



Announcement released 7.00 am, Thursday 29 November 2001

**BPB INTERIM RESULTS AND DIVIDEND  
FOR THE HALF YEAR TO 30 SEPTEMBER 2001**

<b>HIGHLIGHTS</b>		<b>Half-year to 30.9.01</b>	Half-year to 30.9.00	Year to 31.3.01
Turnover	£m	<b>830.7</b>	773.3	1,587.1
EBITDA	£m	<b>128.9</b>	160.4	268.0
Underlying operating profit*	£m	<b>84.4</b>	119.5	185.0
Profit before tax:				
Underlying*	£m	<b>71.8</b>	111.2	163.4
Before exceptional items	£m	<b>66.9</b>	109.0	156.2
Reported	£m	<b>69.1</b>	99.2	137.9
Underlying earnings per share*	p	<b>9.4</b>	17.1	24.1
Dividends per share	p	<b>4.5</b>	4.4	12.8

\* before goodwill amortisation and exceptional items, with comparative eps figures re-stated for FRS19 (deferred tax)

- Turnover increased by 7%, driven by last year's acquisitions in Europe and North America
- Underlying profit before tax of £71.8 million down 35%, reflecting an approximate 50% fall in US selling prices, but up 38% on the preceding half-year
- Global plasterboard and plaster volumes up nearly 20%, increasing 3% and 6% respectively on a like-for-like basis
- Further group-wide cost savings equal to 1.5% of turnover
- European sales margin mostly restored with an improvement of almost 3 percentage points over the second-half last year
- North American cost reduction plan ahead of schedule with \$35 million annualised savings in place. This, together with an improvement in US selling prices, resulted in BPB's North American operations moving back into profit in September
- Interim dividend up 2.3% to 4.5p per share

Richard Cousins, BPB chief executive, said:

“Real progress was achieved in the first half year through continued volume growth, further cost reduction, easing commodity cost inflation and, latterly, better selling prices in the US. These trends have continued to benefit BPB's businesses since 11 September but, with concerns about a weakening in the world's largest economies, the outlook for the remainder of the year is less predictable.”

## OVERVIEW

BPB's underlying pre-tax profit for the first half of 2001/02 was 35% down on the corresponding period, mostly due to a fall of around 50% in US selling prices. This outcome does, however, represent a 38% uplift on last year's difficult second half and reflects management's drive for profitable sales growth, which delivered an improving North American performance and a recovery of almost three percentage points in the European sales margin.

## FIRST HALF GROUP RESULTS

Group sales of plasterboard systems and complementary products increased by 7% to £830.7 million, following acquisitions last year in North America and Europe. Underlying operating profit of £84.4 million (*£119.5 million*) was lower due to the operating loss of £16.7 million incurred in North America, which represented a £28.5 million reversal on the corresponding period's profit in that region. BPB's underlying pre-tax profit fell by £39.4 million to £71.8 million.

Global plasterboard volumes (including acquisitions) were 17% higher, increasing 3% on a like-for-like basis. North American volumes, including Celotex's improvement in market share, were up 15% like-for-like, while European volumes were marginally lower due to the continuing construction recession in Germany.

US wallboard prices fell below the severely eroded levels experienced in last year's second half, reaching a low around the mid \$60's per 1,000 square feet (approximately half the level of a year earlier) and reducing regional income for the period by £35 million compared with last year. However, since July three selling price increases have led to average prices improving by some 40% and this, combined with substantial progress in reducing the North American cost base, has resulted in the region's performance in the first half improving from a substantial operating loss in the opening months to a small profit (before restructuring costs) in September.

Headline plaster volumes grew almost 20%, reflecting the group's acquisition of Egypt's market leader. Like-for-like sales growth was a robust 6%, with the increase in overall volumes driven by continuing strong demand in Spain and Eastern Europe. Further development of BPB's building plasters business will follow from the recent acquisition of the second largest supplier in Turkey's growing construction market.

Concerted management action to reduce the cost base resulted in £12 million of further cost savings (primarily from North America and Germany), equal to 1.5% of group turnover, although associated redundancy costs of £4 million were £3 million higher than in the corresponding period. In addition the pace of cost inflation eased, driven by lower prices for recycled paper and steel, although across Europe this led to some competitive pressures on the product selling price improvements made in the previous autumn-spring period.

Underlying earnings per share declined 45% to 9.4 pence, with the fall in profits exacerbated by a higher estimated group tax rate due to unrelieved US trading losses. Reported pre-tax profit was £69.1 million (*£99.2 million*) after goodwill amortisation of £4.9 million (*£2.2 million*) and a net exceptional gain on disposals of £2.2 million (*net charge of £9.8 million*).

Cash generation continued to be sound, with EBITDA of £128.9 million (*£160.4 million*). After capital expenditure of £39.5 million (£5 million below the level of depreciation), free cash flow was £4.5 million (*£48.8 million*). The group net interest charge increased £3.2 million to £14.4 million on average net debt of £495 million, and shareholders' funds of £707.8 million were £61.2 million lower as a result of the prior year adjustment made on adoption of the new accounting standard on deferred tax (FRS19).

The post-tax return of 7% on average capital invested was down on the comparative period's 12.9% but up 1.4 percentage points on last year's second half.

## **REGIONAL TRADING PERFORMANCES**

### **Europe**

European operating profit of £96.6 million was down 8% on the corresponding period but improved by 24% on last year's second half performance which had been restricted by bad weather and severe cost inflation. Regional sales margin recovered to 14.5% from the second half's 11.7% but was below the comparative period's 15.6% primarily because of lower sales volumes in Germany and weaker profits from paperboard activities.

### **North & Western Europe**

Operating profit was £6 million lower at £50.5 million due principally to a reduction in profit from paperboard, which saw selling prices fall in response to pressure from continental European competitors who benefited from favourable exchange rates. Profitability was also affected by slightly lower plasterboard volumes and by some £2 million of higher energy costs as favourable gas contracts in the UK came to an end. Cost savings were on target and plasterboard selling prices improved slightly in key markets although they came under competitive pressure as the first half progressed.

Construction activity in the UK slowed as the renovation market remained buoyant but the commercial sector flattened and house starts declined by 3%. The pace of growth in Irish construction also slowed, marked by a 20% reduction in new housing. Trading conditions in Nordic plasterboard markets remained difficult, being partly offset by an increase of more than 30% in sales to Russian and Baltic markets.

In combination, these factors resulted in regional plasterboard volumes declining by 1% although plaster sales were more resilient and grew by 2%.

### **Southern Europe**

During 2000/01, and particularly in the second half, the region was hit hard by cost inflation but margins were underpinned by improvements in selling prices and operating efficiencies. In contrast, first half profits this year declined 6% to £36.4 million due to lower sales of core products and reduced selling prices for steel accessories and expanded polystyrene insulation products.

Regional plasterboard volumes were up 1% but sales in the key French market were slightly weaker due to a reduction in housing starts and were further restricted by labour skill shortages in the construction industry. Plasterboard volume growth continued in Italy despite a slower commercial sector, while favourable construction conditions in Iberia resulted in strong demand for plasterboard systems and building plasters, up more than 20% and 5% respectively.

### **Central & Eastern Europe**

A regional first half operating profit of £9.7 million represented a substantial improvement on last year's small second half operating profit, and was ahead of the comparative period by 5%, despite a significant reduction in plasterboard demand and continued pricing pressures in Germany.

The turnaround in profitability was achieved through the completion of a broad business restructuring in Germany, which removed surplus plasterboard capacity, reduced the workforce by nearly 20%, streamlined administrative processes and sharpened the group's market focus. Annual operating costs were reduced by some £5 million.

Sales volumes of core products elsewhere in the region grew well. In August BPB acquired the Turkish plaster business of Dogan Alci, building on a group trading operation introduced two years earlier and establishing a national market share of over 20%.

### **North America**

Very low US wallboard prices resulted in BPB's North American region, including six months' trading at Celotex (two months in the corresponding period), reporting an interim loss of £16.7 million, after charging £3 million of plant closure costs and £1.4 million in related redundancy charges; a profit of £11.8 million had been posted in the first half of 2000/01.

A recovery in selling prices took place later in the period, against the background of a continued strong US wallboard market which was driven by buoyant housing demand. The wallboard industry reduced capacity by closing plants and/or reducing shifts, with the result that overall utilisation (which had fallen to approximately 75% last spring) improved to around 85%. BPB was part of that process, closing the Port Clinton plant in July in accordance with a restructuring programme which also included the closure of a ceiling tile plant and one of two plasterboard liner machines at the Quincy paper mill. The group's North American business recovery plan is now two-thirds in place and ahead of the schedule to deliver at least \$50 million of annualised cost savings by March 2003.

### **Rest of the World**

The 41% increase in operating profit to £4.5 million was mainly due to BPB's new investment in Egyptian building plasters. The acquisition, which was announced last February, secured a leadership position and a sound business base from which to develop the local market.

South America recorded a small operating loss as volumes were maintained despite very difficult economic conditions in Brazil and Argentina. Lower commercial demand in Southern Africa was partially offset by higher plasterboard sales in the housing sector but profit progress was held back by currency weakness, which adversely affected the costs of key raw material imports. Good progress was made in Asia with better Thai results reflecting strong domestic demand. China remained a highly competitive market, but operating efficiency improved as volumes increased.

## **CURRENT YEAR OUTLOOK**

BPB remains focused on enhancing the group's positioning in its key markets, aiming to deliver improved shareholder value via continued development of the core European business, restoration of a profitable base in North America and strengthening free cash flow and return on investment.

Real progress was achieved in the first half year through continued volume growth, further cost reduction, easing commodity cost inflation and, latterly, better selling prices in the US. These trends have continued to benefit BPB's businesses since 11 September but, with concerns about a weakening in the world's largest economies, the outlook for the remainder of the year is less predictable.

Accordingly, the Board has concluded that it would be appropriate to increase the interim dividend by 2.3% to 4.5p per share.

## **FINANCIAL STATEMENTS FOLLOW**

### **Contacts:**

Richard Cousins, Chief Executive (today 020 7251 3801, thereafter 01753 898911)  
Peter Sydney-Smith, Finance Director (today 020 7251 3801, thereafter 01753 898822)  
James Murgatroyd/Faeth Finnemore, Finsbury (020 7251 3801)

Available on BPB's website: [www.bpb.com](http://www.bpb.com)

Note for media: High resolution images of Richard Cousins can be downloaded from NewsCast at [www.newscast.co.uk](http://www.newscast.co.uk)

**GROUP PROFIT AND LOSS ACCOUNT**

		<b>Half-year to 30.9.01</b>	Half-year to 30.9.00 Re-stated	Year to 31.3.01 Re-stated
		<b>£m</b>	£m	£m
<b>Turnover:</b> group and share of joint ventures and associates		<b>868.2</b>	813.1	1,667.8
Less: share of joint ventures' turnover		<b>(8.7)</b>	(12.3)	(26.6)
share of associates' turnover		<b>(28.8)</b>	<u>(27.5)</u>	<u>(54.1)</u>
<b>Group turnover</b>	note 2	<b><u>830.7</u></b>	<b><u>773.3</u></b>	<b><u>1,587.1</u></b>
<b>Operating profit</b>	notes 2, 5	<b>79.5</b>	117.3	159.8
Share of operating profit in:				
Joint ventures		<b>0.4</b>	0.3	1.3
Associates		<b>1.8</b>	3.1	4.5
Non-operating exceptional items:				
Disposals of fixed assets		<b>1.6</b>	0.5	7.7
Sale and termination of operations		<b>0.6</b>	<u>(10.3)</u>	<u>(8.0)</u>
<b>Profit on ordinary activities before interest</b>		<b>83.9</b>	110.9	165.3
Net interest payable:				
Group		<b>(14.4)</b>	(11.2)	(26.8)
Joint ventures		<b>(0.1)</b>	(0.1)	(0.3)
Associates		<b>(0.3)</b>	<u>(0.4)</u>	<u>(0.3)</u>
<b>Profit on ordinary activities before tax</b>		<b>69.1</b>	99.2	137.9
Tax on profit on ordinary activities	note 3	<b>(28.5)</b>	<u>(32.3)</u>	<u>(46.1)</u>
Profit on ordinary activities after tax		<b>40.6</b>	66.9	91.8
Minority interests		<b>(0.8)</b>	<u>0.1</u>	<u>0.4</u>
<b>Profit attributable to BPB plc</b>		<b>39.8</b>	67.0	92.2
Dividends		<b>(20.6)</b>	<u>(20.0)</u>	<u>(58.4)</u>
<b>Retained profit for the period</b>		<b><u>19.2</u></b>	<b><u>47.0</u></b>	<b><u>33.8</u></b>
<b>Basic earnings per share</b>	note 4	<b>8.7p</b>	14.7p	20.2p
Diluted earnings per share	note 4	<b>8.7p</b>	14.6p	20.1p
<b>Dividends per share</b>		<b>4.5p</b>	4.4p	12.8p
<b>Underlying results</b>				
Before goodwill amortisation of £4.9 million (2000 £2.2 million) and net non-operating exceptional income of £2.2 million (2000 charge £9.8 million)				
<b>Profit on ordinary activities before tax (£m)</b>		<b>71.8</b>	111.2	163.4
<b>Earnings per share</b>	note 4	<b><u>9.4p</u></b>	<b><u>17.1p</u></b>	<b><u>24.1p</u></b>

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<b>GROUP BALANCE SHEET</b>	<b>At 30.9.01</b>	At 30.9.00	At 31.3.01
	<b>£m</b>	Re-stated	Re-stated
		£m	£m
<b>Fixed assets</b>			
Intangible assets note 8	<b>176.2</b>	163.3	180.0
Tangible assets	<b>1,040.6</b>	1,029.9	1,051.8
Investments in joint ventures:			
Share of gross assets	<b>22.4</b>	28.0	23.1
Share of gross liabilities	<b>(15.7)</b>	<b>(18.6)</b>	<b>(16.2)</b>
	<b>6.7</b>	9.4	6.9
Investments in associates	<b>43.8</b>	44.9	47.9
Other investments	<b>2.9</b>	2.6	2.9
	<b><u>1,270.2</u></b>	<b><u>1,250.1</u></b>	<b><u>1,289.5</u></b>
<b>Current assets</b>			
Stocks	<b>126.6</b>	130.7	124.7
Debtors due within one year	<b>373.8</b>	356.3	376.9
Debtors due after more than one year	<b>22.6</b>	15.4	22.7
Cash and short term deposits note 7	<b>57.6</b>	52.3	44.4
	<b><u>580.6</u></b>	<b><u>554.7</u></b>	<b><u>568.7</u></b>
<b>Creditors due within one year</b>			
Loans and overdrafts note 7	<b>(89.9)</b>	(238.4)	(117.8)
Other creditors	<b>(385.7)</b>	(372.7)	(406.4)
<b>Net current assets/(liabilities)</b>	<b><u>105.0</u></b>	<b><u>(56.4)</u></b>	<b><u>44.5</u></b>
<b>Total assets less current liabilities</b>	<b>1,375.2</b>	1,193.7	1,334.0
<b>Creditors due after more than one year</b>			
Loans and finance leases note 7	<b>(463.7)</b>	(280.2)	(424.4)
Other creditors	<b>(25.0)</b>	(25.0)	(24.7)
<b>Provisions for liabilities and charges</b>	<b>(153.2)</b>	(156.6)	(155.2)
	<b><u>733.3</u></b>	<b><u>731.9</u></b>	<b><u>729.7</u></b>
<b>Capital and reserves</b>			
Called up share capital	<b>229.2</b>	229.1	229.1
Share premium account	<b>128.6</b>	128.4	128.5
Capital redemption reserve	<b>32.7</b>	32.7	32.7
Profit and loss account	<b>317.3</b>	317.1	316.4
<b>Shareholders' funds</b>	<b>707.8</b>	707.3	706.7
<b>Minority interests</b>	<b>25.5</b>	24.6	23.0
	<b><u>733.3</u></b>	<b><u>731.9</u></b>	<b><u>729.7</u></b>

<b>GROUP CASH FLOW STATEMENT</b>	<b>Half-year to 30.9.01</b>	<b>Half-year to 30.9.00</b>	<b>Year to 31.3.01</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Cash flow from operating activities</b> note 5	<b><u>119.4</u></b>	<b><u>165.8</u></b>	<b><u>299.1</u></b>
<b>Dividends received from joint ventures     and associates</b>			
Dividends received from joint ventures	<b>0.3</b>	0.6	1.1
Dividends received from associates	<b><u>1.7</u></b>	<u>1.5</u>	<u>2.5</u>
	<b><u>2.0</u></b>	<u>2.1</u>	<u>3.6</u>
<b>Returns on investments and servicing of finance</b>			
Interest received	<b>3.5</b>	1.0	4.2
Interest paid	<b>(14.2)</b>	(10.4)	(32.4)
Interest element of finance lease payments	-	-	(0.2)
Dividends paid to minority shareholders of subsidiaries	<b><u>(1.2)</u></b>	<u>(0.8)</u>	<u>(0.7)</u>
	<b><u>(11.9)</u></b>	<u>(10.2)</u>	<u>(29.1)</u>
<b>Tax</b>			
United Kingdom corporation tax	<b>(6.1)</b>	(7.6)	(25.4)
Overseas tax	<b><u>(23.3)</u></b>	<u>(25.3)</u>	<u>(50.7)</u>
	<b><u>(29.4)</u></b>	<u>(32.9)</u>	<u>(76.1)</u>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets	<b>(39.5)</b>	(41.6)	(90.6)
Sale of tangible fixed assets	<b>2.4</b>	2.4	13.1
Purchase of investments	-	(0.6)	(0.8)
Sale of investments	-	-	0.1
Net repayment of loans by joint ventures	<b><u>-</u></b>	<u>1.5</u>	<u>0.5</u>
	<b><u>(37.1)</u></b>	<u>(38.3)</u>	<u>(77.7)</u>
<b>Acquisitions and disposals</b>			
Purchase of subsidiaries note 8	<b>(17.2)</b>	(248.8)	(280.8)
Net cash acquired with subsidiaries note 8	<b>3.2</b>	5.3	4.7
Investment in associates and joint ventures	-	-	(0.6)
Sale and termination of operations	<b><u>1.1</u></b>	<u>2.4</u>	<u>6.4</u>
	<b><u>(12.9)</u></b>	<u>(241.1)</u>	<u>(270.3)</u>
<b>Dividends paid to shareholders of BPB plc</b>	<b><u>(38.5)</u></b>	<u>(37.7)</u>	<u>(57.7)</u>
<b>Cash outflow before use of liquid resources and financing</b>	<b>(8.4)</b>	(192.3)	(208.2)
Management of liquid resources notes 6, 7	<b>(6.3)</b>	(9.9)	(6.9)
<b>Financing</b>			
Issue of share capital	<b>0.4</b>	1.0	2.1
Share buy-backs	-	(0.2)	(0.2)
Contribution from minority shareholders	<b>0.2</b>	1.2	0.9
Increase in borrowings notes 6, 7	<b><u>42.4</u></b>	<u>177.3</u>	<u>160.3</u>
<b>Increase/(decrease) in cash</b> notes 6, 7	<b><u>28.3</u></b>	<u>(22.9)</u>	<u>(52.0)</u>

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	<b>Half-year to 30.9.01</b>	Half-year to 30.9.00 Re-stated	Year to 31.3.01 Re-stated
	<b>£m</b>	£m	£m
<b>Profit attributable to BPB plc</b>	<b>39.8</b>	67.0	92.2
Currency translation differences	<u>(18.5)</u>	<u>(5.7)</u>	<u>6.0</u>
<b>Total recognised gains and losses for the period</b>	<b>21.3</b>	<b>61.3</b>	<b>98.2</b>
Prior year adjustment	<u>(61.2)</u>		
Total recognised gains and losses since last annual report	<u><b>(39.9)</b></u>		

**MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>Half-year to 30.9.01</b>	Half-year to 30.9.00 Re-stated	Year to 31.3.01 Re-stated
	<b>£m</b>	£m	£m
At 1 April	<b>767.9</b>	736.5	736.5
Prior year adjustment	<u>(61.2)</u>	<u>(74.8)</u>	<u>(74.8)</u>
At 1 April (as re-stated)	<b>706.7</b>	661.7	661.7
Retained profit for the period	<b>19.2</b>	47.0	33.8
Foreign currency translation adjustments	<b>(18.5)</b>	(5.7)	6.0
Goodwill written back on disposals	-	3.5	3.5
Share buy-backs	-	(0.2)	(0.2)
Movements relating to the QUEST	<b>0.3</b>	0.6	1.4
New shares issued	<u><b>0.1</b></u>	<u>0.4</u>	<u>0.5</u>
At period end	<u><b>707.8</b></u>	<u>707.3</u>	<u>706.7</u>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1 Accounting policies

With the exception of a change in accounting policy regarding deferred tax, these interim financial statements have been prepared on a basis consistent with the accounting policies stated in the statutory accounts for the year to 31 March 2001. The disclosure requirements contained in FRS17 (Post Retirement Benefits) and FRS18 (Accounting Policies) have had no significant impact on the preparation of these interim financial statements.

The previous accounting policy of the group was to make a provision for deferred tax using the liability method where there was a reasonable probability that an actual net liability would arise. FRS19 (Deferred Tax) has been adopted in the current year and requires that deferred tax should now be recognised as a liability or asset if the transactions or events that give rise to an obligation to pay more or less tax in the future have occurred by the balance sheet date.

The change in accounting policy has given rise to a prior year adjustment to the results and the financial position of the group. The effect of this change on the profit and loss account for the current period is not material (*2000 increase in profit after tax of £3.6 million*) and for the full year to 31 March 2001 was an increase in profit after tax of £14.5 million. It also decreased the underlying tax rate for the year to 31 March 2001 from 37.6% to 33%, and as a consequence increased underlying earnings per share from 22.4p to 24.1p. The effect on the balance sheet as at 31 March 2001 was a decrease in net assets of £61.2 million.

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 30.9.01		Half-year to 30.9.00		Year to 31.3.01	
	Average	Closing	Average	Closing	Average	Closing
Euro	<b>1.63</b>	<b>1.61</b>	1.64	1.68	1.63	1.61
US dollar	<b>1.43</b>	<b>1.47</b>	1.51	1.48	1.48	1.42
Canadian dollar	<b>2.22</b>	<b>2.32</b>	2.24	2.22	2.23	2.24
South African rand	<b>11.83</b>	<b>13.24</b>	10.42	10.68	10.78	11.39
Swedish kroner	<b>15.14</b>	<b>15.68</b>	13.75	14.24	13.99	14.67

The statutory accounts for the year ended 31 March 2001, on which the auditors' report was unqualified, have been delivered to the Registrar of Companies. The results for the year ended 31 March 2001 and the balance sheet at that date as shown in these interim financial statements are an extract from those accounts as adjusted by application of the change in accounting policy described above. These interim financial statements are unaudited and do not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

## 2 Segmental information

	Group turnover by origin			Underlying operating profit		
	Half-year to 30.9.01 £m	Half-year to 30.9.00 £m	Year to 31.3.01 £m	Half-year to 30.9.01 £m	Half-year to 30.9.00 £m	Year to 31.3.01 £m
North & Western Europe	271.4	274.5	547.6	50.5	56.5	95.9
Southern Europe	255.1	250.4	504.7	36.4	38.8	75.9
Central & Eastern Europe	<u>141.2</u>	<u>146.0</u>	<u>281.7</u>	<u>9.7</u>	<u>9.2</u>	<u>10.6</u>
Europe	<u>667.7</u>	<u>670.9</u>	<u>1,334.0</u>	<u>96.6</u>	<u>104.5</u>	<u>182.4</u>
North America	143.3	93.4	231.3	(16.7)	11.8	(1.9)
Rest of the World	<u>51.3</u>	<u>42.8</u>	<u>88.9</u>	<u>4.5</u>	<u>3.2</u>	<u>4.5</u>
	<u>862.3</u>	<u>807.1</u>	<u>1,654.2</u>	<u>84.4</u>	<u>119.5</u>	<u>185.0</u>
Less inter-area	<u>(31.6)</u>	<u>(33.8)</u>	<u>(67.1)</u>	-	-	-
	<u>830.7</u>	<u>773.3</u>	<u>1,587.1</u>	-	-	-
Underlying operating profit				84.4	119.5	185.0
Operating exceptional item				-	-	(18.0)
Goodwill amortisation				<u>(4.9)</u>	<u>(2.2)</u>	<u>(7.2)</u>
Operating profit				<u>79.5</u>	<u>117.3</u>	<u>159.8</u>
<b>Return on sales (underlying)</b>				%	%	%
North & Western Europe				18.6	20.6	17.5
Southern Europe				14.3	15.5	15.0
Central & Eastern Europe				<u>6.9</u>	<u>6.3</u>	<u>3.8</u>
Europe				<u>14.5</u>	<u>15.6</u>	<u>13.7</u>
North America				(11.7)	12.6	(0.8)
Rest of the World				<u>8.8</u>	<u>7.5</u>	<u>5.1</u>
Group				<u>10.2</u>	<u>15.5</u>	<u>11.7</u>

### 3 Tax on profit on ordinary activities

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 £28.5 million reflects the tax effects of the exceptional items disclosed in the profit and loss account and the change in accounting policy regarding deferred taxation.

	<b>Half-year to 30.9.01</b>	Half-year to 30.9.00 Re-stated	Year to 31.3.01 Re-stated
	%	%	%
Underlying tax rate	<u><b>39.0</b></u>	<u>30.0</u>	<u>33.0</u>

### 4 Earnings per share

The basic earnings per share figure is calculated on profit after tax and minority interests of £39.8 million (2000 £67.0 million; 2000/01 £92.2 million) and on the weighted average of 456.8 million (2000 455.5 million; 2000/01 456.3 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 459.0 million (2000 458.5 million; 2000/01 459.5 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.

	<b>Half-year to 30.9.01</b>	Half-year to 30.9.00	Year to 31.3.01
	m	m	m
Basic weighted average number of shares	<b>456.8</b>	455.5	456.3
Dilutive potential ordinary shares arising from share options	<u><b>2.2</b></u>	<u>3.0</u>	<u>3.2</u>
Total	<u><b>459.0</b></u>	<u>458.5</u>	<u>459.5</u>

4	<b>Earnings per share (continued)</b>	<b>Half-year to 30.9.01</b>	Half-year to 30.9.00 Re-stated	Year to 31.3.01 Re-stated
		<b>£m</b>	£m	£m
	<b>Earnings</b>			
	Profit after tax and minority interests	<b>39.8</b>	67.0	92.2
	Goodwill amortisation	<b>4.9</b>	2.2	7.2
	Exceptional items:			
	Impairment charge	-	-	18.0
	Disposals of fixed assets	<b>(1.6)</b>	(0.5)	(7.7)
	Sale and termination of operations	<b>(0.6)</b>	10.3	8.0
	Tax effect of exceptional items	<b>0.5</b>	(1.1)	(7.8)
	Underlying earnings	<b><u>43.0</u></b>	<u>77.9</u>	<u>109.9</u>
	<b>Earnings per share</b>			
	Basic	<b>8.7p</b>	14.7p	20.2p
	Diluted	<b>8.7p</b>	14.6p	20.1p
	Underlying	<b><u>9.4p</u></b>	<u>17.1p</u>	<u>24.1p</u>

The tax effect on goodwill amortisation is not material.

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

	<b>Half-year to 30.9.01</b>	Half-year to 30.9.00	Year to 31.3.01
	<b>£m</b>	£m	£m
Operating profit	<b>79.5</b>	117.3	159.8
Depreciation less transfers from deferred credits	<b>44.5</b>	40.9	83.0
Impairment charge	-	-	18.0
Goodwill amortisation	<b>4.9</b>	2.2	7.2
EBITDA	<b><u>128.9</u></b>	<u>160.4</u>	<u>268.0</u>
Changes in working capital			
Stocks and work-in-progress	<b>(2.5)</b>	(11.1)	(0.2)
Debtors	<b>(1.6)</b>	3.7	8.5
Creditors and provisions	<b>(5.4)</b>	12.8	22.8
	<b><u>(9.5)</u></b>	<u>5.4</u>	<u>31.1</u>
Net cash inflow from operating activities	<b><u>119.4</u></b>	<u>165.8</u>	<u>299.1</u>

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

	<b>Half-year to 30.9.01 £m</b>	Half-year to 30.9.00 £m	Year to 31.3.01 £m
Increase/(decrease) in cash	<b>28.3</b>	(22.9)	(52.0)
Increase in borrowings	<b>(42.4)</b>	(177.3)	(160.3)
Management of liquid resources	<b>6.3</b>	9.9	6.9
Change in borrowings resulting from cash flows	<b>(7.8)</b>	(190.3)	(205.4)
Subsidiaries acquired	-	(14.9)	(15.2)
Currency adjustments	<b>9.6</b>	(7.5)	(23.6)
Movement in net borrowings	<b>1.8</b>	(212.7)	(244.2)
Net borrowings at 1 April	<b><u>(497.8)</u></b>	<u>(253.6)</u>	<u>(253.6)</u>
Net borrowings at period end	<b><u>(496.0)</u></b>	<u>(466.3)</u>	<u>(497.8)</u>

## 7 Analysis of changes in net borrowings

	At 1.4.01 £m	Cash flow £m	Currency movement £m	At 30.9.01 £m
Cash at bank and in hand	35.0	8.1	(0.9)	<b>42.2</b>
Overdrafts	<u>(38.2)</u>	<u>20.2</u>	<u>0.4</u>	<b><u>(17.6)</u></b>
	<u>(3.2)</u>	<u>28.3</u>	<u>(0.5)</u>	<b><u>24.6</u></b>
Loans and finance leases:				
Due within one year	(79.6)	5.9	1.4	<b>(72.3)</b>
Due after more than one year	<u>(424.4)</u>	<u>(48.3)</u>	<u>9.0</u>	<b><u>(463.7)</u></b>
	<u>(504.0)</u>	<u>(42.4)</u>	<u>10.4</u>	<b><u>(536.0)</u></b>
Short term deposits	<u>9.4</u>	<u>6.3</u>	<u>(0.3)</u>	<b><u>15.4</u></b>
Net borrowings	<u>(497.8)</u>	<u>(7.8)</u>	<u>9.6</u>	<b><u>(496.0)</u></b>
Cash at bank and in hand	35.0			<b>42.2</b>
Short term deposits	<u>9.4</u>			<b><u>15.4</u></b>
Cash and short term deposits	<u>44.4</u>			<b><u>57.6</u></b>

## 8 Acquisitions

The group's acquisition spend included the purchase of the business of a Turkish plaster manufacturer and a 45% interest in, and management control of, Egyptian Gypsum Company SAE. Total spend on acquisitions was £17.2 million, with net cash acquired of £3.2 million. Although initial calculations indicate that goodwill of £7.8 million arose on acquisitions, final fair values will not be determined until later in the financial year.

9 Statistical summary	<b>Half-year to 30.9.01</b>	Half-year to 30.9.00 Re-stated	Year to 31.3.01 Re-stated
	<b>£m</b>	£m	£m
Shareholders' funds	<b>707.8</b>	707.3	706.7
<i>Return on shareholders' funds (annualised %) (note b)</i>	<b>9.0</b>	16.2	11.4
Capital invested	<b>1,496.6</b>	1,455.2	1,507.8
<i>Return on capital invested (annualised %) (note c)</i>	<b>7.0</b>	12.9	9.1
Net borrowings	<b>496.0</b>	466.3	497.8
<i>Gearing (%) (note d)</i>	<b>67.6</b>	63.7	68.2
<i>Interest cover (times) (note e)</i>	<b>5.9</b>	10.7	6.9
EBITDA (note f)	<b>128.9</b>	160.4	268.0
<i>EBITDA margin (%) (note g)</i>	<b>15.5</b>	20.7	16.9
Market capitalisation at period end	<b>1,123</b>	1,100	1,104
Number of shares in issue at period end (million)	<b><u>458.3</u></b>	<u>458.2</u>	<u>458.3</u>

### Notes

- (a) Where applicable statistics have been re-stated to take account of the change in accounting policy as set out in note 1 on page 10.
- (b) Underlying profit attributable to BPB plc as a percentage of average shareholders' funds (including goodwill amortised and written off to reserves).
- (c) Underlying profit before interest and after tax, as a percentage of average capital invested (including goodwill amortised and written off to reserves).
- (d) Net borrowings as a percentage of shareholders' funds plus minority interests.
- (e) Underlying operating profit divided by net interest before share of associates' and joint ventures' interest.
- (f) Earnings before interest, tax, depreciation less deferred credits, and goodwill amortisation.
- (g) EBITDA expressed as a percentage of group turnover.

## 10 European Commission Investigation

On 25 November 1998 the Commission of the European Communities commenced an industry-wide investigation into alleged infringement of Article 81 of the Treaty of Rome within the European gypsum industry. BPB has responded fully to a Statement of Objections from the Commission, which was also addressed to other industry participants, and has attended an oral hearing in Brussels together with those other participants. Following the Commission's review of responses from all relevant parties it will issue a Decision, which is now thought likely to be published in the early part of the New Year.

**11 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.

**12 Shareholder information**

The interim report will be posted to shareholders on 7.12.01. The interim dividend of 4.5p per share will be paid on 25.1.02 to shareholders on the register on 21.12.01.

Group results for the year to 31.3.02, together with the recommended final dividend, will be announced on 30.5.02 and the annual report published on 14.6.02.

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