

7 September 2000

TRAVIS PERKINS PRE-TAX PROFITS UP 29 PER CENT

	Six months 30 June 2000 £m	Six months 30 June 1999 £m	Increase %
Turnover	590.5	358.8	64.6
Operating Profit before reorganisation costs and amortisation of goodwill	57.6	36.9	56.1
Profit before taxation	44.3	34.4	28.8
Profit after taxation	29.6	23.5	26.0
Basic Earnings per share	26.7p	22.4p	19.2
Earnings per share before reorganisation costs, amortisation of goodwill and profit on sale of properties	32.5p	24.1p	34.9
Interim dividend per share	4.8p	4.3p	11.6

Frank McKay, chief executive, said: "This has been an active and exciting period for the Group as we consolidated Keyline and Sharpe & Fisher, the two major companies acquired last year and continued to build on our existing strengths in the UK market."

On the outlook, Tony Travis, chairman, commented "The economy as a whole remains buoyant and the construction industry has benefited with higher volumes in most areas. While there are some signs that the UK market for new and existing homes is less active, especially in the south east, demand from the repair, maintenance and improvement sector, the company's most important market, continues to be strong. I believe the outlook for our business remains good."

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Chairman's Interim Statement

I am pleased to report an operating profit for the 6 months to 30 June 2000, before reorganisation costs and amortisation of goodwill, of £57.6million against £36.9million the previous year, an increase of 56.1%. Group sales at £590.5million were 64.6% ahead, mainly as a result of acquisitions. The operating profit is equivalent to 9.8% of sales compared with 10.3% in 1999, reflecting a full 6 month's contribution from Keyline.

After reorganisation costs of £2.3million, amortisation of goodwill amounting to £5.0 million and interest costs of £6.2million, profit before taxation rose to £44.3million from £34.4million, an increase of 28.8%. The increase in interest costs and goodwill amortisation reflects the company's acquisition programme over the last year. Basic earnings per share were 26.7p against 22.4p, an increase of 19.2%. After adjusting for reorganisation costs, amortisation of goodwill and profit from the sale of surplus properties, the underlying earnings per share rose to 32.5p from 24.1p, an increase of 34.9%.

The board has declared an interim dividend of 4.8p per share compared with 4.3p in 1999, an increase of 11.6%.

Retained profit of £24.3million increased shareholders' funds to £337.7million from £313.4million at 31 December 1999. Net debt of £180.7million at 30 June 2000 was at a similar level to that of 31 December 1999.

Cash inflow from operating activities was £60.8million compared with £39.0million in 1999. Capital expenditure at £17.6million was higher than the previous year, reflecting the development of acquired businesses and an increase in the rate of improvements carried out on our branch network.

Total expenditure on acquisitions was £22.8m, significantly lower than the £197.7million in the same period last year when the Keyline business was acquired. However, 13 branches were added in the first half of the year.

At the end of June, Humfrey Smeeton retired as a non executive director after ten years with the company. He has been a constant source of wise counsel and shrewd judgement.

I would like to thank him for his outstanding contribution.

The economy as a whole remains buoyant and the construction industry has benefited with higher volumes in most areas. While there are some signs that the UK market for new and existing homes is less active, especially in the south east, demand from the repair, maintenance and improvement sector, the company's most important market, continues to be strong. The recent announcement by the Government of increased public expenditure should help sustain construction activity in the medium term. I believe the outlook for our business remains good.

A. TRAVIS
Chairman

Chief Executive's Report

The six months under review have been an active and exciting period for the Group as we consolidated Keyline and Sharpe & Fisher, the two major companies acquired last year and continued to build on our existing strengths in the UK market.

Against a background of increased construction activity we have been able to improve further the operating margin of our established branches, while continuing to undertake the rebranding, integration, and development of the additional 165 branches we have acquired since the beginning of June last year.

Keyline, the largest of the acquisitions, was transferred on to the Group's point of sale and administrative systems by the end of last year and during the period under review further training has been given to staff to help familiarise them with these new procedures. We have also continued to reconfigure the supplier profile of Keyline in order to maximise the purchasing efficiencies available to the Group.

The 70 branches continuing to trade under the Keyline brand remain focused on the civil engineering, drainage, roofing and insulation markets as well as carrying a wide range of heavyside building materials. We intend to continue to develop the brand in the future.

The 33 branches of Keyline that have been rebranded as Travis Perkins have been subject to a more significant degree of change in their stock profile and market stance in order to reflect the wider stock range of the Travis Perkins brand.

In both groups of branches, work has begun on improving the merchandising of the stock and the facilities available for the collecting customer.

The extent of the system and stock changes across all the Keyline branches has inevitably had an effect on the sales generated over this period although they are above the level anticipated at the time of the acquisition. There is still some more work to be done on developing the facilities and maximising the performance levels of these branches. However with the benefits achieved through the concentration of suppliers and other economies of scale I am pleased to be able to report that the acquisition is performing in line with our expectations.

Sharpe & Fisher, which was acquired in December last year, has been integrated into the Group in the first half of this year. All of the 38 branches acquired have been rebranded and their systems and stock profile brought into line with our other Travis Perkins branches. Throughout these changes the branches have performed well and we look forward to their making a positive contribution to the Group in the years ahead.

Despite the high level of management resource demanded by this significant recent expansion, we have not neglected to grow the business when opportunities have occurred. We have made three acquisitions in the half year resulting in the addition of 13 new branches. The most significant purchase was the business of Broombys which has a strong market position in Cumbria, a county where the Group was previously unrepresented. Broombys current strength will be reinforced in this regional market.

Additionally we have developed and opened two branches under the Travis Perkins brand, one at Nuneaton and one at Kensal Green in North London. Both branches have made a promising start.

As a result of acquisitions and other developments the UK network has grown to a total of 466 branches.

We have continued to invest in our existing branch network to improve the facilities offered to our customers, most notably redeveloping our branches at Woolwich, Bletchley and Pollockshaws Road, Glasgow. In a number of other branches investment has been made to improve the racking and displays of lightside materials.

Various initiatives have been taken in the area of product development. Nine further tool hire outlets have been opened, including our first stand alone outlet in Kilburn, in North London, increasing the total to 129. In addition we have recently established a new organisation structure to operate our specialist plumbing and heating branches of which there are now 21 in total, currently being rebranded TP Plumbing and Heating. New locations are planned and the number of these specialist branches will grow alongside our other branches.

Further investment has been made in computing hardware and network facilities in order to widen the range of applications available across the business. In addition to the existing on-line pricing enquiry and electronic ordering services, our ability to service customers via the internet has been further enhanced with the continued development of our electronic catalogue. The level of orders received over the internet remains low although the use of our various websites continues to expand at a rapid pace. In June the company agreed to join the construction industry portal site, Construction Plus, further increasing our potential customer base.

We have increased the resources applied to the training and development of our employees and additional programmes have been introduced aimed at further enhancing the quality of service we give to our customers.

The operating performance of our main sawmilling centres has been reviewed and programmes have been instigated to maximise output with the objective of delivering an improved service level to our branches and external markets.

The scale of growth in our branch network in a comparatively short period presents a formidable challenge to employees at every level in the Group and I would like to thank all our staff for the way they have risen to this challenge.

F.J.McKAY
Chief Executive

Consolidated Profit and Loss Account

£m	Six months 30 June 2000 (Reviewed)	Six months 30 June 1999 (Reviewed)	Year 31 Dec 1999 (Audited)
Turnover	590.5	358.8	874.3
Operating profit before reorganisation costs and amortisation of goodwill	57.6	36.9	90.4
Reorganisation costs	(2.3)	(1.6)	(6.6)
Amortisation of goodwill	(5.0)	(0.8)	(4.2)
Operating profit after reorganisation costs and amortisation of goodwill	50.3	34.5	79.6
Profit on sale of properties	0.2	0.1	0.6
Profit on ordinary activities before interest	50.5	34.6	80.2
Net interest payable	(6.2)	(0.2)	(5.0)
Profit on ordinary activities before taxation	44.3	34.4	75.2
Tax on profit on ordinary activities	(14.7)	(10.9)	(22.5)
Profit on ordinary activities after taxation	29.6	23.5	52.7
Dividends paid and proposed	(5.3)	(4.5)	(14.9)
Retained profit transferred to reserves	24.3	19.0	37.8
Earnings per share			
Basic	26.7p	22.4p	50.0p
Diluted	26.6p	22.3p	49.6p
Before reorganisation costs, amortisation of goodwill and profit on sale of properties	32.5p	24.1p	57.8p
Dividend per share	4.8 p	4.3 p	13.7 p

Consolidated Balance Sheet

£m	30 June 2000 (Reviewed)	30 June 1999 (Reviewed)	31 Dec 1999 (Audited)
Fixed assets			
Tangible assets	205.4	149.4	194.2
Intangible assets – goodwill	195.1	119.6	181.1
Investments	4.1	3.3	4.0
	404.6	272.3	379.3
Current assets			
Stocks	141.3	120.2	127.8
Debtors	236.0	193.3	205.5
Properties held for resale	0.8	1.4	0.3
Cash at bank and in hand	15.0	37.7	17.0
	393.1	352.6	350.6
Creditors: amounts falling due within one year	(276.9)	(207.2)	(227.3)
Net current assets	116.2	145.4	123.3
Total assets less current liabilities	520.8	417.7	502.6
Creditors: amounts falling due after more than one year	(175.0)	(180.1)	(185.1)
Provisions for liabilities and charges	(7.0)	(2.2)	(3.0)
	338.8	235.4	314.5
Capital and reserves			
Called up share capital	11.1	10.5	11.1
Share premium account	52.6	16.8	52.0
Revaluation reserves	31.9	7.8	32.0
Profit and loss account	242.1	200.3	218.3
Total equity shareholders' funds	337.7	235.4	313.4
Minority interests - non equity	1.1	-	1.1
	338.8	235.4	314.5

The interim financial statements were approved by the Board of Directors on 6 September 2000.

Signed on behalf of the Board of Directors.

FJ McKay }
PN Hampden Smith } Directors

Reconciliation of Movements in Shareholders' Funds

£m	Six months 30 June 2000 (Reviewed)	Six months 30 June 1999 (Reviewed)	Year 31 Dec 1999 (Audited)
Shareholders' funds at 1 January	313.4	215.5	215.5
Profit attributable to shareholders of the Company	29.6	23.5	52.7
Dividends	(5.3)	(4.5)	(14.9)
	24.3	19.0	37.8
New share capital subscribed	0.6	0.9	36.3
Revaluation reserve release on transfer of fixed asset properties to current assets	(0.6)	-	-
Revaluation of properties	-	-	23.8
Net addition to shareholders' funds	24.3	19.9	97.9
Shareholders' funds at 30 June / 31 December	337.7	235.4	313.4

Statement of Total Recognised Gains and Losses

£m	Six months 30 June 2000 (Reviewed)	Six months 30 June 1999 (Reviewed)	Year 31 Dec 1999 (Audited)
Profit attributable to shareholders of the Company	29.6	23.5	52.7
Other recognised losses	(0.6)	-	-
Unrealised surplus on revaluation of properties	-	-	23.8
Total recognised gains and losses relating to the period	29.0	23.5	76.5

Consolidated Cash Flow Statement

£m	Six months 30 June 2000 (Reviewed)	Six months 30 June 1999 (Reviewed)	Year 31 Dec 1999 (Audited)
Net cash inflow from operating activities	60.8	39.0	106.6
Returns on investments and servicing of finance			
Interest received	-	0.8	1.2
Interest paid	(5.8)	(0.2)	(5.1)
Net cash (outflow) / inflow for returns on investments and servicing of finance	(5.8)	0.6	(3.9)
Taxation			
UK corporation tax paid	(5.3)	(0.7)	(24.6)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(17.6)	(7.9)	(17.5)
Receipts from sales of tangible fixed assets	1.7	0.7	1.9
Net cash outflow for capital expenditure and financial investment	(15.9)	(7.2)	(15.6)
Acquisitions and disposals			
Purchase of business undertakings	(10.3)	(195.2)	(237.6)
Net overdrafts acquired with business undertakings	(6.0)	(2.5)	(14.2)
Net cash outflow for acquisitions and disposals	(16.3)	(197.7)	(251.8)
Equity dividends paid	(10.4)	(8.7)	(13.1)
Cash inflow / (outflow) before use of liquid resources and financing	7.1	(174.7)	(202.4)
Management of liquid resources			
Cash inflow from short term deposits	15.9	8.2	11.8
Financing			
Issue of ordinary share capital	0.6	0.9	1.5
New bank loans	-	180.0	205.0
Repayment of bank loans	(10.0)	-	(20.0)
Capital element of finance lease rentals	(0.1)	(0.1)	(0.2)
Net cash (outflow) / inflow from financing	(9.5)	180.8	186.3
Increase / (decrease) in cash in the period	13.5	14.3	(4.3)

Notes to the Interim Financial Statements

1 Basis of preparation

The interim financial statements have been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the year ended 31 December 1999. However, following the introduction of Financial Reporting Standard ("FRS") 15 "Tangible Fixed Assets", the Group has adopted the transitional rules within the FRS to freeze the carrying values of all revalued assets at their modified historical cost. There are no other effects on either the current or prior period.

The financial information for the six months ended 30 June 2000 and 30 June 1999 is unaudited and does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. This information has been reviewed by Deloitte & Touche, the Group's auditors, and a copy of their review report appears on page 12 of this Press Release.

The financial information for the year ended 31 December 1999 is extracted from the audited accounts for that period. The auditors' report on those accounts was unqualified and did not contain a statement under s237(2) or (3) of the Companies Act 1985.

2 Taxation

The tax charge on ordinary activities for the six months ended 30 June 2000 has been calculated at the rate which it is expected will apply for the year ended 31 December 2000.

3 Earnings per share

Six months	Six months	Year
30 June	30 June	31 Dec
2000	1999	1999

Basic earnings per share is calculated from the following ratio:

<u>Profit on ordinary activities after taxation</u>	£29.6 million	£23.5 million	£52.7 million
Average number of shares in issue	110,657,080	104,997,037	105,325,007

Diluted earnings per share is calculated from the following ratio:

<u>Profit on ordinary activities after taxation</u>	£29.6 million	£23.5 million	£52.7 million
Average number of shares including outstanding options	111,188,136	105,435,475	106,230,674

Notes to the Interim Financial Statements

3 Earnings per share (continued)

Earnings before reorganisation costs, amortisation of goodwill and profit on the sale of properties is presented in addition to the basic earnings per share calculated in accordance with FRS 3 and FRS14 since, in the opinion of the Directors, this presents a better like-for-like comparison of the earnings of the Group between the relevant periods.

Basic earnings per share may be reconciled to earnings per share before reorganisation costs, amortisation of goodwill and profit on the sale of properties as follows:

Pence	Six months 30 June 2000	Six months 30 June 1999	Year 31 Dec 1999
Earnings per share before reorganisation costs, amortisation of goodwill and profit on the sale of properties	32.5p	24.1p	57.8p
Reorganisation costs	(2.1)p	(1.5)p	(6.3)p
Tax thereon	0.6p	0.4p	1.9p
Amortisation of goodwill	(4.5)p	(0.7)p	(4.0)p
Profit on sale of properties	0.2p	0.1p	0.6p
Basic earnings per share - FRS 3 basis	26.7p	22.4p	50.0p

4 Dividend per share

The interim dividend of 4.8 pence per ordinary share will be paid on 1 November 2000 to shareholders on the register on 6 October 2000. The shares will be quoted ex dividend on 2 October 2000.

5 Net cash flow from operating activities

£m	Six months 30 June 2000	Six months 30 June 1999	Year 31 Dec 1999
Operating profit after reorganisation costs and amortisation of goodwill	50.3	34.5	79.6
Amortisation of goodwill	5.0	0.8	4.2
Depreciation	8.0	5.3	14.8
Profit on sale of fixed assets and investments	(0.4)	(0.1)	(0.3)
(Increase) / decrease in stocks	(10.8)	(5.6)	1.2
Increase in debtors	(24.6)	(22.4)	(15.2)
Increase in creditors	33.3	26.5	22.3
Net cash inflow from operating activities	60.8	39.0	106.6

Notes to the Interim Financial Statements

6 Reconciliation of cash flow to movement in net (debt) / cash

£m	Six months 30 June 2000	Six months 30 June 1999	Year 31 Dec 1999
Net (debt) / cash at 1 January	(181.6)	31.1	31.1
Increase / (decrease) in cash in the period	13.5	14.3	(4.3)
Cash outflow to repay / (inflow from) debt	10.0	(180.0)	(185.0)
Non-cash changes	(6.5)	-	(11.8)
Cash inflow from short term deposits	(15.9)	(8.2)	(11.8)
(Increase) / decrease in finance leases	(0.2)	0.1	0.2
Movement in net debt / cash	0.9	(173.8)	(212.7)
Net debt at 30 June / 31 December	(180.7)	(142.7)	(181.6)

7 Analysis of net debt

	Six months 30 June 2000	Six months 30 June 1999	Year 31 Dec 1999
Cash on call	15.0	18.2	1.1
Short term deposits	-	19.5	15.9
Cash at bank and in hand	15.0	37.7	17.0
Overdrafts	(1.9)	-	(1.5)
Loans	(175.0)	(180.0)	(185.0)
Finance leases less than 1 year	(0.4)	(0.2)	(0.2)
Finance leases greater than 1 year	-	(0.1)	-
Unsecured loan notes	(18.4)	(0.1)	(11.9)
Net debt at 30 June / 31 December	(180.7)	(142.7)	(181.6)

Independent Review Report to Travis Perkins plc

Introduction

We have been instructed by the Company to review the financial information set out on pages 5 to 11 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The Listing Rules of the UK Listing Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, assessing whether accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial information.

Review conclusion

On the basis of our review, we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2000.

Deloitte & Touche
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6 September 2000