



P R E S S R E L E A S E

8 September 2004

INTERIM RESULTS FOR SIX MONTHS TO 30 JUNE 2004

SIG plc is the market leading specialist distributor of insulation, commercial interiors and roofing products in Europe.

- Excellent first half performance with record sales, profits and earnings. Improvements in all key product and geographic areas were boosted by strong like for like results and generally helpful pricing conditions
- Sales increased by 6.2% to £649m (2003 : £612m). Excluding the impact of foreign exchange, sales growth was up 7.9%
 - UK and Republic of Ireland (c. 65% of Group sales) sales increased 6.5% to £423m (2003 : £397m), driven primarily by continued robust demand in housing and non-residential construction and improving market conditions in Commercial Interiors
 - Mainland Europe (c. 30% of Group sales) sales increased 11% in local currencies and 8% in Sterling to £197m (2003 : £183m), with sales up in all countries
 - In the USA sales were up 5% in local currency
- Operating profit before amortisation of goodwill increased 21.3% to £33.9m
 - UK and Republic of Ireland up 13.7% to £28.9m
 - Mainland Europe up 84% to £6.2m, led by a strong performance in France and Germany and a profits turnaround in Poland
 - USA increased to £0.7m (2003 : £0.5m)
- Profit before tax was up 30% to £28.3m (2003 : £21.8m) and earnings per share increased by 29% to 15.6p (2003 : 12.1p)
- Dividend per share up 12.2% to 4.6p (2003 : 4.1p)
- Sharp acceleration in acquisition programme with 9 deals completed to date for c. £37m, spread right across SIG's business activities. Annualised sales from these acquisitions exceeds £60m. These additional branches bring SIG's total network to 403 branches

Les Tench, Chairman, commented:

"As previously indicated, the exceptional rate of improvement in profits in the first half is not expected to be replicated in the second half. However, market demand and pricing have remained firm since the end of June and in the light of continued strong trading, the Group is confident that further progress will be made. On a longer term basis, the Group believes that it is well positioned to benefit from increased demand for energy efficiency products and services, expected to arise from rising energy costs and further regulation."

Enquiries:

David Williams, Chief Executive	SIG plc	today	020 7251 3801
Gareth Davies, Finance Director		thereafter	0114 285 6300
Faeth Birch / Gordon Simpson	Finsbury		020 7251 3801

Full Interim Results information is available on www.sigplc.co.uk/results. An interview with David Williams, Group Chief Executive in video/audio and text is now available on <http://www.sigplc.co.uk> and <http://www.cantos.com>



Introduction

The Group has made excellent progress in the first half of 2004, having achieved significant growth in sales and profits compared with the corresponding period in 2003.

As indicated in the Trading Statement which was published on 7 July 2004, price inflation combined with increased sales volume created a number of opportunities to improve the margin during the first half of 2004. The Group has been very successful in ensuring the benefits of these particularly favourable conditions were maximised during the period.

Acquisitions completed in 2003 and in the first half of 2004 made a positive contribution during the period. The number of trading sites continues to grow and a number of 'brownfield' branches have been opened since the start of the year, in addition to those which have been acquired.

Currency movement had a small adverse effect on the results in the first half. Cash flow has been good and the balance sheet further strengthened.

Results

For the 6 months to 30 June 2004 compared with the corresponding period in 2003:

Sales

- Sales were £649m, an increase of £37m, up 6.2% on prior year (2003 : £612m).
- Like for like sales growth (i.e. excluding the impact of acquisitions completed after 1 January 2003) was 5.4%.
- The exchange rates of Sterling against the Euro and the US Dollar were less favourable in the first half of 2004 than in the corresponding period in 2003. Sales in local currency grew by 7.9% in total and 7.1% on a like for like basis.
- Sales were increased in all three geographic reporting regions, on a like for like constant currency basis. Sales increased in Sterling in both the UK and Republic of Ireland and Mainland Europe, but declined in the USA due to adverse currency exchange movement.

Profits

- Operating profit before amortisation of goodwill increased by 21.3% to £33.9m (2003 : £28.0m – restated for FRS17).
- Operating profits improved in all three geographic reporting regions, both in local currency and in Sterling.
- Amortisation of goodwill increased slightly to £2.5m (2003 : £2.4m). Total interest and other finance charges reduced by £0.7m to £3.1m (2003 : £3.8m – restated for FRS17), reflecting the reduced level of borrowings.
- Profit before tax increased by 30% to £28.3m (2003 : £21.8m).
- Basic earnings per share, after amortisation of goodwill were 29% higher at 15.6p (2003 : 12.1p). Fully diluted earnings per share, after amortisation of goodwill, were 15.4p, up 28% (2003 : 12.0p).

Financial

- Balance sheet gearing was 36% at 30 June 2004. This compares with 50% at 30 June 2003 and 38% at 31 December 2003.
- Interest cover was further improved to 10.2 times (2003 : 6.8 times).

The 2004 and 2003 figures shown above are after adjusting for FRS17 (see below).

Pensions

The Group adopted the accounting policy FRS17 Retirement benefits in its accounts for the year ended 31 December 2003, but had not done so in its interim report for the six months ended 30



June 2003. As set out more fully in note 7, the comparative results for the six months ended 30 June 2003 have been restated to comply with FRS17.

IFRS

The requirement to adopt International Financial Reporting Standards ('IFRS'), with effect from 1 January 2005, is a major change process, for which SIG has established a dedicated team working in conjunction with their external auditors and other technical advisors. To date, the project has identified the main differences between IFRS and current UK GAAP impacting the Group.

The Group is committed to ensuring it complies fully with all material aspects of IFRS. Good progress is being made in establishing the accounting policies, systems and reporting changes that will be required to be implemented.

Dividend

An interim dividend of 4.6p per share has been declared, an increase of 12.2% (2003 interim dividend 4.1p), with dividend cover at 3.4 times. This increase is consistent with the Group policy of progressive increases, whilst maintaining prudent cover. The dividend is payable on 26 November 2004 to shareholders on the register at 29 October 2004.

Trading Review

UK and Republic of Ireland (65% of Group Sales)

Total sales in the UK and Republic of Ireland increased by 6.5% to £423m in the first 6 months of 2004 (2003 : £397m). The like for like sales growth was 5.9%.

Operating profits (pre amortisation of goodwill) were up 13.7%. This reflects the benefit of increased sales volume, stronger prices, continued tight control of costs and an improvement in the operating profit margin to 6.8% (2003 : 6.4% - restated for FRS17).

Sales and operating profits increased in all business streams on a like for like basis.

Sales of insulation and related products grew by 8% almost entirely like for like. Market demand was strong in the key building and construction related sectors, partly due to the continued positive impact of the revised Building Regulations, which require all new buildings to meet higher standards of energy efficiency through improved insulation standards.

Demand declined in the smaller market for specialist insulation used within industrial applications, which includes power, petrochemical and process industries. Sales to these industries were down against prior year.

Roofing product sales increased by 6% including a modest contribution from recent acquisitions. Whilst market demand is believed to have been broadly flat, pricing was slightly stronger overall. Five new trading locations were added during the period.

In contrast with the decline in 2002 and 2003, sales of commercial interiors products increased by 4% entirely like for like. Sales were up in both the premium office sector and in the larger, more broadly based market for ceilings, partitions and related products in all types of non-residential buildings. Again pricing was generally more helpful in this sector.

The development businesses, Safety Products and Construction Accessories, achieved increased sales of 5.5% and operating profits increased substantially.

Mainland Europe (30% of Group Sales)

Sales in the first 6 months of 2004 increased by 11% in local currencies and by 8% in Sterling to £197m (2003 : £183m).

Like for like sales growth was 10% in local currencies and 6% in Sterling.

Operating profits increased by 84% overall in Mainland Europe to £6.2m (2003 : £3.4m).



In Germany profits improved sharply due to increased sales (up 5% in Euros), reduced costs and an outstanding improvement in pricing control by the local management, achieved against the background of stable market conditions and increased product pricing.

In France, in local currency like for like sales grew by 18%, reflecting increased sales penetration through the existing business in stable market conditions. Total sales increased by 24%, assisted by an acquisition in the commercial interiors sector and slightly stronger pricing. Operating profits were increased.

In The Netherlands, against the background of depressed markets, sales increased by 7% in Euros. Increased costs and a reduction in the margin due to adverse sales mix produced a small reduction in operating profit in the period compared with prior year.

The strong recovery in market demand in Poland continued and sales were up 66% in local currency on a like for like basis. This includes the impact of a new branch opened in the period. This excellent performance resulted in a small operating profit being achieved by the Polish business for the first time in any reporting period.

USA (5% of Group Sales)

Against the background of a slight improvement in both market demand and pricing, sales increased by 5% in local currency.

The weakness of the Dollar to Sterling resulted in a 7% decline in sales in Sterling. Tight management of costs and pricing produced a much improved operating profit.

Acquisitions

In the July trading statement SIG announced that six bolt-on acquisitions had been completed in the first 6 months, with annualised sales of c. £22m. Of these six acquisitions, five were in the U.K. (one in insulation, one in construction accessories and three in roofing) and one was in the commercial interiors sector in France.

The strategy of supplementing organic growth with targeted acquisitions within the range of their existing markets and with emphasis on specialist construction related products continues to create opportunities.

During the last few days SIG has completed three further acquisitions, one in Germany and two rather larger acquisitions in the UK which together add 22 additional trading sites, 7 in insulation, 14 in roofing and 1 in commercial interiors with annualised sales of approximately £40m. The total consideration for the 9 acquisitions completed to date in 2004 is approximately £37m.

Corporate Governance

As part of the Board's ongoing commitment to maintaining the highest standards of Corporate Governance, Peter Blackburn CBE, who has been on the Board as a Non-Executive Director since July 2001, has been appointed Senior Independent Director with effect from 1 June 2004.

Prospects

As previously indicated, the exceptional rate of improvement in profits in the first half is not expected to be replicated in the second half. However, market demand and pricing have remained firm since the end of June and in the light of continued strong trading, the Group is confident that further progress will be made.

On a longer term basis, the Group believes that it is well positioned to benefit from increased demand for energy efficiency products and services, expected to arise from rising energy costs and further regulation.



Financial Statements

Summary Consolidated Profit and Loss Account

for the six months ended 30 June 2004

		Unaudited Six months ended 30 June 2004 2004		Unaudited Six months ended 30 June 2003 2003 Restated Restated		Audited Year ended 31 December 2003 2003	
	Note	£000's	£000's	£000's	£000's	£000's	£000's
Turnover	3		649,494		611,738		1,268,525
Operating profit before amortisation of goodwill		33,917		27,966		63,438	
Amortisation of goodwill		2,475		2,398		4,796	
Operating profit	3		31,442		25,568		58,642
Net interest payable			2,882		3,426		6,466
Other finance charges			213		343		685
Profit on ordinary activities before taxation			28,347		21,799		51,491
Tax on profit on ordinary activities			9,241		7,106		16,786
Profit on ordinary activities after taxation			19,106		14,693		34,705
Minority interest (all equity)			279		213		447
Equity dividends			5,568		4,932		14,920
Retained profit for the period			13,259		9,548		19,338
Earnings per share							
Basic earnings per share	4		15.6p		12.1p		28.6p
Diluted earnings per share	4		15.4p		12.0p		28.2p
Earnings per share before amortisation of goodwill							
Basic earnings per share	4		17.7p		14.1p		32.5p
Diluted earnings per share	4		17.4p		14.0p		32.2p



Consolidated Statement of Total Recognised Gains and Losses

for the six months ended 30 June 2004

	Unaudited Six months ended 30 June 2004	Unaudited Six months ended 30 June 2003 Restated	Audited Year ended 31 December 2003
	£000's	£000's	£000's
Profit on ordinary activities after taxation and minority interests	18,827	14,480	34,258
Tax credit on exchange difference arising on foreign currency borrowings	-	1,315	1,570
Exchange difference on retranslation of overseas net investments	(5,159)	5,192	5,202
Exchange difference on foreign currency borrowings	3,999	(4,383)	(5,235)
Actuarial gain relating to the pension schemes	-	168	335
Deferred tax movement associated with actuarial gain	-	(50)	(101)
Total recognised gains and losses for the period	17,667	16,722	36,029
Prior year adjustment (FRS 17)	-	(16,884)	(16,884)
Total recognised gains and losses since last annual report	17,667	(162)	19,145



Reconciliation of Movement in Consolidated Shareholders' Funds

for the six months ended 30 June 2004

	Unaudited Six months ended 30 June 2004	Unaudited Six months ended 30 June 2003 Restated	Audited Year ended 31 December 2003
	£000's	£000's	£000's
Profit on ordinary activities after taxation and minority interests	18,827	14,480	34,258
Dividends	(5,568)	(4,932)	(14,920)
	13,259	9,548	19,338
New share capital issued	740	83	895
Tax credit on exchange difference arising on foreign currency borrowings	-	1,315	1,570
Exchange difference on retranslation of overseas net investments	(5,159)	5,192	5,202
Exchange difference on foreign currency borrowings	3,999	(4,383)	(5,235)
Credit to L-TIP reserve	94	94	137
Actuarial gain relating to the pension schemes	-	168	335
Deferred tax movement associated with actuarial gain	-	(50)	(101)
Net addition to shareholders' funds	12,933	11,967	22,141
Opening shareholders' funds as previously reported	199,313	194,056	194,056
Prior year adjustment	-	(16,884)	(16,884)
Opening shareholders' funds as restated	199,313	177,172	177,172
Closing shareholders' funds	212,246	189,139	199,313



Summary Consolidated Balance Sheet
as at 30 June 2004

	Unaudited 30 June 2004	Unaudited 30 June 2003 Restated	Audited 31 December 2003
	£000's	£000's	£000's
Fixed Assets			
Intangible assets	85,090	79,103	78,696
Tangible assets	68,820	71,288	69,194
	153,910	150,391	147,890
Current assets			
Stocks	109,990	94,289	93,035
Debtors	264,046	251,466	223,483
Cash at bank and in hand	30,877	22,567	55,417
	404,913	368,322	371,935
Creditors:			
Amounts falling due within one year	(227,646)	(202,929)	(198,618)
Net current assets	177,267	165,393	173,317
Total assets less current liabilities	331,177	315,784	321,207
Creditors:			
Amounts falling due after more than one year	(94,539)	(109,565)	(98,419)
Provision for liabilities and charges	(10,625)	(2,940)	(9,327)
Net assets excluding pension liability	226,013	203,279	213,461
Pension liability	(13,488)	(13,927)	(13,701)
Net assets including pension liability	212,525	189,352	199,760
Shareholders' funds (all equity)	212,246	189,139	199,313
Minority interest	279	213	447
Total capital employed	212,525	189,352	199,760



Summary Consolidated Cash Flow Statement

for the six months ended 30 June 2004

		Unaudited 30 June 2004	Unaudited 30 June 31 2003 Restated	Audited 31 December 2003
	Note	£000's	£000's	£000's
Net cash inflow from operating activities	5	31,551	56,333	97,942
Returns on investments and servicing of finance		(3,538)	(4,106)	(7,432)
Tax paid		(6,025)	(3,487)	(10,809)
Capital expenditure		(8,454)	(6,114)	(11,962)
Acquisitions		(8,659)	(552)	(2,683)
Equity dividends paid		(10,005)	(9,283)	(14,153)
Financing		(19,594)	(10,118)	5,399
(Decrease)/increase in cash in the period	6	(24,724)	22,673	56,302



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 2003, which have been applied consistently throughout the current and preceding periods.

The interim financial information was approved by the Board of Directors on 8 September 2004.

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 2004 and 2003 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 2003. 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 2004	Unaudited Six months ended 30 June 2003	Audited Year ended 31 December 2003
Geographical analysis	2004	2003	2003
	Restated		
	£000's	£000's	£000's
Turnover			
- UK & Republic of Ireland	422,558	396,869	810,704
- Mainland Europe	197,304	183,107	394,153
- USA	29,632	31,762	63,668
Total operations	649,494	611,738	1,268,525
Operating Profit			
- UK & Republic of Ireland	28,889	25,410	54,235
- Mainland Europe	6,230	3,384	11,038
- USA	726	528	906
- Parent company	(1,928)	(1,356)	(2,741)
- Amortisation of goodwill	(2,475)	(2,398)	(4,796)
Total operations	31,442	25,568	58,642

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



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 amortisation of goodwill		
	Unaudited Six months ended 30 June 2004 £000's	Unaudited Six months ended 30 June 2003 £000's	Audited Year ended 31 December 2003 £000's	Unaudited Six months ended 30 June 2004 £000's	Unaudited Six months ended 30 June 2003 £000's	Audited Year ended 31 December 2003 £000's
Profit on ordinary activities after taxation	19,106	14,693	34,705	19,106	14,693	34,705
Minority interests	(279)	(213)	(447)	(279)	(213)	(447)
Amortisation of goodwill	-	-	-	2,475	2,398	4,796
	18,827	14,480	34,258	21,302	16,878	39,054
Weighted average number of shares				Unaudited Six months ended 30 June 2004 Number	Unaudited Six months ended 30 June 2003 Number	Audited Year ended 31 December 2003 Number
For basic earnings per share				120,444,412	119,743,323	119,981,696
Exercise of share options				2,126,258	1,006,237	1,313,821
For diluted earnings per share				122,570,670	120,749,560	121,295,517

Earnings per share before amortisation of goodwill 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 2004 £000's	Unaudited Six months ended 30 June 2003 Restated £000's	Audited Year ended 31 December 2003 £000's
Operating profit	31,442	25,568	58,642
Depreciation and amortisation	10,750	10,828	21,627
Profit on sale of tangible fixed assets	(208)	(193)	(335)
Changes in working capital	(10,433)	20,130	18,008
Net cash inflow from operating activities	31,551	56,333	97,942

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

	Unaudited Six months ended 30 June 2004 £000's	Unaudited Six months ended 30 June 2003 Restated £000's	Audited Year ended 31 December 2003 £000's
(Decrease)/increase in cash in the period	(24,724)	22,673	56,302
Cash outflow/(inflow) from movement in debt	20,335	10,201	(4,504)
Changes in net debt resulting from cash flows	(4,389)	32,874	51,798
Acquisitions	(93)	(21)	(20)
Exchange differences	4,045	(4,345)	(4,713)
Movement in net debt in the period	(437)	28,508	47,065
Net debt at beginning of period	(76,315)	(123,380)	(123,380)
Net debt at end of period	(76,752)	(94,872)	(76,315)



7. Prior year adjustment

The Group adopted FRS 17 Retirement benefits in its accounts for the year ended 31 December 2003, but did not do so in its interim report for the six months ended 30 June 2003. In this document the comparative results for the six months ended 30 June 2003 have been restated to comply with FRS 17. The following reconciliation provides an explanation of the effect of this change in accounting policy on the six months ended 30 June 2003.

Opening shareholders' funds for 2003 have been restated as follows:

Group Balance Sheet	Prepayments	Pension liability	Deferred taxation	Equity shareholders funds
	£000's	£000's	£000's	£000's
31 December 2002 as previously reported	10,541	-	(1,609)	194,056
Reversal of SSAP 24	(3,900)	-	1,170	(2,730)
Adoption of FRS 17	-	(14,154)	-	(14,154)
1 January 2003 restated	6,641	(14,154)	(439)	177,172

There was no material impact on reported profit as a result of adopting FRS 17 in the six months ended 30 June 2003. As a result, the only adjustment to the Consolidated Profit and Loss Account for the six months ended 30 June 2003 has been to include "Other finance charges" of £343,000 and to increase "Operating profit" by the same amount.

The actuarial gains relating to the pension schemes of £118,000 (net of deferred tax charge of £50,000) which arose in the six months ended 30 June 2003 has been included in the Consolidated Statement of Total Recognised Gains and Losses.

In total, the impact on the 30 June 2003 Consolidated Balance Sheet of adopting FRS 17 was to reduce net assets by £16,766,000.