred members of the Irish Merchanting pension schemes.

The 2012 restructuring costs of €5.5 million largely relate to redundancy costs in the merchanting business, the closure of the CPI mortar manufacturing business in Ireland and asset impairment in the DIY business.

4. Finance Expense and Finance Income

	Six months to 30 June 2013 (Unaudited) €'000		Restated # Six months to 30 June 2012 (Unaudited) €'000	
Finance expense				
Interest on bank loans and overdrafts	**(5,879)**	*	(6,884)	*
Interest on loan notes	**(309)**	*	(1,057)	*
Net change in fair value of cash flow hedges transferred from equity	**(403)**		(331)	
Interest on finance leases	**(164)**		(156)	
Net finance cost on pension scheme obligations	**(1,217)**	#	(834)	#
Fair value movement on hedged financial liabilities	**-**		(362)	
Fair value movement on fair value hedges	**-**		158	
Ineffectiveness on cash flow hedges	**(6)**		(12)	
Foreign exchange loss	**(1,592)**		(1,048)	
	(9,570)		(10,526)	
Finance income				
Foreign exchange gain	**-**		555	
Fair value movement on derivatives (Cross Currency Interest Rate Swaps (CCIRS) not in hedging relationships)	**1,272**		680	
Interest income on bank deposits	**404**	*	555	*
	1,676		1,790	
Net finance expense	**(7,894)**		(8,736)	

* Net bank/loan note interest of €5.8 million (June 2012: €7.4 million).

\# IAS 19 (Revised) 'Employee Benefits' has been adopted as required by IFRS for the half year ended 30 June 2013. The comparatives for the half year ended 30 June 2012 have been restated (refer to note 20).

5. Earnings per Share

The computation of basic, diluted and underlying earnings per share is set out below.

	Half Year 30 June 2013 (Unaudited) €'000	Restated* Half Year 30 June 2012 (Unaudited) €'000
Numerator for basic, underlying and diluted earnings per share:		
Profit after tax for the financial period	**47,673**	11,220
Non-controlling interest	**41**	-
Numerator for basic and diluted earnings per share	**47,714**	11,220
	Number of Grafton Units	Number of Grafton Units
Denominator for basic and underlying earnings per share:		
Weighted average number of Grafton Units in issue	**231,998,691**	231,903,120
Effect of potential dilutive Grafton Units	**582,700**	1,148,493
Denominator for diluted earnings per share	**232,581,391**	233,051,613
Earnings per share (cent)		
- Basic	**20.57**	4.84
- Diluted	**20.51**	4.81

*IAS 19 (Revised) 'Employee Benefits' has been adopted as required by IFRS for the half year ended 30 June 2013. The comparatives for the half year ended 30 June 2012 have been restated (refer to note 20).

6. Dividends

The payment in 2013 of a second interim dividend for 2012 of 5.50 cent on the 'C' Ordinary shares in Grafton Group (UK) plc from UK-sourced income amounted to €12.76 million.

An interim dividend for 2013 of 3.5 cent per share will be paid on the 'C' Ordinary Shares in Grafton Group (UK) plc from UK-sourced income to all holders of Grafton Units on the Company's Register of Members at the close of business on 6 September 2013 (the 'Record Date'). The cash consideration will be paid on 4 October 2013. A liability in respect of the interim dividend has not been recognised at 30 June 2013, as there was no present obligation to pay the dividend at the half-year.

7. 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 period which approximates actual exchange rates at the date of transactions. The balance sheets of the Group's United Kingdom subsidiaries at 30 June 2013, 30 June 2012 and 31 December 2012 have been translated at the rate of exchange ruling at the balance sheet date.

7. Exchange Rates (continued)

The average euro/sterling rate of exchange for the six months ended 30 June 2013 was Stg85.08p (six months to 30 June 2012: Stg82.25p and twelve months to 31 December 2012: Stg81.09p). The euro/sterling exchange rate at 30 June 2013 was Stg85.72p (30 June 2012: Stg80.68p and 31 December 2012: Stg81.61p).

8. Non-Controlling Interests

The Group acquired a controlling interest in BMC Groep NV on 31 October 2012 which is now accounted for as a subsidiary undertaking with a non-controlling interest.

9. Property, Plant and Equipment

	Property, plant and equipment €'000
Net Book Value	
As at 1 January 2013	**561,616**
Additions	**10,697**
Acquisitions	**3,632**
Depreciation	**(18,813)**
Disposals	**(666)**
Transfer to properties held for sale	**(5,927)**
Transfer from properties held for sale	**209**
Foreign exchange	**(17,458)**
As at 30 June 2013	**533,290**

10. Movement in Working Capital

	Inventory €'000	Trade and other receivables €'000	Trade and other payables €'000	Total €'000
At 1 January 2013	**305,516**	**332,439**	**(469,501)**	**168,454**
Translation adjustment	(9,910)	(12,470)	15,388	(6,992)
Interest accrual and other movements	-	(80)	(1,274)	(1,354)
Acquisitions through business combinations	203	-	-	203
Movement in 2013	6,746	55,050	(77,533)	(15,737)
At 30 June 2013	**302,555**	**374,939**	**(532,920)**	**144,574**

11. Interest-Bearing Loans, Borrowings and Net debt

	30 June 2013 €'000	30 June 2012 €'000	31 Dec 2012 €'000
Non-current liabilities			
Bank loans	306,820	281,871	298,046
Loan notes	15,373	32,602	31,400
Finance leases	4,940	5,286	5,061
Total non-current interest bearing loans and borrowings	**327,133**	**319,759**	**334,507**
Current liabilities			
Bank loans and overdrafts	11,645	6,512	11,302
Loan notes	15,530	16,397	15,781
Finance leases	539	864	732
Total current interest bearing loans and borrowings	**27,714**	**23,773**	**27,815**
Derivatives-non current			
Included in non-current assets	(1,790)	(3,587)	(2,691)
Included in non-current liabilities	-	273	39
Derivatives-current			
Included in current assets	(1,789)	(1,794)	(1,345)
Included in current liabilities	312	726	590
Total derivatives	**(3,267)**	**(4,382)**	**(3,407)**
Cash and cash equivalents	**(176,849)**	**(138,509)**	**(156,876)**
Net debt	**174,731**	**200,641**	**202,039**

11. Interest-Bearing Loans, Borrowings and Net debt (continued)

The fair value of financial assets and liabilities together with the carrying amounts shown in the balance sheet are as follows:

At 30 June 2013	Cashflow and net investment hedges	Fair value hedges	Other assets at fair value	Liabilities at amortised cost	Total carrying value	Fair value
	€'000	€'000	€'000	€'000	€'000	€'000
Other financial assets	-	-	170	-	170	170
Cross-currency interest rate swaps	4,121	(542)	-	-	3,579	3,579
Interest rate swaps	(312)	-	-	-	(312)	(312)
2005 unsecured senior US dollar loan notes	-	-	-	(30,903)	(30,903)	(30,040)

Financial assets and liabilities recognised at amortised cost

Except as detailed above, it is considered that the carrying amounts of financial assets and liabilities including trade payables, trade receivables, net debt and deferred consideration which are recognised at amortised cost in the condensed consolidated interim financial statements approximate their fair values.

Financial assets and liabilities carried at fair value

These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined in the 2012 Annual Report together with the method for determining the fair value of the financial assets and liabilities. All of the Group's financial assets and liabilities which are carried at fair value are classified as Level 2 in the fair value hierarchy. There have been no transfers between levels in the current period.

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

	30 June 2013 €'000	30 June 2012 €'000
Net increase/(decrease) in cash and cash equivalents	**24,642**	(2)
Net movement in derivative financial instruments	**791**	624
Cash-flow from movement in debt and lease financing	**2,137**	24,352
Change in net debt resulting from cash flows	**27,570**	24,974
Bank loans and loan notes assumed with joint venture	**-**	(877)
Translation adjustment	**(262)**	1,207
Movement in net debt in the period	**27,308**	25,304
Net debt at 1 January	**(202,039)**	(225,945)
Net debt at end of the period	**(174,731)**	(200,641)
Gearing	**17%**	20%

13. Retirement Benefits

The principal financial assumptions employed in the valuation of the Group's defined benefit scheme liabilities for the current reporting period and the 2012 year were as follows:

	Irish Schemes		**UK Schemes**	
	At 30 June 2013	At 31 Dec 2012	**At 30 June 2013**	At 31 Dec 2012
	%	%	**%**	%
Rate of increase in salaries	**3.00%***	3.00%*	**0.0%**	2.50%
Rate of increase of pensions in payment	**-**	-	**3.35%**	2.90%
Discount rate	**3.75%**	3.75%	**4.80%**	4.50%
Inflation	**2.00%**	2.00%	**3.35%****	2.90%**

*3% applies from 2 January 2019 (31 December 2012: from January 2014)

** The inflation assumption shown for the UK is based on the Retail Price Index (RPI)

13. Retirement Benefits (continued)

The following table provides a reconciliation of the scheme assets (at bid value) and the actuarial value of scheme liabilities:

	Assets		Liabilities		Net asset/(deficit)	
	Half year 30 June 2013 €'000	Year to 31 Dec 2012 €'000	**Half year 30 June 2013 €'000**	Year to 31 Dec 2012 €'000	**Half year 30 June 2013 €'000**	Year to 31 Dec 2012 €'000
At 1 January	**216,553**	191,054	**(279,524)**	(224,614)	**(62,971)**	(33,560)
Interest income on plan assets	**4,380**	9,825*	**-**	-	**4,380**	9,825
Contributions by employer	**3,014**	7,655	**-**	-	**3,014**	7,655
Contributions by members	**799**	1,750	**(799)**	(1,750)	**-**	-
Benefit payments	**(3,743)**	(6,510)	**3,743**	6,510	**-**	-
Current service cost	**-**	-	**(1,539)**	(2,314)	**(1,539)**	(2,314)
Past service credit - non-recurring	**-**	-	**18,098**	-	**18,098**	-
Past service credit	**-**	-	**650**	891	**650**	891
Settlement gain - non-recurring	**-**	-	**20,996**	-	**20,996**	-
Settlement gain - other	**-**	-	**99**	-	**99**	-
Interest cost on scheme liabilities	**-**	-	**(5,597)**	(11,501)	**(5,597)**	(11,501)
Actuarial gains/(losses)	**8,154**	10,479*	**(879)**	(44,340)	**7,275**	(33,861)
Translation adjustment	**(5,396)**	2,300	**5,845**	(2,406)	**449**	(106)
At 30 June	**223,761**	216,553	**(238,907)**	(279,524)	**(15,146)**	(62,971)
Related deferred tax asset (net)					**1,538**	9,094
Net pension liability					**(13,608)**	(53,877)

The pension scheme deficit of €15,146,000 is shown in the Group balance sheet as retirement benefit obligations (non-current liabilities) of €18,531,000 relating to the Irish schemes and retirement benefit assets (non-current assets) of €3,385,000 relating to the UK schemes.

*IAS 19 (Revised) 'Employee Benefits' has been adopted as required by IFRS for the half year ended 30 June 2013. The comparatives for the half year ended 30 June 2012 and year ended 31 December 2012 have been restated (refer to note 20).

14. Acquisitions

In the six months to 30 June 2013 the Group acquired the trade and selected assets of Thompson Building Centres and Thompson Associated Plumbing Supplies (acquired: 27 March 2013). This acquisition extended the geographic coverage of the Group's UK merchanting business into the North East of England where the business trades from five builders merchanting branches.

The total acquisition consideration was cash of €3.835 million and the fair value of the net assets acquired was €3.834 million consisting largely of property, plant and equipment. The income statement impact of these transactions in the half year was not material. Goodwill acquired in the amount of €1,000 was allocated to the Merchanting cash generating unit.

Details of the acquisitions made in 2012 are disclosed in the Group's 2012 Annual Report.

15. Goodwill

Goodwill is subject to impairment testing on an annual basis and more frequently if an indicator of impairment is considered to exist. There were no indicators of impairment during the half year. The Board is satisfied that the carrying value of goodwill has not been impaired. The decrease in goodwill in the period reflects a currency translation movement.

16. Taxation

The effective rate of tax, calculated on profit excluding the pension accounting credit, is estimated at 24 per cent for the year. The pension accounting credit was treated as a once off item and tax was calculated separately on this item. The effective tax rate of 24% (2012: 29%) for the half year ended 30 June 2013 is based on an estimate of the weighted average full year expected tax rate and reflects estimates of cash tax payable, a non-cash charge due to the unwinding of deferred tax assets and liabilities, a credit in relation to the release of tax provisions no longer expected to be required and the impact on deferred tax assets and liabilities of a further 3.0 per cent fall in the UK rate of corporation tax. The reduction in the UK tax rate was substantively enacted in July 2013 and will reduce the UK corporation tax rate from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015.

Accounting estimates and judgements
Management is required to make judgements and estimates in relation to taxation provisions and exposures. In the ordinary course of business, the Group is party to transactions for which the ultimate tax determination may be uncertain. As the Group is subject to taxation in a number of jurisdictions, an open dialogue is maintained with Revenue Authorities with a view to the timely agreement of tax returns. The amounts provided/recognised for tax are based on management's estimate having taken appropriate professional advice. If the final determination of these matters is different from the amounts that were initially recorded such differences will impact the income tax and deferred tax provisions and assets in the period in which the determination was made.

Deferred tax
At 30 June 2013, there were unrecognised deferred tax assets in relation to capital losses of €4.8 million (31 December 2012: €5.0 million), trading losses of €11.4 million (31 December 2012: €11.4 million) and deductible temporary differences of €6.5 million (31 December 2012: €5.0 million). Deferred tax assets were not recognised in respect of capital losses as they can only be recovered against certain classes of taxable profits and the Directors cannot foresee such profits arising in the foreseeable future. The trading losses and deductible temporary differences arose in entities that have incurred losses in recent years and the Directors have no certainty as to when there will be sufficient taxable profits in the relevant entities against which they can be utilised.

17. Related Party Transactions

There have been no related party transactions or changes in related parties from those described in the 2012 Annual Report that materially affected the financial position or the performance of the Group during the half year to 30 June 2013.

18. Grafton Group plc Long Term Incentive Plan (LTIP)

Share awards over 986,542 Grafton Units were granted under the LTIP on 16 April 2013. The total fair value of the awards is €4.4 million and this will be charged to the income statement over the three year vesting period. The 2012 Annual Report discloses details of the LTIP scheme.

19. Issue of Shares

During the period 949 Grafton Units were issued under the Group's Savings Related Share Option Scheme (SAYE) to eligible UK employees.

20. Change in Accounting Policy

IAS 19 (Revised) 'Employee Benefits' has been adopted as required by IFRS for the half year ended 30 June 2013. The comparatives for the half year ended 30 June 2012 have been restated.

The effect of the change in accounting policy was to reduce the expected return on pension plan assets in the prior period income statement by €1.29 million (€1.03 million after tax) (31 December 2012: €2.62 million (€2.1 million after tax)) and to reduce the actuarial loss on the defined benefit pension scheme by €1.29 million (€1.03 million after tax) (31 December 2012: €2.62 million (€2.1 million after tax)).

The finance cost on pension scheme liabilities and the expected return on pension plan assets are now shown as a net pension cost in the income statement.

The impact of IAS 19 (Revised) on earnings per share was as follows:

	Half year 30 June 2012 Reported	Half year 30 June 2012 Restated
Earnings per share (cent)		
- Basic	**5.28**	4.84
- Diluted	**5.26**	4.81
Underlying earnings per share (cent)		
- Basic	**8.05**	7.61
- Diluted	**8.01**	7.57

21. Events after the Balance Sheet Date

There have been no material events subsequent to 30 June 2013 that would require adjustment to or disclosure in this report.

22. Board Approval

These condensed consolidated interim financial statements were approved by the Board of Grafton Group plc on 27 August 2013.

Directors' Responsibility Statement in respect of the half-yearly financial report for the six months ended 30 June 2013

Each of the directors listed in the 2012 Annual Report confirms their responsibility for preparing the half-yearly financial report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the Transparency Rules of the Central Bank of Ireland and with IAS 34 *Interim Financial Reporting* as adopted by the EU. We confirm that, to the best of each person's knowledge and belief:

a) The Group Condensed Interim Financial Statements comprising the Group Condensed Income Statement, Group Condensed Statement of Comprehensive Income, the Group Condensed Balance Sheet, the Group Condensed Cash Flow Statement and the Group Condensed Statement of Changes in Equity and related notes have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the Transparency Rules of the Central Bank of Ireland and with IAS 34 *Interim Financial Reporting* as adopted by the EU.

b) The half-yearly financial report includes a fair review of the information required by:

- *Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

- *Regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The directors of Grafton Group plc are listed on the Grafton Group plc website: www.graftonplc.com.

On behalf of the Board:

Gavin Slark	Colm Ó Nualláin
Chief Executive Officer	Finance Director

Independent Review Report to Grafton Group plc
Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprises the Group Condensed Income Statement, the Group Condensed Statement of Comprehensive Income, the Group Condensed Balance Sheet, the Group Condensed Cash Flow Statement and the Group Condensed Statement of Changes in Equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Transparency (Directive 2004/109/EC) Regulations 2007 ("the TD Regulations") and the Transparency Rules of the Central Bank of Ireland. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the TD Regulations and the Transparency Rules of the Central Bank of Ireland.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The directors are responsible for ensuring that the condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU, the TD Regulations and the Transparency Rules of the Central Bank of Ireland.

Cliona Mullen
For and on behalf of KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2

27 August 2013