Travis Perkins plc Press Release

6 September 2001

PRE-TAX PROFITS UP 18.1 PER CENT AT £52.3 MILLION

OPERATING PROFITS BEFORE REORGANISATION COSTS AND AMORTISATION OF GOODWILL UP 9.2 PER CENT AT £62.9 MILLION

	2001	2000	Increase
	£m	£m	%
Turnover	**628.4**	590.5	6.4
Operating profit before reorganisation costs and amortisation of goodwill	**62.9**	57.6	9.2
Profit before taxation	**52.3**	44.3	18.1
Profit after taxation	**35.1**	29.6	18.6
Basic earnings per ordinary share	**31.6p**	26.7p	18.4
Adjusted earnings per ordinary share before reorganisation costs, amortisation of goodwill and profit on sale of properties	**36.0p**	32.5p	10.8
Interim dividend per share	**5.4p**	4.8p	12.5

Frank McKay, chief executive, said: “ We continue our drive for growth in our UK network by both acquisition and development of greenfield sites. In addition we see the opportunity for further organic improvements.

Construction activity overall has increased in the first half of this year compared with a year earlier, particularly in the improvement and maintenance markets to which the Company is a major supplier. While the level of new housing starts is lower, consumer confidence, supported by the decline in interest rates, has remained robust. Against this background we believe the Company can make further progress this year. ”

Enquiries: Frank McKay
Chief Executive
Tel: 07712 878700 (today)

Issued on behalf of Travis Perkins plc by Tavistock Communications Limited (contact: Keith Payne, tel: 0207 600 2288)

Chairman's Statement

I am pleased to report an operating profit for the six months to 30 June 2001, before re-organisation costs and amortisation of goodwill, of £62.9 million against £57.6 million the previous year, an increase of 9.2%. Group sales at £628.4 million were 6.4% ahead. The operating profit represents 10% of sales compared with 9.8% in 2000.

After amortisation of goodwill amounting to £5.2 million and interest costs of £5.7 million, profit before taxation rose to £52.3 million from £44.3 million, an increase of 18.1%. There were no exceptional reorganisation costs in the first half of this year against £2.3 million in the same period of 2000. Basic earnings per share were 18.4% ahead at 31.6p against 26.7p. After adjusting for amortisation of goodwill, profit from the sale of surplus properties and re-organisation costs incurred in the first half of last year, earnings per share rose to 36.0p from 32.5p, an increase of 10.8%.

The board has declared an interim dividend of 5.4p per share, an increase of 12.5%.

Cash inflow from operating activities was £93.2 million, a strong advance on the £60.8 million generated in the same period last year, primarily as a result of tight control of working capital. Capital expenditure of £16.7 million was at a similar level to the first half of last year reflecting development of the Company's branches together with the addition of new outlets and investment in new vehicles, plant and computing hardware. Total expenditure on acquisitions was £11.2 million, as we continued to acquire independent businesses to add to our existing branch network. Net debt at 30 June 2001 was £149.0 million compared with £191.4 million at 31 December 2000. This resulted in gearing of 38.1% compared with 53.5% at 31 December 2000. The net interest charge was covered 11 times by operating profit before reorganisation costs and amortisation of goodwill for the first half as against 9 times for the same period last year.

After 36 years service with the Company, I have decided to retire from the board at the end of October this year. For a limited period I will act as a consultant on certain strategic matters. I am very pleased to report that Tim Stevenson joins the board with immediate effect and will take over as chairman on my retirement. Tim, 53, who will be non-executive chairman, spent twenty five years with Burmah Castrol PLC, culminating in his appointment as Chief Executive in 1998. He relinquished this position in August 2000 after Burmah Castrol was acquired by BP plc. He is a non-executive director of National Express plc. I warmly welcome Tim to the Company and the board. He will find a progressive business and a strong management team led by Frank McKay. I have every confidence that in their hands the Company will continue to prosper.

Construction activity overall has increased in the first half of this year compared with a year earlier, particularly in the improvement and maintenance markets to which the Company is a major supplier. While the level of new housing starts is lower, consumer confidence, supported by the decline in interest rates, has remained robust. Against this background we believe the Company can make further progress this year.

A. TRAVIS

6 September 2001

Chief Executive's Report

Results

Turnover increased 6.4% to £628.4 million in the first half of 2001 from £590.5 million in the same period last year. Group like for like sales rose by 3.4%, the second quarter showing a stronger gain than the first quarter as the market gained momentum. Turnover also benefited from our continued investment in acquisitions of independent merchants, in greenfield sites, and in the enhancement of our existing branch network.

Operating profit before re-organisation costs and amortisation of goodwill rose 9.2% to £62.9 million from £57.6 million. This represented 10.0% of sales, compared with 9.8% in the first half of 2000 reflecting the impact of our continuous improvement programmes.

The 101 branches acquired in June 1999 on the acquisition of Keyline continue to perform satisfactorily with improved returns both from those branches rebranded Travis Perkins and those retaining the Keyline brand.

The 38 Sharpe and Fisher branches acquired at the end of 1999 were all rebranded Travis Perkins and went through a considerable change last year as the product range and operating systems were aligned with those of Travis Perkins. With the transition process complete by the end of 2000, the performance of these branches in the first half of 2001 has been encouraging. Sales and profits are both ahead of the equivalent period last year.

Developments

Consistent with our growth strategy, 19 new branches were added through acquisitions and greenfield site developments. The 10 generalist branches acquired, together with the opening of 9 greenfield sites including a number of plumbing and heating specialist branches, increased the total branch network to 492 at 30 June 2001. These new additions have started well and are performing ahead of expectations.

A further 12 tool hire outlets have been introduced in the first half of the year, bringing the total to 142.

Branch Improvements

Our programme of branch improvements continued with major redevelopment projects undertaken at Bath, Maidstone, Durham and Barnsley. These projects are designed both to broaden the range of products offered and to improve the flow of customer vehicles through the branches.

The integration of our specialist timber operation, DW Archer, has progressed well. All 11 Archer branches are now operating on the same systems as the rest of the group, enabling us to monitor margin performance more effectively. Consideration is also being given to introducing a wider product offering in some of these branches.

Improvements to operating efficiency in our main timber sawmills have led to greater product availability through more on-time and in-full deliveries to the branch network.

Information Technology

Major new initiatives in branch systems and in stock and debtor management were launched in 2000 and are now close to full implementation. As a result, we have been able to further improve both stock and debtor management. Automatic stock replenishment programmes with selected suppliers are also progressing well and we are confident that these will further enhance stock turn and product availability.

E-commerce initiatives have focused on specific bespoke projects with customers. Website traffic has continued to grow, though individual transaction values via the internet remain small.

EDI invoicing programmes with suppliers have been extended. About two thirds of all invoices are now received electronically. Internal Intranet systems have been enhanced significantly in recent months with interactive management information now replacing paper based systems.

Customer Service

Customer service training has continued to be provided to branch management and the key performance indicator tracking programme is producing beneficial results. We shall continue to refine these training and performance programmes during the second half of the year.

Health, Safety and Environment

Increased visibility of accident data has raised awareness of health and safety risks in the company and highlighted areas for improvement.

Our ISO 14001 compatible environment management system was launched at the end of June. As a result, procedures are now in place which will enable us to address a range of environmental issues. In particular, environmental impact reduction targets have been set which have resulted in a number of initiatives and action plans. As part of our procedures all internal audit reviews will now assess environment issues and we shall be externally audited for ISO 14001 compliance later in the year.

Future Expansion

We continue our drive for growth in our UK network by both acquisition and development of greenfield sites. In addition, we see the opportunity for organic improvements through capital expenditure, product sourcing and own label developments. The IT developments currently being rolled out will continue to enhance the efficiency of our business. The emphasis on product specialisation in the areas of plumbing and heating, toolhire, drylining and insulation, timber and hard landscaping products continues.

We have confidence in our ability to sustain the growth in the business in its present form. Looking further ahead our understanding of the market in building materials outside the United Kingdom continues to develop.

Staff

On behalf of the Board, I would like to express our thanks to all employees for their contribution to a positive first half of 2001.

F. J. McKAY

6 September 2001

Consolidated Profit and Loss Account

£m	**Six months 30 June 2001 (Reviewed)**	Six months 30 June 2000 (Reviewed)	Year 31 Dec 2000 (Audited)
Turnover	**628.4**	590.5	1,181.2
Operating profit before reorganisation costs and amortisation of goodwill	**62.9**	57.6	113.2
Reorganisation costs	-	(2.3)	(5.0)
Amortisation of goodwill	**(5.2)**	(5.0)	(10.1)
Operating profit after reorganisation costs and amortisation of goodwill	**57.7**	50.3	98.1
Profit on sale of properties	**0.3**	0.2	0.3
Profit on ordinary activities before interest and taxation	**58.0**	50.5	98.4
Net interest payable	**(5.7)**	(6.2)	(12.7)
Profit on ordinary activities before taxation	**52.3**	44.3	85.7
Tax on profit on ordinary activities	**(17.2)**	(14.7)	(27.3)
Profit on ordinary activities after taxation	**35.1**	29.6	58.4
Dividends paid and proposed	**(6.0)**	(5.3)	(17.0)
Retained profit transferred to reserves	**29.1**	24.3	41.4
Earnings per ordinary share			
Basic	**31.6p**	26.7p	52.7p
Diluted	**31.3p**	26.6p	52.4p
Adjusted (before reorganisation costs, amortisation of goodwill and profit on sale of properties)	**36.0p**	32.5p	64.7p
Dividend per ordinary share	**5.4p**	4.8p	15.3p

Consolidated Balance Sheet

£m	30 June 2001 (Reviewed)	30 June 2000 (Reviewed)	31 Dec 2000 (Audited)
Fixed assets			
Tangible assets	**223.9**	205.4	215.8
Intangible assets - goodwill	**192.3**	195.1	192.8
Investments	**5.2**	4.1	5.2
	421.4	404.6	413.8
Current assets			
Stocks	**140.9**	141.3	140.6
Debtors	**242.0**	236.0	212.3
Properties held for resale	**1.7**	0.8	1.5
Cash at bank and in hand	**16.5**	15.0	9.8
	401.1	393.1	364.2
Creditors: amounts falling due within one year	**(304.6)**	(276.9)	(269.3)
Net current assets	**96.5**	116.2	94.9
Total assets less current liabilities	**517.9**	520.8	508.7
Creditors: amounts falling due after more than one year	**(125.0)**	(175.0)	(150.0)
Provisions for liabilities and charges	**(2.2)**	(7.0)	(1.1)
	390.7	338.8	357.6
Capital and reserves			
Called up share capital	**11.2**	11.1	11.1
Share premium account	**59.8**	52.6	54.7
Revaluation reserves	**31.4**	31.9	31.4
Profit and loss account	**287.2**	242.1	259.3
Total equity shareholders' funds	**389.6**	337.7	356.5
Minority interests - non equity	**1.1**	1.1	1.1
	390.7	338.8	357.6

The interim financial statements were approved by the Board of Directors on 6 September 2001.
Signed on behalf of the Board of Directors.

FJ McKay) Directors
PN Hampden Smith)

Reconciliation of Movements in Shareholders' Funds

£m	**Six months 30 June 2001 (Reviewed)**	Six months 30 June 2000 (Reviewed)	Year 31 Dec 2000 (Audited)
Shareholders' funds at 1 January	**356.5**	313.4	313.4
Profit attributable to shareholders of the Company	**35.1**	29.6	58.4
Dividends	**(6.0)**	(5.3)	(17.0)
	29.1	24.3	41.4
New share capital subscribed	**4.1**	0.6	2.4
Revaluation reserve release on transfer of fixed asset properties to current assets	(0.1)	(0.6)	(0.7)
Net addition to shareholders' funds	33.1	24.3	43.1
Shareholders' funds at 30 June / 31 December	**389.6**	337.7	356.5

Statement of Total Recognised Gains and Losses

£m	**Six months 30 June 2001 (Reviewed)**	Six months 30 June 2000 (Reviewed)	Year 31 Dec 2000 (Audited)
Profit attributable to shareholders of the Company	**35.1**	29.6	58.4
Other recognised losses	**(0.1)**	(0.6)	(0.7)
Total recognised gains and losses relating to the period	**35.0**	29.0	57.7

Consolidated Cash Flow Statement

£m	**Six months 30 June 2001 (Reviewed)**	Six months 30 June 2000 (Reviewed)	Year 31 Dec 2000 (Audited)
Net cash inflow from operating activities	**93.2**	60.8	104.7
Returns on investments and servicing of finance			
Interest received	**0.1**	-	0.1
Interest paid	**(7.5)**	(5.8)	(10.3)
Net cash outflow for returns on investments and servicing of finance	**(7.4)**	(5.8)	(10.2)
Taxation			
UK corporation tax paid	**(10.0)**	(5.3)	(26.3)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	**(16.7)**	(17.6)	(34.3)
Receipts from sales of tangible fixed assets	**2.0**	1.7	1.6
Net cash outflow for capital expenditure and financial investment	**(14.7)**	(15.9)	(32.7)
Acquisitions			
Purchase of business undertakings	**(11.4)**	(10.3)	(18.0)
Net cash/(overdrafts) acquired with business undertakings	**0.2**	(6.0)	(5.8)
Net cash outflow for acquisitions	**(11.2)**	(16.3)	(23.8)
Equity dividends paid	**(11.6)**	(10.4)	(15.8)
Cash inflow / (outflow) before use of liquid resources and financing	**38.3**	7.1	(4.1)
Management of liquid resources			
Cash inflow from short term deposits	**-**	15.9	15.9
Financing			
Issue of ordinary share capital	**4.1**	0.6	1.1
Repayment of bank loans	**(25.0)**	(10.0)	(10.0)
Repayment of unsecured loan notes	**(0.9)**	-	(2.3)
Capital element of finance lease rentals	**(0.1)**	(0.1)	(0.2)
Net cash outflow from financing	**(21.9)**	(9.5)	(11.4)
Increase in cash in the period	**16.4**	13.5	0.4

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 2000.

The financial information for the six months ended 30 June 2001 and 30 June 2000 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 2000 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 2001 has been calculated at the rate which it is expected will apply for the year ended 31 December 2001.

3. Earnings per ordinary share

	Six months 30 June 2001	Six months 30 June 2000	Year 31 Dec 2000
Basic earnings per ordinary share are calculated from the following ratio:			
Profit on ordinary activities after taxation	£35.1 million	£29.6 million	£58.4 million
Average number of shares in issue	111,114,419	110,657,080	110,730,648
Diluted earnings per ordinary share are calculated from the following ratio:			
Profit on ordinary activities after taxation	£35.1 million	£29.6 million	£58.4 million
Average number of shares in issue including outstanding options	112,074,271	111,188,136	111,406,946

Adjusted earnings per ordinary share (before reorganisation costs, amortisation of goodwill and profit on the sale of properties) are presented in addition to the basic earnings per ordinary share calculated in accordance with FRS 3 and FRS 14 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.

3. Earnings per ordinary share (continued)

Basic earnings per ordinary share may be reconciled to adjusted earnings per ordinary share as follows:

Pence	**Six months 30 June 2001**	Six months 30 June 2000	Year 31 Dec 2000
Adjusted earnings per ordinary share (before reorganisation costs, amortisation of goodwill and profit on the sale of properties)	**36.0p**	32.5p	64.7p
Reorganisation costs	-	(2.1)p	(4.5)p
Tax thereon	-	0.6p	1.3p
Amortisation of goodwill	**(4.7)p**	(4.5)p	(9.1)p
Profit on sale of properties	**0.3p**	0.2p	0.3p
Basic earnings per ordinary share - FRS14 basis	**31.6p**	26.7p	52.7p

4. Dividend per ordinary share

The interim dividend of 5.4 pence per ordinary share will be paid on 1 November 2001 to shareholders on the register on 5 October 2001. The shares will be quoted ex-dividend on 3 October 2001.

5. Net cash inflow from operating activities

£m	**Six months 30 June 2001**	Six months 30 June 2000	Year 31 Dec 2000
Operating profit after reorganisation costs and amortisation of goodwill	**57.7**	50.3	98.1
Amortisation of goodwill	**5.2**	5.0	10.1
Depreciation and other amounts written off fixed assets	**9.1**	8.0	16.6
Profit on sale of fixed assets	**(0.3)**	(0.4)	(0.7)
Decrease / (increase) in stocks	**1.6**	(10.8)	(9.0)
Increase in debtors	**(21.7)**	(24.6)	(0.5)
Increase / (decrease) in creditors	**41.6**	33.3	(9.9)
Net cash inflow from operating activities	**93.2**	**60.8**	**104.7**

6. Reconciliation of net cash flow to movement in net debt

£m	**Six months 30 June 2001**	Six months 30 June 2000	Year 31 Dec 2000
Net debt at 1 January	**(191.4)**	(181.6)	(181.6)
Increase in cash in the period	**16.4**	13.5	0.4
Cash outflow to repay debt	**25.0**	10.0	12.3
Non-cash changes	**0.9**	(6.5)	(6.8)
Cash inflow from decrease in liquid resources	**-**	(15.9)	(15.9)
Decrease / (increase) in finance leases	**0.1**	(0.2)	0.2
Movement in net debt	**42.4**	0.9	(9.8)
Net debt at 30 June / 31 December	**(149.0)**	(180.7)	(191.4)

7. Analysis of movements in cash and debt

£m	**Six months 30 June 2001**	Six months 30 June 2000	Year 31 Dec 2000
Cash at bank and in hand	**16.5**	15.0	9.8
Bank overdrafts	**(0.1)**	(1.9)	(9.8)
Bank loans	**(150.0)**	(175.0)	(175.0)
Finance leases less than 1 year	**(0.2)**	(0.4)	(0.3)
Unsecured loan notes	**(15.2)**	(18.4)	(16.1)
Net debt at 30 June / 31 December	**(149.0)**	(180.7)	(191.4)

Independent Review Report to Travis Perkins plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2001 which comprises the profit and loss account, the balance sheet, the cash flow statement and related notes 1 to 7. 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 Financial Services 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 enquires 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 financial information as presented for the six months ended 30 June 2001.

Deloitte & Touche — 6 September 2001
Chartered Accountants
Colmore Gate
2 Colmore Row
Birmingham B3 2BN

Notes

A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.