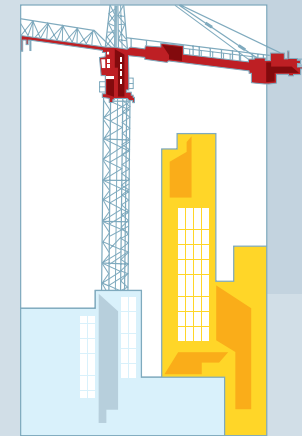


SIG plc Interim Report 2003



Delivering the goods to construction and industry

Focusing our resources to continually improve customer service.

SIG plc is the leading specialist supplier to the construction, building and diverse industrial markets.

The Group has three core business sectors: **Insulation** | **Roofing** | **Commercial Interiors**

Every day it delivers Brand Leading products to many thousands of customers from 366 trading locations across the UK, Republic of Ireland, mainland Europe and the USA.

The Company benefits from the strengths associated with being the clear market leader in its main areas of activity. Customers appreciate the specialist technical expertise, commercial support and fast, reliable delivery services that define the core values of the Group.



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Financial and Operating Highlights

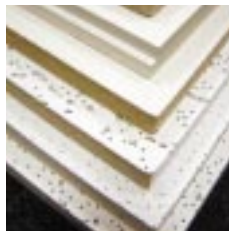
- **Sales increased by 13.5% to £612m** (2002: £539m) with an encouraging like for like sales increase of 9.1%.
- **UK and Republic of Ireland sales increased by 15.5%** with particularly strong performances in Insulation and Roofing (up 18% and 23% respectively). In Commercial Interiors the level of sales was maintained despite a decline in market demand.
- **Sales in mainland Europe increased by 15%** (in Sterling).
- **Operating profit before goodwill amortisation increased by 9.3% to £27.6m** (2002: £25.3m) with a particularly strong performance in the UK and Republic of Ireland where operating profits were up 10.5%.
- **Profit before tax increased by 10.1% to £21.8m** (2002: £19.8m). Earnings per share increased by 7.1% to 12.1p (2002: 11.3p).
- **Cash flow improved considerably** following increased focus on working capital management. Gearing down to 46% (63% at 31 December 2002) and interest cover improved to 7.4 times (2002: 7.0 times).
- **Interim dividend up 5.1% to 4.1p** (2002: 3.9p).



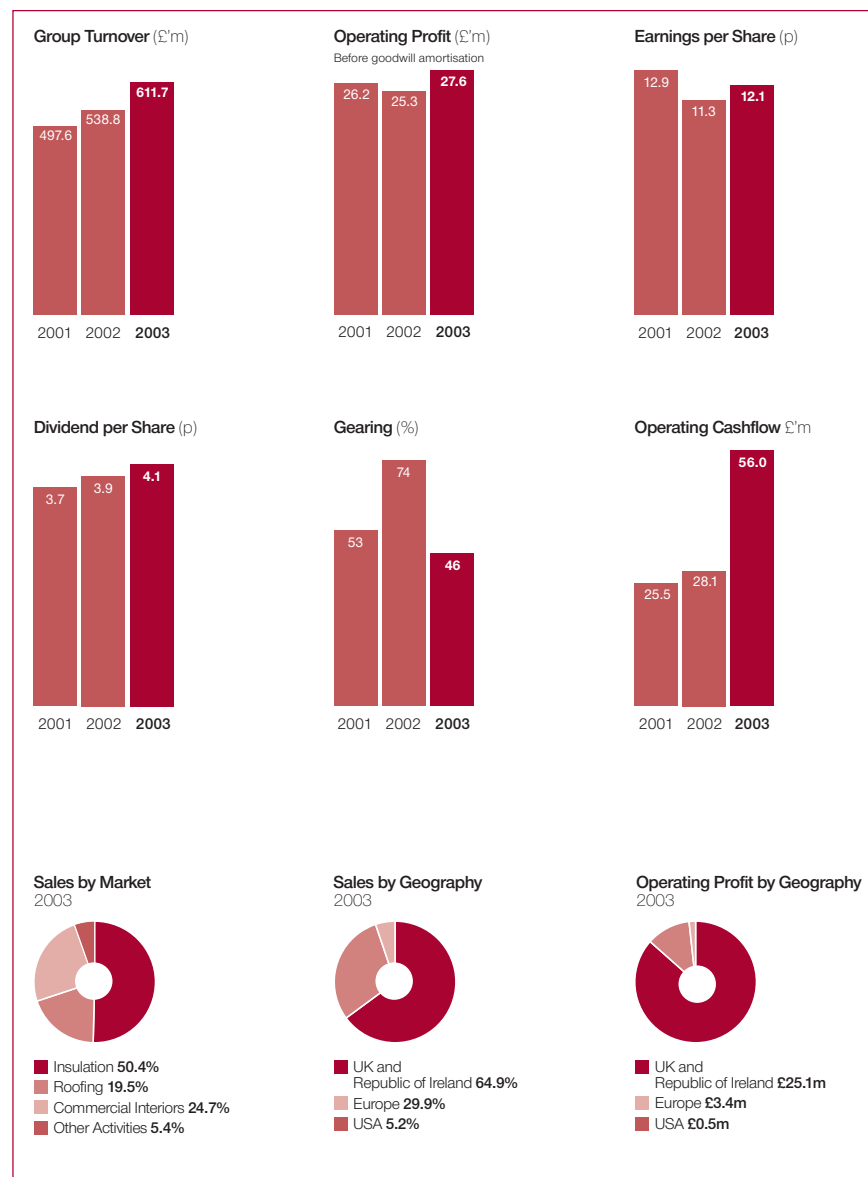
Insulation



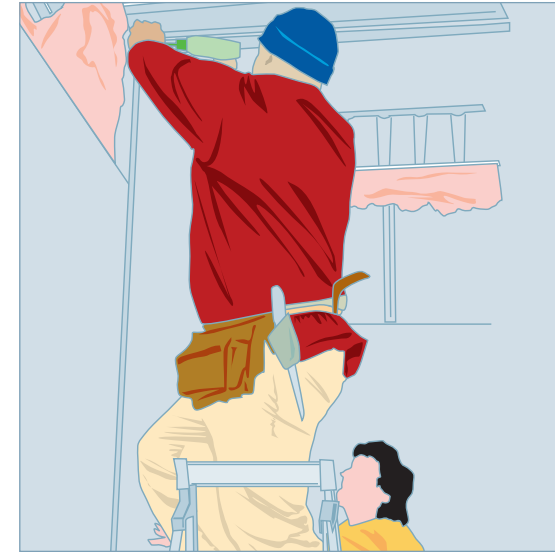
Roofing



Commercial Interiors



Sector Review at a glance...



Insulation

SIG continues to respond to the demands of construction and industry for increasing levels of thermal and acoustic insulation, together with ongoing demands for passive fire protection.

In the UK and Republic of Ireland, insulation sales to the building and construction sector are strongly ahead as the effects of recent changes to legislation continue to feed through.

Mainland Europe has increased insulation sales in slow markets.

In the USA, sales declined due to reduced demand from the petrochem and power generation industries, which are believed to be at the bottom of the capital expenditure cycle.



Sales ↗

Profits ↗

Roofing

SIG is the largest supplier of roofing products in the UK and a leading specialist in the Republic of Ireland.

Repairs, maintenance and improvements remain a big part of this business, particularly in the residential housing market.

Strong like for like sales growth was supplemented by the impact of the 2002 acquisitions, all of which are performing well.

Investments have been made in additional sales and delivery resources in order to improve service to customers, and a number of new products added to the range.



Sales ↗

Profits ↗

Commercial Interiors

SIG is the leading supplier of commercial interior products in the UK and Republic of Ireland, with a substantial presence in the Group's other European markets.

The market across Europe for Commercial Interiors has remained difficult in the first half, particularly in the higher specification, premium office end of the market.

Demand from both new build and refurbishment projects in the other non-residential building sectors such as health, education, retail and leisure held up much better. Investments have been made to develop and extend the range of products offered to customers, and new business has been won as a result.



Sales ↗

Profits ↘

Chairman's Statement

The Group has made encouraging progress in the first half of 2003, having achieved record sales and operating profits compared with the corresponding period in prior years.

The leading position which the Group occupies in many of its areas of activity has enabled growth to be achieved, against the background of flat or reduced market demand in all sectors other than the UK structural insulation market.

The action taken in 2002 to reduce costs and improve efficiencies, combined with the investments in new branches and additional sales staff in the first half of that year, have had a positive effect during the period. There has also been a contribution from the acquisitions made during 2002.

In line with our stated objectives, increased emphasis and attention has been placed on working capital management throughout the Group. As a result, cash flow has improved considerably during the period, reducing gearing and further strengthening the Group's balance sheet.

Results and Key Performance Ratios

For the six months to 30 June 2003 compared with the corresponding period in 2002:

- Sales were up 13.5%, an increase of £73m to £612m. Like for like sales (i.e. eliminating the impact of acquisitions made since December 2001) increased by 9.1%.
- Excluding the impact of foreign exchange, sales growth was 10.6% and like for like sales growth was 6.2%.
- Operating profit before goodwill amortisation increased by 9.3% to £27.6m (2002: £25.3m).
- Goodwill amortisation increased to £2.4m (2002: £2.1m) and interest charges increased marginally to £3.4m (2002: £3.3m).
- Profit before tax was 10.1% higher at £21.8m (2002: £19.8m).
- Earnings per share were 7.1% higher at 12.1p (2002: 11.3p).

Balance sheet gearing at 30 June 2003 was 46%. This compares with 74% at 30 June 2002 and 63% at 31 December 2002. Cash flow from trading was strong at £56.0m (£28.1m in the first half of 2002). Interest cover was improved further to 7.4 times (2002 30 June: 7.0 times).

Dividend

An interim dividend of 4.1p (2002: 3.9p) has been declared, an increase of 5.1%, with dividend cover at 2.9 times. The dividend is payable on 21 November 2003 to shareholders on the register at 24 October 2003.

Review of Operations

UK and Republic of Ireland

Sales in the UK and Republic of Ireland increased by 15.5% to £397m (2002: £344m) and like for like sales increased by 9.4%.

Operating profits improved by 10.5%. As indicated in the July Trading Statement, the operating margin reduced slightly to 6.3% (2002: 6.6%), due to an adverse movement in the sales mix, chiefly within Commercial Interiors.

Sales in the Insulation and Related Products division rose by 18% in the UK and Republic of Ireland, almost entirely through like for like growth. Recent changes to the building regulations continue to drive increased demand for insulation. This factor, combined with modest price inflation, created good market conditions. The smaller industrial insulation market declined slightly as investment levels remained very low in petro-chemical and power generation industries.

Sales in the Roofing division grew by 23% in total in the period, benefiting from the 2002 acquisitions, with like for like sales increasing by 7%. Overall, market demand was broadly flat with some mild price inflation.

In Commercial Interiors, overall sales in the UK and Republic of Ireland were flat compared with the first half of 2002, despite the fact that market demand, as anticipated, declined further. Sales in the period were boosted by two large projects in Ireland and the Middle East.

New construction and refurbishment projects in the retail, health, education and other public sectors held up reasonably well. Against this, demand for the higher margin office interiors products declined further. Efforts to reposition certain products, together with the introduction of new product ranges, all had a positive impact on sales volume, albeit at margins presently below the historical norm for this business.

In the Safety Products distribution business, we increased sales and margins and reduced costs. New marketing initiatives, changes to the product range and a re-focused sales operation all contributed to strengthening the business.

The Construction Specialities operations increased sales by 4% like for like, and 67% in total following the acquisition in this sector in June 2002.

Mainland Europe

Sales in mainland Europe in the first half of the year increased by 15.3% (in sterling) to £183m and operating profits increased by 16.9%. Sales in local currencies grew by 5%.

In Germany, against a particularly weak performance in the first half of 2002, sales in euros were up by 4%. This increase in sales and market share is against the background of a further decline in general construction activity in Germany. Operating profits were up in the period over first half 2002.

In France, sales grew by 9% in euros and operating profits were increased. Whilst market conditions remained challenging, progress was made in Insulation, Commercial Interiors and the fledgling Roofing operations. Investments have been made to increase our geographic reach by opening two new locations. Within Insulation, progress has been made in extending the product range, especially in the growing air handling market.

In The Netherlands, sales increased by 11% in euros, due to the increased impact of the Insulation business acquired in March 2002. Market conditions in the main Commercial Interiors business remain very difficult, and sales and operating profits declined slightly.

Sales in our small Polish business declined by 9% in local currency as market conditions continued to be extremely difficult and, whilst this was partly offset by an improvement in the gross margin, a small operating loss was incurred.

USA

Demand in the main petro-chemical and related industrial markets in the USA continued to be very sluggish and our sales fell by 3% in US dollars and 13% in sterling. Despite cost reductions, operating profit declined by £0.4m compared with the first half of 2002.

Acquisitions

There have been two small acquisitions in the first half of the year, one in the UK (Insulation) and one in France (Commercial Interiors). Total consideration is £1.6m with annualised sales of approximately £4m.

In July we acquired a UK roofing business for a consideration of up to £0.9m in cash, with annualised sales of c.£2m.

Prospects

We anticipate that the mixed conditions encountered in the first half of 2003 will continue into the second half.

General building activity is expected to remain broadly stable in the UK and Republic of Ireland, and this should benefit Insulation in particular. There are signs that the rate of decline in Commercial Interiors is slowing, but we do not see a recovery in either volume or margins in this sector this year.

Overseas market conditions are expected to remain difficult and some further weakening of demand in mainland Europe is anticipated.

The Group is focused on strengthening the business against the background of these conditions. Trading since the end of June has been satisfactory and further progress is expected.

Barrie Cottingham, Chairman
3 September 2003

Summary Consolidated Profit and Loss Account

for the six months ended 30 June 2003

	Note	Unaudited Six months ended 30 June		Unaudited Six months ended 30 June		Audited Year ended 31 December	
		2003 £000's	2003 £000's	2002 £000's	2002 £000's	2002 £000's	2002 £000's
Turnover	3		611,738		538,847		1,154,968
Operating profit before amortisation of goodwill		27,623		25,282		57,923	
Amortisation of goodwill		2,398		2,132		4,524	
Operating profit	3		25,225		23,150		53,399
Net interest payable			3,426		3,348		7,051
Profit on ordinary activities before taxation			21,799		19,802		46,348
Tax on profit on ordinary activities			7,106		6,258		14,646
Profit on ordinary activities after taxation			14,693		13,544		31,702
Minority interest (all equity)			213		137		294
Equity dividends			4,932		4,682		13,917
Retained profit for the period			9,548		8,725		17,491
Earnings per share							
Basic earnings per share	4		12.1p		11.3p		26.3p
Fully diluted earnings per share	4		12.0p		11.1p		26.1p
Earnings per share before goodwill amortisation							
Basic earnings per share	4		14.1p		13.1p		30.1p
Fully diluted earnings per share	4		14.0p		12.9p		29.9p

Consolidated Statement of Total Recognised Gains and Losses

for the six months ended 30 June 2003

	Unaudited Six months ended 30 June 2003 £000's	Unaudited Six months ended 30 June 2002 £000's	Audited Year ended 31 December 2002 £000's
Profit on ordinary activities after taxation and minority interests	14,480	13,407	31,408
Gain/(loss) on foreign currency translation	809	(778)	(1,101)
Tax credit arising on repayment of overseas intercompany loans	-	-	4,572
Tax credit arising on foreign exchange losses	1,315	405	1,370
Total recognised gains and losses for the period	16,604	13,034	36,249
Prior period adjustment	-	(506)	(506)
Total recognised gains and losses since last annual report	16,604	12,528	35,743

Reconciliation of Movement in Consolidated Shareholders' Funds

for the six months ended 30 June 2003

	Unaudited Six months ended 30 June 2003 £000's	Unaudited Six months ended 30 June 2002 £000's	Audited Year ended 31 December 2002 £000's
Profit on ordinary activities after taxation and minority interests	14,480	13,407	31,408
Dividends	(4,932)	(4,682)	(13,917)
	9,548	8,725	17,491
New share capital issued	83	1,241	1,735
Gain/(loss) on foreign currency translation	809	(778)	(1,101)
Tax credit arising on repayment of overseas intercompany loans	-	-	4,572
Tax credit arising on foreign exchange losses	1,315	405	1,370
Credit to L-TIP reserve	94	90	174
Adjustment to goodwill	-	-	4,835
Net addition to shareholders' funds	11,849	9,683	29,076
Opening shareholders' funds as previously stated	194,056	165,486	165,486
Prior period adjustment	-	(506)	(506)
Opening shareholders' funds as restated	194,056	164,980	164,980
Closing shareholders' funds	205,905	174,663	194,056

Summary Consolidated Balance Sheet

as at 30 June 2003

	Unaudited 30 June 2003 £000's	Unaudited 30 June 2002 £000's	Audited 31 December 2002 £000's
Fixed Assets			
Intangible assets	79,103	78,748	80,693
Tangible assets	71,288	68,729	71,717
	150,391	147,477	152,410
Current assets			
Stocks	94,289	90,931	88,876
Debtors	255,522	236,263	221,974
Cash at bank and in hand	22,567	14,146	13,558
	372,378	341,340	324,408
Creditors: Amounts falling due within one year	(202,929)	(204,058)	(172,242)
Net Current assets	169,449	137,282	152,166
Total assets less current liabilities	319,840	284,759	304,576
Creditors: Amounts falling due after more than one year	(109,565)	(106,039)	(105,920)
Provision for liabilities and charges	(4,157)	(3,920)	(4,306)
Net assets	206,118	174,800	194,350
Shareholders' funds (all equity)	205,905	174,663	194,056
Minority interest	213	137	294
Total capital employed	206,118	174,800	194,350

Summary Consolidated Cash Flow Statement

for the six months ended 30 June 2003

	Note	Unaudited 30 June 2003 £000's	Unaudited 30 June 2002 £000's	Audited 31 December 2002 £000's
Net cash inflow from operating activities	5	55,990	28,113	64,699
Returns on investments and servicing of finance		(3,763)	(3,473)	(7,055)
Tax paid		(3,487)	(6,321)	(14,323)
Capital expenditure		(6,114)	(9,704)	(20,224)
Acquisitions		(552)	(4,809)	(22,057)
Equity dividends paid		(9,283)	(8,696)	(13,363)
Financing		(10,118)	4,209	12,344
Increase/(decrease) in cash in the period	6	22,673	(681)	21

Notes to the Unaudited Interim Results

1 Basis of preparation of interim financial information

The interim financial information has been prepared in accordance with the accounting policies included in the Annual Report for the year ended 31 December 2002, which have been applied consistently throughout the current and preceding periods.

The interim financial information was approved by the Board of Directors on 3 September 2003.

2 Publication of non statutory accounts

The financial information included in this statement does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The interim results to 30 June 2003 and 2002 are neither audited nor reviewed. The financial information for the full preceding year is based on the statutory accounts for the financial year ended 31 December 2002. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies. The auditors' report contained no statement under Section 237(2) or 237(3) of the Companies Act 1985.

3 Segmental information

	Unaudited Six months ended 30 June 2003 £000's	Unaudited Six months ended 30 June 2002 £000's	Audited Year ended 31 December 2002 £000's
Geographical analysis			
Turnover			
- UK & Republic of Ireland	396,869	343,549	734,537
- Europe	183,107	158,832	349,821
- USA	31,762	36,466	70,610
Total operations	611,738	538,847	1,154,968
Operating Profit			
- UK & Republic of Ireland	25,067	22,692	51,448
- Europe	3,384	2,896	7,718
- USA	528	941	1,501
- Parent company	(1,356)	(1,247)	(2,744)
- Amortisation of goodwill	(2,398)	(2,132)	(4,524)
Total operations	25,225	23,150	53,399

Turnover and operating profit by destination is not materially different from these amounts. Turnover and operating profit from acquisitions during the period have not been reported separately due to their immateriality to the Group results.

Notes to the Unaudited Interim Results *continued*

4 Earnings per share

The calculations of earnings per share are based on the following profits and numbers of shares:

	Basic and diluted			Basic and diluted before goodwill amortisation		
	Unaudited Six months ended 30 June	Unaudited Six months ended 30 June	Audited Year ended 31 December	Unaudited Six months ended 30 June	Unaudited Six months ended 30 June	Audited Year ended 31 December
	2003	2002	2002	2003	2002	2002
	£000's	£000's	£000's	£000's	£000's	£000's
Profit on ordinary activities after taxation	14,693	13,544	31,702	14,693	13,544	31,702
Minority interests	(213)	(137)	(294)	(213)	(137)	(294)
Goodwill amortisation	-	-	-	2,398	2,132	4,524
	14,480	13,407	31,408	16,878	15,539	35,932
				Unaudited Six months ended 30 June	Unaudited Six months ended 30 June	Audited Year ended 31 December
Weighted average number of shares:				2003	2002	2002
				Number	Number	Number
For basic earnings per share				119,743,323	118,970,539	119,309,596
Exercise of share options				1,006,237	1,487,836	935,230
For diluted earnings per share				120,749,560	120,458,375	120,244,826

Earnings per share before goodwill amortisation is presented in order to give an indication of the underlying performance of the Group.

5 Reconciliation of operating profit to net cash inflow from operating activities

	Unaudited Six months ended 30 June	Unaudited Six months ended 30 June	Audited Year ended 31 December
	2003	2002	2002
	£000's	£000's	£000's
Operating profit	25,225	23,150	53,399
Depreciation and amortisation	10,828	9,989	20,552
Profit on sale of tangible fixed assets	(193)	(233)	(451)
Changes in working capital	20,130	(4,793)	(8,801)
Net cash inflow from operating activities	55,990	28,113	64,699

6 Reconciliation of net cash flow to movement in net debt

	Unaudited Six months ended 30 June 2003 £000's	Unaudited Six months ended 30 June 2002 £000's	Audited Year ended 31 December 2002 £000's
Increase/(decrease) in cash in the period	22,673	(681)	21
Cash outflow/(inflow) from movement in debt	10,201	(2,968)	(10,609)
Changes in net debt resulting from cash flows	32,874	(3,649)	(10,588)
Acquisitions	(21)	(12,021)	(151)
Exchange differences	(4,345)	(3,572)	(3,313)
Movement in net debt in the period	28,508	(19,242)	(14,052)
Net debt at start of the period	(123,380)	(109,328)	(109,328)
Net debt at the end of the period	(94,872)	(128,570)	(123,380)

Company information

President

Sir Norman Adsetts, OBE, MA

Directors

Barrie Cottingham, FCA, ATII (Non-Executive Chairman)

David Williams (Chief Executive)

Gareth Davies, ACA (Finance Director)

John Chivers (Executive Director)

Peter Blackburn, CBE, BA, D.Litt, FCA (Non-Executive Director)

Nick Paul, BSc, MSc, MIMechE, MIMC (Non-Executive Director)
(Resigned 1 March 2003)

Les Tench, BSc (Senior Non-Executive Director)
(Appointed 1 March 2003)

David Haxby, LL.B, FCA (Non-Executive Director)
(Appointed 1 March 2003)

Company Secretary

John Swynnerton, FCA

Registered Office

Hillsborough Works,
Langsett Road,
Sheffield S6 2LW

Registration number

00998314

Registrars and Transfer Office

Computershare Investor Services PLC
PO Box 82, The Pavilions,
Bridgwater Road,
Bristol BS99 7NH

Auditors

Deloitte & Touche LLP
1 City Square, Leeds LS1 2AL

Principal Bankers

The Royal Bank of Scotland plc
Corporate & Institutional Banking
PO Box 126, 6th Floor,
8 Park Row,
Leeds LS1 5AH

Solicitors

Pinsents
1 Park Row,
Leeds LS1 5AB

Joint Stockbrokers

Cazenove & Co
20 Moorgate,
London EC2R 6DA

West LB Panmure Limited

Woolgate Exchange,
25 Basinghall Street,
London EC2V 5HA

Principal Trading Subsidiaries

At 30 June 2003, the Company's principal trading subsidiaries in its core business sectors were:

	 Insulation and related products	 Roofing products	 Commercial Interior products
United Kingdom			
SIG Trading Limited	●	●	●
Miller Pattison Limited	●		
Republic of Ireland			
Capco Holdings Limited	●	●	●
Insulation Distributors Limited	●		
Germany			
WeGo Systembaustoffe GmbH & Co. oHG	●		●
France			
Société Industrielle de l'Ouest des Produits Isolants SA (Ouest Isol)	●	●	●
The Netherlands			
SIG Nederland B.V.	●		●
Poland			
WKT Polska Sp. z o.o.	●		●
USA			
SIG Southwest Inc.	●		
BWI Group Inc.	●		



SIG plc

Hillsborough Works, Langsett Road, Sheffield S6 2LW. United Kingdom

Tel: +44 (0) 114 285 6300 Fax: +44 (0) 114 285 6385

e-mail: investor@sigplc.co.uk

info@sigplc.co.uk



Please visit our website at:
www.sigplc.co.uk for further information.