



Interim Management Statement

Wednesday 19 November 2008

SIG plc, the leading European supplier of insulation, interiors, roofing and specialist construction products, today issues the following Interim Management Statement in respect of the trading period 1 July–18 November 2008.

Following a robust trading performance in H1 2008, overall trading in H2 has been more challenging, with like for like* turnover in constant currency ahead of prior year by around 0.5% year to date and around 2.2% lower since the beginning of July. Accordingly the outturn for the current financial year is likely to be towards the lower end of the current range of market expectations.

Current Trading

SIG's H1 performance was set against a background of sharply reduced activity in new residential construction in the UK and Ireland, and the period from July to mid-November 2008 has seen further decline in these countries in both new housing construction and RMI (Repairs, Maintenance and Improvement). Whilst much less marked than in the UK and Ireland, the residential sector has also now seen some downturn in a number of SIG's Mainland European countries of operation.

Performance in the Group's other core markets of non-residential construction and non-construction industrial insulation, which together account for around two thirds of Group turnover, has continued to show greater resilience.

UK and Ireland (H1 2008 – 57% of Group Sales)

In the UK and Ireland combined, H2 like for like sales to date are about 5.3% lower in Sterling and 6.3% lower on a constant currency basis. Year to date like for like sales are c.0.4% lower in Sterling and 1.5% lower in constant currency. Total sales year to date are up c.12% in Sterling and c.11% in constant currency.

In the UK, as anticipated, those parts of SIG's operations most heavily exposed to residential construction and RMI have found trading increasingly challenging as H2 has progressed, with new housing and discretionary RMI being most affected. The notable exception has been the Miller Pattison business, which specialises in the retrofitting of insulation in existing dwellings and has continued to see strong sales growth driven by the CERT (Carbon Emissions Reduction Target) scheme which came into effect in April 2008.

The UK non-residential sector has remained broadly stable, both for new construction and refurbishment. Whilst more recently there are signs of some private sector projects being deferred, overall sales levels are being sustained by a good level of workflow from the publicly funded and PFI sectors, notably for health and education infrastructure. Demand for process industrial insulation and related products remains robust.

Overall, like for like sales in the UK in H2 to date are running at around 4% below prior year, with total sales ahead c.7.5%. Year to date like for like sales are c.0.6% above prior year, with total sales ahead around 14%.

In Ireland, which accounts for under 5% of Group turnover, the residential market has continued to weaken since the half year, with new build construction for 2008 now widely anticipated to be around 50% down on 2007. Furthermore, the smaller non-residential

construction market is now also being affected by reduced financial liquidity and credit issues.

So far in H2, sales in Ireland in Euros are at around 28% below prior year on a like for like basis and 26% in total. Year to date, sales in Euros are around 21% below prior year on a like for like basis and c.18% below in total.

Mainland Europe (H1 2008 – 43% of Group Sales)

Notwithstanding some weakness in residential construction in Mainland Europe, trading across SIG's European businesses has been generally solid so far in H2, with like for like sales in constant currency around 5.5% ahead of prior year, and total sales up by around 13%, again in constant currency. The translation of foreign currency results has been further buoyed by the relative weakness of Sterling in the period.

In Germany, whilst the Roofing Division has been adversely affected by a decline in residential building and refurbishment in 2008, overall sales to date in H2 have improved slightly relative to the H1 year on year comparatives due to the Insulation and non-residential Divisions continuing to perform well.

In France, the Insulation and Interiors Divisions have maintained good levels of trading and profitability in H2. The Larivière roofing business has seen a resilient level of demand, with like for like sales in constant currency running in H2 at around 2% higher than the equivalent period in the prior year, although gross margins have reduced slightly.

In Poland, H2 trading has been mixed, mainly due to a hiatus in residential construction and some price deflation in core products. In Benelux and our newer Central European businesses trading has been solid.

Acquisitions

Integration of the 24 acquisitions made in H1 2008 is proceeding well. As outlined in SIG's interim results announcement in August, acquisition activity has been materially reduced in H2, with one small strategic bolt-on transaction completed in Czech Republic in September, for a total consideration of £2.8m. No further acquisitions are planned for the remainder of 2008.

Financial Position

In line with SIG's previously stated focus on cash management, the Group has been implementing a programme of operational measures to reduce working capital and improve cash generation. These measures are aimed at ensuring debt levels remain comfortable. As previously indicated, it is anticipated that trading cash conversion** for the year as a whole will be c.100% compared to 48% in the first half year.

Despite recent exchange rate volatility the Company is still aiming to reduce net debt below the level of £640m reported at 30 June 2008.

Cost saving initiatives

In addition to cost saving initiatives already put in place SIG has now moved to implement a more comprehensive range of previously prepared contingency measures as described at the time of the interim results. While the larger part of these relate to the UK and Ireland operations, selective steps are also being taken in a number of the Group's European businesses.

In aggregate, these measures involve a headcount reduction of some 900 staff (c.7% of total) and the closure of around 65 trading locations delivering anticipated incremental cost savings in 2009 of c.£25m. The associated one-off restructuring costs of around £19m will be treated as non-recurring items in the 2008 accounts.

Taken on a business by business basis, these steps are intended to realign resources to current and anticipated trading levels whilst not compromising SIG's ability to provide excellent service and value to its customers.

Outlook

Since SIG's interim results announcement in August, a number of external market forecasts for new build construction activity in the UK and Ireland have been further revised downwards, with additional slippage in the housing sector being accompanied by anticipated lower volumes in the private non-residential sector. On the other hand, the UK public construction sector is forecast to continue to grow, and external agencies expect RMI activity in all of SIG's sectors to hold up better than new build, with essential repairs and maintenance less affected than discretionary refurbishment.

Nevertheless, since these more recent external market forecasts were compiled there has again been a further marked change in sentiment in construction markets, resulting from and reflecting the massive upheaval in financial markets which has occurred since mid-September. It will be some time before the implications of the tighter liquidity and credit conditions now set to prevail well into 2009 become clear, but it is logical that these will not be without consequence for SIG's markets and customers.

Overall prospects in SIG's Mainland European businesses are generally unchanged, with present and anticipated levels of demand remaining steady. Nevertheless, the Company is mindful that in the present economic environment some of its European markets may become still more challenging in 2009.

SIG's exposure to a range of markets and geographies will continue to provide resilience against the more challenging conditions that are anticipated in 2009. In addition, SIG has the experienced and proven management and a solid operating and financial base to enable it to outperform. Going forward, as Europe's leading distributor of insulation, SIG is well placed to take advantage of the expected increase in long term demand deriving from the powerful combination of regulation, environmental and economic drivers throughout all regions in which it trades.

* *Like for like sales excludes the impact of acquisitions completed after 1 January 2007.*

** *Trading cash conversion is defined as cash flow from operations before pension movements divided by underlying operating profit. Underlying operating profit is before the amortisation of acquired intangibles and non-recurring items.*

Conference call:

There will be a conference call for analysts and investors at 8:30 this morning, hosted by Chris Davies and Gareth Davies. The dial-in number is +44 [0] 1452 555 566

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