Grafton Group plc

Trading Update

8 January 2015

Grafton Group plc, the builders merchanting and DIY Group with operations in the UK, Ireland and Belgium, issues the following Trading Update for the year ended 31 December 2014 in advance of its Final Results for the year which are scheduled to be announced on 10 March 2015.

Group Revenue

Trading conditions were favourable in the final quarter with positive momentum from a sustained recovery in the UK and Irish economies leading to increased demand in the residential repair, maintenance and improvement (RMI) and new build markets. The rate of growth eased as anticipated in the second half of the year measured against progressively improving trends over the same period in 2013. Revenue for the year to 31 December 2014 was £2.08 billion, an increase of 9.5 per cent on revenue of £1.90 billion in 2013.

The table below shows the changes in average daily like-for-like revenue and total revenue by segment compared to the same periods in 2013.

Segment	Average Daily Like-for-Like Revenue Growth in Constant Currency		Total Revenue	
			Constant Currency	Actual (Sterling)
	Three Months to 31 December 2014	Year to 31 December 2014	Year to 31 December 2014	Year to 31 December 2014
Merchanting				
- UK	4.0%	6.5%	9.5%	9.5%
- Ireland	12.4%	13.9%	11.7%	5.9%
- Belgium	(2.7%)	(2.1%)	63.8%	55.4%
Retailing	(3.3%)	0.2%	(0.6%)	(5.7%)
Manufacturing	25.6%	31.9%	32.2%	31.7%
Group	4.7%	7.1%	11.0%	9.5%

Merchanting (90% of Group Revenue)

Growth in the **UK** merchanting business, which accounted for three quarters of Group revenue, benefitted from the continued recovery in the wider economy although volumes in the plumbing and heating market remained subdued. Increased demand in the residential RMI market was supported by increased consumer confidence and household spending, growth in transactions in the secondary housing market and investment in an ageing housing stock.

Favorable trading in the established UK Merchanting businesses, particularly Selco which benefitted from strong growth in the Greater London Area, together with acquisitions and organic development initiatives resulted in total revenue growth for the year of 9.5%.

The rate of revenue growth in the Merchanting business in **Ireland** increased sharply during 2014 as the impact of the market recovery spread and the economy moved on to a stronger growth path. Revenue growth was initially concentrated on the residential RMI market but extended into the new housing market where output increased from very depressed levels as the year progressed.

Continued economic weakness in **Belgium** contributed to lower demand in the residential RMI and new build markets though the rate of decline experienced mid-year eased considerably in the fourth quarter.

Retailing (8% of Group Revenue)

There was a modest recovery in core retail sales in Ireland as household finances continued to be under pressure from high levels of domestic indebtedness. The business refocused on its core strengths of DIY, Home and Garden during 2014. Flat revenue for the year in the like-for-like branches reflected the discontinuance of non-core lines and strong demand for seasonal summer products in the prior year.

Manufacturing (2% of Group Revenue)

The mortar manufacturing business in Britain continued to benefit from a significant increase in housebuilding. Demand for new homes was boosted by improved economic conditions and Government policies aimed at increasing access to mortgage finance.

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

"Revenue trends evolved broadly in line with the Group's expectation of a moderation in the rate of growth as the year progressed. The Group anticipates reporting 2014 results consistent with current market expectations and enters 2015 in a robust position as it continues to execute its growth strategy."

Ends

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Note

As at 31 December 2014, analysts' forecasts for earnings per share of Grafton Group plc ranged from 30.9 pence per share to 34.0 pence per share with a mean consensus forecast of 32.1 pence per share.