PRESS RELEASE
FOR RELEASE 07.00

13 May 2016

Brammer plc
(“Brammer” or the “Group”)
Annual General Meeting Trading Update

Brammer plc, Europe's leading distributor of quality industrial maintenance, repair and overhaul products ("MRO"), today issues the following Trading Update for the period from 1 January to 30 April 2016, ahead of its Annual General Meeting to be held at 12 noon today.

Highlights

- As expected, continued challenging trading in the UK and Nordics was partially offset by growth in Continental Europe
- Underlying gross margin percentage 20 bps up on last year, but offset by lower rebate accruals as a result of stock reduction programme
- Good progress in stock reduction programme, £16m reduction YTD; on track to deliver £30m reduction by September 2016
- Direct Vending sales exceeded €1m for the first time in April. 1,595 machines installed to end April, with a healthy installation pipeline of 380 machines
- Focus remains on the key operational priorities set out in the March preliminary results statement

Outlook

Against a continued expected tough trading environment and the anticipated headwind caused by the focus on inventory reduction, we continue to concentrate on delivering our key operational priorities for 2016, namely reducing our debt levels, implementing our stock reduction programme, turning around our UK business and improving our gross margin alongside the continued application of our growth drivers.

Whilst there will be an increased weighting of the Group’s financial results towards the second half, our expectations for the full year, assuming our key plans for improvement in the UK and Nordics are achieved, remain unchanged.

Trading performance

Sales per working day performance (4 months to 30 April)

SPWD at constant currency	**Growth year on year**
By geography:	
UK	(6)%
Germany	3%
France	2%
Nordics	(19)%
Other territories	2%
Total	**(2)%**
By product:	
Bearings	(4)%
Other	(1)%
T&GM	(4)%
Total	**(2)%**

As indicated at the time of the Group's preliminary results in March, trading in the early part of 2016 has been similar to Q4 2015, with a satisfactory performance in Continental Europe being offset by continuing challenges in the UK and Nordics.

UK SPWD declined by 6% in the period, due to further volume decreases from certain key Buck & Hickman customers and weakness of the bearing business with Key Accounts. Excluding Buck & Hickman, UK SPWD were in line with last year. Returning the UK to revenue and profit growth after a period of some disruption is a key priority. Actions to improve the UK performance and re-invigorate the sales force are underway under the leadership of Steve Ashmore (our new UK Managing Director), who joined on 4 April 2016. We expect to see evidence of improved performance during 2016.

Conditions in the Nordics were also challenging, with a SPWD decline YTD of 19% reflecting poor order intake in Q4 2015. Operations in Norway have been refocused on non-oil and gas projects and, as a result, orders for the first four months were up 18% on the same period last year and up 75% on the last four months of last year. Growth in Sweden is coming through from MRO and T&GM Key Accounts.

SPWD performance outside of the UK and Nordics has been positive with continued strength in Spain and Poland, in particular.

An increased focus on gross margin performance, one of 2016's key operational priorities, led to a 20 basis point increase on an underlying basis in margin in the period for the Group. However, this was offset by the impact of lower rebates resulting from the stock reduction programme and the decline in bearing purchases due to difficult market conditions and volume declines from some larger customers. SDA was up over prior year as a result of extra costs to support the growth of our Vending programme and warehousing costs for two new distribution centres in Continental Europe.

At the end of April we had 1,595 vending machines installed, up from 1,305 at the end of 2015. Revenue growth from the machines once installed continues to be in line with expectations.

Debt and stock reduction programme

The Group continues to focus on reducing debt and improving working capital efficiency. In this regard, delivering improved operational performance and a significant stock reduction is key.

We have made good progress in the period on our stock reduction programme, despite weak bearing sales. After four months we have achieved a reduction of £16m and remain on track to achieve the target reduction of £30m by September 2016. As previously identified, the benefit from this stock reduction will primarily impact net debt only in the second half of the year.

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Notes:

1. The results for the six months to 30 June 2016 will be announced on 4 August 2016.