Grafton Group plc

Interim Management Statement

9 May 2014

Grafton Group plc, the builders merchanting and DIY Group with operations in the UK, Ireland and Belgium, issues this Interim Management Statement for the period from 1 January 2014 to date based on the trading results for the four months to 30 April 2014 in advance of the Company's Annual General Meeting to be held at 10.30 am today in the IMI Conference Centre, Sandyford Road, Dublin 16.

Group Revenue

Trading in the first four months of the year has been positive with a strong start to the year measured against weak comparatives for the same period last year which was affected by adverse weather conditions. Demand in the Group's markets has generally improved, supported by evidence of a continuing recovery in both the UK and Irish economies. Group revenue for the four months to 30 April 2014 increased by 13.5 per cent to £654 million (4 months to April 2013: £576m).

The table below shows the increase in total revenue and average daily like for like revenue by segment for the four months to 30 April 2014 and the change in average daily like-for-like revenue in the four months to 30 April 2013 compared to the same period in 2012.

Segment	**Total Revenue (Sterling)**	**Average Daily Like-for-Like Revenue**	**Average Daily Like-for-Like Revenue**
	Four Months to 30 April 2014	**Four Months to 30 April 2014***	**Four Months to 30 April 2013***
Merchanting			
- UK	**13.4%**	**9.9%**	0.2%
- Ireland	**2.9%**	**11.4%**	1.0%
- Belgium	**67.2%**	**15.8%**	(17.3%)
Retailing	**3.4%**	**7.5%**	(8.7%)
Manufacturing	**46.8%**	**47.4%**	(7.2%)
Group	**13.5%**	**10.8%**	(1.1%)

*Constant currency

Merchanting (90% of Group Revenue)

The UK Merchanting business, which accounts for three quarters of Group revenue, recovered from the weather related set-back to trading in the first four months of 2013 and also benefitted from growth in the housing repair, maintenance and improvement (RMI) market, that was driven by increased housing transactions, and a recovery in the new build housing market. Selco performed particularly strongly in the traditionally quieter early months of the year continuing to build on the significant progress made in recent years in developing its market position particularly in the Greater London Area where 20 of its 34 branches are located.

The Group continued to deliver on its implant strategy with the opening of Electricbase implants in 22 Buildbase branches during the period taking the total number to 42. Tool, plant and equipment hire was introduced in 17 branches increasing the number of Hirebase implants to 110. Plumbase Industrial, a new trading format that distributes pipeline and mechanical engineering products to the commercial and industrial markets, opened a further seven branches following a successful trial of the concept with the opening of a branch in Hayes, West London in 2013.

The recovery in the Irish Merchanting business gathered pace from the very low levels of the downturn with evidence of a pick-up in activity in both the new housing and RMI markets. Improved demand was driven by the ongoing economic recovery including improving trends in the labour market, a more broadly based geographic recovery in the merchanting market and housing supply shortages in the Greater Dublin Area.

The overall economic and market backdrop in Belgium was subdued but stable. The merchanting business recovered from the severe weather-related revenue decline experienced in the same period last year. The acquisition of Binje Ackermans SA, a six branch builders merchanting business with a leading position in the Brussels market, was completed on the 3rd of February 2014.

Irish Retailing (7% of Group Revenue)
The DIY retailing business in Ireland had a positive start to the year due to stronger demand for seasonal products relative to the same period in 2013. Despite the sustained improvement in consumer sentiment, the recovery in core Irish retail sales has been modest due to continuing pressure on disposable incomes. The new management team is continuing to focus on improving the customer experience and operational delivery in what is likely to be a transitional year for the Group's retail activities.

Manufacturing (3% of Group Revenue)
The mortar manufacturing business in Britain, which mainly supplies the residential new build market, benefitted from a strong increase in housing demand and housing starts supported by the recovery in the economy and increased mortgage lending.

Profitability and Financial Position
As expected, profitability for the period to the end of April was significantly ahead of last year. The Group remains in a strong financial position supported by the underlying cash generation from operations, low levels of debt and significant resources at its disposal in the form of cash and undrawn bank facilities.

Gavin Slark, Chief Executive Officer of Grafton Group plc commented:

"*We have had a positive start to the year against weak comparables from 2013. We are encouraged by the economic recovery and the continuing improvement in our principal markets and we look forward to building on the progress to date through volume growth in our markets, internal initiatives and an ongoing focus on efficiencies.* "

Ends

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