

Announcement released 7.00 am, Thursday 28 November 2002

**BPB Interim Results and Dividend
for the Half Year to 30 September 2002**

HIGHLIGHTS		Half-year to 30.9.02	Half-year to 30.9.01	Year to 31.3.02
Turnover	£m	953.3	830.7	1,661.8
Operating cash flow	£m	146.1	119.4	264.4
Underlying operating profit (a)	£m	110.0	84.4	180.0
Underlying profit before tax (b)	£m	95.6	71.8	153.0
Reported profit before tax	£m	1.2	69.1	146.3
Underlying earnings per share (b)	p	13.1	9.4	21.0
Dividends per share	p	4.65	4.5	13.1

(a) before goodwill amortisation and exceptional items (including BPB plc's £88.8 million European Commission fine)

(b) as in (a) but also before BPB's £1.3 million share of associate's EC fine

- Turnover up 15%, due to US wallboard acquisition and continued volume growth in Europe
- Plasterboard and plaster volumes up 26% and 5% respectively, like-for-like sales increasing 5% and 3%
- Underlying profit before tax up 33% to £95.6 million, driven by higher US selling prices and further efficiencies in North America
- Underlying operating profit increased £25.6 million to £110.0 million, despite restructuring charges up £5.1 million at £12.1 million, as North America achieved a turnaround from a £16.7 million loss to an £11.9 million profit. Group return on sales up from 10.2% to 11.5%
- European underlying operating profit of £94.3 million (*£96.6 million*) after £14.0 million increase in input costs
- Worldwide cost savings from on-going businesses equivalent to more than 1.5% of group turnover, with \$50 million of North American annualised savings in place ahead of schedule
- Underlying earnings per share up 39%, including the benefit from a lower tax charge
- Stronger cash generation, with operating cash flow up £26.7 million to £146.1 million
- BPB will appeal against the wholly inappropriate and disproportionately high European Commission fine of €138.6 million (£88.8 million) for alleged breaches of competition law between 1992 and 1998
- Interim dividend up 3.3% to 4.65p per share

Richard Cousins, BPB chief executive, said:

"BPB continues to build a sound business base for future growth, delivering substantially better underlying earnings in the first half by significantly improving the scale, profitability and cash generation of North American operations, further reducing the group's cost base, and strengthening the core European businesses."

BPB'S FIRST HALF PROGRESS

The group's underlying pre-tax profit of £95.6 million was 33% up on the corresponding period as the North American business moved from loss into profit, as a result of higher US selling prices on continuing good demand, further operating cost efficiencies and five months trading from the newly acquired James Hardie wallboard business. This was BPB's third successive half-year of underlying profit growth, continuing the group's recovery trend first reported last November.

In last year's annual report management identified several key business priorities for the immediate future, progress on which has included:

- Integration of the US wallboard acquisition (which is now well underway), efficiency improvements in North American operations, and closure of the US paper mill at Quincy.
- Further restructuring in Germany in response to a worsening trading situation.
- Overall cost savings from BPB's on-going businesses equivalent to more than 1.5% of group sales, with \$50 million of North American annualised cost savings in place by the period end – six months ahead of the original March 2003 target.
- Stronger first half cash generation resulting in operating cash flow up £26.7 million to £146.1 million.

BPB recently announced the successful conclusion of negotiations to acquire control of Gyproc Benelux NV, subject to regulatory approvals, which will secure leadership of the Belgian and Dutch markets for plasterboard and plasters. Comprising a net cash consideration of €30.5 million (£19.1 million) and approximately €25 million (£15.5 million) of debt, the acquisition is expected to be completed by next Spring and be earnings enhancing in 2003/04.

GROUP FIRST HALF RESULTS

Group sales were up by 15% to £953.3 million, with the James Hardie acquisition contributing two-thirds of the increase. The balance came largely from further volume growth in Europe and acquired specialist distribution businesses in Spain. Like-for-like group plasterboard and plaster volumes grew 5% and 3% respectively, with overall volumes up 26% and 5%.

Underlying operating profit increased £25.6 million to £110.0 million as North America achieved a profit of £11.9 million against a corresponding loss of £16.7 million. Although European profit of £94.3 million was marginally down on last year (£96.6 million) this was after booking an additional £3.0 million charge for UK pensions, and German restructuring costing £2.0 million. Groupwide restructuring and redundancy charges taken against operating profit were £12.1 million (£7.0 million). Group return on sales improved from 10.2% to 11.5%.

Underlying earnings per share rose 39% to 13.1p, reflecting the first half growth in profit and a fall in the effective tax rate to 32% from an abnormally high 39% in the corresponding period (caused by unrelieved US losses). Reported pre-tax profit of £1.2 million (£69.1 million) was after charging the EC fine of £88.8 million and the group's £1.3 million share of the Gyproc Benelux EC fine, goodwill amortisation of £7.6 million (£4.9 million), and a net exceptional gain of £3.3 million (£2.2 million) which mainly related to UK property disposals.

Following the James Hardie acquisition, net debt increased to £561.7 million (*£496.0 million*). However the group interest charge of £14.7 million was only £0.3 million higher due to lower interest rates, with interest cover strengthening to 7.5 times earnings (*5.9 times*). The post-tax return on BPB's average capital invested increased by 1.8 percentage points on the corresponding period to 8.8%.

The interim dividend will increase by 3.3% (*2.3%*) to provide a payment of 4.65p per share for the six months ended 30 September 2002.

REGIONAL TRADING PERFORMANCES

Europe

Volume growth in the western and southern regions continued to offset difficult trading conditions in other markets and, together with further overall cost savings, underpinned a solid European performance.

Regional underlying operating profit of £94.3 million (*£96.6 million*) was after a £14.0 million increase in input costs (mostly recycled paper, insurance and pensions) and £2.0 million of German restructuring charges which were largely offset by core product sales growth of 6% and some £8 million of further cost savings.

North & Western Europe

Plasterboard and building plaster sales grew by 7% and 3% respectively, driven by increased UK house building and strong renovation demand, and cost savings equal to nearly 1% of regional turnover were achieved. Additional plaster capacity was introduced in the UK to meet higher demand and results improved in Ireland despite slower growth.

However, overall underlying operating profit declined £3.9 million to £46.6 million due to a substantial increase in the cost of recycled waste paper and a further weakening in some Nordic markets. In addition, the triennial valuation of BPB's principal UK pension scheme resulted in a lower actuarial surplus and the need to increase the group pension charge by some £6 million per annum on an on-going basis.

Southern Europe

The strong growth in plasterboard volumes experienced in the second half of last year continued into the current year, driving regional operating profit up by 14% to £41.5 million. Overall sales of plasterboard increased by 7%, with progress in Spain, Italy and the key French market benefiting from strong renovation demand. Plaster volumes in the important Iberian market grew by a robust 5%, helped by the commissioning of additional capacity following the recent capital investment programme in Spain.

In Italy additional capacity came on-stream from the new £40 million combined plasterboard and plaster plant at Termoli. This contributed to the efficiency of BPB's European plasterboard supply chain and was in time to meet increasing Italian demand, mainly from a stronger renovation market. Sales of building plasters also grew well.

Central & Eastern Europe

Trading conditions in German building material markets continued to be difficult as construction activity worsened, and led to a lower regional operating profit of £6.2 million (*£9.7 million*). This result included the additional restructuring cost in Germany arising from an 18% reduction in the workforce.

Plasterboard sales volume in Germany was lower than the corresponding period, albeit the rate of contraction was less than the 10% annual decline experienced over the two previous fiscal years. By contrast, further strong profitable growth was achieved in the Czech Republic, Romania and Greece. Regional plaster sales grew over 20%, reflecting strong demand in eastern Europe and BPB's acquisition in Turkey.

North America

Average realised wallboard selling prices in the US increased by 28% over the corresponding period, underpinning the £28.6 million turnaround in regional performance to record a profit of £11.9 million despite restructuring charges which exceeded the contribution from five months of post acquisition trading by James Hardie.

Volumes advanced 2% on a like-for-like basis and including acquired sales rose 67%, doubling BPB's regional market share to around 16%. Before restructuring charges the enlarged North American wallboard business generated a return on sales of around 10%, with US selling prices sustained over the half-year at the level reached last March of about \$90 per 1,000 square feet.

Restructuring charges were £8.6 million (*£4.4 million*) and mostly related to the closure of the Quincy paper mill following the negotiation of a new third-party supply contract for wallboard liner. BPB's like-for-like US manning levels are now 40% below those of two years ago. Although the commercial market remained depressed, further operating efficiencies led to ceiling tile losses being substantially reduced. Integration of the Hardie business is progressing to plan, with delivery of at least \$10 million of annualised cost savings expected by September 2003.

Rest of the World

BPB's businesses in developing geographic markets continued to experience challenging trading conditions but, at constant exchange rates, overall profits were maintained. Reported operating profit was £3.8 million (*£4.5 million*) although the overall return on sales remained in excess of 8%. In South America, Brazilian volumes increased but the Argentinian market collapsed. Southern Africa's profitability was affected by higher input costs. Plaster sales in Egypt remained buoyant and Asia achieved good results from volume growth.

OTHER ISSUES

The European Commission yesterday announced that it had decided to fine BPB €38.6 million (£88.8 million) out of a total European gypsum industry fine of €478.3 million (£306.6 million) for alleged breaches of competition law under Article 81 of the Treaty of Rome.

BPB has not participated in any cartel and intends to appeal against the level of its fine, which is wholly inappropriate and disproportionately high. None of the Commission's findings relate to any of the group's on-going activities or business practices, nor do the facts support any finding of BPB's participation in any cartel in the past. In short, BPB believes that the Commission's case lacks the evidence necessary to substantiate its claims.

The group has been actively co-operating with the Commission throughout its four-year investigation and is disappointed that it has rejected, without justification, much of what BPB has said to it. The Commission's general allegation that BPB participated in a long-running cartel in the principal EU plasterboard markets is based upon supposition and contrived explanations unsupported by the facts. It has not taken into account the wealth of economic evidence of vigorous price competition for market share which is inconsistent with the Commission's findings, nor the lack of any tangible effect of the supposed infringements on the markets concerned. Throughout the 1990's European plasterboard prices to customers in fact fell substantially in real terms.

There has been much comment recently in the press and from some of BPB's peer group with regard to US asbestos exposure. BPB, which acquired the Celotex and James Hardie Gypsum US wallboard businesses during the last two years, believes it has no potential liability in North America. It is not actively defending any asbestos claims in the US nor has it ever settled any claims there in the past. Outside of North America there have been a small number of individual claims settled (fewer than 10 in over 20 years) and these have all been dealt with by insurers for modest sums.

CURRENT YEAR OUTLOOK

BPB continues to build a sound business base for future growth, delivering substantially better underlying earnings in the first half by significantly improving the scale, profitability and cash generation of North American operations, further reducing the group's cost base, and strengthening the core European businesses.

There is, however, on-going global uncertainty with growth forecasts in most major economies being steadily downgraded. An element of caution is therefore appropriate in assessing future prospects. Notwithstanding this, the group's positive trading momentum has continued into the second half and performance has been in line with expectations. Accordingly, the Board remains confident that 2002/03 will be a year of progress for BPB.

FINANCIAL STATEMENTS FOLLOW

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GROUP PROFIT AND LOSS ACCOUNT		Half-year to 30.9.02	Half-year to 30.9.01	Year to 31.3.02
		£m	£m	£m
Turnover: group and share of joint ventures and associates		989.0	868.2	1,732.9
Less: share of joint ventures' turnover		(9.1)	(8.7)	(17.8)
share of associates' turnover		<u>(26.6)</u>	<u>(28.8)</u>	<u>(53.3)</u>
Continuing operations				
On-going		865.4	830.7	1,661.8
Acquisitions		87.9	-	-
Group turnover	note 1	<u>953.3</u>	<u>830.7</u>	<u>1,661.8</u>
Operating profit	notes 1, 5			
On-going before exceptional charge		97.0	79.5	170.3
Acquisitions		5.4	-	-
Before exceptional charge		102.4	79.5	170.3
Exceptional charge: EC fine - on-going operations	note 10	(88.8)	-	-
		13.6	79.5	170.3
Share of operating profit in:				
Joint ventures		0.1	0.4	1.5
Associates before exceptional charge		0.5	1.8	1.9
Before exceptional charge		0.6	2.2	3.4
Exceptional charge: EC fine - associates	note 10	(1.3)	-	-
		(0.7)	2.2	3.4
Non-operating exceptional items:				
Disposals of fixed assets		3.6	1.6	3.0
Sale and termination of operations		(0.3)	0.6	-
Profit on ordinary activities before interest		16.2	83.9	176.7
Net interest payable	note 4	(15.0)	(14.8)	(30.4)
Profit on ordinary activities before tax		1.2	69.1	146.3
Tax on profit on ordinary activities	note 2	(31.5)	(28.5)	(57.5)
(Loss)/profit on ordinary activities after tax		(30.3)	40.6	88.8
Minority interests		(0.8)	(0.8)	(0.4)
(Loss)/profit attributable to BPB plc		(31.1)	39.8	88.4
Dividends		(22.8)	(20.6)	(62.7)
(Transfer from reserves)/retained profit for the period		<u>(53.9)</u>	<u>19.2</u>	<u>25.7</u>
Basic (loss)/earnings per share	note 3	(6.3)p	8.7p	19.3p
Diluted (loss)/earnings per share	note 3	(6.3)p	8.7p	19.2p
Dividends per share		4.65p	4.5p	13.1p
Underlying results*				
Profit on ordinary activities before tax (£m)		95.6	71.8	153.0
Earnings per share	note 3	<u>13.1p</u>	<u>9.4p</u>	<u>21.0p</u>

*Before goodwill amortisation of £7.6 million (2001 £4.9 million), exceptional operating charges - EC fines of £90.1 million (2001 £nil) and net non-operating exceptional income of £3.3 million (2001 £2.2 million)

GROUP BALANCE SHEET		At 30.9.02	At 30.9.01	At 31.3.02
		£m	£m	£m
Fixed assets				
Intangible assets	note 8	275.4	176.2	181.3
Tangible assets		1,130.4	1,040.6	1,052.5
Investments in joint ventures:				
Share of gross assets		21.9	22.4	22.9
Share of gross liabilities		(14.8)	(15.7)	(15.7)
		7.1	6.7	7.2
Investments in associates		42.2	43.8	46.9
Other investments		2.4	2.9	2.8
		<u>1,457.5</u>	<u>1,270.2</u>	<u>1,290.7</u>
Current assets				
Stocks		138.4	126.6	119.6
Debtors due within one year		411.0	373.8	390.4
Debtors due after more than one year		6.0	22.6	7.0
Cash and short term deposits	note 7	82.0	57.6	65.6
		<u>637.4</u>	<u>580.6</u>	<u>582.6</u>
Creditors due within one year				
Loans and overdrafts	note 7	(40.7)	(89.9)	(40.7)
Other creditors		(402.9)	(385.7)	(403.2)
Net current assets		<u>193.8</u>	<u>105.0</u>	<u>138.7</u>
Total assets less current liabilities		1,651.3	1,375.2	1,429.4
Creditors due after more than one year				
Loans and finance leases	note 7	(603.0)	(463.7)	(396.0)
Other creditors		(31.4)	(25.0)	(27.8)
Provisions for liabilities and charges	note 10	(249.6)	(153.2)	(148.8)
		<u>767.3</u>	<u>733.3</u>	<u>856.8</u>
Capital and reserves				
Called up share capital		245.1	229.2	244.9
Share premium account		222.3	128.6	221.8
Capital redemption reserve		32.7	32.7	32.7
Profit and loss account		245.5	317.3	331.7
Shareholders' funds		<u>745.6</u>	<u>707.8</u>	<u>831.1</u>
Minority interests		21.7	25.5	25.7
		<u>767.3</u>	<u>733.3</u>	<u>856.8</u>

GROUP CASH FLOW STATEMENT		Half-year to 30.9.02	Half-year to 30.9.01	Year to 31.3.02
		£m	£m	£m
Cash flow from operating activities	note 5	<u>146.1</u>	<u>119.4</u>	<u>264.4</u>
Dividends received from joint ventures and associates				
Dividends from joint ventures		0.2	0.3	0.5
Dividends from associates		<u>0.5</u>	<u>1.7</u>	<u>2.0</u>
		<u>0.7</u>	<u>2.0</u>	<u>2.5</u>
Returns on investments and servicing of finance				
Interest received		2.0	3.5	5.1
Interest paid		(12.5)	(14.2)	(33.7)
Interest element of finance lease payments		-	-	(0.1)
Dividends paid to minority shareholders of subsidiaries		<u>(2.0)</u>	<u>(1.2)</u>	<u>(1.2)</u>
		<u>(12.5)</u>	<u>(11.9)</u>	<u>(29.9)</u>
Tax paid				
United Kingdom corporation tax		(7.4)	(6.1)	(23.3)
Overseas tax		<u>(16.6)</u>	<u>(23.3)</u>	<u>(34.4)</u>
		<u>(24.0)</u>	<u>(29.4)</u>	<u>(57.7)</u>
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(44.9)	(39.5)	(84.5)
Sale of tangible fixed assets		8.7	2.4	3.7
Repayment of loans by joint ventures		<u>0.5</u>	-	<u>0.5</u>
		<u>(35.7)</u>	<u>(37.1)</u>	<u>(80.3)</u>
Acquisitions and disposals				
Purchase of subsidiaries	note 8	(242.8)	(17.2)	(22.3)
Net cash acquired with subsidiaries	note 8	(4.4)	3.2	3.2
Advance payment on forward contract	note 8	-	-	(12.0)
Sale of associated company		-	-	1.4
Sale and termination of operations		<u>-</u>	<u>1.1</u>	<u>-</u>
		<u>(247.2)</u>	<u>(12.9)</u>	<u>(29.7)</u>
Dividends paid to shareholders of BPB plc				
		<u>(42.1)</u>	<u>(38.5)</u>	<u>(59.1)</u>
Cash outflow before use of liquid resources and financing		(214.7)	(8.4)	10.2
Management of liquid resources	notes 6, 7	1.6	(6.3)	(9.9)
Financing				
Issue of share capital		0.7	0.4	111.7
Contribution from minority shareholders		-	0.2	0.5
Loan from associated company		-	-	1.2
Increase/(decrease) in borrowings	notes 6, 7	<u>238.7</u>	<u>42.4</u>	<u>(79.6)</u>
Increase in cash	notes 6, 7	<u>26.3</u>	<u>28.3</u>	<u>34.1</u>

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Half-year to 30.9.02	Half-year to 30.9.01	Year to 31.3.02
	£m	£m	£m
(Loss)/profit attributable to BPB plc	(31.1)	39.8	88.4
Currency translation differences	<u>(32.5)</u>	<u>(18.5)</u>	<u>(13.1)</u>
Total recognised gains and losses for the period	<u>(63.6)</u>	<u>21.3</u>	<u>75.3</u>

MOVEMENTS IN SHAREHOLDERS' FUNDS

	Half-year to 30.9.02	Half-year to 30.9.01	Year to 31.3.02
	£m	£m	£m
At 1 April	831.1	706.7	706.7
(Transfer from reserves)/retained profit for the period	(53.9)	19.2	25.7
Currency translation differences	(32.5)	(18.5)	(13.1)
Movements relating to the QUEST	0.2	0.3	2.7
New shares issued	<u>0.7</u>	<u>0.1</u>	<u>109.1</u>
At period end	<u>745.6</u>	<u>707.8</u>	<u>831.1</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 Segmental information

	Group turnover by origin			Underlying operating profit		
	Half-year to 30.9.02 £m	Half-year to 30.9.01 £m	Year to 31.3.02 £m	Half-year to 30.9.02 £m	Half-year to 30.9.01 £m	Year to 31.3.02 £m
North & Western Europe	280.1	271.4	545.7	46.6	50.5	98.3
Southern Europe	284.1	255.1	520.1	41.5	36.4	75.3
Central & Eastern Europe	149.1	141.2	270.2	6.2	9.7	10.7
Europe	713.3	667.7	1,336.0	94.3	96.6	184.3
North America	226.8	143.3	293.2	11.9	(16.7)	(11.8)
Rest of the World	46.9	51.3	97.1	3.8	4.5	7.5
	987.0	862.3	1,726.3	110.0	84.4	180.0
Less inter-area	(33.7)	(31.6)	(64.5)	-	-	-
	953.3	830.7	1,661.8	-	-	-
Underlying operating profit				110.0	84.4	180.0
Operating exceptional charge: EC fine (note 10)				(88.8)	-	-
Goodwill amortisation				(7.6)	(4.9)	(9.7)
Operating profit				13.6	79.5	170.3
Return on sales (underlying)				%	%	%
North & Western Europe				16.6	18.6	18.0
Southern Europe				14.6	14.3	14.5
Central & Eastern Europe				4.2	6.9	4.0
Europe				13.2	14.5	13.8
North America				5.2	(11.7)	(4.0)
Rest of the World				8.1	8.8	7.7
Group				11.5	10.2	10.8

James Hardie Gypsum (see note 8) contributed £78.1 million in turnover, £7.5 million in underlying operating profit and £5.2 million in operating profit to the North America result for the period. Included within Southern Europe's results for the period is post acquisition turnover and underlying operating profit of £6.6 million and £0.4 million, respectively. Central & Eastern Europe results for the period include post acquisition turnover of £3.2 million and an underlying operating loss of £0.1 million.

2 Tax on profit on ordinary activities

	Half-year to 30.9.02 %	Half-year to 30.9.01 %	Year to 31.3.02 %
Underlying tax rate	32.0	39.0	36.9

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 £31.5 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 loss after tax and minority interests of £31.1 million (2001 profit of £39.8 million; 2001/02 profit of £88.4 million) and on the weighted average of 490.0 million (2001 456.8 million; 2001/02 458.1 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 (loss)/profit as the basic earnings per share figure but on 494.0 million (2001 459.0 million; 2001/02 460.4 million) ordinary shares calculated as shown in the table below.

The underlying earnings per share figure is based on (loss)/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 30.9.02 m	Half-year to 30.9.01 m	Year to 31.3.02 m
Basic weighted average number of shares	490.0	456.8	458.1
Dilutive potential ordinary shares arising from share options	4.0	2.2	2.3
Total	<u>494.0</u>	<u>459.0</u>	<u>460.4</u>

	Half-year to 30.9.02 £m	Half-year to 30.9.01 £m	Year to 31.3.02 £m
Earnings			
(Loss)/profit after tax and minority interests	(31.1)	39.8	88.4
Goodwill amortisation	7.6	4.9	9.7
Exceptional items:			
EC fines (note 10)	90.1	-	-
Disposals of fixed assets	(3.6)	(1.6)	(3.0)
Sale and termination of operations	0.3	(0.6)	-
Tax effect of exceptional items	0.9	0.5	1.1
Underlying earnings	<u>64.2</u>	<u>43.0</u>	<u>96.2</u>
(Loss)/earnings per share			
Basic	(6.3)p	8.7p	19.3p
Diluted	(6.3)p	8.7p	19.2p
Underlying	<u>13.1p</u>	<u>9.4p</u>	<u>21.0p</u>

The tax effect on goodwill amortisation is not material.

4 **Net interest payable**

	Half-year to 30.9.02	Half-year to 30.9.01	Year to 31.3.02
	£m	£m	£m
Group	14.7	14.4	29.5
Share of joint ventures' interest	0.1	0.1	0.2
Share of associates' interest	0.2	0.3	0.7
	<u>15.0</u>	<u>14.8</u>	<u>30.4</u>

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

	Half-year to 30.9.02	Half-year to 30.9.01	Year to 31.3.02
	£m	£m	£m
Operating profit	13.6	79.5	170.3
Depreciation less transfers from deferred credits	48.5	44.5	84.2
Goodwill amortisation	7.6	4.9	9.7
EBITDA	<u>69.7</u>	<u>128.9</u>	<u>264.2</u>
Changes in working capital			
Stocks and work-in-progress	(12.6)	(2.5)	2.9
Debtors	(6.8)	(1.6)	(1.1)
Creditors and provisions (excluding EC fine)	7.0	(5.4)	(1.6)
EC fine (note 10)	88.8	-	-
	<u>76.4</u>	<u>(9.5)</u>	<u>0.2</u>
Net cash inflow from operating activities	<u>146.1</u>	<u>119.4</u>	<u>264.4</u>

6 **Reconciliation of net cash flow to movement in net borrowings**

	Half-year to 30.9.02	Half-year to 30.9.01	Year to 31.3.02
	£m	£m	£m
Increase in cash	26.3	28.3	34.1
(Increase)/decrease in borrowings	(238.7)	(42.4)	79.6
Management of liquid resources	(1.6)	6.3	9.9
Change in borrowings resulting from cash flows	(214.0)	(7.8)	123.6
Currency adjustments	23.4	9.6	3.1
Movement in net borrowings	(190.6)	1.8	126.7
Net borrowings at 1 April	(371.1)	(497.8)	(497.8)
Net borrowings at period end	<u>(561.7)</u>	<u>(496.0)</u>	<u>(371.1)</u>

7 Analysis of changes in net borrowings

	At 1.4.02	Cash flow	Currency movement	At 30.9.02
	£m	£m	£m	£m
Cash at bank and in hand	47.6	19.1	(0.3)	66.4
Overdrafts	<u>(16.7)</u>	<u>7.2</u>	<u>0.9</u>	<u>(8.6)</u>
	<u>30.9</u>	<u>26.3</u>	<u>0.6</u>	<u>57.8</u>
Loans and finance leases:				
Due within one year	(24.0)	(6.7)	(1.4)	(32.1)
Due after more than one year	<u>(396.0)</u>	<u>(232.0)</u>	<u>25.0</u>	<u>(603.0)</u>
	<u>(420.0)</u>	<u>(238.7)</u>	<u>23.6</u>	<u>(635.1)</u>
Short term deposits	<u>18.0</u>	<u>(1.6)</u>	<u>(0.8)</u>	<u>15.6</u>
Net borrowings	<u>(371.1)</u>	<u>(214.0)</u>	<u>23.4</u>	<u>(561.7)</u>
Cash at bank and in hand	47.6			66.4
Short term deposits	<u>18.0</u>			<u>15.6</u>
Cash and short term deposits	<u>65.6</u>			<u>82.0</u>

8 Acquisitions

On 25 April 2002 BPB acquired all of the issued share capital of James Hardie Gypsum, Inc and Western Mining and Minerals, Inc (together "James Hardie Gypsum") for a cash consideration of \$345 million. Excluding overdrafts acquired of £4.0 million, the total acquisition cost was £244.9 million. A £12.0 million prepayment on a forward contract was made in the last financial year and the balance was paid on completion in April 2002. The provisional goodwill on acquisition was £107.5 million, but the determination of the fair value of assets acquired will not be finalised until later in the year.

Consideration for other group acquisitions including purchase costs was £12.1 million, of which £7.9 million was paid in the period, with the balance due in later years. Initial calculations indicate that goodwill of £11.1 million arose on these acquisitions. Payments in the period for acquisitions made in prior years totalled £2.0 million.

9 Statistical summary	Half-year to 30.9.02	Half-year to 30.9.01	Year to 31.3.02
	£m	£m	£m
Shareholders' funds	745.6	707.8	831.1
<i>Return on shareholders' funds (annualised %) (note a)</i>	11.8	9.0	9.5
Capital invested	1,610.9	1,496.6	1,521.5
<i>Return on capital invested (annualised %) (note b)</i>	8.8	7.0	7.6
Net borrowings	561.7	496.0	371.1
<i>Gearing (%) (note c)</i>	73.2	67.6	43.3
<i>Interest cover (times) (note d)</i>	7.5	5.9	6.1
EBITDA (note e)	69.7	128.9	264.2
<i>EBITDA margin (%) (note f)</i>	7.3	15.5	15.9
Market capitalisation at period end	1,301	1,123	1,910
Number of shares in issue at period end (million)	<u>490.1</u>	<u>458.3</u>	<u>489.8</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) Earnings before interest, tax, depreciation less deferred credits, and goodwill amortisation, but after charging EC fine.
- (f) EBITDA expressed as a percentage of group turnover.

10 **European Commission decision**

On 27 November 2002 the European Commission announced that it had decided to fine BPB plc €138.6 million (£88.8 million) for alleged breaches of competition law under Article 81 of the Treaty of Rome. Although an appeal against the decision is to be made, full provision for the fine has been made in these financial statements. Further details are given in the Interim Statement on page 5.

In connection with the same investigation into the European gypsum industry, the Commission has also announced that it has decided to fine the group's 46% associate, Gyproc Benelux NV, €4.3 million. The group has equity accounted for its €2.0 million (£1.3 million) share of that fine in these financial statements.

11 Basis of preparation

These interim financial statements were approved by the Board on 27 November 2002. They have been prepared on a basis consistent with the accounting policies stated in the statutory accounts for the year to 31 March 2002.

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 Sterling	Half-year to 30.9.02		Half-year to 30.9.01		Year to 31.3.02	
	Average	Closing	Average	Closing	Average	Closing
Euro	1.59	1.59	1.63	1.61	1.63	1.63
US dollar	1.51	1.57	1.43	1.47	1.43	1.42
Canadian dollar	2.36	2.49	2.22	2.32	2.24	2.27
South African rand	15.79	16.58	11.83	13.24	13.63	16.18
Swedish kroner	14.56	14.58	15.14	15.68	15.12	14.75

The statutory accounts for the year to 31 March 2002, on which the auditors' report was unqualified, have been delivered to the Registrar of Companies. The results for the year to 31 March 2002 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 6.12.02. The interim dividend of 4.65p per share will be paid on 24.1.03 to shareholders on the register on 20.12.02.

Group results for the year to 31.3.03, together with the recommended final dividend, will be announced on 22.5.03 and the annual report published on 6.6.03.