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BPB REPORTS RECORD FIRST HALF RESULTS

INTERIM RESULTS AND DIVIDEND FOR THE HALF YEAR TO 30 SEPTEMBER 2004

HIGHLIGHTS		Half-year to 30.9.04	Half-year to 30.9.03	Half-year increase
Turnover	£m	1,151.1	1,089.2	5.7%
Underlying profit before tax *	£m	145.2	107.8	34.7%
Reported profit before tax	£m	150.3	95.0	58.2%
Underlying earnings per share *	p	19.6	14.6	34.2%
Reported earnings per share	p	19.5	12.3	58.5%
Dividends per share	p	5.25	4.80	9.4%

* before goodwill amortisation and exceptional items

- Sustained positive trends in sales volumes and pricing levels, with group turnover up 10% in local currency. Global plasterboard and plaster volumes both up 7%
- Underlying operating profit up 28% to £156.0 million, driven by sales and profit growth in Europe, North America and Rest of the World
- Underlying profit before tax of £145.2 million and underlying earnings per share of 19.6p both up more than 34%, reflecting the strong first-half trading performance
- Operating cash flow up 20% to £211.4 million, facilitating increased capital expenditure of £64.7 million and the £35.7 million purchase of minority shareholdings in Asia
- First-half return on average capital invested improved to 12.9% (2003 9.4%)
- Interim dividend up 9.4% to 5.25p per share

Richard Cousins, BPB chief executive, said:

“BPB has reported record first-half results, with the group on track to deliver real progress. Global plasterboard and plaster volumes have grown substantially over the past five years and, with capacity utilisation levels high, we see widespread opportunities for investing in our core businesses to support growth in demand over the medium term.”

GROUP PERFORMANCE OVERVIEW

BPB delivered an excellent first-half performance, as management continued to focus on growing the group profitably through the development of its global leadership in plasterboard and building plasters. Underlying pre-tax profit (before goodwill and exceptional items) advanced 35% to £145.2 million on group turnover up 6% (10% in local currency) to £1.15 billion, driven by sustained positive trends in sales volumes and pricing levels in key markets.

Key achievements in the first half, in line with the group's strategic focus on core businesses, were:

- delivery of sales and profit growth in all three of BPB's major regions of Europe, North America and Rest of the World
- growth in worldwide plasterboard sales to over 600 million square metres - up 7% on the corresponding period due principally to further growth in the British Isles, Spain, Eastern Europe, South Africa and Asia, and continuing strong levels of housing and renovation activity in the US and Canadian markets
- growth in overall building plaster sales to almost 2.5 million tonnes - up 7% on the corresponding period resulting from increased demand in Spain, the British Isles, Italy, Egypt and Turkey
- acquisition of most of BPB's minority interests in its Thai and Indian businesses and the disposal of the group's UK paper recycling business
- expansion of the group's programme of capital investment in the growth of global plasterboard demand and the development of building plaster markets - in particular committing to two new plasterboard plants in the UK and Spain

OPERATING AND FINANCIAL PERFORMANCE

Underlying operating profit rose 28% to £156.0 million, with significantly improved results in Europe, North America and Rest of the World reflecting continuing good growth in global plasterboard demand, increased overall sales of building plasters, and improved selling prices. The adverse currency translation impact of around £5 million was largely offset by lower restructuring and redundancy costs of £6.4 million (2003 £9.9 million). Group return on sales increased from 11.2% to 13.6%, after circa £25 million of variable cost inflation mainly arising from increases in prices of oil, gas, freight and steel and rising costs for US paperboard liner.

Cash generated from operations rose 20% to £211.4 million, facilitating increased capital expenditure of £64.7 million (up almost two-thirds on the corresponding period) and the £35.7 million purchase of minority shareholdings in Asia. Net debt reduced to £471.5 million (31 March 2004 £495.0 million). First-half return on average capital invested improved from 9.4% to 12.9%, substantially above the group's weighted average cost of capital. A reduced net interest charge of £14.6 million (2003 £16.5 million), despite increasing global interest rates,

was due to lower levels of average net debt compared to the corresponding period. Interest cover improved from 7.7 to 11.1 times.

Underlying earnings per share rose by 34% to 19.6p, driven by the strong first-half trading performance. Reported pre-tax profit of £150.3 million (2003 £95.0 million) benefited from a pre-tax gain of £14.6 million arising from the company's share of BPB Canada's pension fund surplus distribution. This gain more than offset goodwill amortisation and losses on asset disposals, resulting in reported profit higher than underlying pre-tax profit. The group's underlying effective tax rate was 31.9% (2003 32.0%).

In recognition of these positive results the interim dividend will increase by 9.4% to 5.25p per share.

REGIONAL RESULTS AND BUSINESS DEVELOPMENTS

EUROPE

BPB's European region generated 70% of the group's first-half profit, achieving an increase of 12% in underlying operating profit to £108.9 million from further growth in plasterboard and building plaster volumes (up 7% and 5% respectively) and better selling prices. Results were after charging £3.0 million of additional UK pension costs and a lower restructuring cost of £5.8 million (2003 £9.1 million), the latter largely offsetting the adverse translation impact of stronger sterling. Regional return on sales improved from 11.8% to 12.9%.

Capacity utilisation in most markets remained high, resulting in additional freight costs to overcome local plasterboard capacity constraints and satisfy market demand. Selling price increases made last Winter offset the impact of higher commodity cost inflation and, with the benefits arising from last year's major restructuring in Germany and the strategic move to lower-cost external sourcing of continental plasterboard liner, contributed to the regional performance improvement.

North & Western Europe

Continuing demand from the housing and renovation sectors, further public sector investment, and the drive to sell more high-performance and thicker boards to meet more stringent building regulations resulted in further good volume growth for plasterboard and building plasters in the British Isles. Capacity utilisation in both the UK and Ireland remains high; further plasterboard and plaster capacity will be added at Kingscourt in Ireland over the New Year, and a new plasterboard line will be commissioned at Sherburn near Leeds in 2006/07.

Following last year's closure of the Purfleet paperboard mill, there was insufficient demand to support the UK recovered paper operation and consequently the business was sold in August.

Improved results from BPB's Nordic plasterboard business reflected better cost performance and greater overall volumes, with strong sales growth achieved in Finland, increased Swedish demand after several years of weak construction activity and a recovery in

Norwegian sales; this also contributed to the 9% increase in underlying operating profit to £54.4 million for North & Western Europe.

Southern Europe

Better selling prices on increased overall volumes, with an improved performance from the French business, resulted in regional underlying operating profit increasing 7% to £41.4 million. Commodity cost inflation was significant, with the cost of expanded polystyrene beads for thermal laminates increasing substantially towards the period end. As planned following the integration of Gyproc Benelux, the Wijnegem plaster plant in Belgium will be closed early next year and production transferred to the Vaujours plant near Paris. The programme to upgrade and expand the Kallo plasterboard plant in Belgium is successfully underway and scheduled for completion next Spring.

Strong growth in plasterboard and building plaster volumes continued in Spain, with local management driving greater penetration of plasterboard usage and shipping product from plants in France and Italy to meet demand. Actions were taken to commence the construction of a new plasterboard plant near Madrid, to be commissioned in 2006 to support the upgraded plant at Quinto. The group also commenced the second phase of a substantial investment programme to upgrade the Spanish plaster business and expand capacity in lightweight plasters, a fast growing value-added segment.

Good residential demand in Italy but a weak commercial sector led to BPB generating modest growth in plasterboard volumes, while building plaster volumes grew strongly benefiting from recent investments.

Central & Eastern Europe

Regional underlying operating profit rose more than 55% to £13.1 million, as the restructured German business achieved a substantial improvement in profitability following the actions taken last year to strengthen BPB's plasterboard market position and significantly reduce costs. Although construction activity in Germany remained weak, regional results also benefited from further substantial plasterboard demand and improved selling prices across most of Eastern Europe.

The construction of a new plasterboard plant alongside the group's existing Romanian plaster plant is progressing to plan for commissioning in late 2005. Building plaster sales have also grown encouragingly in Eastern Europe, with strong demand in Turkey and good progress made in the developing markets of Hungary and Romania.

NORTH AMERICA

Housing and renovation activity remained buoyant across the Continent, driving 5% further growth in wallboard volumes and a significant improvement in US selling prices which substantially exceeded the impact of commodity cost inflation. North American underlying operating profit more than doubled to £37.7 million (2003 £17.3 million), raising regional return on sales from 7.0% to 14.1%.

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Sustained by continuing strong demand and underpinned by higher industry plant utilisation levels, BPB's average realised US wallboard prices increased to \$114 per 1,000 square feet (some \$25 up on the average for the corresponding period) and are now spotting around \$121.

Construction activity in Canada remained strong, with increased wallboard volumes and selling prices offsetting cost inflation pressures, particularly energy, enabling the business to deliver a good first-half results improvement.

The US ceiling tiles business achieved an improvement in results, benefiting from better selling prices and cost savings arising from restructuring actions taken last year.

REST OF THE WORLD

Strong residential demand and better plasterboard selling prices significantly improved South African results, and Asian businesses generated further double-digit sales volume growth. Together, these areas achieved over three-quarters of regional underlying operating profit which, with improved performances from Brazil and Egypt, increased almost 30% to £9.4 million. Overall return on sales again improved, rising from 13.4% to 15.1%, on plasterboard volumes increased by 12%.

BPB invested £35.7 million in acquiring substantially all the minority interests in its fast-growing businesses in Thailand and India where the group has established strong market positions.

CURRENT YEAR OUTLOOK

BPB has reported record first-half results, with the group on track to deliver real progress. Global plasterboard and plaster volumes have grown substantially over the past five years and, with capacity utilisation levels high, there are widespread opportunities for investing in BPB's core businesses to support growth in demand over the medium term.

Following the group's strong performance in the second half of last year, and with the impact of the continuing rise in commodity costs worldwide, a less rapid rate of profit improvement is anticipated for the second half (compared to this year's first-half underlying growth of 35%). However, with the continuation of positive trading trends in BPB's key markets, the Board expects good progress for the year as a whole.

FINANCIAL STATEMENTS FOLLOW

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This announcement, together with the group's interim results presentation to analysts, will shortly be available on BPB's website: www.bpb.com

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GROUP PROFIT AND LOSS ACCOUNT		Half-year to 30.9.04	Half-year to 30.9.03	Year to 31.3.04
		£m	£m	£m
Turnover: group and share of joint ventures and associates		1,177.7	1,113.0	2,220.1
Less: share of joint ventures' turnover		(12.2)	(10.9)	(22.5)
share of associates' turnover		(14.4)	(12.9)	(26.8)
Group turnover	note 1	<u>1,151.1</u>	<u>1,089.2</u>	<u>2,170.8</u>
Operating profit				
On-going before exceptional items		148.2	112.8	231.2
Exceptional items - on-going operations: Canadian pension refund	note 9	14.6	-	-
Purfleet closure costs	note 9	-	(7.8)	(28.8)
Group operating profit	notes 1, 5	162.8	105.0	202.4
Share of operating profit in:				
Joint ventures		1.0	0.9	1.7
Associates		2.8	1.7	4.0
Non-operating exceptional items:				
Disposals of fixed assets		0.2	3.9	4.0
Sale and termination of operations		(1.9)	-	0.3
Profit on ordinary activities before interest		164.9	111.5	212.4
Net interest payable	note 4	(14.6)	(16.5)	(32.1)
Profit on ordinary activities before tax		150.3	95.0	180.3
Tax on profit on ordinary activities	note 2	(52.3)	(33.1)	(63.0)
Profit on ordinary activities after tax		98.0	61.9	117.3
Minority interests		(1.5)	(1.5)	(2.3)
Profit attributable to BPB plc		96.5	60.4	115.0
Dividends		(26.1)	(23.6)	(70.4)
Retained profit for the period		<u>70.4</u>	<u>36.8</u>	<u>44.6</u>
Basic earnings per share	note 3	19.5p	12.3p	23.4p
Diluted earnings per share	note 3	19.3p	12.2p	23.3p
Dividends per share		5.25p	4.80p	14.25p
Underlying results*				
Profit on ordinary activities before tax (£m)		145.2	107.8	222.8
Earnings per share	note 3	<u>19.6p</u>	<u>14.6p</u>	<u>30.5p</u>

* Before goodwill amortisation of £7.8 million (2003 £8.9 million; 2003/04 £18.0 million), exceptional operating items - Canadian pension refund £14.6 million (2003 £nil; 2003/04 £nil), Purfleet closure costs of £nil (2003 £7.8 million; 2003/04 £28.8 million) - and net non-operating exceptional charge of £1.7 million (2003 income of £3.9 million; 2003/04 income of £4.3 million).

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GROUP BALANCE SHEET	At 30.9.04	At 30.9.03	At 31.3.04
	£m	Re-stated £m	Re-stated £m
Fixed assets			
Intangible assets	280.6	287.8	261.7
Tangible assets	1,121.9	1,184.4	1,099.6
Investments in joint ventures:			
Share of gross assets	24.1	21.0	22.1
Share of gross liabilities	(16.0)	(13.2)	(14.2)
	8.1	7.8	7.9
Investments in associates	23.9	20.6	21.4
Other investments	1.0	1.2	0.9
	<u>1,435.5</u>	<u>1,501.8</u>	<u>1,391.5</u>
Current assets			
Stocks	150.2	155.8	139.7
Debtors due within one year	530.4	463.1	491.2
Debtors due after more than one year	15.1	15.9	15.3
Cash and short term deposits	70.3	75.7	71.4
	<u>766.0</u>	<u>710.5</u>	<u>717.6</u>
Creditors due within one year			
Loans and overdrafts	(21.2)	(102.5)	(24.5)
Other creditors	(561.9)	(472.9)	(529.2)
Net current assets	<u>182.9</u>	<u>135.1</u>	<u>163.9</u>
Total assets less current liabilities	1,618.4	1,636.9	1,555.4
Creditors due after more than one year			
Loans and finance leases	(520.6)	(578.9)	(541.9)
Other creditors	(30.5)	(36.0)	(31.8)
Provisions for liabilities and charges	<u>(169.2)</u>	<u>(174.8)</u>	<u>(162.6)</u>
	<u>898.1</u>	<u>847.2</u>	<u>819.1</u>
Capital and reserves			
Called up share capital	248.6	246.5	247.8
Share premium account	239.8	228.1	235.9
Capital redemption reserve	32.7	32.7	32.7
Investment in own shares	(3.3)	(1.4)	(1.4)
Profit and loss account	371.5	314.6	279.9
Shareholders' funds	<u>889.3</u>	<u>820.5</u>	<u>794.9</u>
Minority interests	8.8	26.7	24.2
	<u>898.1</u>	<u>847.2</u>	<u>819.1</u>

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GROUP CASH FLOW STATEMENT	Half-year to 30.9.04 £m	Half-year to 30.9.03 £m	Year to 31.3.04 £m
Net cash inflow from operating activities	<u>211.4</u>	<u>176.0</u>	<u>350.5</u>
Dividends received from joint ventures and associates			
Dividends from joint ventures	0.2	0.3	0.9
Dividends from associates	<u>0.6</u>	<u>0.3</u>	<u>0.5</u>
	<u>0.8</u>	<u>0.6</u>	<u>1.4</u>
Returns on investments and servicing of finance			
Interest received	0.5	1.2	0.4
Interest paid	(10.0)	(13.5)	(31.7)
Interest element of finance lease payments	-	-	(0.1)
Dividends paid to minority shareholders of subsidiaries	<u>(0.6)</u>	<u>(0.1)</u>	<u>(1.6)</u>
	<u>(10.1)</u>	<u>(12.4)</u>	<u>(33.0)</u>
Tax paid			
United Kingdom corporation tax	(8.2)	(7.8)	(11.5)
Overseas tax	<u>(17.2)</u>	<u>(24.8)</u>	<u>(48.7)</u>
	<u>(25.4)</u>	<u>(32.6)</u>	<u>(60.2)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(64.7)	(40.6)	(99.6)
Sale of tangible fixed assets	0.7	3.8	15.6
Repayment of loans by joint ventures	<u>-</u>	<u>0.5</u>	<u>0.7</u>
	<u>(64.0)</u>	<u>(36.3)</u>	<u>(83.3)</u>
Acquisitions and disposals			
Purchase of businesses and minority interests	(39.9)	(1.8)	(5.1)
Sale of businesses	<u>8.6</u>	<u>-</u>	<u>7.5</u>
	<u>(31.3)</u>	<u>(1.8)</u>	<u>2.4</u>
Dividends paid to shareholders of BPB plc	<u>(46.9)</u>	<u>(43.7)</u>	<u>(67.3)</u>
Net cash inflow before use of liquid resources and financing	34.5	49.8	110.5
Management of liquid resources	(12.9)	(0.4)	(3.8)
Financing			
Issue of share capital	4.7	0.7	9.8
Purchase of own shares	(1.9)	-	-
Loan from associated company	-	-	0.3
(Decrease)/increase in borrowings	(31.8)	23.0	(52.6)
	<u>(29.0)</u>	<u>23.7</u>	<u>(42.5)</u>
(Decrease)/increase in cash	<u>(7.4)</u>	<u>73.1</u>	<u>64.2</u>

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Half-year to 30.9.04	Half-year to 30.9.03 Re-stated	Year to 31.3.04 Re-stated
	£m	£m	£m
Profit attributable to BPB plc	96.5	60.4	115.0
Currency translation differences	<u>18.7</u>	<u>3.4</u>	<u>(39.1)</u>
Total recognised gains and losses for the period	115.2	63.8	75.9
Prior year adjustment	note 11 <u>0.7</u>		
	<u>115.9</u>		

MOVEMENTS IN SHAREHOLDERS' FUNDS

	Half-year to 30.9.04	Half-year to 30.9.03 Re-stated	Year to 31.3.04 Re-stated
	£m	£m	£m
At 1 April	795.6	780.3	780.3
Prior year adjustment	note 11 <u>(0.7)</u>	<u>(0.7)</u>	<u>(0.7)</u>
At 1 April (as re-stated)	794.9	779.6	779.6
Retained profit for the period	70.4	36.8	44.6
Currency translation differences	18.7	3.4	(39.1)
Goodwill write-back on disposals	2.2	-	-
Employee benefit trust transactions	(1.6)	-	-
New shares issued	<u>4.7</u>	<u>0.7</u>	<u>9.8</u>
At period end	<u>889.3</u>	<u>820.5</u>	<u>794.9</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 Segmental information

	Group turnover by origin			Underlying operating profit		
	Half-year to 30.9.04 £m	Half-year to 30.9.03 £m	Year to 31.3.04 £m	Half-year to 30.9.04 £m	Half-year to 30.9.03 £m	Year to 31.3.04 £m
North & Western Europe	296.2	295.5	588.5	54.4	50.0	105.1
Southern Europe	365.7	358.4	728.1	41.4	38.7	76.2
Central & Eastern Europe	<u>180.3</u>	<u>170.7</u>	<u>330.8</u>	<u>13.1</u>	<u>8.4</u>	<u>12.6</u>
Europe	842.2	824.6	1,647.4	108.9	97.1	193.9
North America	268.3	248.1	488.8	37.7	17.3	40.1
Rest of the World	<u>62.3</u>	<u>54.3</u>	<u>108.6</u>	<u>9.4</u>	<u>7.3</u>	<u>15.2</u>
	1,172.8	1,127.0	2,244.8	156.0	121.7	249.2
Less inter-area	<u>(21.7)</u>	<u>(37.8)</u>	<u>(74.0)</u>	-	-	-
	<u>1,151.1</u>	<u>1,089.2</u>	<u>2,170.8</u>	-	-	-
Underlying operating profit				156.0	121.7	249.2
Operating exceptional items (note 9):						
Canadian pension refund				14.6	-	-
Purfleet closure costs				-	(7.8)	(28.8)
Goodwill amortisation				<u>(7.8)</u>	<u>(8.9)</u>	<u>(18.0)</u>
Group operating profit				<u>162.8</u>	<u>105.0</u>	<u>202.4</u>
Return on sales (underlying)				%	%	%
North & Western Europe				18.4	16.9	17.9
Southern Europe				11.3	10.8	10.5
Central & Eastern Europe				<u>7.3</u>	<u>4.9</u>	<u>3.8</u>
Europe				12.9	11.8	11.8
North America				14.1	7.0	8.2
Rest of the World				<u>15.1</u>	<u>13.4</u>	<u>14.0</u>
Group				<u>13.6</u>	<u>11.2</u>	<u>11.5</u>

2 Tax on profit on ordinary activities

	Half-year to 30.9.04 %	Half-year to 30.9.03 %	Year to 31.3.04 %
Underlying tax rate	<u>31.9</u>	<u>32.0</u>	<u>31.7</u>

Tax has been calculated on the basis of an estimated annual effective rate on underlying profit before tax using current rates of taxation in the principal countries in which the group operates. The actual tax charge of £52.3 million includes the tax effects of the exceptional items disclosed in the profit and loss account.

3 Earnings per share

The basic earnings per share figure is calculated on the profit after tax and minority interests of £96.5 million (2003 £60.4 million; 2003/04 £115.0 million) and on the weighted average of 495.9 million (2003 490.4 million; 2003/04 490.9 million) ordinary shares in issue during the period, after excluding the investment in the company's own shares.

The diluted earnings per share figure is based on the same profit as the basic earnings per share figure but on 500.0 million (2003 493.6 million; 2003/04 493.0 million) ordinary shares calculated as shown in the table below.

The underlying earnings per share figure is based on profit adjusted for goodwill amortisation and exceptional items and on the same weighted average number of shares used in the basic earnings per share calculation above. The directors consider that this measure provides an additional indicator of underlying performance of the group.

	Half-year to 30.9.04	Half-year to 30.9.03	Year to 31.3.04
	m	m	m
Basic weighted average number of shares	495.9	490.4	490.9
Dilutive potential ordinary shares arising from share options	<u>4.1</u>	<u>3.2</u>	<u>2.1</u>
Total	<u>500.0</u>	<u>493.6</u>	<u>493.0</u>

	Half-year to 30.9.04	Half-year to 30.9.03	Year to 31.3.04
	£m	£m	£m
Earnings			
Profit after tax and minority interests	96.5	60.4	115.0
Goodwill amortisation	7.8	8.9	18.0
Exceptional items:			
Canadian pension refund (note 9)	(14.6)	-	-
Purfleet closure costs (note 9)	-	7.8	28.8
Disposals of fixed assets	(0.2)	(3.9)	(4.0)
Sale and termination of operations	1.9	-	(0.3)
Tax effect of exceptional items	<u>6.0</u>	<u>(1.5)</u>	<u>(7.7)</u>
Underlying earnings	<u>97.4</u>	<u>71.7</u>	<u>149.8</u>

Earnings per share

Basic	19.5p	12.3p	23.4p
Diluted	19.3p	12.2p	23.3p
Underlying	<u>19.6p</u>	<u>14.6p</u>	<u>30.5p</u>

The tax effect on goodwill amortisation is not material.

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4 Net interest payable

	Half-year to 30.9.04	Half-year to 30.9.03	Year to 31.3.04
	£m	£m	£m
Group	14.1	15.8	30.7
Share of joint ventures' interest	0.4	0.2	0.3
Share of associates' interest	<u>0.1</u>	<u>0.5</u>	<u>1.1</u>
	<u><u>14.6</u></u>	<u><u>16.5</u></u>	<u><u>32.1</u></u>

5 Reconciliation of operating profit to net cash inflow from operating activities

	Half-year to 30.9.04	Half-year to 30.9.03	Year to 31.3.04
	£m	£m	£m
Operating profit	162.8	105.0	202.4
Depreciation less transfers from deferred credits (before Purfleet asset write-downs)	52.3	53.6	108.6
Purfleet asset write-downs	-	-	15.5
Goodwill amortisation	<u>7.8</u>	<u>8.9</u>	<u>18.0</u>
	<u><u>222.9</u></u>	<u><u>167.5</u></u>	<u><u>344.5</u></u>
Changes in working capital			
Stocks and work-in-progress	(7.2)	(2.4)	4.2
Debtors (excluding Canadian pension refund receivable)	(20.4)	4.6	(41.7)
Creditors and provisions	29.1	6.3	43.5
Canadian pension refund receivable	<u>(13.0)</u>	<u>-</u>	<u>-</u>
	<u><u>(11.5)</u></u>	<u><u>8.5</u></u>	<u><u>6.0</u></u>
Net cash inflow from operating activities	<u><u>211.4</u></u>	<u><u>176.0</u></u>	<u><u>350.5</u></u>

6 Reconciliation of net cash flow to movement in net borrowings

	Half-year to 30.9.04	Half-year to 30.9.03	Year to 31.3.04
	£m	£m	£m
(Decrease)/increase in cash	(7.4)	73.1	64.2
Decrease/(increase) in borrowings	31.8	(23.0)	52.6
Management of liquid resources	<u>12.9</u>	<u>0.4</u>	<u>3.8</u>
Change in borrowings resulting from cash flows	37.3	50.5	120.6
Currency adjustments	<u>(13.8)</u>	<u>7.3</u>	<u>47.9</u>
Decrease in net borrowings	23.5	57.8	168.5
Net borrowings at 1 April	<u>(495.0)</u>	<u>(663.5)</u>	<u>(663.5)</u>
Net borrowings at period end	<u><u>(471.5)</u></u>	<u><u>(605.7)</u></u>	<u><u>(495.0)</u></u>

7 Analysis of changes in net borrowings

	At 1.4.04 £m	Cash flow £m	Currency movement £m	At 30.9.04 £m
Cash at bank and in hand	58.6	(15.5)	1.5	44.6
Overdrafts	<u>(14.7)</u>	<u>8.1</u>	<u>(3.3)</u>	<u>(9.9)</u>
	<u>43.9</u>	<u>(7.4)</u>	<u>(1.8)</u>	<u>34.7</u>
Loans and finance leases:				
Due within one year	(9.8)	(0.7)	(0.8)	(11.3)
Due after more than one year	<u>(541.9)</u>	<u>32.5</u>	<u>(11.2)</u>	<u>(520.6)</u>
	<u>(551.7)</u>	<u>31.8</u>	<u>(12.0)</u>	<u>(531.9)</u>
Short term deposits	<u>12.8</u>	<u>12.9</u>	-	<u>25.7</u>
Net borrowings	<u>(495.0)</u>	<u>37.3</u>	<u>(13.8)</u>	<u>(471.5)</u>
Cash at bank and in hand	58.6			44.6
Short term deposits	<u>12.8</u>			<u>25.7</u>
Cash and short term deposits	<u>71.4</u>			<u>70.3</u>

8 Statistical summary

	Half-year to 30.9.04	Half-year to 30.9.03 Re-stated	Year to 31.3.04 Re-stated
	£m	£m	£m
Shareholders' funds	889.3	820.5	794.9
Return on shareholders' funds (annualised %) (note a)	17.1	13.1	13.5
Capital invested	1,697.2	1,763.3	1,656.8
Return on capital invested (annualised %) (note b)	12.9	9.4	9.9
Net borrowings	471.5	605.7	495.0
Gearing (%) (note c)	52.5	71.5	60.4
Interest cover (times) (note d)	11.1	7.7	8.1
EBITDA (note e)	208.3	175.3	344.5
EBITDA margin (%) (note f)	18.1	16.1	15.9
Market capitalisation at period end	2,128	1,573	1,762
Number of shares in issue at period end (million)	<u>497.2</u>	<u>493.1</u>	<u>495.7</u>

Notes

- (a) Underlying profit attributable to BPB plc as a percentage of average shareholders' funds (including goodwill amortised and written off to reserves).
- (b) Underlying profit before interest and after tax, as a percentage of average capital invested (including goodwill amortised and written off to reserves).
- (c) Net borrowings as a percentage of shareholders' funds plus minority interests.
- (d) Underlying operating profit divided by net interest before share of associates' and joint ventures' interest.
- (e) Underlying earnings before interest, tax, depreciation less deferred credits, and goodwill amortisation.
- (f) EBITDA expressed as a percentage of group turnover.

9 Operating exceptional items

The Canadian pension refund of £14.6 million arose following regulatory approval of an agreement between the company and the pension scheme members to share in the distribution of part of a substantial pension fund surplus that had built up over a number of years. Most of the cash proceeds arising from the refund were received after 30 September 2004.

Purfleet closure costs of £7.8 million for the prior period and prior full year of £28.8 million relate to redundancy, contract termination costs and asset write-downs associated with the closure of the Purfleet paperboard mill on 17 December 2003.

10 UK Pensions

Following actuarial advice during the period that the UK pension scheme surplus identified in the last triennial valuation at March 2002 is likely to have been fully eroded by the next valuation due at the end of this financial year, the total net charge to operating profit in respect of the UK pension scheme was increased by £3 million to £6.1 million (2003 £3.1 million) in the half year.

11 Basis of preparation

These interim financial statements were approved by the Board on 17 November 2004. They have been prepared on a basis consistent with the accounting policies stated in the statutory accounts for the year to 31 March 2004, except that during the half-year ended 30 September 2004 the group adopted UITF Abstract 38 'Accounting for ESOP trusts'. This Abstract changes the presentation in the balance sheet of an entity's own shares held in an employee share trust from requiring them to be recognised as assets to requiring their value (cost less accumulated depreciation) to be deducted in arriving at shareholders' funds.

The impact of this change in accounting policy has been to reduce fixed asset investments by £0.7 million at 31 March 2004 and 30 September 2003 and to reduce shareholders' funds by £0.7 million at 31 March 2004 and 30 September 2003.

The results of overseas companies are translated at average exchange rates for the period and assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

Principal rates to	Half-year to 30.9.04		Half-year to 30.9.03		Year to 31.3.04	
	Average	Closing	Average	Closing	Average	Closing
Sterling						
Euro	1.49	1.46	1.43	1.43	1.44	1.50
US dollar	1.81	1.81	1.62	1.66	1.70	1.84
Canadian dollar	2.41	2.29	2.26	2.24	2.30	2.42
South African rand	11.75	11.72	12.10	11.57	12.01	11.58

11 Basis of preparation (Cont'd)

The statutory accounts for the year to 31 March 2004, on which the auditors' report was unqualified, have been delivered to the Registrar of Companies. The results for the year to 31 March 2004 and the balance sheet at that date as shown in these interim financial statements are an extract from those accounts. These interim financial statements are unaudited and do not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

12 Independent auditors' review

The financial statements for each half year are unaudited but are reviewed with the auditors at a meeting of BPB's Audit Committee prior to Board approval and publication.

13 Shareholder information

The interim report will be posted to shareholders on 29 November 2004. The interim dividend of 5.25p per share will be paid on 21 January 2005 to shareholders on the register on 24 December 2004.

Group results for the year to 31 March 2005, together with the recommended final dividend, will be announced on 19 May 2005 and the annual report published on 3 June 2005.