TRAVIS PERKINS PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 1999

SUMMARY

	Six months 30 June 1999 (Reviewed)	Six months 30 June 1998 (Reviewed)	Year 31 Dec 1998 (Audited)
Turnover	**£358.76m**	£304.45m	£623.08m
Operating profit before reorganisation costs and amortisation of goodwill	**£36.93m**	£27.96m	£61.84m
Pre-tax profit	**£34.35m**	£26.12m	£60.58m
Earnings per Share	**22.4p**	17.4p	39.9p
Dividend per share	**4.3p**	3.8p	12.1p

- Turnover up 17.8%
- Operating profit before reorganisation costs and amortisation of goodwill up 32.1%
- Pre-tax profit up 31.5%
- Basic earnings per share up 28.7%
- Interim dividend per share up 13.2%

INTERIM STATEMENT

I am pleased to report pretax profits for the six months to 30th June 1999 of £34.4million, an increase of 31.5% over the £26.1million reported for the first half of 1998.

Group sales at £358.8million were 17.8% ahead, reflecting a 1.8% growth in like for like sales with the remaining increase coming from acquisitions.

Operating profit, before reorganisation costs and the amortisation of goodwill, was £36.9million, a 32.1% increase on the previous year. The operating profit is equivalent to 10.3% of sales compared with 9.2% achieved in the first half of 1998.

The half year under review has seen considerable development highlighted by the acquisition of Keyline Builders Merchants Limited from CRH plc at the beginning of June. At the time of acquisition Keyline was the fifth largest builders' merchant in the UK and brought Travis Perkins an additional 101 branches located throughout the country, generally focused on the supply of products in the heavyside building material range. As one of the three largest merchants, the Group's UK market share has now risen to around 11.5%.

Good progress is being made with the integration of the business. We have rebranded 32 Keyline branches as Travis Perkins and are broadening and re-merchandising their stock range. The remaining 69 branches are to remain branded as Keyline, trading nationally with their present product emphasis on civil engineering materials, cement, bricks, lintels, aggregates and roofing and insulation materials. These branches are being managed from Kirkintilloch near Glasgow, while central services are being transferred to our Head Office in Northampton.

The integration and development of the Keyline business will continue to be our major task over the next twelve months. We are very pleased to welcome the staff of Keyline to our group and look forward to working with them in the future.

We were also actively involved during the first half of the year with the acquisition of a number of smaller merchants in locations which enhance our existing distribution network. Altogether 20 such branches have been added. By the end of June 1999 the total number of branches in the group had risen to 410.

We have also been developing our existing branches, completing a number of projects that have improved the presentation of our product range to the collecting customer, both in our yards and warehouses.

We have continued the programme of opening tool hire outlets within certain branches, completing seven new openings in the six months under review. We have also acquired a further 10 tool hire outlets with Keyline, bringing the group total to 106 at the end of June.

As we reported last March, FRS10, the accounting standard on goodwill, was implemented during 1998. Primarily as a result of the acquisition of Keyline the amount of goodwill capitalised in our balance sheet has increased from £12.9million at the end of December 1998 to £119.6million at the end of June 1999. The level of amortisation will increase in the future the board having decided to amortise goodwill over 20 years. In the period under review, which includes Keyline's trading for one month only, the goodwill amortisation charge was £0.8million.

We are also disclosing separately in our accounts the costs associated with the reorganisation and integration of Keyline. At 30 June 1999 these amounted to £1.7million. We anticipate the total figure will be within the £7.5 million announced at the time of the acquisition.

The improvement in operating profit in the first half of this year has a number of welcome features. Despite a sluggish market and little or no inflation in the average cost price of the products we stock, our like for like sales moved ahead by 2% against the previous year. Timber, forest products and plumbing and heating products suffered an average cost price fall over the first half of 1998, while the average cost price for heavyside and lightside building materials rose.

As a result of the programmes for margin improvement implemented in recent years, including a new purchase order management system, enhanced levels of staff training, investment in security systems and the continuing roll-out of a new stock management system, we have continued to deliver an improvement in our gross margin. This increased by 1.3% of sales against the first half of 1998. Rebates as a percentage of sales also increased, as our relationship with key suppliers continued to strengthen.

All four Travis Perkins regions have improved their profitability, expressed both as a percentage of sales and as a return on capital. The businesses we have acquired over the past three years made a pleasing contribution.

There was a modest increase in overheads as a percentage of sales against the first half of 1998. This reflected an increase in payroll costs, partly due to the well earned increase in management and staff bonuses following the higher level of profitability. The bad debt provision increased from 0.6% to 0.7% of credit sales. We also incurred a considerable increase in integration costs associated with the comparatively large number of smaller companies acquired in the first half of this year and in the latter part of 1998.

The net cash flow from operating activities over the period was £39.0million, well ahead of the £27.3million in the first half of last year. A total of £197.7million was invested in the purchase of businesses. The acquisition of Keyline was financed by a £200million five year borrowing facility, provided by a syndicate led by HSBC Investment Bank plc and Commerzbank AG. This comprised a term loan facility of £150million and a revolving credit facility of £50million, £180million of the total facility having been drawn down at 30 June. The rate of interest on these borrowings has been fixed at 6% until May 2002. Net debt at 30 June 1999 was £142.7million compared with net cash of £31.1million at 31 December 1998.

A project which was initiated in 1996 to ensure that any necessary system modifications were planned and completed in time to achieve year 2000 compliance is on schedule. All business critical systems are now compliant, having been the subject of a comprehensive testing programme. The cost of this project has not been material to the Group.

Greater consumer confidence in recent months has led to an increase in the demand for houses. The level of total property transactions has reversed the pattern of decline seen throughout 1998 and the seasonally adjusted figure for July was the highest for some years. New housing starts have also begun to increase and house prices are rising. Overall there is a gradual improvement in construction activity and we view the future for our enlarged group with confidence.

A. TRAVIS
Chairman
8.9.99.