

TRAVIS PERKINS PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

FINANCIAL HIGHLIGHTS

- Group revenue down 8% at £2,931m
- Adjusted operating profit down 17% to £225m
- Adjusted profit before tax of £180m
- Adjusted EPS down 22% to 75p
- Gross operating cost savings of £60m achieved ahead of target
- Retail operating profit up 19% with increased operating margin
- Free cash flow £294m up 59% (Note 14)
- Capital base strengthened through rights issue with net debt more than halved to £467m

OPERATING HIGHLIGHTS

- Like-for-like headcount reduced by 13% since start of recession
- Operating focus shifted to cost and debt reduction
- Merchanting business rated top amongst national merchants
- Successful Wickes marketing campaign delivers market share gain

| | 2009 | | 2008 |
|---|----------------|---------------|---------|
| | £m | % | £m |
| Revenue | 2,930.9 | (7.8) | 3,178.6 |
| <hr/> | | | |
| Adjusted*: | | | |
| Operating profit (note 6a) | 224.6 | (17.3) | 271.5 |
| Profit before taxation (note 6b) | 180.0 | (11.1) | 202.5 |
| Profit after taxation (note 6b) | 133.9 | (6.9) | 143.9 |
| Basic earnings per ordinary share (pence) (note 8) | 75.2 | (22.4) | 96.9 |
| <hr/> | | | |
| Statutory: | | | |
| Operating profit | 257.3 | 19.5 | 215.3 |
| Profit before taxation | 212.7 | 45.4 | 146.3 |
| Profit after taxation | 157.4 | 54.5 | 101.9 |
| Basic earnings per ordinary share (pence) | 88.4 | 28.9 | 68.6 |
| <hr/> | | | |
| Total dividend declared per ordinary share (pence) (note 9) | - | - | 14.5 |

*With effect from the 1 December 2009 the Company and the Trustees of the Travis Perkins' defined benefits pension scheme agreed to cap future pensionable salary increases at a maximum 3% per annum. This created a curtailment event. The resulting exceptional reduction in the benefit obligation of £32.7m has been included in other operating income. In 2008 the Group incurred an exceptional charge of £56.2m associated with the severe downturn in the construction market. Throughout these financial statements the term "adjusted" has been used to signify that the effect of these exceptional items has been excluded from the disclosure being made.

Geoff Cooper, Chief Executive, commented:

“The Group has delivered another market leading performance in a year that saw the most difficult trading conditions in the Group’s history. Management has taken decisive and resolute action to deal with the impact of the downturn and in doing so has maintained Travis Perkins as one of the strongest operators in the sector. Our core strengths have been retained whilst costs have been reduced. Our profitability, although lower than in pre-recession conditions compares well with our competitors.

Whilst our markets are no longer exhibiting the abrupt declines in volume that characterised the start of the recession, activity levels remain fragile. Having managed effectively through the recession the Group’s strategy is to focus on organic growth in this low growth environment. Our stable and experienced management team has a proven track record of driving organic growth in these market conditions.”

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Summary In 2009 the Group's priorities were almost exclusively focused on dealing with the unprecedented downturn in construction activity. Our principal focus was on cutting costs and trading profitably to deal with a predicted 25% fall in activity levels, and on taking a range of actions aimed at reducing net debt.

Whilst our overall forecast of activity levels for 2009 proved broadly correct, the retail market held up much better than expected following actions taken by monetary authorities to boost consumer sentiment. In contrast, the trade market fared a little worse than expected. The Group, in comparison with competitors with a more narrow focus, has benefited from its breadth of business activities across these two segments of the building materials market. This benefit was boosted further in 2009 by the success of Wickes' refreshed commercial strategy, which led to market share gains, profit growth, and operating margin expansion.

Financial Performance The Group's results reflect the impact of the early action taken to prepare for the recession, the divergent fortunes of our two divisions, and the successful rights issue completed in the first half of 2009.

Before adjusting for the effect of exceptional items in both years, the Group recorded an increase of 45% in PBT to £212.7m and an increase of 29% in earnings per share to 88.4 pence. Including the effect of our £300.3m rights issue, shareholders' funds increased by £442.2m.

Evidence of stabilisation in our markets emerged in the second half of the year. Shortly after the outset of the downturn we estimated that in response to the underlying difficult economic circumstances in the UK, volumes in our markets would fall from their peak in late 2008 by about 25% and reach a low point in mid 2009. Our view of 2009 now points to an overall trough of 25%, but the trough in merchanting of a little over 30%, occurred a few months later than we forecast whilst the retail trough of around 15%, occurred in the first quarter of 2009.

Although the recession has broadly followed our forecasts, there have been a few noteworthy differences from our predictions. The retail market performed more strongly boosted by good weather and surviving operators benefited from the exit of a competitor from the showroom market. By contrast the merchanting market performed less well due to exposure to the heavier end of the market serving large construction projects, where the reduction in activity has been more severe.

For 2009, the Group reported revenue down £247.7m at £2,930.9m (2008: £3,178.6). This revenue decline drove adjusted operating profit down 17% to £224.6m (2008: £271.5m), adjusted profit before tax down 11% to £180.0m (2008: £202.5m), and adjusted earnings per share down by 22.4% to 75.2 pence (2008: 96.9 pence). The revenue decrease of 7.8% comprised a decline of 8.6% in like-for-like ("LFL") sales, with network expansion accounting for growth of 1.0% with a reduction in trading days accounting for 0.2%.

Adjusted group operating margin fell by 0.8% to 7.7% (2008: 8.5%) (note 6c). Whilst adjusted operating margin in the retail division improved by 0.7% to 5.8%, merchanting division adjusted operating margin fell by 1.2% to 8.8%, reflecting the challenge of reducing fixed costs in line with the significant fall in volume experienced by the market.

The Group incurred an exceptional charge of £56.2m in the prior year as a result of actions taken in response to the downturn in construction markets. In 2009 the exceptional item related to a £32.7m pension scheme curtailment gain which arose in December when future increases in pension scheme members' pensionable salaries were capped.

As at 31 December 2009 the Group had net debt of £467.2m (2008: £1,017.4m) (note 13). However, if the currency retranslation effect caused by the changes to the Sterling US dollar exchange rates is eliminated, net debt at 31 December 2009 would have been £426.7m, a reduction of £510.5m over the year. The US\$ Guaranteed Senior Notes are fully hedged and so by the dates they are redeemable in 2013 or 2016, the exchange effects will have fully reversed.

The actions we implemented in late 2008 ahead of the expected sharp downturn in construction activity in 2009 served us well. We exceeded our original target for cost savings, with the 2009 cost base of the Company being over £60m lower than in 2008, against an original target of £50m, having made additional headcount and distribution savings. These savings would have been higher were it not for our initiatives to invest in opportunities to grow revenue in the retail market. Our cost reduction programme combined with initiatives to improve stock ratios and constrain capital expenditure, have helped boost cash flow. The Group generated free cash flow of £294.4m in 2009, a 58.9% increase on last year. Overall, including net proceeds from the rights issue of £300.3m, net debt was reduced to £467.2m. For covenant purposes net debt was £413.1m, giving a net debt / EBITDA ratio of 1.47 times and interest cover of 10.7 times.

As expected with less construction work available, competition in merchanting intensified during the course of 2009, with a related deterioration in pricing conditions. Product cost and price inflation continued to be relatively strong by historical standards. In these circumstances, we sought to trade flexibly, preferring to protect our gross margin rather than fill our capacity with low margin work, and re-doubled our efforts to obtain favourable input prices through a range of procurement initiatives. We estimate these actions helped to offset over half of the fall in gross margins in the merchanting market. In contrast, the pricing environment in retail remained relatively benign as competitors sought to restore their low operating margin and achieve an economic return. Overall, gross margin percentage for the Group decreased slightly, mainly reflecting a decline in the merchanting division margin.

Although the Company has performed well during 2009 and exits the year in a strong position, the Board has concluded that there remains too much economic uncertainty for it to be able to recommend to shareholders the reinstatement of the dividend at this time. We expect to resume dividend payments once uncertainty is reduced and improved prospects for our markets are visible.

Outlook Our markets appear to have stabilised following a sharp decline at the start of the recession. However much uncertainty remains about the condition of the UK economy and the prospects for construction markets. We are prepared for a long period of probable low growth and difficult trading conditions before we can anticipate a return to growth in our markets. Whilst the long-term prospects for construction remain strong, particularly when considering the ever rising demand for better environmental performance from buildings, the affordability of many types of industry investment remains weak.

Although forecasts are particularly problematic in this recession, we estimate our markets are now stabilising, having fallen sharply from the third quarter of 2008. We are now in a phase of stabilisation, which present its own difficulties, with no growth, some exaggerated short term volatility in market trends, continued intense competition and business failures, and the potential for material shortages following the large cuts in manufacturing capacity implemented by manufacturers. At this stage there is no clear indication of when our markets might return to growth again. Although we believe this might be evident by the end of 2010, we are also wary of the probable 'false starts' that we expect to see.

Whilst our markets are no longer exhibiting the abrupt declines in volume that characterised the start of the recession, activity levels remain fragile. We are concerned in particular about weak consumer spending trends in 2010 as inflation rises and the cushion of falling mortgage costs annualises out. We expect the home improvement market to contract further in 2010, but with only limited benefit from competitors going out of business in contrast to the large capacity reductions seen in 2009. Against this background, we expect pricing discipline to be maintained since returns for most operators remain at sub-economic levels. However, there is always a risk of sporadic price aggression from less disciplined operators.

For the 7 weeks to 20 February group LFL sales performance was down 2.7%, with our merchanting division down by 2.8% and our retail division down by 2.4% with our core and kitchen and bathrooms down 8.0% and up 23.3% respectively.

We also expect a contraction in the merchanting market, although it will be slight, and will simply reflect the annualisation of the trough. Although there will be significant variations in the fortunes of the various segments of the market, increased activity in housing construction, albeit

from a low base, and expanded public sector investment in the built environment will provide a 'floor' to activity levels.

Strategy In an anticipated period of low growth our focus is shifting to driving organic performance.

Against the fragile market background, we remain vigilant, keeping a tight control on our core operating costs and looking to maintain gross margins wherever possible. The structural improvements in our overhead base will be sustained, with no re-instatement of management posts removed in late 2008, and cash generation will continue as a priority through pursuit of supply chain initiatives. We will adopt a flexible stance to: expansion of our successful retail marketing investments; credit levels extended to trade customers; and sales prospecting activity in trade markets. In each case we will seek to match the costs of these against the strength of activity levels.

Whilst remaining vigilant, we have made provision in our cost plans in 2010 to selectively invest in a number of new activities that have direct benefits to customers in the form of a steadily more attractive offer as described below.

Our businesses have strong brands, experienced management teams and market leading financial performance. These strengths mean we remain confident of our ability to position the Group to continue creating shareholder value when our sector returns to growth.

Divisional Review Our merchandising division continued its work to ensure we offer superior services and products to customers. Our research continues to indicate the success of this strategy, and overall merchant customer satisfaction improved in 2009. Our merchandising branch network is rated as a preferred source of building materials amongst national merchants in 8 out of the top 13 criteria used by customers when selecting a provider of materials. Whilst this is lower than in 2008, the differences mainly relate to our pricing stance, where we chose not to seek low margin work.

Merchandising division sales fell by 12.9%, with sales from new branch openings contributing 1.0% and LFL sales falling by 13.5% and a reduction in trading days accounting for a further decline of 0.4%. The LFL decline comprised 3.6% of price inflation offset by a 17.1% decline in volume. Given our trading stance on low margin work, we estimate that both our general and specialist merchandising operations recorded a LFL performance behind the market, with LFL sales in general merchandising falling by 14.1% and specialist merchandising falling by 12.6%. Independent merchants, who traditionally accept lower operating margins, appear to have increased their market share at the expense of national merchants, with our trend of LFL sales now very similar to other national merchants. We judge our trading stance in the recession to have been successful, particularly when compared to the operating profit and margin trends of most competitors.

The retail division enjoyed relatively stronger market conditions as consumers found their discretionary spending power increasing materially following reductions in mortgage costs, utility bills and other elements of their non-discretionary spend. This meant that despite the general economic uncertainty, the value of the DIY retail market increased by an estimated 3% over 2009, considerably better than expected. Retail division total sales were up by 4.3% to £980.7m, with sales from new branch openings contributing 1.2%, LFL sales increasing by 3.2% (3.8% price inflation and a 0.6% volume decrease) and a reduction in trading days accounting for a decline of 0.1%.

LFL sales for the full year of Wickes' core products were down only slightly, by 0.8%, and on the same basis kitchen & bathroom sales were ahead by 27.7%. Wickes' strong kitchen and bathroom ("K&B") sales performance reflects Wickes' initiative to capture market share following the withdrawal from the market in late 2008 of a significant K&B competitor. Wickes enjoyed great success with this initiative, exceeding its targets for share gain and taking more share than its overall market presence.

Current Expansion and Development The onset of the recession altered dramatically our stance on expansion, with the cancellation of many projects and withdrawal from acquisition negotiations. We continued brownfield expansion at Tile Giant in 2009, where new stores enjoy a good cash payback profile, and ToolStation, under the terms of our development agreement. Most development work in other brands in 2009 therefore involved a range of projects to evolve our offer to customers.

Organisational Capabilities Under a strategy of cost reduction in response to the recession, our organisational capabilities were shrunk in 2009, leaving us with not much more than the essential requirements to continue running the business. However, we have been careful to maintain the core capabilities of the Group, for example by retaining key staff but re-deploying them as a substitute for bought in services, allowing us to cut back on the costs of using these external providers. This leaves us well positioned to take advantage of opportunities that may arise when volume growth returns.

As well as the re-deployment of staff, we have streamlined management structures, eliminated some departments, cut discretionary expenditures and reduced headcount required in activities related to the volume of business we handle. We expect to make a number of these changes permanent, having proved we can operate satisfactorily with fewer resources in a number of aspects of the Group. However, in 2010 we will also selectively invest in new resources to support improvement of our customer offer in our businesses. This will involve some new activities in market research, marketing, sales, multi-channel operations, IT and supply chain.

In 2009 we took specific actions aimed at maintaining morale and employee engagement in difficult trading conditions. This included removing less engaged colleagues as we reduced costs, improving remuneration for the remaining employees, increasing internal communication activities, removing unnecessary and burdensome procedures.

As we reported last year, our senior management group experienced an increased and unusual level of turnover at the end of 2008 as we cut costs. In 2009 stability returned, with only 11 departures – 10 planned and 1 unplanned and undesirable. After promotions and restructuring to support our streamlining of management structures, the management group now comprises 187 executives. In addition to the appointment of new Managing Directors to Keyline (Andrew Harrison, an experienced MD of a number of our businesses) and Benchmarx (Chris Larkin, a successful TP South East Regional Director), we made 3 further changes to responsibilities. Norman Bell, our Managing Director of Travis Perkins in the South West was promoted to the Executive Committee to spearhead further development of our product offer. Norman's role was taken up by Mark Nottingham, our Managing Director for Travis Perkins in the North, and Andrew Popple, a Regional Director in the North was promoted to replace Mark.

Financial Review The actions we implemented in 2008 to prepare the Group for the sharp downturn in construction activity worked well, with all main financial targets achieved or bettered. In 2009 we have realised substantial cost savings, improved our productivity ratios and significantly boosted cash flows. In April we restructured our interest rate derivative portfolio to improve our interest cover ratio and in June the over-subscribed rights issue yielded net proceeds of £300.3m which significantly strengthened our balance sheet whilst giving us greater flexibility. As a result of these actions we enter 2010 in a strong financial position.

Adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA") were £280.8m (2008: £330.3m), a decrease of 15%.

In May 2009, as part of our efforts to increase interest cover, we spent £28.7m exiting 7 interest rate swaps and a cap and collar arrangement with a combined average fixed rate of 4.8% at that point, and replaced them with 8 new fixed interest rate swaps with an average interest rate of 1.5% at inception. The £28.7m payment is being amortised against profits over the original remaining lives of the cancelled swaps. Overall, lower interest rates combined with significantly lower borrowings have reduced our net finance charges, excluding other finance income and charges associated with the pension scheme, by £31.8m (43.1%). The average interest rate during the year was 3.7% (2008: 4.9%) whilst adjusted interest cover, was approximately 10.7 times (2008: 4.3 times).

The tax charge was £55.3m, an effective rate of 26.0% compared with £44.4m (30.3%) in 2008. The effective rate is lower than the standard UK corporation tax rate principally due to property profits, which are not chargeable to tax.

Profit after tax was £157.4m an increase of 54.5%. Adjusted profit after tax (note 6b) was £133.9m, a decrease of £10.0m (6.9%) compared to 2008.

After allowing for the effect of the rights issue, basic earnings per share were 88.4 pence (2008: 68.6 pence). Adjusted earnings per share (note 8b) were 75.2 pence (2008: 96.9 pence) a reduction of 22.4%. There is no significant difference between basic and diluted earnings per share. The weighted average number of shares in issue was 178.0m (2008: 148.5m).

Cash Flow

Despite the difficult trading conditions, which have resulted in adjusted operating profits falling 12.7%, strong cash control has enabled the Group to generate £319.8m of cash from operations (2008: £337.6m), a decrease of only 5.3%.

Free cash flow, (calculated before, expansionary capital expenditure, additional pension contributions, exceptional reorganisation costs and dividends) was £294.4m (note 14), 58.9% higher than for 2008. Most of the free cash generated has been retained by the Group as part of its debt reduction programme. As a result, expansion capital expenditure in existing businesses was significantly curtailed at £11.1m (2008: £53.5m) and whilst there were no branch acquisitions during the year (2008: £22.5m), further small investments totalling £13.9m were made, particularly in the Group's associate company ToolStation (2008: £21.0m).

Pensions

During the year the triennial actuarial valuation of the pension scheme determined that the deficit on an ongoing funding basis at 30 September 2008 was £132.0m. Negotiations with the Scheme Trustees about the level of future funding rates were concluded in December with the result that the Group has agreed to eliminate the funding deficit over 8 years through increasing contributions by £10.3m p.a. to £20.4m.

At 31 December 2009, the gross accounting deficit of the pension scheme was £43.0m (31 December 2008: gross deficit £69.9m). The net deficit after allowing for deferred tax was £31.0m (2008: net deficit £50.4m).

The deficit has fallen as a result of a £32.7m curtailment of pension liabilities following the introduction of an annual 3% cap on the increase in pensionable salaries for active scheme members. The combination of lower yields on corporate bonds and a higher projected inflation rate resulted in scheme liabilities increasing by £121.0m, but these were largely offset by returns on investments, which increased in value by £90.1m, and £25.1m of company contributions in excess of current service costs.

The scheme is now 92% funded (2008: 86%) with the net deficit representing approximately 2% (2008: 12%) of the Company's market capitalisation at 31 December 2009.

Going Concern

The Board of Directors is currently of the opinion that having reviewed the Group's cash forecasts and revenue projections, and after taking account of reasonably possible changes in trading performance, the Group should be able to operate within its current facilities and comply with its banking covenants for the foreseeable future. In arriving at its conclusion, the Board was mindful of the:

- Group's robust policy towards liquidity and cash flow management;
- Group's abilities to manage its business risks successfully during periods of uncertain economic outlook and challenging macro economic conditions;
- The committed facilities available to the Group to early 2013; and
- £300.3m of equity raised during the year, which has significantly reduced the Group's indebtedness.

After reviewing the Group's forecasts and making other enquiries, the Directors have formed a judgement at the time of approving the financial statements, that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Consolidated income statement

For the year ended 31 December 2009

| | 2009 | 2009 | 2009 | 2008 | 2008 | 2008 |
|---|------------------------------|----------------------------------|----------------|------------------------------|----------------------------------|---------|
| | £m | £m | £m | £m | £m | £m |
| | Pre- exceptional items | Exceptional items (Note 6) | Total | Pre- exceptional items | Exceptional items (Note 6) | Total |
| Revenue | 2,930.9 | - | 2,930.9 | 3,178.6 | - | 3,178.6 |
| Operating profit | 224.6 | 32.7 | 257.3 | 271.5 | (56.2) | 215.3 |
| Finance income | 5.6 | - | 5.6 | 7.7 | - | 7.7 |
| Finance costs | (50.2) | - | (50.2) | (76.7) | - | (76.7) |
| Profit / (loss) before tax | 180.0 | 32.7 | 212.7 | 202.5 | (56.2) | 146.3 |
| Tax | (46.1) | (9.2) | (55.3) | (58.6) | 14.2 | (44.4) |
| Profit / (loss) for the year | 133.9 | 23.5 | 157.4 | 143.9 | (42.0) | 101.9 |
| Earnings per ordinary share | | | | | | |
| Basic | | | 88.4p | | | 68.6p |
| Diluted | | | 86.2p | | | 67.8p |
| Total dividend declared per ordinary share | | | - | | | 14.5p |

All results relate to continuing operations.

Consolidated statement of comprehensive income

For the year ended 31 December 2009

| | 2009 £m | 2008 £m |
|--|---------------|------------|
| Profit for the year | 157.4 | 101.9 |
| Cash flow hedges: | | |
| Gains / (losses) arising during the year | 14.7 | (17.1) |
| Transferred to income statement | 0.4 | (3.6) |
| | 15.1 | (20.7) |
| Actuarial losses on defined benefit pension scheme | (28.3) | (70.3) |
| | (13.2) | (91.0) |
| Unamortised cash flow hedge cancellation payment | (14.0) | - |
| Tax relating to components of other comprehensive income | 12.5 | 19.6 |
| Other comprehensive loss for the year | (14.7) | (71.4) |
| Total comprehensive income for the year | 142.7 | 30.5 |

Consolidated balance sheet

As at 31 December 2009

| | 2009 £m | 2008 £m |
|----------------------------------|----------------|----------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 499.0 | 534.5 |
| Goodwill | 1,352.8 | 1,351.4 |
| Other intangible assets | 162.5 | 162.5 |
| Derivative financial instruments | 44.7 | 80.3 |
| Investment property | 3.3 | 3.4 |
| Interest in associates | 31.7 | 19.6 |
| Available-for-sale investments | 1.5 | 2.0 |
| Deferred tax asset | 12.0 | 19.5 |
| Total non-current assets | 2,107.5 | 2,173.2 |
| Current assets | | |
| Inventories | 312.7 | 321.9 |
| Trade and other receivables | 375.4 | 386.2 |
| Derivative financial instruments | - | 2.4 |
| Cash and cash equivalents | 347.2 | 7.7 |
| Total current assets | 1,035.3 | 718.2 |
| Total assets | 3,142.8 | 2,891.4 |

Consolidated balance sheet (continued)

As at 31 December 2009

| | 2009 £m | 2008 £m |
|---------------------------------------|----------------|----------------|
| EQUITY AND LIABILITIES | | |
| Capital and reserves | | |
| Issued capital | 20.9 | 12.3 |
| Share premium account | 471.2 | 179.5 |
| Other reserve | 21.3 | 23.8 |
| Hedging reserve | (12.1) | (17.8) |
| Own shares | (83.7) | (83.7) |
| Accumulated profits | 1,042.8 | 904.1 |
| Total equity | 1,460.4 | 1,018.2 |
| Non-current liabilities | | |
| Interest bearing loans and borrowings | 739.1 | 1,007.3 |
| Derivative financial instruments | 6.1 | 25.8 |
| Retirement benefit obligation | 43.0 | 69.9 |
| Long-term provisions | 43.7 | 47.8 |
| Deferred tax liabilities | 62.8 | 74.7 |
| Total non-current liabilities | 894.7 | 1,225.5 |
| Current liabilities | | |
| Interest bearing loans and borrowings | 71.5 | 13.9 |
| Unsecured loan notes | 3.8 | 3.9 |
| Trade and other payables | 638.7 | 582.2 |
| Tax liabilities | 28.1 | 9.1 |
| Short-term provisions | 45.6 | 38.6 |
| Total current liabilities | 787.7 | 647.7 |
| Total liabilities | 1,682.4 | 1,873.2 |
| Total equity and liabilities | 3,142.8 | 2,891.4 |

The financial statements of Travis Perkins plc, registered number 824821, were approved by the Board of Directors on 23 February 2010 and signed on its behalf by:

G. I. Cooper
P. N. Hampden Smith } *Directors*

Consolidated statement of changes in equity

| | Issued share capital | Share premium account | Revaluation reserve | Hedging reserve | Own shares | Retained earnings | Total equity |
|--|----------------------------|-----------------------------|------------------------|--------------------|---------------|----------------------|-----------------|
| | £m | £m | £m | £m | £m | £m | £m |
| At 1 January 2008 | 12.3 | 178.9 | 24.2 | 2.9 | (83.9) | 902.5 | 1,036.9 |
| Profit for the year | - | - | - | - | - | 101.9 | 101.9 |
| Cash flow hedge losses | - | - | - | (20.7) | - | - | (20.7) |
| Actuarial losses on defined benefit pension schemes | - | - | - | - | - | (70.3) | (70.3) |
| Tax relating to comprehensive income | - | - | - | - | - | 19.6 | 19.6 |
| Total comprehensive income for the year | - | - | - | (20.7) | - | 51.2 | 30.5 |
| Dividends paid | - | - | - | - | - | (52.5) | (52.5) |
| Issue of share capital | - | 0.6 | - | - | - | - | 0.6 |
| Difference between depreciation of assets on a historical basis and on a revaluation basis | - | - | (0.4) | - | - | 0.4 | - |
| Own shares | - | - | - | - | 0.2 | (0.2) | - |
| Credit to equity for equity-settled share based payments | - | - | - | - | - | 2.7 | 2.7 |
| At 31 December 2008 | 12.3 | 179.5 | 23.8 | (17.8) | (83.7) | 904.1 | 1,018.2 |
| Profit for the year | - | - | - | - | - | 157.4 | 157.4 |
| Cash flow hedge gains | - | - | - | 15.1 | - | - | 15.1 |
| Actuarial losses on defined benefit pension schemes | - | - | - | - | - | (28.3) | (28.3) |
| Unamortised cash flow hedge cancellation payment | - | - | - | (14.0) | - | - | (14.0) |
| Tax relating to comprehensive income | - | - | - | 4.6 | - | 7.9 | 12.5 |
| Total comprehensive income for the year | - | - | - | 5.7 | - | 137.0 | 142.7 |
| Issue of share capital | 8.6 | 304.9 | - | - | - | - | 313.5 |
| Costs of issuing shares | - | (13.2) | - | - | - | - | (13.2) |
| Realisation of revaluation reserve in respect of property disposals | - | - | (2.1) | - | - | 2.1 | - |
| Difference between depreciation of assets on a historical basis and on a revaluation basis | - | - | (0.4) | - | - | 0.4 | - |
| Debit to equity for equity-settled share based payments | - | - | - | - | - | (0.8) | (0.8) |
| At 31 December 2009 | 20.9 | 471.2 | 21.3 | (12.1) | (83.7) | 1,042.8 | 1,460.4 |

Consolidated cash flow statement

For the year ended 31 December 2009

| | 2009 | 2008 |
|--|---------------|---------|
| | £m | £m |
| Operating profit before exceptional items | 224.6 | 271.5 |
| Adjustments for: | | |
| Depreciation and impairment of property, plant and equipment | 58.7 | 63.0 |
| Other non cash movements | (1.5) | 4.6 |
| Impairment of investment | 0.5 | - |
| Losses of associate | 3.2 | 1.4 |
| Gain on disposal of property, plant and equipment and investment | (12.0) | (6.0) |
| Operating cash flows before movements in working capital | 273.5 | 334.5 |
| Decrease in inventories | 9.2 | 13.3 |
| Decrease in receivables | 12.4 | 32.3 |
| Increase / (decrease) in payables | 52.3 | (22.5) |
| Payments on 2008 exceptional items | (2.5) | (8.5) |
| Payments to the pension scheme in excess of the charge to profits | (25.1) | (11.5) |
| Cash generated from operations | 319.8 | 337.6 |
| Interest paid | (30.5) | (63.0) |
| Swap cancellation payment | (28.7) | - |
| Income taxes paid | (27.3) | (66.0) |
| Net cash from operating activities | 233.3 | 208.6 |
| Cash flows from investing activities | | |
| Interest received | 1.5 | 0.3 |
| Acquisition of shares in unit trust and subsidiaries | - | (0.3) |
| Proceeds on disposal of property, plant and equipment and investment | 20.8 | 14.9 |
| Purchases of property, plant and equipment | (28.6) | (97.3) |
| Interest in associate | (12.9) | (20.7) |
| Acquisition of businesses net of cash acquired | (1.0) | (22.5) |
| Net cash used in investing activities | (20.2) | (125.6) |
| Financing activities | | |
| Net proceeds from the issue of share capital | 300.3 | 0.6 |
| Bank facility finance charges | - | (14.7) |
| Payment of finance lease liabilities | (1.5) | (2.1) |
| Repayment of unsecured loan notes | (0.1) | (11.5) |
| Decrease in bank loans | (160.0) | (33.7) |
| Dividends paid | - | (52.5) |
| Net cash from financing activities | 138.7 | (113.9) |
| Net increase / (decrease) in cash and cash equivalents | 351.8 | (30.9) |
| Cash and cash equivalents at beginning of year | (4.6) | 26.3 |
| Cash and cash equivalents at end of year | 347.2 | (4.6) |

Notes to the preliminary announcement

1. The Group's principal accounting policies, as set out in the 2008 annual report, which is available on the Company's website www.travisperkinsplc.com, have been applied consistently other than the following changes to accounting standards, which have been adopted by the Group during 2009:
 - a. IFRS 8 "Operating Segments" increased segmental disclosures (see note 10);
 - b. IAS 1 "Presentation of Financial Statements (revised 2007)". Inclusion of a statement of changes in equity as a primary statement separate from the income statement and inclusion of a statement of comprehensive income;
 - c. IFRS 7 "Improving Disclosures about Financial Instruments".
2. The proposed final dividend is nil pence (2008: nil pence).
3. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2009 or 31 December 2008, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered in due course. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006. Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards ("IFRS") this announcement does not itself contain sufficient information to comply with IFRS.
4. This announcement was approved by the Board of Directors on 23 February 2010.
5. It is intended to post the annual report to shareholders on 14 April 2010 and to hold the Annual General Meeting on 17 May 2010. Copies of the annual report prepared in accordance with IFRS will be available from the Company Secretary, Travis Perkins plc, Lodge Way House, Harlestone Road, Northampton NN5 7UG from 14 April 2010 or will be available through the internet on our website at www.travisperkinsplc.com
6. **Profit**
(a) Operating profit

| | 2009 | 2008 |
|----------------------------------|------------------|-----------|
| | £m | £m |
| Revenue | 2,930.9 | 3,178.6 |
| Cost of sales | (1,944.4) | (2,080.3) |
| Gross profit | 986.5 | 1,098.3 |
| Selling and distribution costs | (649.8) | (728.1) |
| Administrative expenses | (125.0) | (164.7) |
| Other operating income | 48.8 | 11.2 |
| Share of results of associate | (3.2) | (1.4) |
| Operating profit | 257.3 | 215.3 |
| Exceptional items | (32.7) | 56.2 |
| Adjusted operating profit | 224.6 | 271.5 |

With effect from the 1 December 2009 the Company and the Trustees of the Pension Scheme agreed to amend the terms of the Travis Perkins' defined benefits pension scheme to include a cap on future pensionable salary increases of 3% per annum. This has been treated as a curtailment event and the resulting exceptional reduction of £32.7m in the benefit obligation has been included in other operating income.

6. Profit (continued)

In 2008 the Group incurred an exceptional charge of £56.2m associated with the severe downturn in the construction market. The total charge of £56.2m included a cost of redundancy and re-organisation (£10.5m), onerous property lease provisions (£39.5m) and asset write offs (£6.2m). £40.4m and £15.8m were included in selling and distribution costs and administration expenses respectively.

To enable readers of the financial statements to obtain a clear understanding of underlying trading, the Directors have shown separately the exceptional items in the group income statement.

(b) Adjusted profit before and after tax

| | 2009 | 2008 |
|-----------------------------------|---------------|-------|
| | £m | £m |
| Profit before tax | 212.7 | 146.3 |
| Exceptional items | (32.7) | 56.2 |
| Adjusted profit before tax | 180.0 | 202.5 |

| | 2009 | 2008 |
|----------------------------------|---------------|--------|
| | £m | £m |
| Profit after tax | 157.4 | 101.9 |
| Exceptional items | (32.7) | 56.2 |
| Tax effect of exceptional items | 9.2 | (14.2) |
| Adjusted profit after tax | 133.9 | 143.9 |

(c) Operating margin

| | Merchanting | | Retail | | Group | |
|----------------------------------|----------------|---------|--------------|-------|----------------|---------|
| | £m | £m | £m | £m | £m | £m |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenue | 1,950.2 | 2,237.9 | 980.7 | 940.7 | 2,930.9 | 3,178.6 |
| Operating profit | 203.5 | 206.5 | 57.0 | 10.2 | 260.5 | 216.7 |
| Share of associate losses | - | - | - | - | (3.2) | (1.4) |
| Exceptional items | (32.7) | 18.3 | - | 37.9 | (32.7) | 56.2 |
| Adjusted segment result | 170.8 | 224.8 | 57.0 | 48.1 | 224.6 | 271.5 |
| Adjusted operating margin | 8.76% | 10.05% | 5.81% | 5.11% | 7.66% | 8.54% |

The segmental results for merchanting and retail are shown in note 10.

7. Net finance costs

| | 2009 £m | 2008 £m |
|---|---------------|---------------|
| Interest on bank loans and overdrafts* | (29.1) | (64.6) |
| Interest on unsecured loans | (0.2) | (0.2) |
| Interest on obligations under finance leases | (1.3) | (1.6) |
| Other finance charges - pension scheme | (2.6) | - |
| Unwinding of discounts in provisions | (3.8) | (1.6) |
| Amortisation of cancellation payment for swaps accounted for as cash flow hedges | (8.7) | - |
| Cancellation of swaps measured at fair value | (0.8) | - |
| Net loss on re-measurement of derivatives at fair value | (3.7) | (8.7) |
| Finance costs | (50.2) | (76.7) |
| Net gain on re-measurement of derivatives at fair value | - | 2.4 |
| Other finance income - pension scheme | - | 4.8 |
| Interest receivable | 5.6 | 0.5 |
| Finance income | 5.6 | 7.7 |
| Net finance costs | (44.6) | (69.0) |
| Adjusted interest cover | 10.7x | 4.3x |

*Includes £2.9m (2008 £2.2m) of amortised bank finance charges.

Adjusted interest cover is calculated by dividing adjusted operating profit of £223.3m (2008: £268.7m) (operating profit of £224.6m (2008: £271.5m) less £1.3m (2008: £2.8m) of IFRS adjustments) by the combined value of interest on bank loans and overdrafts (excluding amortised bank finance charges), unsecured loans, and interest on bank deposits, which total £20.8m (2008: £62.1m).

The unwinding of discounts charge arises principally from the exceptional property provisions created in 2008.

8. Earnings per share

(a) Basic and diluted earnings per share

| | 2009 £m | 2008 £m |
|---|--------------------|--------------------|
| Earnings | | |
| Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent Company | 157.4 | 101.9 |
| Number of shares | No. | No. |
| Weighted average number of shares for the purposes of basic earnings per share pre-rights issue adjustment | 117,034,434 | 117,004,114 |
| Rights issue adjustment | 61,001,501 | 31,474,107 |
| Weighted average number of shares for the purposes of basic earnings per share revised | 178,035,935 | 148,478,221 |
| Dilutive effect of share options on potential ordinary shares | 4,427,564 | 1,715,810 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 182,463,499 | 150,194,031 |

At 31 December 2009, 3,913,130 (2008: 4,680,005) share options had an exercise price in excess of the market value of the shares on that day. As a result, for 2009 these share options were excluded from the calculation of diluted earnings per share.

(b) Adjusted earnings per share

Adjusted earnings per share are calculated by excluding the effect of the exceptional items, as shown below.

| | 2009 £m | 2008 £m |
|---|--------------|--------------|
| Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent Company | 157.4 | 101.9 |
| Exceptional items | (32.7) | 56.2 |
| Tax on exceptional items | 9.2 | (14.2) |
| Earnings for adjusted earnings per share | 133.9 | 143.9 |
| Adjusted basic earnings per share | 75.2p | 96.9p |
| Adjusted diluted earnings per share | 73.4p | 95.8p |

9. Dividend

Amounts were recognised in the financial statements as distributions to equity shareholders as follows:

| | 2009 | 2008 |
|--|-------------|-------------|
| | £m | £m |
| Final dividend for the year ended 31 December 2008 of nil p (2007: 30.4p) per ordinary share | - | 35.5 |
| Interim dividend for the year ended 31 December 2009 of nil p (2008: 14.5p) per ordinary share | - | 17.0 |
| Total dividend recognised during the year | - | 52.5 |

The dividend declared for 2009 at 31 December 2009 and for 2008 at 31 December 2008 were as follows:

| | 2009 | 2008 |
|------------------------------------|--------------|-------------|
| | Pence | Pence |
| Interim paid | - | 14.5 |
| Final proposed | - | - |
| Total dividend for the year | - | 14.5 |

The proposed final dividend of nil p per ordinary share in respect of the year ending 31 December 2009 was approved by the board on 23 February 2010.

Adjusted dividend cover for 2008 of 8.5x was calculated by dividing adjusted basic earnings per share (note 8) of 96.9p by the restated for the rights issue total dividend for the year of 11.43p.

10. Business and geographical segments

| | 2009 | | | | Consolidated |
|--------------------------------|-------------|---------|-------------|--------------|---------------------|
| | Merchanting | Retail | Unallocated | Eliminations | |
| | £m | £m | £m | £m | |
| Revenue | 1,950.2 | 980.7 | - | - | 2,930.9 |
| Result | | | | | |
| Segment result | 203.5 | 57.0 | - | - | 260.5 |
| Share of associate losses | - | - | (3.2) | - | (3.2) |
| Finance Income | - | - | 5.6 | - | 5.6 |
| Finance costs | - | - | (50.2) | - | (50.2) |
| Profit before taxation | 203.5 | 57.0 | (47.8) | - | 212.7 |
| Taxation | - | - | (55.3) | - | (55.3) |
| Profit for the year | 203.5 | 57.0 | (103.1) | - | 157.4 |
| Segment assets | 2,234.5 | 1,438.8 | 524.5 | (1,055.0) | 3,142.8 |
| Segment liabilities | (725.7) | (237.5) | (1,774.2) | 1,055.0 | (1,682.4) |
| Consolidated net assets | 1,508.8 | 1,201.3 | (1,249.7) | - | 1,460.4 |
| Capital expenditure | 16.0 | 16.1 | - | - | 32.1 |
| Depreciation | 44.1 | 14.6 | - | - | 58.7 |

The Group has adopted IFRS 8 "Operating Segments" with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required the Group to identify two sets of segments (business and geographical) using a risk and returns approach. For management purposes, the Group is currently organised into two operating divisions – Builders Merchanting and Retailing, both of which operate entirely in the United Kingdom. These divisions are the basis on which the Group reported its primary segment information under IAS 14 and following a review are the segments that are most appropriate to be reported under IFRS 8. Segment profit represents the profit earned by each segment without allocation of share of losses of associates, finance income and costs and income tax expense.

There are no significant inter-segment sales.

During 2009 and 2008 there were no impairment losses or reversals of impairment losses recognised in profit or loss or in equity in either of the reportable segments.

10. Business and geographical segments (continued)

| | 2008 | | | | |
|--------------------------------|---------------|---------|-------------|--------------|--------------|
| | Merchandising | Retail | Unallocated | Eliminations | Consolidated |
| | £m | £m | £m | £m | £m |
| Revenue | 2,237.9 | 940.7 | - | - | 3,178.6 |
| Result | | | | | |
| Segment result | 206.5 | 10.2 | - | - | 216.7 |
| Share of associate losses | - | - | (1.4) | - | (1.4) |
| Finance income | - | - | 7.7 | - | 7.7 |
| Finance costs | - | - | (76.7) | - | (76.7) |
| Profit before taxation | 206.5 | 10.2 | (70.4) | - | 146.3 |
| Taxation | - | - | (44.4) | - | (44.4) |
| Profit for the year | 206.5 | 10.2 | (114.8) | - | 101.9 |
| Segment assets | 2,081.6 | 1,345.6 | 327.6 | (863.4) | 2,891.4 |
| Segment liabilities | (756.6) | (185.9) | (1,794.1) | 863.4 | (1,873.2) |
| Consolidated net assets | 1,325.0 | 1,159.7 | (1,466.5) | - | 1,018.2 |
| Capital expenditure | 82.6 | 15.9 | - | - | 98.5 |
| Depreciation | 47.4 | 15.6 | - | - | 63.0 |

11. Adjusted return on capital

| | 2009 £m | 2008 £m |
|-----------------------------------|--------------|--------------|
| Operating profit | 257.3 | 215.3 |
| Exceptional items | (32.7) | 56.2 |
| Adjusted operating profit | 224.6 | 271.5 |
| Opening net assets | 1,018.2 | 1,036.9 |
| Net pension deficit | 50.4 | 11.5 |
| Goodwill written off | 92.7 | 92.7 |
| Net borrowings | 1,017.4 | 941.0 |
| Exchange adjustment | (80.2) | 27.9 |
| Opening capital employed | 2,098.5 | 2,110.0 |
| Closing net assets | 1,460.4 | 1,018.2 |
| Net pension deficit | 31.0 | 50.4 |
| Goodwill written off | 92.7 | 92.7 |
| Net borrowings | 467.2 | 1,017.4 |
| Exchange adjustment | (40.5) | (80.2) |
| Closing capital employed | 2,010.8 | 2,098.5 |
| Average capital employed | 2,054.7 | 2,104.2 |
| Adjusted return on capital | 10.9% | 12.9% |

12. Adjusted earnings before interest, tax and depreciation

| | 2009 £m | 2008 £m |
|---|--------------|--------------|
| Profit before tax | 212.7 | 146.3 |
| Net finance costs | 44.6 | 69.0 |
| Depreciation and impairments | 58.7 | 63.0 |
| EBITDA under IFRS | 316.0 | 278.3 |
| Exceptional items | (32.7) | 56.2 |
| Reversal of IFRS effect | (2.5) | (4.2) |
| Adjusted EBITDA under covenant calculations | 280.8 | 330.3 |
| Net debt under covenant calculations | 413.1 | 925.2 |
| Adjusted net debt to EBITDA | 1.47x | 2.80x |

13. Net debt

| | 2009 £m | 2008 £m |
|--|----------------|------------------|
| Net debt at 1 January | (1,017.4) | (941.0) |
| Increase / (decrease) in cash and cash equivalents | 351.8 | (30.9) |
| Cash flows from debt | 161.6 | 47.3 |
| Decrease / (increase) in fair value of debt | 39.7 | (108.2) |
| Movement in finance charges netted off bank debt | (2.9) | 12.5 |
| Finance lease surrendered | - | 2.9 |
| Net debt at 31 December | (467.2) | (1,017.4) |

14. Free cash flow

| | 2009 £m | 2008 £m |
|--|--------------|--------------|
| Net debt at 1 January | (1,017.4) | (941.0) |
| Net debt at 31 December | (467.2) | (1,017.4) |
| Decrease / (increase) in net debt | 550.2 | (76.4) |
| Dividends paid | - | 52.5 |
| Net cash outflow for expansion capital expenditure | 11.1 | 53.5 |
| Net cash outflow for acquisitions | - | 22.5 |
| Net cash outflow for acquisition of investments | 1.0 | 0.3 |
| Swap cancellation fee | 28.7 | - |
| Cash impact of 2008 exceptional items | 2.5 | 8.5 |
| Interest in associate | 12.9 | 20.7 |
| Shares issued | (300.3) | (0.6) |
| (Increase) / decrease fair value of debt | (39.7) | 108.2 |
| Movement in finance charges netted off bank debt | 2.9 | (12.5) |
| Finance lease surrendered | - | (2.9) |
| Special pension contributions | 25.1 | 11.5 |
| Free cash flow | 294.4 | 185.3 |