

SIG plc
AGM and Interim Management Statement

Wednesday 13 May 2009

SIG plc, a leading European supplier of insulation, interiors, exteriors and specialist construction products is today issuing its Interim Management Statement covering the period from 1 January 2009 to the date of this announcement, ahead of its Annual General Meeting to be held at 12 noon today at Aston Hotel, Catcliffe, Rotherham, S60 5BD.

As highlighted in the annual results announcement on 18 March 2009, extremely cold weather conditions in the first quarter (Q1), in particular in Mainland Europe, allied to subdued or reduced demand in many of SIG's market segments and countries of operation, have resulted in an exceptionally challenging trading environment in the first part of 2009 with pricing pressures accompanying lower volumes. In total, sales are lower by 7.2%, or by 13.3% in constant currency terms compared to the period 1 January to 12 May in 2008. Like for like* sales reduced by 11.9% in Sterling and by 17.7% in constant currency.

Around one third of the Group's sales are made into the residential building sector, both new build and Repairs, Maintenance and Improvement (RMI). Demand from this sector fell steeply during the course of 2008 in the UK and Ireland, and to a lesser extent in a number of European countries. 2009 has seen some early signs of stabilisation in demand in the UK house building market, but volumes remain at a substantially lower level than in the same period in 2008.

Approximately two thirds of the Group's sales are made into the non-residential building and industrial non-construction sectors. Activity remained broadly solid in these sectors throughout 2008 in all of SIG's countries of operation, although as previously reported the private non-residential sector in the UK and Ireland tailed down markedly towards the end of 2008 and has continued to decline in 2009, most notably in the commercial office market segment. Demand for industrial process insulation has remained steady in all countries as has publicly funded non-residential construction, although in the UK funding-related issues have delayed project flow against anticipated levels so far.

Trading Summary
UK and Ireland (c.50% of Group Sales)

Overall construction and building activity has shown a sharp decline in 2009 over 2008 in both the UK and Ireland (Ireland accounts for c.4% of Group sales). Against this background, like for like* sales adjusted for constant currency have fallen by 23.5%, with the UK down 21.9% against strong prior year comparatives, and Ireland 41.6% lower.

After a sluggish start to the year in the UK, exacerbated by bad weather in February, activity levels in most segments picked up in March only for progress to

become patchy in April. Ireland traded in line with expectations through to mid-March but has subsequently weakened further.

Sales of insulation and related products in the UK have shown the most resilience, continuing to benefit particularly from increased demand driven by the CERT (Carbon Emissions Reduction Target) Scheme introduced in April 2008. Other segments have been more depressed, with trading in Interiors products impacted by delays to PFI and directly funded government projects in the health and education sectors caused by funding issues and / or re-tendering requirements.

Mainland Europe (c.50% of Group Sales)

Trading in most countries in which the Group operates was adversely affected by the extremely cold weather which gripped the Continent throughout most of Q1 and inhibited building site activity for all outside building trades. European like for like* sales so far in 2009 are down 9.8% against the same period in the prior year on a constant currency basis, but 2.6% up in Sterling with the weakness of the UK currency against the Euro versus the same period in 2008 providing some translational benefit.

The severe cold conditions made underlying demand trends in Mainland Europe particularly hard to discern in Q1. Following the improved weather in April trading has yet to settle into a consistent pattern, and sales performance has been changeable in most countries. However, Poland and our other smaller markets in Central Europe (c.5% of Group Sales) did not achieve the usual level of seasonal improvement in April which suggests that demand in the region is stalling.

Cost Saving Measures

In 2008, SIG moved quickly to adjust its cost base to the more challenging trading conditions and at the time of the annual results SIG highlighted the additional contingency plans that were in place. In view of the ongoing uncertainty in the outlook across SIG's spread of market sectors and countries, and anticipating that trading in places may well become still more difficult as the year develops, the Company is pressing ahead with this comprehensive range of further restructuring and cost saving measures.

These include:

- further branch closures and redundancies across the Group's distribution businesses in the UK and Ireland;
- management restructuring and consequent merger of a number of UK business units;
- rationalisation of the Group's UK Interiors manufacturing operations into a reduced number of sites;
- further redundancy measures in Mainland Europe, principally an additional 100 job losses in Germany and 30 in France; and
- rationalisation and integration of our Polish operations into a single entity, with an initial reduction of 40 staff

In aggregate, these steps which involve additional associated one off restructuring costs of c.£15m, increase the previously announced level of annualised net hard cost savings implemented in 2009 from £15m to c.£27m of which we expect to benefit c.£22m in 2009. Since the commencement of the cost saving programme in 2008 this brings the annualised net hard cost savings achieved to £62m, and staff reductions to c.1,900.

In addition to these hard cost savings, the Group is continuing to identify and deliver day-to-day savings across all its businesses in areas such as fleet management, consumables and further cost avoidance programmes.

Acquisitions

No acquisitions were made in the period and none are planned for the remainder of 2009.

Financial Position

Following the passing of the special resolution at the EGM on 9 April 2009 in respect of the placing and open offer and firm placing, £325m (net of expenses) was raised by the issue of 455,047,973 ordinary shares of 10p each at a price of 75p per share.

The equity share issue has created a more appropriate capital structure for the Group and provides greater resilience and financial flexibility in the current environment.

Following receipt of the equity proceeds, the objective of the Board is to minimise the Group interest charge for the year whilst maintaining, where possible, existing debt facilities in order to maximise headroom and flexibility going forward. To date the majority of the proceeds have been used to pay down revolving credit facilities and termed out 2009 facility maturities and to cancel certain fixed interest rate derivatives.

The Group has continued its strong focus on cash conversion in the year to date resulting in a net debt reduction (in addition to the equity proceeds) of c.£21m. The weakening of the Euro since the year end has reduced the debt position by a similar amount.

Net debt at 30 April 2009 amounted to c.£330m (31 December 2008: £697.1m).

Board

As part of a planned process SIG plc is pleased to announce that it has appointed Chris Geoghegan, Vanda Murray OBE and Jonathan Nicholls to its Board as Non Executive Directors (“NEDs”). All have extensive international experience.

Mr Geoghegan and Mrs Murray will join from 1 July 2009 and Mr Nicholls from 6 November 2009. It is intended that Mr Nicholls will become Chairman of the Audit Committee.

Mr Geoghegan is currently a NED of Volex plc and Kier Group plc and Chairman of Hampson Industries plc. Prior to his retirement he was Chief Operating Officer of BAE Systems plc.

Mrs Murray is a NED of Carillion plc, Chair of Eazyfone Group Limited and Deputy Chair of the North West Regional Development agency. Previously Mrs Murray held executive positions as CEO of Blick Plc, President – Europe of Stanley Security Solutions and Managing Director of Ultraframe UK.

Mr Nicholls was most recently Finance Director of Old Mutual plc prior to which he was Group Finance Director of Hanson plc.

As part of the Board's long term planning, Peter Blackburn and Michael Borlenghi will be retiring from the Board on 30 September 2009.

Summary and Outlook

Macroeconomic forces continue to impact negatively on construction markets in SIG's countries of operation and are expected to do so throughout the remainder of 2009 and into 2010. The severity and duration of the downturn in the different sectors and geographies in which SIG operates is an unfolding picture, but it is clear that H1 will be exceptionally difficult and that trading conditions will remain challenging for the foreseeable future. In this context, having strengthened the balance sheet the Group will continue to run the business tightly through the remainder of 2009, focusing on maximising revenues and cash generation whilst continuing to realign the cost base to the changing market circumstances.

Whilst trading conditions are expected to remain challenging for the foreseeable future, the Group remains well placed to benefit from the longer term positive trend of demand for insulation in the construction and refurbishment of all types of buildings.

** Like for like sales excludes the impact of acquisitions completed after 1 January 2008.*

Enquiries:

Chris Davies, Chief Executive SIG plc 0114 285 6300

Gareth Davies, Finance Director

**Leslie Tench, Chairman

Faeth Birch/Gordon Simpson Finsbury 020 7251 3801

** Enquiries in respect of Directorate changes only

Cautionary Statement

This Interim Management Statement 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 Management Statement is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

Certain information included in this Interim Management Statement is forward looking and involves risks 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 Company's growth strategy, fluctuations in product pricing and changes in exchange and interest rates. All statements in this release 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.