

**SIG plc**  
**Interim Management Statement**

**Thursday 12 November 2009**

SIG plc, a leading European supplier of insulation, interiors, exteriors and specialist construction products, today issues the following Interim Management Statement covering the period from 1 July 2009 to the date of this announcement.

Following exceptionally challenging market conditions in H1 2009, the overall trading environment in the period from 1 July to 11 November 2009 has remained very testing. However, although volumes in H2 have continued to fall in the majority of countries and sectors in which SIG operates, there are early signs of a slowing of the rate of decline in some markets. Against this background, and notwithstanding inconsistent trading patterns within individual business streams, sales in overall terms have been broadly in line with management's expectations in the second half of 2009, with like for like\* turnover in constant currency c.16.5% lower year to date, and around 15.0% lower since the end of June.

Accordingly, while there are some risks to trading volumes for the remainder of the year, it is anticipated that underlying profit before tax\*\* will be in line with current market expectations.

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

The following table sets out the decline in sales in the period for the UK and Ireland:

Period	Like for like	Like for like (constant currency)	Total (Sterling)	Total (constant currency)
UK & Ireland H2 sales	(20.0)%	(20.6)%	(19.8)%	(20.3)%
UK & Ireland YTD sales	(22.1)%	(22.7)%	(20.8)%	(21.4)%
UK H2 sales	(19.0)%	(19.0)%	(18.8)%	(18.8)%
UK YTD sales	(20.9)%	(20.9)%	(19.6)%	(19.6)%
Ireland H2 sales	(32.6)%	(40.5)%	(32.0)%	(39.1)%
Ireland YTD sales	(35.3)%	(42.9)%	(34.1)%	(41.8)%

In the UK, non-residential construction activity has continued to decline steadily, with the ongoing reduction in the private commercial sector outweighing modest increases in public works. As a result the Group's Interiors distribution and manufacturing activities and the Specialist Construction Products Division, which supply mainly into the non-residential sector, have seen a further erosion in turnover. In residential, H2 has seen a small consistent improvement in demand from the new build sector. Accordingly, the Exteriors Division, which is the part of SIG's UK operations most exposed to residential construction, has in the last 3 months experienced a slight gradual improvement in volumes over H1. In Insulation distribution there has been a mixed pattern of trading, with a modest improvement in demand from the house building sector overshadowed by a continued fall in non-residential volumes. Despite the 20% uplift to the current CERT (Carbon Emissions Reduction Target) scheme approved in July 2009 and the further one year planned extension to 2012 of the existing arrangement, Miller Pattison, which installs retrofit insulation in homes, has so far seen little evidence of a release of additional funding from the energy providing utilities and consequently the autumn sales trend has been subdued.

UK gross margins remain under pressure across all divisions on a day-to-day basis, reflecting competitive pricing in the marketplace and a less favourable product mix than in more normal trading conditions. All of SIG's businesses continue to take actions to protect and where possible improve gross margins, whilst maintaining market position.

In Ireland, which accounts for around 3% of Group turnover, trading conditions remain exceptionally harsh in both the residential and non-residential sectors.

### **Mainland Europe (c.50% of Group Sales)**

The following table sets out the sales growth / (decline) in the period for Mainland Europe:

Period	Like for like (constant currency)	Total (Sterling)	Total (constant currency)
Mainland Europe H2 sales	(8.5)%	0.6%	(8.0)%
Mainland Europe YTD sales	(8.8)%	3.2%	(6.6)%

Overall trading in H2 across SIG's European businesses has been generally consistent with H1 trends with continuing weakness in European construction markets resulting in demand softening further in all of SIG's European countries of operation. The translation of foreign currency results has benefited from the relative weakness of Sterling both in H2 and for the year as a whole.

In Germany, the Insulation & Interiors and Roofing Divisions have performed in line with management's expectations despite H2 trading so far showing little tangible benefit from the Government's stimulus packages. In France, all of our businesses have continued to trade satisfactorily with residential demand proving slightly better than had been generally forecast. In Benelux, which traded strongly in H1, there has been some weakening in volumes as anticipated, and our businesses in Poland and Central Europe continue to experience declining levels of construction activity and demand.

Gross margins have overall remained broadly consistent with H1 levels, although there has been some slippage in recent weeks in some countries, mainly due to product mix. As in the UK and Ireland, all of SIG's European businesses continue to take actions to protect and where possible improve gross margins, whilst maintaining market position.

### **Acquisitions**

No acquisitions have been made in 2009 and none are planned for the near term.

### **Financial Position**

In April 2009 the Group raised £325m (net of expenses) through the issue of 455,047,973 ordinary shares via a placing and open offer and firm placing. The Group has used these equity proceeds to reduce the overall level of Group net debt.

At 30 June 2009, the Group's net debt stood at £276m. The strengthening of the Euro since 30 June 2009 has increased the Group's debt by £14m since the half year.

The Group has continued to make good progress on working capital management and trading cash conversion\*\*\* in H2 2009 to date, despite the increasing pressure on the collection of receivables (and associated bad debts).

On a constant currency basis, the Group remains confident that the level of Group net debt at 31 December 2009 will be below the £276m reported at 30 June 2009 and that trading cash conversion will be well ahead of the 97% reported at 31 December 2008.

The Board remains confident that the Group will continue to operate within its banking covenants.

### **Restructuring and Cost Saving Programme**

Since the commencement of the cost saving programme in 2008, £92m of annualised net hard cost savings have been achieved, with 141 branch closures and staff reductions approaching 2,600.

Good progress has been made in the implementation of the significant restructuring measures announced in August 2009, notably the reconfiguration of the UK Interiors Manufacturing Division, the merger of the UK Roofing and Roofline Building Plastics Divisions (Exteriors), and the merger of SIG Insulations and CPD (Interiors Distribution) to create SIG Distribution. All restructuring programmes are on schedule to deliver the planned efficiencies and cost savings while protecting and enhancing customer service.

Across all business streams and countries of operation, fine-tuning of the fixed cost base is ongoing and management continues to explore further opportunities to improve operational effectiveness.

### **Outlook**

Trading conditions are expected to remain very challenging in 2010, with the unfolding macroeconomic conditions in SIG's different countries of operation continuing to have a major bearing on the prospects for recovery in construction markets and therefore on demand for SIG's products and services.

From October 2009 onwards, year on year comparative sales numbers in the UK begin to become less demanding, and whilst the non-residential market is anticipated to continue to decline throughout most, if not all, of 2010, in the absence of any significant negative economic developments other sectors are expected to see a levelling out of demand as the year progresses.

In Ireland construction markets are expected to show further deterioration in 2010.

Compared to the UK and Ireland, some Mainland European countries have experienced less economic damage from the turmoil in financial markets and have emerged sooner from recession. However, markets in general are expected to remain challenging with underlying demand expected to slip further in the near term, but with construction activity expected to stabilise in a number of countries around the middle of 2010.

Management remains intensely focused on costs, cash generation and the Group's customers, and will continue to drive efficiencies in all of its businesses. The actions taken since early 2008 to align resources to anticipated forward demand levels and to drive operational improvements mean that the Group is well positioned to weather some further overall deterioration in its markets without compromising its service proposition. It will also

be able to take full advantage of the upturn as it eventually occurs successively in the Group's individual countries and products.

SIG's position as Europe's leading distributor of insulation coupled with its operational expertise and track record mean it is exceptionally well placed to take advantage of the long term demand drivers for energy efficiency and carbon reduction solutions throughout all regions in which it trades and to pursue at the appropriate time other organic growth opportunities.

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

\*\* *Underlying profit before tax is before the amortisation of acquired intangibles, impairment charges, gains and losses on derivative financial instruments and restructuring costs.*

\*\*\* *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, impairment charges and restructuring costs.*

### **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 looking 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, product availability and pricing, competitor risk, credit risk, credit insurance, restructuring of SIG and exchange rates. All statements in this release are based upon information known to the Company as at 11 November 2009. 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.