



Grafton Group plc

Trading Update

10 July 2014

Grafton Group plc, the builders merchanting and DIY Group with operations in the UK, Ireland and Belgium, issues this Trading Update for the six months to 30 June 2014 in advance of the Interim Results which will be released on 27 August 2014.

Group Revenue

Overall trading conditions were favourable in the half year as the recovery in the UK and Irish economies became more firmly established and gradually gained momentum. Revenue for the half year reflected generally improved demand in the Group's markets and strong growth in the first quarter due to better weather conditions compared to the prior year. Group revenue for the six months to 30 June 2014 increased by 11.3 per cent to £1.015 billion (6 months to June 2013: £912 million).

The table below shows the increase in total revenue by segment for the half year and the change in average daily like-for-like revenue by segment for the first and second quarters and for the six months to 30 June 2014 compared with the same periods in the prior year.

Segment	Average Daily Like-for-Like Revenue Growth – 2014 *			Total Revenue (Sterling)
	Three Months to 31 March 2014	Three Months to 30 June 2014	Six Months to 30 June 2014	Six Months to 30 June 2014
Merchanting				
- UK	9.8%	6.8%	8.2%	11.1%
- Ireland	7.4%	18.6%	13.1%	5.5%
- Belgium	28.7%	(11.7%)	3.8%	58.0%
Retailing	3.1%	3.2%	3.2%	(1.4%)
Manufacturing	51.6%	27.3%	38.2%	37.7%
Group	10.3%	7.5%	8.8%	11.3%

*Constant currency

Merchanting (90% of Group Revenue)

Trading in the UK merchanting business, which accounted for three quarters of Group revenue, was influenced by better weather conditions together with solid volume growth in the residential repair, maintenance and improvement (RMI) market. Investment by households in residential RMI projects was underpinned by the continued revival in the UK housing market which saw transactions increase by a quarter over the past year.

The Group continues to develop organically, principally through the roll out of Electricbase and Hirebase implants, the expansion of Plumbase Industrial and the opening of new Selco branches, with the new Isleworth store scheduled to open in September. At the period end the Group acquired Beaumont Forest Products, a specialist timber merchant which trades from three branches in the Greater London Area.

The merchanting business in Ireland benefitted from the early stages of a recovery in construction from historically low levels of activity. Growth was primarily driven by stronger demand in the residential RMI segment of the market.

The overall economic and market backdrop in Belgium remained subdued with the acquisition in February of Mpro, a six branch builders merchanting business based in Brussels, accounting for most of the growth in total revenue.

Irish Retailing (8% of Group Revenue)

The very tentative recovery in the DIY retailing business in Ireland that got underway in the second half of 2013 continued in the half year supported by employment growth and improving trends for retail sales from a low base. We continue to regard 2014 as a transitional year as the new Woodie's management team focus on improving the customer proposition.

Manufacturing (2% of Group Revenue)

The mortar manufacturing market in Britain benefitted from strong underlying demand for new housing. The pace of growth moderated, as anticipated, in the second quarter measured against progressively more demanding prior year comparatives.

First Half Performance

The Group's first half financial performance is expected to show a significant improvement on the prior year reflecting, in particular, the strong flow through benefit to the operating profit margin of revenue growth in the UK and Irish merchanting businesses.

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

"Our UK and Irish merchanting businesses have benefited from an improved market backdrop which, combined with our organic growth plans, means the Group is well placed to build on its strong first half performance."

Ends

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