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# News Release News Release News Release News Release

Announcement released at 7.00 am, Thursday 30 May 2002

## BPB PRELIMINARY RESULTS AND FINAL DIVIDEND FOR THE YEAR TO 31 MARCH 2002

### HIGHLIGHTS

Richard Cousins, BPB chief executive, commenting on the year's results, said:

“Real progress was made in a challenging and uncertain year, during which two matters stand out : first, the declining trend in profitability from the previous year was reversed and secondly the group established itself as a major player in the very large US market to complement the leadership position that BPB holds in Europe.”

		2002	2001 Re-stated	% Change
Turnover	£m	<b>1,661.8</b>	1,587.1	+5
EBITDA	£m	<b>264.2</b>	268.0	-1
Underlying operating profit*	£m	<b>180.0</b>	185.0	-3
Profit before tax				
Underlying*	£m	<b>153.0</b>	163.4	-6
Before exceptional items	£m	<b>143.3</b>	156.2	-8
Reported	£m	<b>146.3</b>	137.9	+6
Underlying earnings per share*	p	<b>21.0</b>	24.1	-13
Final dividend per share	p	<b>8.6</b>	8.4	+2

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

- Turnover up 5% to £1.66 billion (*£1.59 billion*), driven by US pricing recovery in the second half and continued volume growth across Europe, North America and Rest of the World. However, underlying operating profit down nearly 3% to £180 million due to a halving in US selling prices in the first half
- European profit slightly higher at £184.3 million as inflation abated, volumes recovered in the second half, and margins were restored
- North America returned to profitability in the second half, with improved pricing supported by continuing strong demand and the achievement of substantial cost savings; overall loss for the year was £11.8 million (*£1.9 million loss*)
- Rest of the World profit up £3.0 million to £7.5 million, with a successful first year in Egyptian plasters and continued good progress in Asia
- Worldwide cost savings of £29.3 million, equivalent to 1.8% of group turnover
- Underlying pre-tax profit down 6% to £153.0 million but underlying earnings per share 13% lower at 21.0p due to a higher group tax rate

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- Reported profit before tax up 6% to £146.3 million after goodwill amortisation of £9.7 million (£7.2 million) and exceptional income of £3.0 million (£18.3 million charge)
- Cash generation from operations remained strong with EBITDA of £264.2 million and free cash flow of £39.9 million
- Acquisition of James Hardie's US wallboard business for £243 million, part-funded by a £105 million placing of 30 million new ordinary shares, strengthening the group's position in the important North American market and making BPB the global market leader in plasterboard

## OUTLOOK

BPB now has a significant business platform in North America in addition to its established presence in Europe from which to drive growth.

However, the world continues to be a somewhat uncertain place. The strength and robustness of the economic recovery, especially in the US but also in Europe, remains under question. The Board nonetheless is confident that BPB's strategic direction is correct and that the group is now better positioned to implement it successfully than was the case twelve months ago.

The Board expects therefore that, despite the uncertainties, the current year will see further progress for BPB.

## GROUP BUSINESS DEVELOPMENT IN 2001/02

Sound progress was achieved in realising the group's operating strategies, with growth being generated in BPB's market-leading European business, an improvement in the overall profitability from the group's investment in emerging markets, further concrete results from a radical cost reduction programme, and an uplift in the performance and prospects of BPB's North American business base.

BPB's trading performance steadily strengthened during 2001/02, following the serious setback in the previous year's second-half results when US prices tumbled and group-wide input cost inflation accelerated rapidly. After total cost savings of £29.3 million, underlying operating profit for the full year was down just 3% to £180 million, while sales rose 5% to £1.66 billion driven by US pricing recovery and continued volume growth across Europe, North America and Rest of the World.

The dramatic competitive erosion of US selling prices experienced in the second-half of the previous year continued into 2001/02, with first-half wallboard prices falling around 50% and resulting in a 35% decline in the company's underlying pre-tax profit at the interim stage. Full year results, however, were down only 6% as second-half profit rose over 50%, reflecting the restoration of a profitable base in North America, which benefited from the group's cost reduction programme, strong demand and an improvement of around one-third in US selling prices. Despite lower paperboard selling prices and difficult German trading conditions, the company's stronger second-half performance also reflected healthy sales volume growth and cost reduction achievements leading to a better profit margin in Europe.

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European sales margin was mostly recovered in the first half with the delivery of cost savings, easing commodity inflation and stronger plaster demand. Negative regional factors were slightly lower plasterboard sales, due mainly to the German construction recession, and strong competition resulting in marginally weaker selling prices. However, despite a strong US wallboard market driven by buoyant housing demand, the group incurred a significant interim loss in North America as a direct consequence of a halving in US wallboard prices.

The second half saw good volume growth in Europe, although margins were below the first half as a result of further restructuring charges in Central Europe and difficult market conditions for paperboard activities. North America recorded a significant improvement with a return to profit, driven by a recovery in US selling prices throughout the period, continuing strong demand and the achievement of substantial cost savings.

Underlying pre-tax profit (before goodwill and exceptional items) was £153.0 million (*2001 £163.4 million*) and underlying earnings per share declined 13% to 21.0p, the reduction in year-on-year profit being exacerbated by a higher group tax rate due to unrelieved US trading losses. With no exceptional charges in the year, reported profit before tax increased 6% to £146.3 million after goodwill amortisation of £9.7 million and an exceptional gain on disposals of £3.0 million.

The most significant event for the group came late in the year with the announcement of the £243 million (\$345 million) acquisition of the James Hardie US wallboard business, which has provided an excellent strategic fit with Celotex in terms of both critical business mass and coast-to-coast coverage.

The group's North American market share has now almost doubled to 16%, establishing BPB as the clear number 3 supplier in a regional plasterboard market accounting for over 50% of global demand. Together with leadership of the European market, group-wide sales now exceed 1 billion square metres per annum, or close to 1 in 5 of all boards sold, making BPB the global market leader.

Group turnover of over £1.8 billion on an annualised pro forma basis including Hardie, represents an increase of around 30% on the reported sales for 1999/2000 and largely reflects the impact of the US acquisitions of Celotex and Hardie. On the same pro forma basis, the group now has net debt of just over £600 million and gearing of 70%. BPB is firmly anchored in Europe and North America, where it has invested 60% and 30% respectively of its capital. Each of these regional businesses generate plasterboard sales volumes approaching 500 million square metres per annum and provide excellent platforms for future growth.

Following the completion of the Hardie acquisition at the end of April the group now has a strong and efficient balance sheet and is significantly better equipped for future growth, both organic and by acquisition, than at any time for many years past.

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While much has been put in place over the past year to strengthen the group's future generation of profit and cash flow, the group did not deliver an absolute improvement on its earnings for 2000/01 and so the Board considers it prudent to pursue a cautious approach on the rate of dividend increase. Accordingly a final dividend of 8.6p per share is being recommended for shareholder approval, to give a full year's dividend of 13.1p and an annual increase of 2.3%.

## REGIONAL OPERATING REVIEWS

### *TRADING SUMMARY*

During the year European operating profit increased 1% as inflation abated, volumes recovered in the second half, and margins were restored. In North America first half losses of £16.7 million were a reflection of lower wallboard selling prices, but full year losses were restricted to £11.8 million due to higher selling prices in the second half combined with strong volumes and the benefit of significant cost reductions. Rest of the World profits rose £3.0 million to £7.5 million due to the successful first year of the group's Egyptian plasters business and continued good progress in Asia.

Group plasterboard volumes grew by 12%, including a full year's trading from Celotex in the US (prior year 8 months). Volumes in continuing businesses were up 6% and included a 1.3% increase in Europe despite further difficult trading conditions in Germany. A 17% like-for-like improvement in North America was underpinned by strong markets and BPB's improved market share as it positioned itself as a key player in the region.

Sales of complementary products continued to grow, with building plasters up 17% as BPB's newly acquired operations in Turkey and Egypt contributed more than 500,000 tonnes of product to a group business which has now grown its annual sales to more than 4 million tonnes. Volumes of BPB's continuing plaster businesses in Europe grew by just over 2%. Ceiling tile sales volumes advanced due to a full year's trading in North America and further volume growth in Europe. The UK-based DIY and fixings business increased its turnover to almost £50 million and generated improved profitability. European insulation experienced fierce trading conditions with selling prices under pressure but costs were reduced and profitability was maintained. In total, the group's complementary businesses now generate a combined turnover of over £600 million, a 35% increase on the position two years ago.

### *EUROPE*

*Turnover £1.34 billion (slightly higher); underlying operating profit of £184.3 million (up 1%)*

Growth in European plasterboard volumes, particularly in Western and Southern Europe, strengthened as the year progressed and overall sales of building plasters grew further. Underlying operating profit of £184.3 million was up slightly on last year after charging some £4 million of further restructuring costs in Central Europe. Second-half profits were up nearly 13% on the corresponding period, following a first-half decline of 8%, with European full year margin recovering to 13.8%. This progress was achieved, despite overall pressure on selling prices, as a result of good volume growth, easing inflation and further cost-reduction.

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*North & Western Europe**Turnover £545.7 million (slightly lower); underlying operating profit £98.3 million (up 3%)*

Full year plasterboard and building plaster volumes increased by around 2% and cost savings equal to about 1% of turnover were achieved. However, underlying operating profit growth was restricted to 3% as profits in the group's paperboard business were hit by higher costs and weaker selling prices.

During the year, renovation and maintenance activity grew strongly in the **UK**, but new housing construction advanced slowly and commercial activity was subdued. Overall, this resulted in a relatively stable market in which volumes grew, although selling prices came under increasing competitive pressure particularly in the second half. Greater emphasis was placed on the marketing of value-added products to meet demanding specifications, with the result that sales volumes of specialist boards grew by almost 10%. In advance of building regulation changes, which are expected to have a positive impact on demand, a wide range of new systems and products were launched in the year. In order to meet future demand a major capacity increase at the Robertsbridge plasterboard factory was authorised in March and will be completed in the current financial year. In addition, building plaster capacity at Barrow will be increased substantially in the second half. A wide range of manufacturing and supply chain initiatives generated annualised cost savings of £7.5 million. Synergies arising from the integration of Rawlplug into the Artex-Blue Hawk decorative products and distribution business, as well as an extensive rationalisation and efficiency programme, resulted in savings equal to 5% of Rawlplug's turnover.

Paperboard profits fell by almost 40% as the operation suffered from intensifying price competition due to increased plasterboard liner capacity in Europe. Higher energy costs, and increasing recycled paper costs in the second half, outweighed the benefit of further cost reduction which included an 8% fall in employee numbers.

Following 8 years of buoyant construction activity in **Ireland** housing activity declined and the pace of building product demand slowed. However, BPB matched last year's record sales volumes of plasterboard and plasters, while pressure on the cost base from inflation running above 5% was offset by selling price improvements.

Nordic markets remained difficult, particularly in the Swedish and Finnish commercial sectors, although volumes remained firm in Denmark and were higher in Norway. Overall, plasterboard volumes for the region grew slightly, helped by sales into the **Baltic** states and **Russia** where volumes advanced by more than 25%.

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## *Southern Europe*

*Turnover £520.1 million (up 3%); underlying operating profit £75.3 million (down 1%)*

Regional plasterboard volumes increased by 5%, with the second half up 10%, while building plasters advanced 1% as Spanish growth slowed in the second half. Cost pressures, including a strike at Chambery, and some weakness in selling prices resulted in a marginally lower underlying operating profit.

In **France**, plasterboard demand recovered after a decline in volumes in the first half, recording a small full year gain despite a 3% fall in housing starts. Plaster sales were down due to lower demand but also plasterboard substitution and skills shortages. Nevertheless the business continued to make good returns and further investment was authorised to improve the cost base at Vaujourn. Plasterboard prices improved in the first half but came under increasing pressure through the rest of the year. An industrial dispute in February was settled after three weeks and the group's plasterboard supply chain ensured that customer service was uninterrupted. BPB Placo's product mix was strengthened with the successful launch of Placosilence and Doublissimo high-performance thermal and acoustic laminates.

Volume growth, better selling prices and further plant efficiencies contributed to strong profit growth in the Iberian peninsula. Continued penetration of the growing commercial market led to plasterboard volumes increasing substantially in both **Spain** and **Portugal**. Building plaster demand in these markets is closely linked to new housing activity which began to slow in the second half. Despite this, BPB's year-on-year sales increased by more than 3% and all plants operated at full capacity.

Slow first half growth in **Italy** was due to reduced public investments which affected the commercial sector, but the pace of construction activity subsequently increased with plasterboard volumes growing more than 15% in the second half. Plaster volumes, which had fallen by some 6% in the first half, also returned to growth. Commissioning of the plasterboard line at the new combined plasterboard and building plasters plant at Termoli started in April 2002, providing support to the sold-out Casola plant in the north. Over the longer-term, the new plant will provide the headroom to supply a plasterboard market which has grown at an average annual rate of over 10% during the past 5 years and which still offers significant potential for product penetration. The new plaster capacity at Termoli will service the national market at much lower cost and provide opportunities for exports to the Balkans and Mediterranean area.

## *Central & Eastern Europe*

*Turnover £270.2 million (down 4%); underlying operating profit £10.7 million (up 1%)*

This geographically diverse region continued to experience mixed results, with continuing difficult trading conditions in the key German, Austrian and Polish markets but strong volume and profit growth in the Czech Republic, Hungary and Romania. Underlying operating profit for the region improved to £10.7 million after charging nearly £4 million of restructuring costs in Germany and Austria.

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For the second consecutive year, plasterboard volumes in **Germany** fell by around 10% as construction activity declined further. The closure of the Gultstein plasterboard plant at the end of 2000/01 ensured that BPB's plasterboard plants were economically loaded, but over-capacity in the industry resulted in a steady decline in selling prices which was checked in January 2002 by a 10% increase. This resulted in average overall prices falling 5% for the year. The difficult trading conditions also affected building plaster volumes which fell by 15%. Expanded polystyrene volumes were down almost 10%, necessitating the closure of a plant at Steinhofel which accounted for more than half the CEE region's restructuring cost. Cost savings of over £5 million helped to deliver a small profit but, more importantly, put BPB in good shape for when growth returns. Despite the difficult economic climate, efforts were also focused on improving customer service and broadening the product mix.

Construction weakness in Germany spread into **Austria** where both the residential and commercial sectors suffered a decline. Plasterboard volumes fell, but plaster exports to Hungary and further east grew strongly and contributed to maintained profitability.

**Poland**, BPB's second largest market in the region, saw construction activity decline and plasterboard demand fall for the first time since the group's business started 10 years ago. Plasterboard over-capacity put industry selling prices under pressure and they continue to be the lowest in Europe. However, utilisation at the Stawiany plant remained high and exports to **Russia**, the **Ukraine**, **Lithuania** and **Belarus** increased 100%.

The **Czech Republic**, **Hungary** and **Romania** all experienced strong construction growth and higher sales of plasterboard, plasters and ceiling tiles were achieved by BPB. The group's upgraded Romanian plaster plant saw increasing acceptance for its higher quality products, in a market which experienced significant growth in construction activity. Plaster volumes increased by almost 50% in Eastern Europe and the acquisition in September of the number 2 plaster business in **Turkey** has provided the basis for further strong growth in the region.

#### *NORTH AMERICA*

*Turnover £293.2 million (up 27%); underlying operating loss £11.8 million (loss £1.9 million)*

In April 2001, average **US** wallboard prices were around \$75 per thousand square feet, some \$100 below their December 1999 peak when the industry was completely over-sold. Prices continued to fall until June when they reached the mid \$60's – the lowest wallboard selling prices for over 20 years. However, the general pricing environment improved as the industry reduced capacity and housing sales fuelled market demand, which continued to be strong. As a result, several improvements to selling prices were achieved by BPB through the Summer, sustaining a level a little above \$90 by September. This, combined with a substantially reduced cost base, resulted in a small operating profit for that month. Most of the £16.7 million first-half operating loss in North America was posted in the first quarter and was due to poorer US selling prices, while the second half operating profit of £4.9 million was driven by better prices on continuing strong volumes.

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Demand for wallboard remained robust in the first half and proved to be unexpectedly resilient after September 11; overall, like-for-like US volumes were up by almost 17%. The final month of the year saw BPB's plants virtually sold out, the group's US cost-base substantially lower, and a further selling price increase implemented after the anticipated easing in the Winter to leave prices at around \$90 by the end of March 2002. A further price increase was announced for May but has subsequently been withdrawn.

Early on in the year, the North American management team took steps to ensure their business would emerge in much better shape when selling prices eventually recovered. Actions were focused on two fronts. First to take a substantial amount of cost out of the business and secondly to ensure that customers benefited from enhanced product quality and service and were in no doubt that BPB intended to be a key long-term supplier in the US.

Regional management actively pursued a US\$50 million cost improvement programme during the year, achieving the following:

- closure of the Port Clinton wallboard plant in July
- Closure of a cast ceiling tile plant at the same time
- Closure of one of two plasterboard liner machines at the Quincy paper mill, which has since been put up for sale
- Closure of all the regional sales offices
- supply chain synergies by combining BPB's US and Canadian businesses as one integrated operation
- a one-third reduction in the number of US Celotex employees
- Completion and progressive loading of the new low-cost 65 million square metre plant at Carrollton in Kentucky, using desulphogypsum from a nearby coal-fired power station
- progressive application of group manufacturing best practices in all Celotex plants
- Installation of a single software platform for the entire North American business, with finance and administration handled from a regional service centre in Toronto

About 80% of the plan's targeted savings were in place at the year-end, with £19 million benefiting 2001/02, after restructuring costs totalling £4.4 million (including redundancy) had been taken in the first half. This is ahead of management's schedule to deliver at least \$50 million of annualised cost savings by March 2003. While a highly competitive cost-base has been reached, the acquisition of James Hardie Gypsum provides BPB with opportunities to lower annual operating costs of the enlarged business in North America by at least an additional US\$10 million over the next 18 months.

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BPB's North American ceiling tile operation represents a substantial complementary business, with turnover close to £70 million and a regional market share of around 10%. When the group purchased the business as part of the Celotex acquisition it clearly needed to be turned around and, as part of the regional cost-saving programme, the business has delivered increased operating efficiencies. However, the commercial construction sector on which it relies has not been as good as the new housing sector and so volume growth has been relatively poor. Further steady performance progress is expected in the current year.

The group's Canadian business enjoyed a robust construction market, with the housing market continuing to benefit from lower interest rates. Domestic wallboard volumes grew nearly 9% and all 6 plants shipped product into the US. Average selling prices in **Canada** were firmer than in the US, declining only 10% so that by the year end Westroc's prices were approximately 10% better than those for Celotex. These factors, including a significant fall in energy prices, were responsible for a healthy improvement in Canadian margins.

The combination of a full year's trading from Celotex and a robust business in Canada resulted in regional turnover increasing by over 25% to just under £300 million. Including the acquisition of James Hardie Gypsum, North America's turnover for 2001/02, on an annualised pro forma basis, would have been over £450 million.

#### *REST OF THE WORLD*

*Turnover £97.1 million (up 9%); underlying operating profit £7.5 million (up 67%)*

BPB's developing businesses in Africa, South America and Asia experienced mixed results, although overall plasterboard volumes increased by more than 10%. The group made a successful entry into the Egyptian building plaster market and as a consequence RoW underlying operating profit rose £3.0 million to £7.5 million.

The group's investment in the market leader for building plasters in **Egypt** delivered strong results in its first full year, and is now BPB's third largest plaster business after Iberia and the British Isles. Egyptian plasters are relatively unsophisticated and low priced and so work started on modernising the plants and creating a new range of value-added products to develop the market.

**Southern Africa** generated a solid performance despite the devaluation of the Rand which created economic uncertainty and increased the cost of key raw materials, particularly imported plasterboard liner, energy and steel. The increased use of plasterboard in new housing offset a decline in the commercial sector, leaving volumes unchanged. Sales margins of Donn ceiling tiles were also affected by weaker commercial demand. Despite political uncertainties, **Zimbabwe** experienced very strong demand.

In South America the group recorded a small operating loss as **Brazil** and **Argentina** experienced worsening economic conditions. As a result of the Argentinian economic crisis, the local construction market fell by 20% and this was reflected in the group's volumes. BPB has no manufacturing operations in that country and the group's exposure remains small. The Brazilian economy had already begun to slow at the start of the year, causing a lack of construction growth. However it is encouraging that, despite flat construction activity, the continuing acceptance of drywall technology meant that plasterboard volumes increased.

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Profitability was maintained in **India** as further volume growth and manufacturing efficiencies offset the impact of selling price pressures. Plasterboard demand in **China** rose by almost 40% but competition from local manufacturers remained intense, with selling prices amongst the lowest in the world. As a result, the group's operation made a small loss although the efficiency of BPB's Shanghai plant continues to improve as volumes increase. Good progress was made in **Thailand** as further product penetration resulted in plasterboard volumes growing more than 20%. This was the second full year of BPB operation and the business has in that time moved from loss to profit through sustained cost reduction and strong volume growth.

- FINANCIAL STATEMENTS FOLLOW -

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

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**GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR TO 31 MARCH 2002**

		2002	2001
		£m	Re-stated £m
<b>Turnover</b>			
Group and share of joint ventures and associates		1,732.9	1,667.8
Less: share of joint ventures' turnover		(17.8)	(26.6)
share of associates' turnover		(53.3)	(54.1)
<b>Group turnover</b>	note 1	<u>1,661.8</u>	<u>1,587.1</u>
Cost of sales		(1,096.5)	(1,060.0)
<b>Gross profit</b>		<u>565.3</u>	<u>527.1</u>
Net operating expenses	note 3	(395.0)	(367.3)
<b>Operating profit</b>	note 1	<u>170.3</u>	<u>159.8</u>
Share of operating profit in:			
Joint ventures		1.5	1.3
Associates		1.9	4.5
Non-operating exceptional items:	note 4		
Disposals of fixed assets		3.0	7.7
Sale and termination of operations		-	(8.0)
<b>Profit on ordinary activities before interest</b>		<u>176.7</u>	<u>165.3</u>
Net interest payable		(30.4)	(27.4)
<b>Profit on ordinary activities before tax</b>		<u>146.3</u>	<u>137.9</u>
Tax on profit on ordinary activities	note 5	(57.5)	(46.1)
Profit on ordinary activities after tax		<u>88.8</u>	<u>91.8</u>
Minority interests		(0.4)	0.4
<b>Profit attributable to BPB plc</b>		<u>88.4</u>	<u>92.2</u>
Dividends		(62.7)	(58.4)
<b>Retained profit for the year</b>		<u><u>25.7</u></u>	<u><u>33.8</u></u>

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**GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR TO 31 MARCH 2002 (cont'd)**

		2002	2001 Re-stated
<b>Basic earnings per share</b>	note 6	<b>19.3p</b>	20.2p
Diluted earnings per share	note 6	<b>19.2p</b>	20.1p
<b>Dividends per share</b>		<b>13.1p</b>	12.8p
<b>Underlying results</b>			
Before goodwill amortisation of £9.7 million (2001 £7.2 million) and exceptional items - impairment charge of £nil (2001 £18.0 million) and net non-operating income of £3.0 million (2001 charge £0.3 million)			
	note 4		
<b>Profit on ordinary activities before tax</b>		<b>£153.0m</b>	£163.4m
<b>Earnings per share</b>	note 6	<b>21.0p</b>	24.1p

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR TO 31 MARCH 2002**

	2002	2001 Re-stated
	£m	£m
<b>Profit attributable to BPB plc</b>	<b>88.4</b>	92.2
Currency translation differences	<b>(13.1)</b>	6.0
<b>Total recognised gains and losses for the year</b>	<b>75.3</b>	98.2
Prior year adjustment	<b>(61.2)</b>	=====
<b>Total gains and losses recognised since the last annual report</b>	<b>14.1</b>	=====

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**GROUP BALANCE SHEET AS AT 31 MARCH 2002**

	2002	2001 Re-stated
	£m	£m
<b>Fixed assets</b>		
Intangible assets	181.3	180.0
Tangible assets	1,052.5	1,051.8
Investments in joint ventures:		
Share of gross assets	22.9	23.1
Share of gross liabilities	(15.7)	(16.2)
	7.2	6.9
Investments in associates	46.9	47.9
Other investments	2.8	2.9
	<u>1,290.7</u>	<u>1,289.5</u>
<b>Current assets</b>		
Stocks	119.6	124.7
Debtors due within one year	390.4	376.9
Debtors due after more than one year	7.0	22.7
Cash and short-term deposits	65.6	44.4
	<u>582.6</u>	<u>568.7</u>
<b>Creditors due within one year</b>		
Loans and overdrafts	(40.7)	(117.8)
Other creditors	(403.2)	(406.4)
<b>Net current assets</b>	<u>138.7</u>	<u>44.5</u>
<b>Total assets less current liabilities</b>	<u>1,429.4</u>	<u>1,334.0</u>
<b>Creditors due after more than one year</b>		
Loans and finance leases	(396.0)	(424.4)
Other creditors	(27.8)	(24.7)
<b>Provisions for liabilities and charges</b>	<u>(148.8)</u>	<u>(155.2)</u>
	<u>856.8</u>	<u>729.7</u>
<b>Capital and reserves</b>		
Called up share capital	244.9	229.1
Share premium account	221.8	128.5
Capital redemption reserve	32.7	32.7
Profit and loss account	331.7	316.4
<b>Shareholders' funds</b>	<u>831.1</u>	<u>706.7</u>
<b>Minority interests</b>	25.7	23.0
	<u>856.8</u>	<u>729.7</u>

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**GROUP CASH FLOW STATEMENT FOR THE YEAR TO 31 MARCH 2002**

		2002		2001
		£m		£m
<b>Cash flow from operating activities</b>	note 8	264.4		299.1
<b>Dividends received from:</b>				
Joint ventures		0.5	1.1	
Associates		2.0	2.5	
		2.5		3.6
<b>Returns on investments and servicing of finance</b>				
Interest received		5.1	4.2	
Interest paid		(33.7)	(32.4)	
Interest element of finance lease payments		(0.1)	(0.2)	
Dividends paid to minority shareholders of subsidiaries		(1.2)	(0.7)	
		(29.9)		(29.1)
<b>Tax paid</b>				
United Kingdom corporation tax		(23.3)	(25.4)	
Overseas		(34.4)	(50.7)	
		(57.7)		(76.1)
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets		(84.5)	(90.6)	
Sale of tangible fixed assets		3.7	13.1	
Purchase of investments		-	(0.8)	
Sale of investments		-	0.1	
Net repayment of loans by joint ventures		0.5	0.5	
		(80.3)		(77.7)
<b>Acquisitions and disposals</b>				
Purchase of subsidiaries		(22.3)	(280.8)	
Net cash acquired with subsidiaries		3.2	4.7	
Advance payment on forward contract		(12.0)	-	
Investment in associates and joint ventures		-	(0.6)	
Sale of associated company		1.4	-	
Sale and termination of operations		-	6.4	
		(29.7)		(270.3)
<b>Dividends paid to shareholders of BPB plc</b>		<u>(59.1)</u>		<u>(57.7)</u>
<b>Cash inflow/(outflow) before use of liquid resources and financing</b>		<b>10.2</b>		<b>(208.2)</b>
Management of liquid resources		(9.9)		(6.9)
<b>Financing</b>				
Issue of share capital		111.7	2.1	
Share buy-backs		-	(0.2)	
Contribution from minority shareholders		0.5	0.9	
Loan from associated company		1.2	-	
(Decrease)/increase in borrowings	notes 9,10	(79.6)	160.3	
		<u>33.8</u>		<u>163.1</u>
<b>Increase/(decrease) in cash</b>	notes 9,10	<u>34.1</u>		<u>(52.0)</u>

**NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS  
FOR THE YEAR TO 31 MARCH 2002**

**1. Segmental analysis**

The principal national groupings that form the geographical segments shown below are as follows:

North & Western Europe: UK, Ireland, Sweden, Denmark, Finland, Norway, Russia, Latvia, Lithuania and Estonia.

Southern Europe: France, Spain, Italy, Belgium and Holland.

Central & Eastern Europe: Germany, Austria, Poland, Switzerland, Czech Republic, Hungary, Romania, Greece, Turkey and Slovakia.

North America: USA and Canada.

Rest of the World: South Africa, Thailand, India, Egypt, Brazil, China, Zimbabwe and Argentina.

	<u>Group turnover by origin</u>		<u>Operating net assets</u>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>£m</b>	£m	<b>£m</b>	Re-stated £m
North & Western Europe	<b>545.7</b>	547.6	<b>330.1</b>	343.2
Southern Europe	<b>520.1</b>	504.7	<b>427.4</b>	399.3
Central & Eastern Europe	<b>270.2</b>	281.7	<b>284.1</b>	264.4
Europe	<b>1,336.0</b>	1,334.0	<b>1,041.6</b>	1,006.9
North America	<b>293.2</b>	231.3	<b>274.5</b>	287.1
Rest of the World	<b>97.1</b>	88.9	<b>126.5</b>	134.2
	<b>1,726.3</b>	1,654.2	<b>1,442.6</b>	1,428.2
Less inter-area	<b>(64.5)</b>	(67.1)	-	-
	<b>1,661.8</b>	1,587.1	<b>1,442.6</b>	1,428.2
Associates and joint ventures	<b>71.1</b>	80.7	<b>78.9</b>	79.6
	<b>1,732.9</b>	1,667.8	<b>1,521.5</b>	1,507.8

**NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS  
FOR THE YEAR TO 31 MARCH 2002**

**1. Segmental analysis (cont'd)**

	<u>Underlying operating profit</u>		<u>Operating profit</u>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>£m</b>	£m	<b>£m</b>	£m
North & Western Europe	<b>98.3</b>	95.9	<b>94.5</b>	92.6
Southern Europe	<b>75.3</b>	75.9	<b>74.8</b>	75.7
Central & Eastern Europe	<b>10.7</b>	10.6	<b>10.3</b>	(7.7)
	<hr/>	<hr/>	<hr/>	<hr/>
Europe	<b>184.3</b>	182.4	<b>179.6</b>	160.6
North America	<b>(11.8)</b>	(1.9)	<b>(16.5)</b>	(5.1)
Rest of the World	<b>7.5</b>	4.5	<b>7.2</b>	4.3
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>180.0</b>	185.0	<b>170.3</b>	159.8
Operating exceptional item	-	(18.0)		
Goodwill amortisation	<b>(9.7)</b>	(7.2)		
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>170.3</b>	159.8	<b>170.3</b>	159.8
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Associates and joint ventures	<b>3.4</b>	5.8	<b>3.4</b>	5.8
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Return on sales (underlying)</b>	<b>%</b>	<b>%</b>		
North & Western Europe	<b>18.0</b>	17.5		
Southern Europe	<b>14.5</b>	15.0		
Central & Eastern Europe	<b>4.0</b>	3.8		
	<hr/>	<hr/>		
Europe	<b>13.8</b>	13.7		
North America	<b>(4.0)</b>	(0.8)		
Rest of the World	<b>7.7</b>	5.1		
	<hr/>	<hr/>		
Group	<b>10.8</b>	11.7		
	<hr/> <hr/>	<hr/> <hr/>		

**NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS  
FOR THE YEAR TO 31 MARCH 2002**

**1. Segmental analysis (cont'd)**

Turnover is not disclosed by destination as it is materially the same as that by origin. The turnover and results of the acquisitions in the year are not material.

The operating net assets of the geographical segments are stated after adding back goodwill written off to reserves prior to 1 April 1998 and goodwill amortised since that date. A reconciliation of operating net assets set out above to net assets in the consolidated balance sheet is shown below. Amounts at 31 March 2001 have been re-stated following adoption of FRS19.

	<b>2002</b>	2001
	<b>£m</b>	Re-stated £m
<b>Operating net assets</b>	<b>1,521.5</b>	1,507.8
Cumulative goodwill amortised and written off to reserves	<b>(251.5)</b>	(241.8)
Net borrowings	<b>(371.1)</b>	(497.8)
Dividends payable	<b>(42.1)</b>	(38.5)
<b>Net assets</b>	<b>856.8</b>	729.7

**2. Basis of preparation of financial statements**

With the exception of a change in accounting policy regarding deferred taxation, these 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 transitional requirements of FRS17 (Post Retirement Benefits) were implemented in the year and disclosure is made in the statutory accounts for the year to 31 March 2002. FRS18 (Accounting Policies) was adopted in the year, but had no significant impact on the preparation of the 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 a right to pay less, tax in the future have occurred by the balance sheet date.

The effect of this change on the profit and loss account for the year to 31 March 2002 is not material (*2001 increase in profit after tax of £14.5 million*). It decreased the underlying tax rate for the year to 31 March 2001 from 37.6% to 33.0%, and as a consequence increased underlying earnings per share for that period 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.

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**NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS  
FOR THE YEAR TO 31 MARCH 2002**

**2. Basis of preparation of financial statements (cont'd)**

The figures shown are based on the statutory accounts for the relevant years on which the auditors' reports were unqualified but do not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The annual report and accounts for the current year were approved by the Board of Directors on 29 May 2002 but have not yet been delivered to the Registrar of Companies. The results for the year ended 31 March 2001 and the balance sheet as at that date are an extract from the statutory accounts delivered to the Registrar of Companies as adjusted to take into account the change in accounting policy described above.

**3. Cost of sales and net operating expenses**

	<b>2002</b>	2001
	<b>£m</b>	£m
Cost of sales	<b>1,096.5</b>	1,060.0
Distribution costs	<b>241.7</b>	228.8
Administrative expenses	<b>160.2</b>	144.9
Other operating income	<b>(6.9)</b>	(6.4)
Net operating expenses	<b>395.0</b>	367.3
The following costs are included within operating expenses:		
Restructuring (including redundancy and impairment charges)	<b>14.4</b>	30.4
Research and development	<b>4.3</b>	3.5

**4. Exceptional items**

	<b>2002</b>	2001
	<b>£m</b>	£m
Operating exceptional items:		
Impairment charge	-	(18.0)
Non-operating exceptional items:		
Disposals of fixed assets	<b>3.0</b>	7.7
Sale and termination of operations	-	(10.0)
	<b>3.0</b>	(20.3)
Share of associates' sale and termination of operations	-	2.0
	<b>3.0</b>	(18.3)

## NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR TO 31 MARCH 2002

### 4. Exceptional items (cont'd)

The gain on disposals of fixed assets in the year arose principally from the sale of a leasehold interest in Ireland, a trade mark in France and the group's 45% holding in an associated company.

In 2001, an impairment charge was recorded in Germany following a major restructuring programme. Most of the gain on disposals of fixed assets was realised on the sale of land and buildings in the UK and the loss on sale and termination of operations arose predominantly in respect of the sale and closure of recycling and packaging businesses in the UK and the Netherlands.

### 5. Tax on profit on ordinary activities

	2002	2001
	£m	Re-stated £m
<b>Analysis of tax charge in the year</b>		
UK corporation tax	23.5	21.7
Overseas tax	39.2	40.7
Share of joint ventures' tax	0.4	0.2
Share of associates' tax	0.5	1.0
Total current tax	<u>63.6</u>	<u>63.6</u>
Total deferred tax	(6.1)	(17.5)
Tax on profit on ordinary activities	<u><u>57.5</u></u>	<u><u>46.1</u></u>

The tax charge for the year includes the tax effect of exceptional items of which £1.1 million (2001 credit £0.9 million) relates to non-operating exceptional items. A charge of £1.1 million (2001 credit £0.9 million) is included within current tax and a charge of £nil (2001 credit £6.9 million) is included within deferred tax.

### 6. Earnings per share

The basic earnings per share figure is calculated on profit after tax and minority interests of £88.4 million (2001 £92.2 million) and on the weighted average of 458.1 million (2001 456.3 million) ordinary shares in issue during the year, 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 460.4 million (2001 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.

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**NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS  
FOR THE YEAR TO 31 MARCH 2002**

**6. Earnings per share (cont'd)**

	<b>2002</b>	2001
	<b>m</b>	m
Basic weighted average number of shares	<b>458.1</b>	456.3
Dilutive potential ordinary shares arising from share options	<b>2.3</b>	3.2
<b>Total</b>	<b><u>460.4</u></b>	<u>459.5</u>

  

	<b>2002</b>		2001	
	<b>Effect on EPS</b>		Effect on EPS	
	<b>£m</b>	<b>p</b>	Re-stated	
			£m	
			Re-stated	
			p	
Profit after tax and minority interests	<b>88.4</b>	<b>19.3</b>	92.2	20.2
Goodwill amortisation	<b>9.7</b>	<b>2.1</b>	7.2	1.6
Exceptional items:				
Impairment charge	-	-	18.0	3.9
Disposals of fixed assets	<b>(3.0)</b>	<b>(0.6)</b>	(7.7)	(1.7)
Sale and termination of operations	-	-	8.0	1.8
Tax effect of exceptional items	<b>1.1</b>	<b>0.2</b>	(7.8)	(1.7)
<b>Underlying earnings and EPS</b>	<b><u>96.2</u></b>	<b><u>21.0</u></b>	<u>109.9</u>	<u>24.1</u>

The tax effect on goodwill amortisation is not material.

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**NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS  
FOR THE YEAR TO 31 MARCH 2002**

**7. Movements in shareholders' funds**

	2002	2001
	£m	Re-stated £m
At 1 April	767.9	736.5
Prior year adjustment	(61.2)	(74.8)
At 1 April (as re-stated)	<u>706.7</u>	<u>661.7</u>
Total recognised gains and losses for the year	75.3	98.2
Dividends	(62.7)	(58.4)
Goodwill written back on disposals	-	3.5
Movements relating to the QUEST	2.7	1.4
Share buy-backs	-	(0.2)
New shares issued	109.1	0.5
At 31 March	<u><u>831.1</u></u>	<u><u>706.7</u></u>

**8. Net cash inflow from operating activities**

	2002	2001
	£m	£m
Operating profit	170.3	159.8
Depreciation less transfers from deferred credits	84.2	83.0
Impairment charge	-	18.0
Goodwill amortisation	9.7	7.2
EBITDA	<u>264.2</u>	<u>268.0</u>
Changes in working capital:		
Stocks and work-in-progress	2.9	(0.2)
Debtors	(1.1)	8.5
Creditors and provisions	(1.6)	22.8
	<u>0.2</u>	<u>31.1</u>
Net cash inflow from operating activities	<u><u>264.4</u></u>	<u><u>299.1</u></u>

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**NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS  
FOR THE YEAR TO 31 MARCH 2002**

**9. Reconciliation of net cash flow to net borrowings**

	<b>2002</b>	2001
	<b>£m</b>	£m
Increase/(decrease) in cash	<b>34.1</b>	(52.0)
Decrease/(increase) in borrowings	<b>79.6</b>	(160.3)
Management of liquid resources	<b>9.9</b>	6.9
	<u><b>123.6</b></u>	<u>(205.4)</u>
Change in borrowings resulting from cash flows		
Subsidiaries acquired	-	(15.2)
Currency adjustments	<b>3.1</b>	(23.6)
	<u><b>126.7</b></u>	<u>(244.2)</u>
Movement in net borrowings	<b>(497.8)</b>	(253.6)
Net borrowings at 1 April		
	<u><b>(371.1)</b></u>	<u>(497.8)</u>

**10. Changes in net borrowings**

	At 1 April 2001	Cash flow	Currency movement	At 31 March 2002
	£m	£m	£m	£m
Cash at bank and in hand	35.0	13.4	(0.8)	<b>47.6</b>
Overdrafts	(38.2)	20.7	0.8	<b>(16.7)</b>
	<u>(3.2)</u>	<u>34.1</u>	<u>-</u>	<u><b>30.9</b></u>
Loans and finance leases:				
Due within one year	(79.6)	54.8	0.8	<b>(24.0)</b>
Due after more than one year	(424.4)	24.8	3.6	<b>(396.0)</b>
	<u>(504.0)</u>	<u>79.6</u>	<u>4.4</u>	<u><b>(420.0)</b></u>
Short-term deposits	9.4	9.9	(1.3)	<b>18.0</b>
Net borrowings	<u>(497.8)</u>	<u>123.6</u>	<u>3.1</u>	<u><b>(371.1)</b></u>
Cash at bank and in hand	35.0			<b>47.6</b>
Short-term deposits	9.4			<b>18.0</b>
Cash and short-term deposits	<u>44.4</u>			<u><b>65.6</b></u>

**NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS  
FOR THE YEAR TO 31 MARCH 2002****11. 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 unlikely to be published before the Autumn this year.

**12. Shareholder information**

The annual report and accounts will be posted to shareholders on 14 June 2002 and will be available to the public at the company's registered office (Park House, 15 Bath Road, Slough SL1 3UF) and at the office of the company's registrar, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA.

If approved, the final dividend will be paid on 23 August 2002 to shareholders on the register on 26 July 2002.

**12. Pro forma figures**

In this preliminary announcement the combined pro forma turnover, capital invested and net debt of BPB and James Hardie Gypsum (the former US wallboard business of James Hardie Industries NV) have been calculated:

- i) using BPB's group turnover and the turnover of James Hardie Gypsum as extracted from the audited accounts of James Hardie Industries NV for the year ended 31 March 2002,
- ii) by adding the £243 million (US\$345 million) purchase consideration for James Hardie Gypsum (less a £12.0 million prepayment made in 2001/02 on a forward contract taken out to fix, in pounds sterling, 50% of that purchase consideration) to BPB's capital invested and net debt at 31 March 2002 of £1,521.5 million and £371.1 million respectively.