Grafton Group plc

Interim Management Statement

12 May 2015

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 1 January 2015 to 30 April 2015 in advance of its Annual General Meeting which takes place at 10.30 am today in the IMI Conference Centre, Sandyford Road, Dublin 16.

Group Revenue

Market conditions were broadly positive in the period. The continuing recovery in the UK and Irish economies and development activity supported volume growth in the Group's businesses which primarily serve the residential repair, maintenance and improvement (RMI) and new build markets. Group revenue for the four months to 30 April 2015 increased by 6.7 per cent to £698 million (four months to April 2014: £654m) and by 9.6 per cent in constant currency.

The table below shows the changes in total and average daily like-for-like revenue by segment for the four months to 30 April 2015.

Segment	Average Daily Like-for-Like Revenue*	Total Revenue*	Total Revenue (Sterling)
	Four Months to 30 April 2015	Four Months to 30 April 2015	Four Months to 30 April 2015
Merchanting			
- UK	4.0 %	9.0%	9.0%
- Ireland	15.7%	16.7%	4.0%
- Belgium	(1.7%)	9.3%	(2.7%)
Retailing	3.0%	3.0%	(8.3%)
Manufacturing	15.5%	15.5%	14.6%
Group	5.2%	9.6%	6.7%

*Constant currency

Merchanting (91% of Group Revenue)

Like-for-like revenue continued to increase at a moderate pace in the **UK Merchanting** business. **Selco** had a strong start to the year continuing to benefit from good levels of residential RMI demand particularly in the Greater London Area. The 36th Selco branch opened in February in Redhill, Surrey and further branch openings are planned for later this year including a new branch in Coventry that is scheduled to open in July. Like-for-like revenue growth in the traditional **General Merchanting** business was partially offset by margin pressure as the market started the year on a much more competitive note and the revenue mix was less favourable as a consequence of a lower proportion of higher margin collected trade. Like-for-like revenue in **Plumbase** was broadly in line with the prior year but operating profit was lower due to weaker pricing in a challenging plumbing and heating market.

The strong momentum in revenue growth in the **Irish Merchanting** business that started in the second quarter of 2014 continued into 2015. Residential RMI activity was the key driver of improved demand as the recovery in the wider economy gathered pace. The gradual recovery in house building, from the exceptionally low levels of recent years, was concentrated in the Greater Dublin Area and provincial cities. There were early indications that a recovery is starting to take hold in the civils and commercial segments of the market.

The **Belgian Merchanting** business was impacted by general economic weakness resulting in a small decline in like-for-like revenue. The new management team has started to implement a programme of operational changes and performance improvement measures.

Retailing (6% of Group Revenue)

The DIY business in Ireland benefitted from modest revenue growth as the recovery in the wider economy started to slowly transition into the retail sector and DIY market following a prolonged period of flat or declining revenue. Management continued to implement operational changes and refocus the business on Woodie's core strengths of DIY, Home and Garden.

Manufacturing (3% of Group Revenue)

The mortar manufacturing business in Britain had a very positive start to the year despite the rate of growth moderating as anticipated from the high levels experienced in the early stages of the housing market recovery.

Profitability and Financial Position

Operating profit for the seasonally quieter period to the end of April was ahead of the corresponding period in 2014 and reflected a slightly higher Group operating profit margin. It is anticipated that operating profit will be more heavily weighted towards the second half of the year reflecting the benefit of both ongoing development and margin improvement initiatives.

The Group remains in a strong financial position supported by strong cashflow from operations, low net debt, significant cash deposits and undrawn bank facilities.

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

"*The Group is well positioned to benefit from growth in its markets and from ongoing development activity that will support further progress towards the delivery of its medium term targets outlined earlier this year*."

Ends

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