



## P R E S S   R E L E A S E

21 August 2008

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

SIG plc is the leading specialist supplier of insulation, roofing, interiors and specialist construction products in Europe.

- Group sales were £1,494m, an increase of 35.9% in total, and 9.3% on a like for like<sup>†</sup> basis (H1 2007: £1,099m). At constant currency, total sales were up 26.6% and like for like sales were up 2.5%
- Like for like sales growth was achieved in all countries with the exception of Ireland
- Sales of insulation and related products in the UK performed particularly well, benefiting from the incremental effect of tighter regulations on new construction and increased demand for retrofit installation in existing homes generated by the new CERT grant scheme
- Underlying\* operating profit was £84.0m, an increase of 20.0% (H1 2007: £70.0m), helped by the solid performance of both 2007 and 2008 acquisitions
- Underlying profit before tax was £68.3m, an increase of 10.2% (H1 2007: £62.0m). Profit before tax was £55.7m, a reduction of 0.7% (H1 2007: £56.1m)
- Underlying basic earnings per share was 35.8p, an increase of 4.4%. Basic earnings per share was 29.2p, a reduction of 5.8%
- The interim dividend increased to 8.3p per share (2007: 8.0p)
- SIG also reports a busy period of acquisition activity in H1 with 24 acquisitions for a consideration including net cash acquired of £127m, adding 61 new trading sites

#### Les Tench, Chairman, commented:

*"This is a solid performance from the Group against a background of some challenging conditions. Around two thirds of the Group's sales are made into the non-residential building and industrial (non-construction) sectors, which include both public and private long-term projects. Demand from these sectors has remained robust in all countries in which SIG trades and has helped offset reduced construction activity in residential markets.*

*SIG has been through periods of reduced demand in various markets many times in the past. As well as the resilience provided by its exposure to a broad range of market sectors and countries it has the proven management expertise and the experience to enable it to outperform in challenging market conditions, and remains confident of further progress."*

#### Enquiries:

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Full results information is available on [www.sigplc.co.uk](http://www.sigplc.co.uk). From 12pm, slides from the analyst presentation together with a sound recording shall be made available.

<sup>†</sup> Like for like sales excludes the impact of acquisitions completed after 1 January 2007

\* Underlying is before the amortisation of acquired intangibles and hedge ineffectiveness

## **SIG Interim Results 2008**

### **Chairman's Statement**

As outlined in the Group's Trading Statement of 10 July, the first six months of 2008 have been marked by a solid like for like<sup>†</sup> trading performance supplemented by the good performance of businesses acquired during 2007 and in the first six months of 2008.

Around one third of the Group's sales are made into the residential sector, both new build and Repairs, Maintenance and Improvement (RMI). The residential new build sector in the UK and Ireland has been weak for some time and has fallen very sharply in the UK in recent months. In addition, demand in some elements of residential RMI in the UK and Ireland is also substantially lower than in 2007. The residential building sector in a number of SIG's mainland European countries is also exhibiting some reduction in activity levels, although to a lesser degree than in the UK and Ireland.

Conversely, around two thirds of the Group's sales are made into the non-residential building and industrial (non-construction) sectors, which include both public and private long-term projects. Demand from these sectors has remained robust in all countries in which SIG trades and has helped offset reduced construction activity in residential markets.

### **Results**

*For the first six months ended 30 June 2008, compared with the corresponding period in 2007:*

#### **Sales**

- Total sales were £1,494m, up £395m (35.9%) on the first half of 2007 (£1,099m).
- Like for like sales growth, i.e. excluding the impact of acquisitions completed after 1 January 2007, was £101m (9.3%).

- At constant currency, total sales were up 26.6% and like for like sales up 2.5%.
- Like for like sales growth was achieved in all countries in which the Group has trading operations, except for Ireland.

## **Profits**

- Underlying\* operating profit was £84.0m, an increase of £14.0m (20.0%) over the £70.0m reported in the first half of 2007. On a like for like basis, underlying operating profit was £66.0m, a decrease of £2.1m (-3.0%).
- Underlying net finance costs increased by £7.7m to £15.7m (2007: £8.0m) reflecting the increased acquisition spend.
- Underlying profit before tax was £68.3m, an increase of £6.3m (10.2%) over the £62.0m in the first half of 2007.
- Amortisation of acquired intangibles increased by £6.4m to £12.5m (2007: £6.1m). A charge of £0.1m has arisen in relation to hedge ineffectiveness (2007: credit of £0.2m).
- Profit before tax reduced £0.4m (-0.7%) to £55.7m (2007: £56.1m).

## **Earnings per Share**

- Underlying basic earnings per share increased by 1.5p to 35.8p (2007: 34.3p), an increase of 4.4%.
- Basic earnings per share reduced by 1.8p to 29.2p (2007: 31.0p).

## **Financial**

- Net debt was £640m at 30 June 2008, compared with £429m at 31 December 2007.
- Underlying interest cover at 30 June 2008 remained a healthy 5.4 times (30 June 2007: 8.8 times).

## **Dividend**

- An interim dividend of 8.3p per share has been declared, an increase of 3.8% on the 8.0p per share interim dividend for the first half of 2007.
- The dividend is covered 3.5 times and is payable on 27 November 2008, to shareholders on the register on 31 October 2008.

## **Trading Sites**

During the first six months of the year the Group continued the measured expansion of its branch network, increasing the number of trading sites by a net 93 to 872 (31 December 2007: 779), through a combination of acquisition activity and brownfield site openings.

## **Trading Review**

### **UK and Ireland (57% of Group sales)**

Total sales in the UK and Ireland increased by £126.9m to £849.4m, up 17.6% on H1 2007 (£722.5m).

Like for like sales increased by 3.3% (constant currency 2.0%). Excluding Ireland, where like for like local currency sales declined by 17.1%, like for like sales in the UK increased by 4.1%.

Underlying operating profit increased by £2.6m to £59.7m, up 4.6% on H1 2007 (£57.1m).

These results were achieved against the background of modest market growth in overall non-residential construction activity and a significant decline in residential building work in the UK and Ireland.

Sales of insulation and related products in the UK performed particularly well, benefiting from increased demand driven in part by the higher thermal performance standards required by the 2006 Part 'L' regulations governing new buildings in the UK, and also by the introduction in the UK of the CERT (Carbon Emissions Reduction Target) Scheme in April 2008, which has gained momentum rapidly and is already generating strong growth in demand for retrofit insulation in existing homes.

Unlike the residential sector, the non-residential market in the UK and Ireland continues to perform well, with private and publicly funded projects providing a good pipeline of demand for SIG's products across the whole spectrum of building types, from offices, retail and leisure through to increasingly significant public sector developments such as schools, hospitals and defense establishments.

The number of trading sites increased from 461 in the UK and Ireland at 31 December 2007, to 501 at 30 June 2008.

### **Mainland Europe (43% of Group sales)**

Within the context of generally stable market conditions, our operations in Mainland Europe performed soundly and delivered a set of solid results.

Total sales in Mainland Europe increased by £267.7m to £644.3m, up 71.1% on H1 2007 (£376.6m).

At constant currency, total sales were up £175.2m, an increase of 46.5%, with like for like sales up 3.4%.

Underlying operating profits were £28.9m, up 76.2% on H1 2007 (£16.4m). The net operating margin increased to 4.5% (H1 2007: 4.3%) driven by the operational gearing benefit of additional sales and tight cost control.

In Germany and Austria, notwithstanding the beneficial impact on H1 2007 of last year's extremely mild winter and despite notable weakness in the residential building sector, overall construction activity was marginally stronger. Against this background, total sales grew by 6.3% and by 1.0% on a like for like basis in Euros, and the net operating margin was held.

Total Euro sales in France grew by 168.6% and by 8.8% on a like for like basis. Demand for insulation and interiors products was strong and we continued to make good progress in developing both the product range and our geographic coverage. The net operating margin increased and operating profits were substantially up on H1 2007 helped by the contribution from the Lariviere roofing business acquired in June 2007, which has performed soundly.

In Poland and Central Europe, total sales in local currency increased by 25.3%. Like for like sales in local currency grew by 1.7% against comparatives which were very strong, partly due to the mild winter and partly due to material shortages driving market prices steeply upwards in the first part of last year. The net operating margin fell as some of 2007's overheated pricing reversed out, and as a result of ongoing investment in the branch network and central platforms.

In Benelux, again in favourable market conditions, strong progress was made in both insulation and interiors, with total sales up 25.1% in Euros, 10.7% on a like for like basis. The net operating margin was increased and the operating profit increased significantly.

The number of trading sites in Mainland Europe increased by 53 to 371 (31 December 2007: 318).

## **Acquisitions**

The Group has completed 24 transactions in the first half of the year, with annualised sales of £185m, adding 36 trading sites in the UK and Ireland and 25 in Mainland Europe. Most of these are bolt-on acquisitions, adding weight to our existing market positions in UK insulation, roofing, interiors and specialist construction products, and in insulation, roofing and interiors in Mainland Europe. Of the £185m acquired sales, £117m is in the UK and Ireland and £68m in Mainland Europe.

The larger acquisitions include an international supplier of specialist air handling products, which in addition to locations within SIG's current geographical footprint extends the Group's sales further into Eastern and Southern Europe, and which complements existing activities in France and elsewhere in the HVAC (Heating, Ventilation and Air Conditioning) and building environments sector.

The total consideration for these 24 acquisitions (including net cash acquired) amounted to £126.9m.

These businesses are being successfully integrated into the Group and are trading in line with our expectations.

## **Outlook**

The Group has made good progress in the first half of 2008 with like for like sales growth supplemented by the positive impact of acquisitions made in 2007 and 2008.

External forecasts for overall construction activity in the UK and Ireland for 2008 and 2009 continue to be revised downwards, influenced in particular by worsening prospects for the housing sector. The Group expects that the main areas of market decline will be new housing and discretionary consumer spending on existing residential properties in the UK and Ireland and these will continue to weaken further into 2009. However, UK non-residential construction activity is holding up much better than residential, especially public funded works related to hospitals, schools

and infrastructure, and leading contractors continue to report solid order books through 2008 and 2009.

In Mainland Europe, external agencies continue presently to point to generally stable or positive construction trends through 2009 in SIG's markets.

Additionally, demand for insulation products continues to perform better than other building materials due to a combination of regulatory, environmental and economic drivers throughout all regions in which SIG trades.

Trading since the end of June has been solid. Nevertheless, the Group is mindful of the likelihood that trading in some of its markets may become still more challenging over the coming months. It has therefore been actively taking steps to realign its cost base in those markets where medium term demand is expected to remain subdued whilst also keeping market developments under close watch in order to be able to promptly implement additional pre-prepared contingency measures should these become appropriate. In the current market environment the Group's approach to acquisitions is cautious and highly selective. Whilst remaining receptive to any compelling opportunities which the current climate may present, the Group intends that acquisition activity in the second half of the year will be materially lower than the first half, thereby helping to ensure that debt levels remain comfortable.

SIG has been through periods of reduced demand in various markets many times in the past. As well as the resilience provided by its exposure to a broad range of market sectors and countries it has the proven management expertise and the experience to enable it to outperform in challenging market conditions, and remains confident of further progress.

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

*\* Underlying is before the amortisation of acquired intangibles and hedge ineffectiveness.*

## **Cautionary Statement**

This Interim Report has been prepared in accordance with the requirements of English Company Law and the liabilities of the Directors in connection with this Interim Report shall be subject to the limitations and restrictions provided by such law.

This Interim Report is prepared for and addressed only to the Company's shareholders as a whole and to no other person. The Company, its Directors, employees, agents or advisors do not accept or assume responsibility to any other person to whom this Interim Report is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

Certain information included in this Interim Report is forward looking and involves risk and uncertainties that could cause the actual results to differ materially from those expressed or implied by forward thinking statements. It is believed that the expectations set out in these forward looking statements are reasonable but they may be affected by a wide range of variables which could cause future outcomes to differ from those foreseen in forward looking statements, including but not limited to, changes in risks associated with the level of market demand, products availability and pricing, competitor risk, credit risk and changes in exchange rates. All statements in this Interim Report are based upon information known to the Company at the date of this report. The Company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise.

## **Responsibility statement**

We confirm to the best of our knowledge:

- (a) the interim set of financial statements has been prepared in accordance with IAS 34 “Interim Financial Reporting”;
- (b) the Interim Report includes a fair review of the information required by the Financial Services Authority’s Disclosure and Transparency Rules (“DTR”)4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the Interim Report includes a fair review of the information required by DTR4.2.8R (disclosure of related party transactions and changes therein)

By order of the Board

Chris Davies  
Director  
20 August 2008

Gareth Davies  
Director  
20 August 2008

## Consolidated Income Statement

for the six months ended 30 June 2008

	Note	<u>Unaudited six months ended</u> 30 June 2008			<u>Unaudited six months ended</u> 30 June 2007			<u>Audited year ended</u> 31 December 2007		
		Before other items* £m	Other items* £m	Total £m	Before other items* £m	Other items* £m	Total £m	Before other items* £m	Other items* £m	Total £m
<b>Revenue</b>										
Existing operations		1,440.5	-	1,440.5	1,083.2	-	1,083.2	2,238.6	-	2,238.6
Acquisitions		53.2	-	53.2	15.9	-	15.9	216.6	-	216.6
Continuing operations	2	1,493.7	-	1,493.7	1,099.1	-	1,099.1	2,455.2	-	2,455.2
Cost of Sales		(1,099.5)	-	(1,099.5)	(805.1)	-	(805.1)	(1,796.6)	-	(1,796.6)
<b>Gross profit</b>		<b>394.2</b>	<b>-</b>	<b>394.2</b>	<b>294.0</b>	<b>-</b>	<b>294.0</b>	<b>658.6</b>	<b>-</b>	<b>658.6</b>
Other operating expenses		(310.2)	(12.5)	(322.7)	(224.0)	(6.1)	(230.1)	(499.2)	(17.2)	(516.4)
<b>Operating profit</b>										
Existing operations		78.5	(12.5)	66.0	68.1	(6.1)	62.0	147.5	(17.2)	130.3
Acquisitions		5.5	-	5.5	1.9	-	1.9	11.9	-	11.9
Continuing operations	2	84.0	(12.5)	71.5	70.0	(6.1)	63.9	159.4	(17.2)	142.2
Finance income		6.1	-	6.1	4.1	0.2	4.3	9.2	1.4	10.6
Finance costs		(21.8)	(0.1)	(21.9)	(12.1)	-	(12.1)	(28.5)	-	(28.5)
<b>Profit before tax</b>		<b>68.3</b>	<b>(12.6)</b>	<b>55.7</b>	<b>62.0</b>	<b>(5.9)</b>	<b>56.1</b>	<b>140.1</b>	<b>(15.8)</b>	<b>124.3</b>
Income tax expense	3	(19.8)	3.7	(16.1)	(18.6)	1.8	(16.8)	(41.9)	4.7	(37.2)
<b>Profit after tax</b>		<b>48.5</b>	<b>(8.9)</b>	<b>39.6</b>	<b>43.4</b>	<b>(4.1)</b>	<b>39.3</b>	<b>98.2</b>	<b>(11.1)</b>	<b>87.1</b>
<b>Attributable to:</b>										
Equity holders of the Company		48.3	(8.9)	39.4	42.9	(4.1)	38.8	97.3	(11.1)	86.2
Minority interests		0.2	-	0.2	0.5	-	0.5	0.9	-	0.9
<b>Earnings per share</b>										
Basic earnings per share	4	35.8p	(6.6p)	29.2p	34.3p	(3.3p)	31.0p	74.8p	(8.5p)	66.3p
Diluted earnings per share	4	35.5p	(6.5p)	29.0p	33.9p	(3.2p)	30.7p	74.2p	(8.4p)	65.8p

\* Other items relate to the amortisation of acquired intangibles and hedge ineffectiveness. Other items have been disclosed separately in order to give an indication of the underlying earnings of the Group.

**Consolidated Statement of Recognised Income and Expense**

for the six months ended 30 June 2008

	<b>Unaudited six months ended 30 June 2008 £m</b>	Unaudited six months ended 30 June 2007 £m	Audited year ended 31 December 2007 £m
Profit after tax	<b>39.6</b>	39.3	87.1
Exchange difference on retranslation of foreign currency goodwill and intangibles	<b>24.9</b>	0.1	24.7
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	<b>19.9</b>	1.2	18.8
Exchange and fair value movements associated with borrowings and derivative financial instruments	<b>(35.9)</b>	(7.0)	(41.2)
Tax credit on exchange difference arising on borrowings and derivative financial instruments	<b>10.0</b>	0.4	12.0
Gains / (losses) on cash flow hedges	<b>4.8</b>	(4.0)	(5.2)
Transfer to profit and loss on cash flow hedges	<b>1.6</b>	1.0	2.1
Current and deferred tax on share options	<b>(0.4)</b>	1.4	(0.8)
Actuarial gain on defined benefit pension schemes	-	-	6.2
Deferred tax movement associated with actuarial gain	-	-	(2.0)
Recognition of option in relation to minority interest	<b>(2.0)</b>	-	-
<b>Total recognised income and expense for the period</b>	<b>62.5</b>	32.4	101.7
<b>Attributable to:</b>			
Equity holders of the Company	<b>62.3</b>	31.9	100.8
Minority interests	<b>0.2</b>	0.5	0.9
	<b>62.5</b>	32.4	101.7

**Consolidated Balance Sheet**

as at 30 June 2008

	Note	Unaudited 30 June 2008 £m	Unaudited 30 June 2007 £m	Audited 31 December 2007 £m
<b>Non-current assets</b>				
Property, plant and equipment		248.9	178.5	209.0
Goodwill		520.0	404.2	434.9
Intangible assets		183.2	117.2	152.8
Deferred tax assets		14.7	17.1	17.4
		<b>966.8</b>	<b>717.0</b>	<b>814.1</b>
<b>Current assets</b>				
Inventories		289.1	211.4	224.6
Trade receivables		546.4	442.5	414.4
Other receivables		51.3	31.7	25.4
Derivative financial instruments		2.6	3.1	0.5
Cash and cash equivalents		48.4	111.0	89.2
		<b>937.8</b>	<b>799.7</b>	<b>754.1</b>
<b>Total assets</b>		<b>1,904.6</b>	<b>1,516.7</b>	<b>1,568.2</b>
<b>Current liabilities</b>				
Trade and other payables		488.0	426.4	366.1
Obligations under finance leases and hire purchase agreements		3.0	4.9	2.6
Bank overdrafts		24.0	3.0	1.9
Bank loans		313.2	120.1	150.8
Private placement notes		22.1	-	22.1
Loan notes		0.7	3.0	2.8
Derivative financial instruments		19.4	0.6	36.7
Current tax liabilities		16.5	27.6	17.4
Provisions		13.6	9.3	9.5
		<b>900.5</b>	<b>594.9</b>	<b>609.9</b>
<b>Non-current liabilities</b>				
Obligations under finance leases and hire purchase agreements		7.9	2.4	7.1
Bank loans		6.6	4.6	5.9
Private placement notes		255.3	268.8	251.8
Loan notes		0.2	-	1.4
Derivative financial instruments		38.8	51.6	35.5
Deferred tax liabilities		54.3	34.4	44.3
Other payables		2.8	1.6	2.8
Retirement benefit obligations		6.7	24.6	15.7
Provisions		18.9	18.4	18.9
		<b>391.5</b>	<b>406.4</b>	<b>383.4</b>
<b>Total liabilities</b>		<b>1,292.0</b>	<b>1,001.3</b>	<b>993.3</b>
<b>Net assets</b>		<b>612.6</b>	<b>515.4</b>	<b>574.9</b>
<b>Capital and reserves</b>				
Called up share capital	9	13.5	13.5	13.5
Share premium account		166.5	165.7	166.5
Capital redemption reserve		0.3	0.3	0.3
Special reserve		22.1	22.1	22.1
Share option reserve		2.7	2.0	2.7
Hedging and translation reserve		28.6	(4.2)	9.7
Retained profits		377.5	314.3	358.8
<b>Attributable to equity holders of the Company</b>		<b>611.2</b>	<b>513.7</b>	<b>573.6</b>
<b>Minority interests</b>		<b>1.4</b>	<b>1.7</b>	<b>1.3</b>
<b>Total equity</b>		<b>612.6</b>	<b>515.4</b>	<b>574.9</b>

**Consolidated Cash Flow Statement**

for the six months ended 30 June 2008

	Note	Unaudited 30 June 2008 £m	Unaudited 30 June 2007 £m	Audited 31 December 2007 £m
<b>Net cash flow from operating activities</b>				
Cash inflow from operating activities	7	30.5	63.5	160.3
Borrowing costs paid		(20.3)	(4.3)	(19.3)
Interest received		3.7	2.1	5.0
Income tax paid		(12.0)	(13.2)	(39.8)
Net cash inflow from operating activities		1.9	48.1	106.2
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(33.9)	(27.3)	(60.5)
Proceeds from sale of property, plant and equipment		3.7	2.4	4.1
Purchase of businesses	5	(118.4)	(175.5)	(226.8)
Net cash used in investing activities		(148.6)	(200.4)	(283.2)
<b>Cash flows from financing activities</b>				
Proceeds from issue of ordinary share capital		0.1	147.2	148.1
Capital element of finance lease rental payments		(2.2)	(0.8)	(2.5)
Repayment of loans / settlement of derivative financial instruments		(38.0)	(19.2)	(12.6)
New loans		146.0	91.6	98.6
Dividends paid to equity holders of the Company		(25.3)	(17.6)	(28.4)
Payments to minority shareholder		(0.7)	-	(0.8)
Net cash generated from financing activities		79.9	201.2	202.4
<b>(Decrease)/increase in cash and cash equivalents in the period</b>	8	<b>(66.8)</b>	48.9	25.4
<b>Cash and cash equivalents at beginning of period</b>				
Cash and cash equivalents at beginning of period		87.3	59.1	59.1
Effect of foreign exchange rate changes		3.9	-	2.8
<b>Cash and cash equivalents at end of period</b>		<b>24.4</b>	108.0	87.3

## **Notes to the interim financial information**

### **1. Basis of preparation of interim financial information**

The interim financial information was approved by the Board of Directors on 20 August 2008. The financial information set out in the Interim Report is unaudited.

The Group's interim financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union and in accordance with IAS 34: "*Interim Financial Reporting*", and the accounting policies included in the Annual Report for the year ended 31 December 2007, which have been applied consistently throughout the current and preceding periods.

The interim financial information does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The interim results to 30 June 2008 and 2007 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 2007. 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.

## 2. Segmental information

As at 30 June 2008, the Group is managed and organised in two geographies: UK and Ireland and Mainland Europe. These geographies are the basis on which the Group reports its primary segment information.

Segment information about these geographies is presented below:

	Unaudited six months ended 30 June 2008			Unaudited six months ended 30 June 2007			Audited year ended 31 December 2007		
	UK and Ireland	Mainland Europe	Total	UK and Ireland	Mainland Europe	Total	UK and Ireland	Mainland Europe	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Revenue</b>	<b>849.4</b>	<b>644.3</b>	<b>1,493.7</b>	722.5	376.6	1,099.1	1,523.8	931.4	2,455.2
<b>Result</b>									
<b>Segment result before amortisation of acquired intangibles</b>	<b>59.7</b>	<b>28.9</b>	<b>88.6</b>	57.1	16.4	73.5	121.3	45.9	167.2
Amortisation of acquired intangibles	(8.4)	(4.1)	(12.5)	(5.6)	(0.5)	(6.1)	(12.0)	(5.2)	(17.2)
<b>Segment result</b>	<b>51.3</b>	<b>24.8</b>	<b>76.1</b>	51.5	15.9	67.4	109.3	40.7	150.0
Parent Company costs			(4.6)			(3.5)			(7.8)
<b>Operating profit</b>			<b>71.5</b>			<b>63.9</b>			<b>142.2</b>
Net finance costs			(15.8)			(7.8)			(17.9)
<b>Profit before tax</b>			<b>55.7</b>			<b>56.1</b>			<b>124.3</b>
Income tax expense			(16.1)			(16.8)			(37.2)
Minority interests			(0.2)			(0.5)			(0.9)
<b>Retained profit</b>			<b>39.4</b>			<b>38.8</b>			<b>86.2</b>
<b>Balance sheet</b>									
<b>Assets</b>									
Segment assets	1,063.6	837.0	1,900.6	825.0	612.8	1,437.8	902.7	662.3	1,565.0
Unallocated assets			4.0			78.9			3.2
Total assets			1,904.6			1,516.7			1,568.2
<b>Liabilities</b>									
Segment liabilities	349.7	276.3	626.0	342.3	198.3	540.6	319.6	169.0	488.6
Unallocated liabilities			666.0			460.7			504.7
Total liabilities			1,292.0			1,001.3			993.3
<b>Other segment information</b>									
<i>Capital expenditure on:</i>									
Property, plant and equipment	22.0	13.6	35.6	21.5	6.4	27.9	44.9	19.8	64.7
Intangible assets	35.5	12.4	47.9	10.2	31.1	41.3	22.7	59.3	82.0
Goodwill	45.9	9.8	55.7	16.9	170.9	187.8	44.3	155.8	200.1
<i>Non-cash expenditure:</i>									
Depreciation	12.8	6.4	19.2	10.2	3.3	13.5	21.4	8.9	30.3
Amortisation of acquired intangibles	8.4	4.1	12.5	5.6	0.5	6.1	12.0	5.2	17.2

### 3. Income tax expense

The income tax expense comprises:

	<b>Unaudited six months ended 30 June 2008 £m</b>	Unaudited six months ended 30 June 2007 £m	Audited year ended 31 December 2007 £m
UK taxation	<b>9.4</b>	10.7	17.0
Overseas taxation	<b>6.7</b>	6.1	20.2
Total income tax expense for the period	<b>16.1</b>	16.8	37.2

#### 4. Earnings per share

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

	<b>Basic and diluted</b>		
	<b>Unaudited six months ended 30 June 2008</b>	Unaudited six months ended 30 June 2007	Audited year ended 31 December 2007
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Profit after tax	39.6	39.3	87.1
Minority interests	(0.2)	(0.5)	(0.9)
	<b>39.4</b>	<b>38.8</b>	<b>86.2</b>

#### Basic and diluted before amortisation of acquired intangibles and hedge ineffectiveness

	<b>Basic and diluted before amortisation of acquired intangibles and hedge ineffectiveness</b>		
	<b>Unaudited six months ended 30 June 2008</b>	Unaudited six months ended 30 June 2007	Audited year ended 31 December 2007
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Profit after tax	39.6	39.3	87.1
Minority interests	(0.2)	(0.5)	(0.9)
Amortisation of acquired intangibles	12.5	6.1	17.2
Hedge ineffectiveness	0.1	(0.2)	(1.4)
Tax relating to the amortisation of acquired intangibles and hedge ineffectiveness	(3.7)	(1.8)	(4.7)
	<b>48.3</b>	<b>42.9</b>	<b>97.3</b>

Weighted average number of shares:

	<b>Weighted average number of shares:</b>		
	<b>Unaudited six months ended 30 June 2008 Number</b>	Unaudited six months ended 30 June 2007 Number	Audited year ended 31 December 2007 Number
For basic earnings per share	135,040,188	125,093,655	130,090,267
Exercise of share options	907,485	1,262,718	982,011
For diluted earnings per share	<b>135,947,673</b>	<b>126,356,373</b>	<b>131,072,278</b>

	<b>Earnings per share</b>		
	<b>Unaudited six months ended 30 June 2008</b>	Unaudited six months ended 30 June 2007	Audited year ended 31 December 2007
<b>Earnings per share</b>			
Total basic earnings per share	<b>29.2p</b>	31.0p	66.3p
Total diluted earnings per share	<b>29.0p</b>	30.7p	65.8p
<b>Earnings per share before amortisation of acquired intangibles and hedge ineffectiveness</b>			
Total basic earnings per share	<b>35.8p</b>	34.3p	74.8p
Total diluted earnings per share	<b>35.5p</b>	33.9p	74.2p

Earnings per share before amortisation of acquired intangibles and hedge ineffectiveness is disclosed in order to present the underlying performance of the Group.

## 5. Acquisitions made in the period

In the six months ended 30 June 2008 the Group acquired the following companies:

Acquisition name	% of share capital acquired	Acquisition date	Country of incorporation	Principal activity
HHI Building Products Limited	100%	14 January 2008	Ireland	Distribution of roofing materials and associated products
Alltrim Plastics Limited	100%	15 January 2008	United Kingdom	Distribution of roofing materials and associated products
Central Refractories (Scotland) Limited	100%	31 January 2008	United Kingdom	Distribution of insulating materials and associated products
Kem Edwards Limited	100%	31 January 2008	United Kingdom	Distribution of specialist construction products
Tufwell Tempered Glass Limited	100%	14 February 2008	United Kingdom	Distribution of interiors products
Tolway Fixings Limited	100%	3 March 2008	United Kingdom	Distribution of specialist construction products
GRM Distribution Limited	100%	7 March 2008	United Kingdom	Distribution of insulating materials and associated products
Danskin Flooring Systems Limited	100%	19 March 2008	United Kingdom	Distribution of interiors products
Swindon Roofing Centre Limited / Harris Roofing Supplies Gloucester Limited	100%	27 March 2008	United Kingdom	Distribution of roofing materials and associated products
A Steadman & Son Limited	100%	27 March 2008	United Kingdom	Distribution of roofing materials and associated products
Clyde Insulation Supplies Limited / Clyde Insulation Contracts Limited	100%	3 April 2008	United Kingdom	Distribution and installation of insulating materials and associated products
Ockwells Limited	100%	3 April 2008	United Kingdom	Distribution of interiors products
Pannon II Kft	100%	4 April 2008	Hungary	Distribution of insulating and interiors products
Wood Floor Sales Limited	100%	29 April 2008	United Kingdom	Distribution of interiors products
Air Trade Centre International B.V.	100%	29 April 2008	The Netherlands	Distribution of air handling equipment
Ryan Roofing Supplies Limited	100%	30 April 2008	United Kingdom	Distribution of roofing materials and associated products
Cubicle Systems Limited	100%	24 May 2008	United Kingdom	Distribution of interiors products
Elthisol S.A.R.L.	100%	2 June 2008	France	Distribution of insulating and interiors products
Impex (Avon) Limited	100%	3 June 2008	United Kingdom	Distribution of specialist construction products
Insulslab Limited	100%	27 June 2008	United Kingdom	Distribution of insulating materials and associated products

The Group also acquired the trade and certain assets and liabilities of the following companies:

Acquisition name	Acquisition date	Country of operation	Principal activity
WK-Bodensysteme GmbH	2 January 2008	Germany	Distribution of insulating and interiors products
Georg Eicken GmbH	26 March 2008	Germany	Distribution of roofing materials and associated products
MAT-CHEM-BUD BIS	1 April 2008	Poland	Distribution of insulating and interiors products
Sprenger Baustoffe GmbH	26 May 2008	Germany	Distribution of insulating and interiors products

**5. Acquisitions made in the period (continued)**  
**2008 acquisitions summary fair value table**

	Book value £m	Fair value adjustments £m	Fair value £m
<b>Non-current assets</b>			
Property, plant and equipment	17.1	0.1	17.2
Goodwill	0.3	(0.3)	-
	17.4	(0.2)	17.2
<b>Current assets</b>			
Inventories	22.4	(0.3)	22.1
Trade and other receivables	39.2	(0.3)	38.9
Cash acquired	10.8	-	10.8
<b>Total assets</b>	<b>89.8</b>	<b>(0.8)</b>	<b>89.0</b>
<b>Total liabilities</b>	<b>49.3</b>	<b>0.4</b>	<b>49.7</b>
<b>Net assets</b>	<b>40.5</b>	<b>(1.2)</b>	<b>39.3</b>
Intangible assets – customer relationships			43.5
Intangible assets – non-compete clauses			4.4
Deferred tax liability on acquired intangible assets			(13.4)
Goodwill			55.7
<b>Total consideration</b>			<b>129.5</b>
<b>Represented by:</b>			
Contingent consideration			8.8
Cash			120.0
Loan notes and deferred consideration			0.7
<b>Total consideration</b>			<b>129.5</b>
The total consideration including assumed debt and net of cash and cash equivalents acquired is as follows:			
Total consideration (as above)			129.5
Add debt acquired			8.2
Net cash acquired			(10.8)
<b>Total consideration (including assumed debt)</b>			<b>126.9</b>
<b>Acquisition cash flows during the period:</b>			
Cash paid for 2008 acquisitions during the period			120.0
Net cash acquired with 2008 acquisitions			(10.8)
<b>Net cash outflow from 2008 acquisitions</b>			<b>109.2</b>
Contingent consideration paid on prior year acquisitions			5.2
Deferred consideration paid on prior year acquisitions			4.0
<b>Net cash outflow from 2008 and prior year acquisitions</b>			<b>118.4</b>

Due to the proximity of the timing of some of the acquisitions close to the period end, the Directors have made a provisional assessment of the fair value of the net assets acquired. Any further adjustments arising will be accounted for over the next twelve months. The fair value adjustments above relate primarily to:

- the review of the carrying value of all non-current assets to ensure that they accurately reflect their market value;
- the alignment of valuation and provisioning methodologies to those adopted by the Group; and
- an assessment of all provisions and payables to ensure they are accurately reflected in accordance with the Group's policies.

Included within goodwill are staff acquired as part of the business and strategic acquisition synergies which are specifically excluded in the identification of intangible assets on acquisition by the relevant accounting standards.

The Directors estimate that the pre-acquisition revenue and operating profit for all acquisitions for the period from 1 January 2008 to the respective acquisition dates amounted to £28.2m and £2.5m respectively. The 2008 Interim Consolidated Income Statement includes the following amounts in respect of acquisitions: revenue £53.2m and operating profit before amortisation of acquired intangibles of £5.5m.

Revenue and operating profit before amortisation of acquired intangibles for the six month period ended 30 June 2008 for all 2008 acquisitions amounted to £81.4m and £8.0m respectively.

## 6. Reconciliation of movements in equity

	Unaudited six months ended 30 June 2008	Unaudited six months ended 30 June 2007	Audited year ended 31 December 2007
	£m	£m	£m
Profit for the period attributable to equity holders of the Company	39.4	38.8	86.2
Dividends	(25.3)	(17.6)	(28.4)
New share capital issued	-	147.2	148.1
Exchange difference on retranslation of foreign currency goodwill and intangibles	24.9	0.1	24.7
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	19.9	1.2	18.8
Exchange and fair value movements associated with borrowings and derivative financial instruments	(35.9)	(7.0)	(41.2)
Tax credit on exchange difference arising on borrowings and derivative financial instruments	10.0	0.4	12.0
Gains / (losses) on cash flow hedges	4.8	(4.0)	(5.2)
Transfer to profit and loss on cash flow hedges	1.6	1.0	2.1
Current and deferred tax on share options	(0.4)	1.4	(0.8)
Actuarial gain on defined benefit pension schemes	-	-	6.2
Deferred tax movement associated with actuarial gain	-	-	(2.0)
Recognition of option in relation to minority interest	(2.0)	-	-
Credit to share option reserve	0.6	0.7	1.6
<b>Net addition to shareholders' funds</b>	<b>37.6</b>	<b>162.2</b>	<b>222.1</b>
Opening shareholders' funds	573.6	351.5	351.5
<b>Closing shareholders' funds</b>	<b>611.2</b>	<b>513.7</b>	<b>573.6</b>
Amounts attributable to minority interests	1.4	1.7	1.3
<b>Total equity</b>	<b>612.6</b>	<b>515.4</b>	<b>574.9</b>

## 7. Reconciliation of operating profit to cash inflow from operating activities

	Unaudited six months ended 30 June 2008	Unaudited six months ended 30 June 2007	Audited year ended 31 December 2007
	£m	£m	£m
<b>Operating profit</b>	<b>71.5</b>	<b>63.9</b>	<b>142.2</b>
Depreciation charge	19.2	13.5	30.3
Amortisation of acquired intangibles	12.5	6.1	17.2
Profit on sale of property, plant and equipment	(1.2)	(1.4)	(2.0)
Share-based payments	0.6	0.7	1.6
Movement on defined benefit pension schemes	(9.0)	0.8	(0.6)
Increase in working capital	(63.1)	(20.1)	(28.4)
Cash inflow from operating activities	30.5	63.5	160.3

## 8. Reconciliation of net cash flow to movements in net debt

	Unaudited six months ended 30 June 2008	Unaudited six months ended 30 June 2007	Audited year ended 31 December 2007
	£m	£m	£m
(Decrease) / increase in cash and cash equivalents in the period	(66.8)	48.9	25.4
Cash outflow from movement in debt	(124.3)	(72.2)	(87.7)
Increase in net debt resulting from cash flows	(191.1)	(23.3)	(62.3)
Debt acquired with acquisitions	(8.9)	(83.8)	(94.0)
Movement in deferred consideration on prior period acquisitions	4.0	(1.1)	-
Non-cash items	3.9	(7.6)	(21.7)
Exchange differences	(19.2)	(0.3)	(22.1)
Increase in net debt in the period	(211.3)	(116.1)	(200.1)
Net debt at beginning of period	(428.9)	(228.8)	(228.8)
Net debt at end of period	(640.2)	(344.9)	(428.9)

## 9. Called up share capital

	Unaudited six months ended 30 June 2008 £m	Unaudited six months ended 30 June 2007 £m	Audited year ended 31 December 2007 £m
<b>Authorised:</b>			
190,000,000 ordinary shares of 10p each (30 June 2007 : 190,000,000 ; 31 December 2007 : 190,000,000)	19.0	19.0	19.0
<b>Allotted, called up and fully paid:</b>			
135,140,886 ordinary shares of 10p each (30 June 2007 : 134,667,294 ; 31 December 2007 : 135,001,198)	13.5	13.5	13.5

Total cash consideration received by the Company for shares allotted during the period amounted to £0.1m (30 June 2007: £147.2m; 31 December 2007 : £148.1m).

## 10. Interim dividend

An interim dividend of 8.3p per share (2007: 8.0p) has been declared.

In accordance with IAS 10 "Events after the reporting period", dividends declared after the balance sheet date are not recognised as a liability in the financial statements.

The 2007 final dividend paid in the period to equity shareholders of the Company amounted to £25.3m (30 June 2007: £17.6m).

## 11. Related party transactions

In June 2005, the Group acquired 93.5% of the share capital of LS Group Limited. The remaining 6.5% shareholding was held by employees of that company. During the period the Group acquired the remaining 6.5% shareholding for a total consideration of £1.7m. This purchase generated goodwill of £1.0m.

## 12. Risks and uncertainties

The principal risks and uncertainties which could have a material impact upon the Group's performance over the remaining six months of the 2008 financial year have been summarised in the outlook section of the Chairman's Statement and have not changed significantly from those set out on pages 25 to 27 of the Business Review included in the Group's 2007 Annual Report and Accounts. These risks and uncertainties include, but are not limited to:

- (1) Levels of market demand in the building and construction markets in which SIG operates;
- (2) Product availability and pricing;
- (3) Competitor risk;
- (4) Credit risk; and
- (5) Changes in exchange rates.

## 13. Seasonality

The Group's operations are not affected by significant seasonal variations between the first and second halves of the calendar year and the seasonality of the Group's operations has not changed significantly from prior periods. The timing of acquisitions in any given period can have a significant impact on the percentage of the Group's annual sales and operating profits achieved in the first half of the year.