



News Release News Release News Release News Release

Announcement released at 7.00 am, Thursday 22 May 2003

BPB Preliminary Results and Final Dividend for the Year to 31 March 2003

HIGHLIGHTS

			2003	2002
Turnover		£m	1,931.2	1,661.8
Operating cash flow	note (a)	£m	316.1	264.4
Underlying operating profit	note (b)	£m	220.5	180.0
Underlying profit before tax	note (c)	£m	191.6	153.0
Reported profit before tax		£m	48.4	146.3
Underlying earnings per share	note (d)	p	25.8	21.0
Final dividend per share		p	8.9	8.6

- Turnover up 16% to £1.93 billion due to underlying growth in European and North American volumes, acquisitions and higher average selling prices
- Plasterboard volumes up 28% to over 1 billion square metres, driven by BPB's strengthened US market position. Group like-for-like sales up 4%. Plaster sales up 2% to over 4 million tonnes
- Underlying operating profit up 23% to £220.5 million, despite restructuring charges £5.2 million higher at £19.6 million, as North America achieved a turnaround from an £11.8 million loss to a £29.4 million profit; group return on sales up from 10.8% to 11.4%
- Solid European performance of £182.0 million underlying operating profit (*2002 £184.3 million*) after £9.1 million of restructuring charges, and higher input costs
- Worldwide cost savings from on-going businesses equivalent to 1.5% of group turnover
- Underlying profit before tax up 25%, in line with expectations, to £191.6 million (*2002 £153.0 million*); underlying earnings per share up 23% to 25.8p and final dividend up 3.5% to 8.9p per share
- Operating cash flow (before EC fine) up £51.7 million at £316.1 million, demonstrating the group's strong cash generation qualities

Notes to table above:

- (a) before payment in 2003 of £89.2 million European Commission fine
- (b) as in (a) and before goodwill amortisation of £16.2 million (*2002 £9.7 million*) and an exceptional impairment charge on underperforming complementary product businesses of £43.9 million (*2002 £nil*)
- (c) as in (b) and before gain on disposals of £7.4 million (*2002 £3.0 million*) and the group's £1.3 million share of associate's EC fine
- (d) as in (c) and before an exceptional tax credit of £12.2 million (*2002 charge £1.1 million*)

- 2 -

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

“Management delivered significant progress in the execution of BPB's business plan for future growth, achieving a substantial improvement in underlying earnings for 2002/03. Two important strategic steps, the US acquisition of James Hardie Gypsum earlier in the year and the acquisition in March of Gyproc Benelux, serve to strengthen our North American and European plasterboard businesses, consolidating BPB's position as the global market leader.”

GROUP BUSINESS DEVELOPMENT IN 2002/03

Group plasterboard sales volume advanced 28% to over 1 billion square metres, driven by BPB's strengthened US market position, with sales on a like-for-like basis increasing by 4%. This, together with better selling prices, substantially drove top-line growth of 16% resulting in record sales of nearly £2 billion, with group pre-tax profit (before goodwill and exceptional items) advancing in line with expectations to £191.6 million (*2002 £153.0 million*).

Underlying operating profit advanced 23% to £220.5 million as a result of a £41.2 million profit turnaround in North America (£29.4 million profit against prior year's £11.8 million loss) due to better US selling prices on continuing good demand, further cost efficiencies which offset gas price increases, and almost a year's contribution from the acquired Hardie business. BPB's European business delivered a robust £182.0 million of underlying operating profit (*2002 £184.3 million*) on plasterboard volumes up 5%, despite increased input costs and challenging German and Polish trading conditions; further overall cost savings and continuing strong performances in Western and Southern Europe contributed to a regional return on sales of 12.5% (*2002 13.8%*). Good performances in Asia and Southern Africa also contributed to the group's improved results and, despite higher group restructuring and redundancy costs of £19.6 million (*2002 £14.4 million*) and an additional UK-related group pension charge of £6.2 million, group sales margin rose from 10.8% to 11.4%.

European like-for-like plasterboard volumes grew 5% to over 500 million square metres, despite a further (albeit smaller) decline in Germany, while North American sales advanced 76% to exceed 450 million square metres as a result of 3% underlying growth and 11 months trading from the Hardie acquisition. Canadian volumes grew 10%, driven by buoyant activity in the new housing market, but volumes were down by 1% in the US as robust housing demand was unable to compensate for further weakness in the commercial sector. Volumes in the Rest of the World grew by 7% to more than 70 million square metres, taking BPB's worldwide sales over 1 billion square metres.

Sales of building plasters, BPB's main complementary product, increased by 2% due to additional demand in the UK and Spain, supported by further good growth in Eastern Europe. As a result, overall group volumes rose to well over 4 million tonnes. The new building plaster products launched in the previous year in Turkey, India and Thailand continued to grow well. Better overall selling prices, and a continuing market trend away from traditional plasters towards added-value lightweight products, resulted in the group's turnover for building plasters increasing by 6% to £268 million.

elease News Release News Release News Release

- 3 -

Elsewhere, ceiling tile sales were marginally lower as the group's businesses in Europe and North America experienced further poor demand in the commercial sector. Trading conditions for European insulation activities were also difficult, with cost price pressures and a decline in German sales. The enlarged specialist distribution business in Spain increased its annualised turnover to over £50 million, comparable in size to the Artex Rawlplug DIY/fixings business which maintained a strong UK position with turnover up 5%. Formula, the group's special plasters business, improved its profitability on sales of over £30 million by concentrating on the specialist industrial and medical sectors.

During the year the group faced cost pressures for several key commodity inputs. Recovered paper costs increased rapidly in both North America and Europe, with prices doubling in the first financial quarter. Since then some of that increase has reversed but the higher prices of last summer cost the group £7 million. Haulage and expanded polystyrene bead prices, both pegged to the oil price, also rose during the year as did gas prices in the US. Planned actions to improve operational efficiencies led to a £5.2 million increase in restructuring and redundancy costs to £19.6 million, while the increase in the group pension charge included £6.2 million per annum on an on-going basis following the main UK scheme's triennial actuarial valuation which had resulted in a lower actuarial surplus. In total these increases added 1% to the group's cost base.

BPB's drive to offset the impact of rising input costs produced further operating cost savings of £29 million, equal to 1.5% of turnover, with the completion of the Celotex restructuring plan and Hardie integration synergies in the US responsible for around £18 million of savings. Positive steps were taken in Europe and North America to accelerate the delivery of further cost savings and improve the availability of existing capacity to meet anticipated growth in demand.

Last November the European Commission announced its decision to fine the major competitors in the European plasterboard industry a total of €478.3 million for allegedly attempting to stabilise certain EU markets between 1992 and 1998. BPB's share of this fine has been paid to the Commission but the Board has publicly denied that any agreement of the type alleged existed; it also stated that it considered BPB's fine to be wholly inappropriate and disproportionately high and that BPB would appeal. That appeal was submitted in February this year and the outcome is not anticipated before Spring 2005.

Underlying earnings per share rose 23% to 25.8p but reported pre-tax profit of £48.4 million (2002 £146.3 million) was after charging the European Commission fine of £89.2 million and the group's £1.3 million share of the Gyproc Benelux EC fine, goodwill amortisation of £16.2 million (2002 £9.7 million), and a net exceptional charge of £36.5 million (2002 £3.0 million gain) arising mainly from impairment charges on underperforming complementary product businesses - plaster, insulation and gypsum fibreboard assets in Germany, and ceiling tile assets in the US - which continue to operate in difficult economic conditions.

Greater group operating profitability was translated into an increase in pre-exceptional operating cash flow of £51.7 million to £316.1 million. Although year-on-year net debt increased by £292 million due to acquisitions and payment of the EC fine, BPB has demonstrated its cash generation ability and strengthened its interest cover to 7.5 times, leaving it well placed for future growth.

- 4 -

The Board is recommending for shareholder approval a 3.5% increase in the final dividend to give 8.9p per share, resulting in a full year's dividend of 13.55p and an annual increase of 3.4% (2002 increase of 2.3%).

REGIONAL OPERATING REVIEWS

EUROPE

Turnover £1.45 billion (up 9%); underlying operating profit of £182.0 million (down 1%)

Good growth in key plasterboard markets and much of Eastern Europe offset a decline in German volumes, resulting in regional volumes up 5% and record sales of over 0.5 billion square metres. This, together with generally stable selling prices, an increase in overall sales volumes of building plasters and continued cost savings, underpinned a European underlying operating profit of £182.0 million (2002 £184.3 million) after incurring £9.1 million in respect of restructuring charges, and higher input costs (mostly recovered paper and UK pensions). Regional cost pressures were largely offset by operating savings and the contribution from increased turnover, up 9% to over £1.4 billion.

NORTH & WESTERN EUROPE

Turnover £566.7 million (up 4%); underlying operating profit of £95.8 million (down 3%)

The benefit of continuing good volume growth of core products, improved selling prices and further cost savings in the British Isles was offset by the combination of a £6.2 million pension charge in the UK, a significant increase in the cost of recovered paper and weaker markets in Norway and Sweden, resulting in underlying operating profit of £95.8 million (2002 £98.3 million).

BPB's UK plasterboard volumes continued to grow as construction activity improved, driven predominantly by good demand in the new housing and renovation sectors. Commercial demand started to slow towards the end of the year, except for government funded work in health care and education. Government planning requirements, the trend in building regulations towards higher specification materials, and an active renovation sector all contributed to the increased use of added-value thermal, acoustic and fire resistant systems which now account for more than 20% of UK plasterboard sales. Further changes to building regulations will take effect in the second half of this year. Given the growth in market demand and broader product mix, additional UK plasterboard capacity was commissioned in the New Year at the Robertsbridge and East Leake plants. Additional plaster capacity was also introduced to meet increased demand. While management concentrated on implementing the capacity increases, further operating savings were also extracted from haulage, raw material, energy and overhead costs.

BPB's UK-based paperboard operations reported lower overall sales demand and profit, although a significant first-half increase in the price of recovered paper was largely offset by better prices on increased sales of plasterboard liner to group companies.

Strong growth in plasterboard volumes resumed in **Ireland**, and sales of building plasters increased following the previous year's slower growth in the housing market after almost a decade of buoyant activity. Improved selling prices offset inflationary cost pressures to record improved profitability.

News Release News Release News Release News Release

- 5 -

Nordic markets experienced mixed trading conditions, with plasterboard volumes falling slightly in Sweden where construction activity continued to decline. Volumes in Norway were also lower but good growth was achieved in Finland and Denmark. Overall volumes advanced by 2% but profitability was affected by fierce price competition. Further strong growth was evident in the **Baltic States** and **Russia** where volumes increased by 10% to a level double that of two years ago.

SOUTHERN EUROPE

Turnover £594.9 million (up 14%); underlying operating profit of £79.3 million (up 5%)

Turnover rose 14% to £594.9 million, about half of the increase coming from BPB's new distribution business in Spain, which operates on lower margins. Underlying operating profit improved 5% to £79.3 million, as higher input costs offset the benefit of selling price improvements on plasterboard and plaster volumes which grew by 8% and 2% respectively.

The key **French** plasterboard market grew well as a result of strong demand in the repair and renovation sector. Product was imported from group operations in Germany and Italy to support the volume growth, and actions were taken to stabilise manufacturing performances at higher levels and improve product quality. New products contributing to sales growth were Doublissimo, an acoustic expanded polystyrene laminate launched last year and a new range of thermal EPS products under the Maxissimo brand. Placocem, an interior cement board for lining high humidity areas, achieved good sales growth since its launch last summer. Plaster sales were down due to lower demand, particularly in traditional products, and further plasterboard substitution. Overall selling prices were stable and, despite increased costs of EPS beads and plasterboard liner, the business continued to generate good returns.

Volumes in the developing **Spanish** and **Portuguese** plasterboard markets increased by more than 10%, as penetration of the commercial construction market continued, assisted by the introduction of full product ranges. Plasterboard has yet to have a significant impact in new housing activity which drove a 3% increase in demand for building plasters. The first phase of a wide-ranging programme to upgrade existing plaster plants was commenced in the year and will lead to a better product mix from new low-cost capacity to service the steadily growing Iberian market and its trend towards lightweight plasters.

In Spain BPB invested a further £20 million in acquiring several specialist distribution companies, completing a two year process to establish a business aimed at enhancing the group's ability to progress the rapid development of the Iberian market for plasterboard. Supported by a small service centre in Barcelona, the new distribution network trades under the names Distriplac and Idaglas, operating 31 depots across Spain and Portugal, and selling a complete range of plasterboard systems, removable ceiling and insulation products to contractors and installers.

The new combined plasterboard and plaster plant at Termoli in **Italy** was commissioned early in the year, replacing two old plaster plants and providing a much more efficient facility to meet growing demand; fuelled by a strong repairs and renovation market, plasterboard volumes grew by over 5%. The new plant also exported plasterboard to Greece and the Balkans and released capacity to support market development in France and Spain.

Release News Release News Release News Release

- 6 -

BPB significantly enhanced its European market position for plasters and plasterboard by acquiring the Belgian, Dutch and French businesses of Gyproc Benelux in March 2003. The acquired company's German and Polish plasterboard businesses were immediately sold to Lafarge and integration of the retained businesses, which are well situated between the group's existing operations in France and Germany, is now under way.

CENTRAL & EASTERN EUROPE

Turnover £289.7 million (up 7%); underlying operating profit of £6.9 million (down 36%)

Lower **German** demand for plasterboard, building plasters and other complementary products, together with further restructuring charges and much weaker average plasterboard selling prices in Poland, resulted in regional underlying operating profit falling by £3.8 million to £6.9 million, despite overall cost savings and continuing strong volume growth of plasterboard and plasters in Eastern Europe. Plasterboard sales volumes in Central and Eastern Europe (excluding Germany) exceeded German sales for the first time, growing by nearly 11%.

Plasterboard volumes in Germany continued to fall, but at a much slower rate of decline than in the two previous years, mirroring the poor level of construction activity. However, results benefited from some selling price improvement and high plant utilisation from cross-border supplies to other BPB markets. The continuing depressed trading environment again impacted sales volumes and returns in the complementary businesses for building plasters, expanded polystyrene insulation and gypsum fibreboard, resulting in an impairment charge of £23.8 million taken as an operating exceptional item.

As in the previous year, the combination of industry over-capacity and stagnant construction activity in **Poland** led to intensified competition, with selling prices reaching their lowest during the winter. While prices subsequently recovered, average year-on-year prices declined 20% causing results to be affected despite the achievement of slightly higher sales of plasterboard. The Stawiany plant continued to operate efficiently at high utilisation levels, supporting exports further east to **Russia**, **Belarus** and the **Ukraine** where combined volumes grew strongly.

Austrian construction activity declined further but group plasterboard volumes improved marginally as a broadened product range won new customers. Further east in the **Czech Republic**, **Hungary** and **Romania** volumes continued to grow fast, while the building boom in advance of the Olympic games in **Greece** led to a near doubling of sales.

Regional plaster sales grew 10%, driven by strong demand in Eastern Europe and **Turkey**.

NORTH AMERICA

Turnover £458.5 million (up 56%); underlying operating profit of £29.4 million (loss £11.8 million)

Wallboard volumes advanced 3% on a like-for-like basis, benefiting from resilient housing and renovation demand in the **US** and **Canada**. Including the Hardie acquisition, overall sales rose 76% to double BPB's regional market share to around 16%. This, together with better average selling prices, and further efficiency savings above the level of additional restructuring charges and rising energy costs, resulted in the enlarged business moving firmly from a prior year loss of £11.8 million to a profit of £29.4 million, generating stronger operating cash flow and posting a North American sales margin for wallboard (before restructuring costs) in excess of 10%.

Release News Release News Release News Release

- 7 -

The US wallboard market remained robust, underpinned by low interest rates, with good demand in the new housing and renovation sectors but weaker commercial construction activity. Against this background like-for-like wallboard volumes fell marginally although headline volumes more than doubled after including the sales of James Hardie Gypsum. Selling prices were relatively stable throughout the year, averaging \$90 per thousand square feet and resulting in a sustained 15% improvement on average realised prices in the previous year. Although the normally slower winter activity saw prices fall back to \$86 by February 2003, an increase was announced in March, bringing prices back to around \$90. A further price increase has been announced for May 2003. Canadian wallboard volumes advanced healthily, driven by vigorous house building activity. Selling prices were firmer in the second half and average prices for the full year improved 2%.

Commercial construction demand continued to decline, impacting the regional ceiling tiles business which reported a reduced loss following further cost savings and improved plant efficiencies. As a result of the adverse change in market conditions since we acquired this business, and the record of losses we have since incurred, an impairment charge of £20.1 million has been taken against the carrying value of the goodwill and fixed assets of this activity. This charge has also been treated as an operating exceptional item.

Regional cost savings offset input cost inflation in two areas. At the beginning of the year recycled paper costs rose rapidly and, although they have partially fallen back through the autumn and winter, the on-cost to the business was £3 million. Gas consumption in North America continues to rise, due to underlying demand and its increasing use for electricity generation, with prices up from \$2.5 per thousand btu's in 1999 to an average of about \$4 in 2002. This is a major cost pressure for BPB as energy from gas represents some 10% of the region's cost base.

The \$50 million Celotex restructuring plan was completed six months ahead of schedule and, although not originally within this plan, the Quincy paperboard mill was closed in June 2002 following the switch to an economically advantageous third-party supply contract for wallboard liner. The resulting costs of £6.9 million in redundancy, asset write-off and site clearance charges were all classified as restructuring costs and taken against underlying operating profit. By the year end substantial progress had been made in integrating Hardie's activities into the group's North American business platform and meeting BPB's target for annualised operating synergies of more than \$10 million by September 2003.

BPB has established a regional supply network of 13 wallboard plants spread across Canada and the US, with operations supported by a business IT system developed at the regional service centre near Toronto. Early in the second-half the group's North American companies converted to the single trading identity of BPB and launched ProRoc as the new regional brand for wallboard.

REST OF THE WORLD

Turnover £92.4 million (down 5%); underlying operating profit of £9.1 million (up 21%)

BPB's developing RoW businesses achieved a substantial improvement in profitability, as a small loss in South America was offset by improved results in Asia and Southern Africa. Overall, underlying operating profit increased £1.6 million to £9.1 million, with the impact of substantial commodity cost inflation offset by cost savings and generally better selling prices on plasterboard volumes up 7%.

Release News Release News Release News Release

- 8 -

In South America, the group recorded a further, albeit reduced, operating loss mainly as a result of the economic crisis in **Argentina** which led to the collapse of the local construction market. With no manufacturing presence in that country, the group's exposure was small and it was decided to withdraw the trading operation, incurring a small loss. In contrast, economic conditions in **Brazil** were less severe and, despite continuing flat construction activity, BPB achieved volume growth and improved selling prices - demonstrating the continuing penetration of plasterboard technology.

Further good progress was achieved in the development of the group's plaster business in **Egypt**, with improved selling prices on increased volumes, greater manufacturing efficiencies, and the successful introduction of plasterboard systems to its product range.

In **Southern Africa** the commercial construction market remained in recession, offsetting improved demand in the residential sector. However, selling price improvements, together with a reduction of input costs due to a strengthening of the Rand, offset the impact of high cost inflation and contributed to a robust profit and cash flow performance.

The group achieved good progress in the development of its Asian markets, with overall sales, profitability and cash generation benefiting from a strong performance by the Thai business. The task of penetrating geographic and product markets was vigorously pursued by BPB, with regional plasterboard volumes advancing 20% - reflecting good progress in the marketing of systems and rapid construction techniques to customers across **India, Thailand, Malaysia, Vietnam, Taiwan, Korea and China**.

BPB's third full year of operation in Thailand saw domestic and export volumes increase by over 25% which, combined with improved plant efficiencies, generated good growth in profitability. Stronger demand, reduced costs and some improvement in selling prices, moved the Chinese business into a cash positive position. Intensified competition from imports led to overall selling prices in India falling some 10%, but a small improvement in profit resulted from further penetration of plasterboard as sales volumes grew over 10%.

OUTLOOK

Much was achieved last year to strengthen BPB's ability to generate both profitable growth and attractive returns for shareholders over the long term. The group now has stronger business platforms in Europe and North America from which to grow and there is a clearer focus on those complementary product markets where BPB can add value.

Economic forecasts in key markets generally point to moderate growth rates, combined with a continuing degree of uncertainty about the immediate future. Against that background BPB continues to invest in its key asset, its people, who are engaged on a portfolio of programmes and ideas to deliver improving performance from the group's businesses.

The Board is therefore confident that the combination of BPB's strategy and its development programmes will deliver further progress this year.

- FINANCIAL STATEMENTS FOLLOW -

News Release News Release News Release News Release

- 9 -

Contacts:

Richard Cousins, Chief Executive (today 020 7251 3801, thereafter 01753 898911)

Paul Hollingworth, Finance Director (today 020 7251 3801, thereafter 01753 898822)

James Murgatroyd/Faeth Birch, Finsbury (020 7251 3801)

Available on BPB's website: www.bpb.com

elease News Release News Release News Release

- 10 -

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR TO 31 MARCH 2003

	Note	2003 £m	2002 £m
Turnover			
Group and share of joint ventures and associates		2,009.4	1,732.9
Less: share of joint ventures' turnover		(19.6)	(17.8)
share of associates' turnover		<u>(58.6)</u>	<u>(53.3)</u>
Continuing operations			
On-going		1,740.5	1,661.8
Acquisitions		<u>190.7</u>	-
Group turnover	1	1,931.2	1,661.8
Cost of sales	3	<u>(1,296.8)</u>	<u>(1,096.5)</u>
Gross profit		634.4	565.3
Net operating expenses	3	<u>(563.2)</u>	<u>(395.0)</u>
Operating profit			
On-going before exceptional charges		192.2	170.3
Acquisitions		<u>12.1</u>	-
Before exceptional charges		204.3	170.3
Exceptional charges – on-going operations: EC fine	4	(89.2)	-
Impairment	4	<u>(43.9)</u>	-
Group operating profit	1	71.2	170.3
Share of operating profit in:			
Joint ventures		1.1	1.5
Associates before exceptional charge		<u>0.6</u>	<u>1.9</u>
Before exceptional charge		1.7	3.4
Exceptional charge – associates: EC fine	4	<u>(1.3)</u>	-
		0.4	3.4
Non-operating exceptional items:			
Disposals of fixed assets	4	4.3	3.0
Sale and termination of operations		<u>3.1</u>	-
Profit on ordinary activities before interest		79.0	176.7
Net interest payable		<u>(30.6)</u>	<u>(30.4)</u>
Profit on ordinary activities before tax		48.4	146.3
Tax on profit on ordinary activities	5	<u>(49.1)</u>	<u>(57.5)</u>
(Loss)/profit on ordinary activities after tax		(0.7)	88.8
Minority interests		<u>(4.0)</u>	<u>(0.4)</u>
(Loss)/profit attributable to BPB plc		(4.7)	88.4
Dividends		<u>(66.5)</u>	<u>(62.7)</u>
(Transfer from reserves)/retained profit for the year		<u>(71.2)</u>	25.7
		=====	=====

- 11 -

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR TO 31 MARCH 2003 (cont'd)

	Note	2003	2002
Basic (loss)/earnings per share	6	(1.0p)	19.3p
Diluted (loss)/earnings per share	6	(1.0p)	19.2p
Dividends per share		13.55p	13.1p
		=====	=====
Underlying results			
Before goodwill amortisation of £16.2 million (2002 £9.7 million), exceptional operating charges - EC fines of £90.5 million (2002 £nil) and impairment charge of £43.9 million (2002 £nil) - and net non-operating income of £7.4 million (2002 £3.0 million)			
	4		
Profit on ordinary activities before tax (£m)		191.6	153.0
Earnings per share	6	25.8p	21.0p
		=====	=====

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR TO 31 MARCH 2003

	2003	2002
	£m	£m
(Loss)/profit attributable to BPB plc	(4.7)	88.4
Share of associate's revaluation	7.0	-
Currency translation differences	12.2	(13.1)
Total recognised gains and losses for the year	14.5	75.3
	=====	=====

- 12 -

GROUP BALANCE SHEET AS AT 31 MARCH 2003

	Note	2003 £m	2002 £m
Fixed assets			
Intangible assets		304.9	181.3
Tangible assets		1,195.0	1,052.5
Investments in joint ventures:			
Share of gross assets	21.1	22.9	
Share of gross liabilities	<u>(13.7)</u>	<u>(15.7)</u>	
		7.4	7.2
Investments in associates		19.0	46.9
Other investments		<u>2.5</u>	<u>2.8</u>
		<u>1,528.8</u>	<u>1,290.7</u>
Current assets			
Stocks		152.2	119.6
Debtors due within one year		466.2	390.4
Debtors due after more than one year		14.1	7.0
Cash and short-term deposits		<u>57.2</u>	<u>65.6</u>
		689.7	582.6
Creditors due within one year			
Loans and overdrafts		(176.0)	(40.7)
Other creditors		<u>(495.0)</u>	<u>(403.2)</u>
Net current assets		<u>18.7</u>	<u>138.7</u>
Total assets less current liabilities		1,547.5	1,429.4
Creditors due after more than one year			
Loans and finance leases		(544.7)	(396.0)
Other creditors		(32.9)	(27.8)
Provisions for liabilities and charges		<u>(164.2)</u>	<u>(148.8)</u>
		805.7	856.8
		=====	=====
Capital and reserves			
Called up share capital		246.4	244.9
Share premium account		227.5	221.8
Capital redemption reserve		32.7	32.7
Profit and loss account		<u>273.7</u>	<u>331.7</u>
Shareholders' funds	7	780.3	831.1
Minority interests		<u>25.4</u>	<u>25.7</u>
		805.7	856.8
		=====	=====

Release News Release News Release News Release

- 13 -

GROUP CASH FLOW STATEMENT FOR THE YEAR TO 31 MARCH 2003

	Note	2003 £m	2002 £m
Cash flow from operating activities	8	226.9	264.4
Dividends received from:			
Joint ventures		0.6	0.5
Associates		<u>0.6</u>	<u>2.0</u>
		1.2	2.5
Returns on investments and servicing of finance			
Interest received		3.4	5.1
Interest paid		(33.4)	(33.7)
Interest element of finance lease payments		(0.1)	(0.1)
Dividends paid to minority shareholders of subsidiaries		<u>(2.6)</u>	<u>(1.2)</u>
		(32.7)	(29.9)
Tax			
United Kingdom corporation tax paid		(17.0)	(23.3)
Overseas tax paid		(32.8)	(34.4)
Overseas tax received		<u>6.0</u>	-
		(43.8)	(57.7)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(96.5)	(84.5)
Sale of tangible fixed assets		12.2	3.7
Repayment of loans by joint ventures		<u>1.2</u>	<u>0.5</u>
		(83.1)	(80.3)
Acquisitions and disposals			
Purchase of subsidiaries		(315.0)	(22.3)
Net cash acquired with subsidiaries		(0.7)	3.2
Sale of shares in a subsidiary		5.4	-
Sale of businesses		34.6	-
Advance payment on forward contract		-	(12.0)
Sale of associated company		<u>-</u>	<u>1.4</u>
		(275.7)	(29.7)
Dividends paid to shareholders of BPB plc		<u>(64.9)</u>	<u>(59.1)</u>
Cash (outflow)/inflow before use of liquid resources and financing		(272.1)	10.2
Management of liquid resources		6.3	(9.9)
Financing			
Issue of share capital		1.2	111.7
Contribution from minority shareholders		-	0.5
Loan from associated company		0.3	1.2
Increase/(decrease) in borrowings	9, 10	<u>215.0</u>	<u>(79.6)</u>
		<u>216.5</u>	<u>33.8</u>
(Decrease)/increase in cash	9, 10	(49.3)	<u>34.1</u>
		=====	=====

NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR TO 31 MARCH 2003

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, Bulgaria, Greece, Turkey and Slovakia.

North America: USA and Canada.

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

	<u>Group turnover by origin</u>		<u>Operating net assets</u>	
	2003	2002	2003	2002
	£m	£m	£m	£m
North & Western Europe	566.7	545.7	330.0	330.1
Southern Europe	594.9	520.1	565.8	427.4
Central & Eastern Europe	289.7	270.2	281.8	284.1
	<hr/>	<hr/>	<hr/>	<hr/>
Europe	1,451.3	1,336.0	1,177.6	1,041.6
North America	458.5	293.2	447.8	274.5
Rest of the World	92.4	97.1	114.2	126.5
	<hr/>	<hr/>	<hr/>	<hr/>
Less inter-area	2,002.2	1,726.3	1,739.6	1,442.6
	(71.0)	(64.5)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,931.2	1,661.8	1,739.6	1,442.6
Associates and joint ventures	78.2	71.1	51.2	78.9
	<hr/>	<hr/>	<hr/>	<hr/>
	2,009.4	1,732.9	1,790.8	1,521.5
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

- 15 -

NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR TO 31 MARCH 2003

1. Segmental analysis (cont'd)

	<u>Underlying operating profit</u>		<u>Operating profit</u>	
	2003	2002	2003	2002
	£m	£m	£m	£m
North & Western Europe	95.8	98.3	91.1	94.5
Southern Europe	79.3	75.3	78.1	74.8
Central & Eastern Europe	6.9	10.7	(17.3)	10.3
	<hr/>	<hr/>	<hr/>	<hr/>
Europe	182.0	184.3	151.9	179.6
North America	29.4	(11.8)	-	(16.5)
Rest of the World	9.1	7.5	8.5	7.2
	<hr/>	<hr/>	<hr/>	<hr/>
	220.5	180.0	160.4	170.3
Operating exceptional items:				
EC fine	(89.2)	-	(89.2)	-
Impairment charge	(43.9)	-		
Goodwill amortisation	(16.2)	(9.7)		
	<hr/>	<hr/>	<hr/>	<hr/>
Group operating profit	71.2	170.3	71.2	170.3
	=====	=====	=====	=====
Associates and joint ventures	1.7	3.4	0.4	3.4
	=====	=====	=====	=====
Return on sales (underlying)	%	%		
North & Western Europe	16.9	18.0		
Southern Europe	13.3	14.5		
Central & Eastern Europe	2.4	4.0		
	<hr/>	<hr/>		
Europe	12.5	13.8		
North America	6.4	(4.0)		
Rest of the World	9.8	7.7		
	<hr/>	<hr/>		
Group	11.4	10.8		
	=====	=====		

**NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS
FOR THE YEAR TO 31 MARCH 2003**

1. Segmental analysis (cont'd)

Turnover is not disclosed by destination as it is materially the same as that by origin. As described in note 4, operating profit includes exceptional charges against the results of: Central & Eastern Europe - £23.8 million; and North America - £20.1 million. The EC fine has not been allocated to a geographical segment as it is not possible to do so.

James Hardie Gypsum contributed £160.0 million in turnover, £16.5 million in underlying operating profit and £11.4 million in operating profit to North America's results for the period. Included within Southern Europe's results for the year is post-acquisition turnover and operating profit of £26.0 million and £0.8 million, respectively. Central & Eastern Europe's results for the year include post-acquisition turnover of £4.7 million and an operating loss of £0.1 million.

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 on page 14 to net assets in the consolidated balance sheet is shown below.

	2003	2002
	£m	£m
Operating net assets	1,790.8	1,521.5
Cumulative goodwill amortised and written off to reserves	(277.9)	(251.5)
Net borrowings	(663.5)	(371.1)
Dividends payable	(43.7)	(42.1)
Net assets	805.7	856.8
	=====	=====

2. Basis of preparation of financial statements

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 have been prepared on the same basis as set out in the previous year's annual report and were approved by the Board of Directors on 21 May 2003 but have not yet been delivered to the Registrar of Companies. The results for the year ended 31 March 2002 and the balance sheet as at that date are an extract from the statutory accounts delivered to the Registrar of Companies.

- 17 -

NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR TO 31 MARCH 2003

3. Cost of sales and net operating expenses

	<u>Continuing operations</u>		2003	2002
	Acquisitions	On-going		
	£m	£m	£m	£m
Cost of sales	109.1	1,187.7	1,296.8	1,096.5
	=====	=====	=====	=====
Distribution costs	40.2	246.6	286.8	241.7
Administrative expenses	29.3	162.9	192.2	160.2
EC fine	-	89.2	89.2	-
Other operating income	-	(5.0)	(5.0)	(6.9)
	-----	-----	-----	-----
Net operating expenses	69.5	493.7	563.2	395.0
	=====	=====	=====	=====

The impairment charge of £43.9 million (2002 *£nil*) detailed in note 4 has been posted as follows: cost of sales - £33.7 million; and administrative expenses - £10.2 million. Administrative expenses include goodwill amortisation of £16.2 million (2002 *£9.7 million*).

The following costs are included within operating expenses:

Goodwill amortisation	16.2	9.7
Research and development expenditure	4.6	4.3
Restructuring (including redundancy)	19.6	14.4
Impairment charges (see note 4)	43.9	-
	=====	=====

- 18 -

NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR TO 31 MARCH 2003

4. Exceptional items

	2003 £m	2002 £m
Operating exceptional items		
Impairment charge: Complementary products		
Plasters, gypsum fibreboard and insulation assets in Germany	(23.8)	-
Ceiling tile assets in the United States	(20.1)	-
	<hr/>	<hr/>
	(43.9)	-
EC fine – BPB plc	(89.2)	-
	<hr/>	<hr/>
	(133.1)	-
	<hr/>	<hr/>
Share of associate's operating exceptional charge:		
EC fine	(1.3)	-
	<hr/>	<hr/>
	(134.4)	-
	<hr/>	<hr/>
Non-operating exceptional items		
Disposals of fixed assets	4.3	3.0
Sale and termination of operations	3.1	-
	<hr/>	<hr/>
	7.4	3.0
	<hr/>	<hr/>
	(127.0)	3.0
	<hr/> <hr/>	<hr/> <hr/>

Where indicators of impairment were identified the carrying value of the fixed assets and goodwill of the income generating units concerned were compared to their recoverable amounts, as evidenced by their value in use to the group. Cash flow projections contained in the group's Board approved three year plan, and thereafter based on long-term growth rates for the markets in which the businesses operate, were discounted, on a pre-tax basis, using an average rate of 14%.

Of the total impairment charge of £43.9 million, £10.2 million has been allocated to goodwill and £33.7 million allocated to tangible fixed assets.

On 27 November 2002 the European Commission announced that it had decided to fine BPB plc €138.6 million (£89.2 million) for alleged breaches of competition law under Article 81 of the Treaty of Rome. Although an appeal against the decision was lodged with the European Court of Justice in February 2003 the company decided, in view of the punitive interest that would accrue during the appeal process, to pay the fine in full in March 2003.

NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR TO 31 MARCH 2003

4. Exceptional items (cont'd)

In connection with the same investigation into the European gypsum industry, the Commission also announced that it had 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. Gyproc Benelux NV also lodged an appeal and paid the fine in February 2003 prior to BPB taking management control through increased equity participation.

The gain on disposal of fixed assets in the year predominantly arose from the sale of property in the United Kingdom. Most of the gain on sale and termination of operations was in respect of the disposal of a non-core business in Thailand.

The tax effect of exceptional items is disclosed in note 5.

5. Tax on profit on ordinary activities

Analysis of tax charge in the year	2003 £m	2002 £m
UK corporation tax:		
Charge for the period	28.6	22.4
(Over)/underprovision in prior years	(1.5)	1.1
	27.1	23.5
Double tax relief	(3.4)	-
	23.7	23.5
Overseas tax:		
Charge for the period	45.8	41.5
Overprovision in prior years	(7.7)	(2.3)
	38.1	39.2
Share of joint ventures' tax	0.4	0.4
Share of associates' tax	1.4	0.5
	63.6	63.6
Origination and reversal of timing differences	(14.5)	(6.5)
Changes in tax rates and laws	-	0.4
	(14.5)	(6.1)
Total deferred tax	(14.5)	(6.1)
Tax on profit on ordinary activities	49.1	57.5

NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR TO 31 MARCH 2003

5. Tax on profit on ordinary activities (cont'd)

Exceptional tax credit and tax effect of exceptional items

Included within the current tax charge for the year is an exceptional credit of £6.0 million following settlement of an old tax dispute and refund of £6.0 million from the tax authority concerned.

The EC fine of £89.2 million charged against group operating profit has not been treated as a deductible for tax purposes but an exceptional tax credit of £7.4 million is included within deferred tax in respect of the £43.9 million impairment charge. The tax effect of non-operating exceptional income of £7.4 million is a charge of £1.2 million (2002 £1.1 million).

6. Earnings per share

The basic earnings per share figure is calculated on loss after tax and minority interests of £4.7 million (2002 profit £88.4 million) and on the weighted average of 490.1 million (2002 458.1 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 (loss)/profit as the basic earnings per share figure and on the total diluted number of shares calculated as shown in the table below. Share options over 3.1 million shares were excluded from the calculation of the total diluted number of shares in the year to 31 March 2003 because to include them would have been anti-dilutive. 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.

	2003	2002
	m	m
Basic weighted average number of shares	490.1	458.1
Dilutive potential ordinary shares arising from share options	-	2.3
Total	490.1	460.4
	=====	=====

- 21 -

**NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS
FOR THE YEAR TO 31 MARCH 2003**

6. Earnings per share (cont'd)

	£m	2003 Effect on EPS p	£m	2002 Effect on EPS p
(Loss)/profit after tax and minority interests	(4.7)	(1.0)	88.4	19.3
Goodwill amortisation	16.2	3.3	9.7	2.1
Exceptional items:				
EC fines	90.5	18.5	-	-
Impairment charge	43.9	9.0	-	-
Disposals of fixed assets	(4.3)	(0.9)	(3.0)	(0.6)
Sale and termination of operations	(3.1)	(0.6)	-	-
Tax refund	(6.0)	(1.2)	-	-
Tax effect of exceptional items	(6.2)	(1.3)	1.1	0.2
Underlying earnings and EPS	126.3	25.8	96.2	21.0
	=====	=====	=====	=====

The tax effect on goodwill amortisation is not material.

7. Movements in shareholders' funds

	2003 £m	2002 £m
At 1 April	831.1	706.7
Total recognised gains and losses for the year	14.5	75.3
Dividends	(66.5)	(62.7)
Movements relating to the QUEST	(6.0)	2.7
New shares issued	7.2	109.1
At 31 March	780.3	831.1
	=====	=====

- 22 -

NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR TO 31 MARCH 2003

8. Net cash inflow from operating activities

	2003	2002
	£m	£m
Operating profit	71.2	170.3
Depreciation less transfers from deferred credits	105.6	84.2
Impairment charge	43.9	-
Goodwill amortisation	16.2	9.7
EBITDA	236.9	264.2
Changes in working capital:		
Stocks and work-in-progress	(12.5)	2.9
Debtors	(25.4)	(1.1)
Creditors and provisions	27.9	(1.6)
	(10.0)	0.2
Net cash inflow from operating activities	226.9	264.4

Net cash inflow from operating activities is after the £89.2 million payment of the EC fine which has been recognised as an exceptional charge against operating profit.

9. Reconciliation of net cash flow to net borrowings

	2003	2002
	£m	£m
(Decrease)/increase in cash	(49.3)	34.1
(Increase)/decrease in borrowings	(215.0)	79.6
Management of liquid resources	(6.3)	9.9
Change in borrowings resulting from cash flows	(270.6)	123.6
Subsidiaries acquired	(20.0)	-
Subsidiaries sold	2.2	-
Currency adjustments	(4.0)	3.1
Movement in net borrowings	(292.4)	126.7
Net borrowings at 1 April	(371.1)	(497.8)
Net borrowings at 31 March	(663.5)	(371.1)

- 23 -

NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR TO 31 MARCH 2003

10. Changes in net borrowings

	At 1 April 2002	Cash flow	Acquisitions/ disposals	Currency movement	At 31 March 2003
	£m	£m	£m	£m	£m
Cash at bank and in hand	47.6	(3.5)	-	1.5	45.6
Overdrafts	(16.7)	(45.8)	-	(0.5)	(63.0)
	<u>30.9</u>	<u>(49.3)</u>	<u>-</u>	<u>1.0</u>	<u>(17.4)</u>
Loans and finance leases:					
Due within one year	(24.0)	(84.7)	(3.4)	(0.9)	(113.0)
Due after more than one year	(396.0)	(130.3)	(14.4)	(4.0)	(544.7)
	<u>(420.0)</u>	<u>(215.0)</u>	<u>(17.8)</u>	<u>(4.9)</u>	<u>(657.7)</u>
Short-term deposits	18.0	(6.3)	-	(0.1)	11.6
Net borrowings	<u>(371.1)</u>	<u>(270.6)</u>	<u>(17.8)</u>	<u>(4.0)</u>	<u>(663.5)</u>
Cash at bank and in hand	47.6				45.6
Short-term deposits	18.0				11.6
Cash and short-term deposits	<u>65.6</u>				<u>57.2</u>

11. Shareholder information

The annual report and accounts will be posted to shareholders on 6 June 2003 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 22 August 2003 to shareholders on the register on 25 July 2003.