



TRADING STATEMENT

13 JANUARY 2009

SIG plc, the leading European supplier of insulation, interiors, roofing and specialist construction products, today issues the following trading update for the year ended 31 December 2008.

SIG's total sales for the year were c.£3,040m, an increase of approximately £585m (24%) over 2007 (£2,455m). Like for like* sales grew c.6% in Sterling and showed a decline of c.1% in constant currency.

This performance was achieved despite the increasingly challenging trading conditions in the latter part of 2008 in some of its market sectors and countries of operation, notably the UK and Ireland.

Underlying** profit before tax is expected to be in line with current analysts' consensus expectations.

UK and Ireland (c.55% of Group Sales)

Total sales increased by c.9% over prior year, with like for like sales in constant currency c.4% lower compared to 2007.

Total sales in the UK (excluding Ireland) were c.10% ahead of prior year, and c.2% down on a like for like basis.

Like for like sales in Ireland on a constant currency basis were c.22% lower than in 2007, with total sales in local currency down c.19%.

As reported in SIG's Interim Management Statement (IMS) of 19 November 2008, against a background of sharply declining levels of building activity in the residential new build and RMI (Repairs, Maintenance and Improvement) sectors in both Ireland and the UK, trading gradually became more testing in H2 for those parts of SIG's business most exposed to the housing market. The exception to this trend was the

Miller Pattison operation which retrofits thermal insulation in existing dwellings and which has continued to see strong demand growth resulting from the Government's CERT scheme.

In comparison to residential construction, demand from the non-residential sector which represents in excess of 50% of sales was more robust across the year. Here good levels of activity in the publicly funded and PFI sectors, in particular health and education infrastructure, helped to offset some slowdown in H2 in project work in the private sector.

Mainland Europe (c.45% of Group Sales)

Total sales in Mainland Europe increased by c.48% in Sterling (c.27% in local currency) with like for like growth c.23% in Sterling (c.4% in local currency).

Sales in local currency were ahead of prior year in total and on a like for like basis in all Mainland European countries in which the Group operates. Notwithstanding some softening in individual market sectors and geographies, overall trading held up well throughout H2 for SIG's European operations.

Acquisitions

In 2008 the Group completed 25 transactions for a total consideration including assumed debt of c.£130m, with combined annualised sales on an historical basis of c.£190m. In its interim announcement in August last year SIG stated that it would materially reduce acquisition spend in H2 and it completed only one transaction in that period, a small bolt-on acquisition in Czech Republic for a consideration of £2.8m. All other acquisitions were completed in H1.

Of the acquired historical annualised sales of c.£190m, c. £154m impacted 2008.

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

Financial Position

As previously outlined in its November 2008 IMS, SIG has been implementing a range of operational measures to reduce working capital and improve cash generation. These steps have seen trading cash conversion*** for the full year 2008 improve significantly compared to the 48% achieved in H1, with working capital reductions in local currency exceeding stretching internal targets.

At the €/£ exchange rate prevailing at 30 June 2008 of 1.26, closing net debt at 31 December 2008 was c. £597m, £43m below the £640m reported at 30 June 2008. The rapid devaluation of Sterling in the final weeks of 2008, with a closing €/£ exchange rate at 31 December 2008 of 1.03 resulted in a closing net debt position of c.£710m. Where possible and appropriate certain Euro denominated debt was converted into Sterling before the year end.

Going forward, the Group will continue its strong focus on working capital improvement and cash generation.

Cost saving initiatives

In order to better align resources to anticipated levels of trading going into 2009, SIG has taken some additional cost saving measures to those previously announced in its November 2008 IMS. The total number of branch closures has increased to 80, with a headcount reduction including head office functions of c.1,000 or 7.5% of total staffing. From these actions we expect to deliver an anticipated incremental cost saving in total in 2009 of over £27m. The associated one-off restructuring costs of c.£22m will be treated as non-recurring items in the 2008 accounts.

Outlook

SIG continues to monitor very closely developments across its spread of geographies and markets. As noted in its November 2008 IMS, the continuing economic and financial conditions have implications for demand and activity in construction markets through the liquidity and credit issues which are set to prevail in 2009. Whilst the impact will continue to vary from country to country, the Company is mindful that trading could become more challenging also in those geographies which until now have

continued to show solidity. Nevertheless, the Group's diversified portfolio of markets and countries should continue to offer some resilience to these increasingly testing conditions; by way of illustration, across the whole of the UK and Europe demand for industrial insulation is expected to remain robust, and publicly funded non-residential works are anticipated to benefit from accelerated government spending.

SIG's experienced and proven management team has a track record of outperforming in adverse conditions, and the Company is confident that it will strengthen its market position in the period ahead.

Definitions

- * Like for like is defined as the business excluding the impact of acquisitions made since 1 January 2007.
- ** Underlying profit before tax is before the amortisation of acquired intangibles, hedge ineffectiveness and non-recurring items.
- *** Trading cash conversion is defined as cash flow from operations before pension movements divided by underlying operating profit. Underlying operating profit is before net finance charges, the amortisation of acquired intangibles, hedge ineffectiveness and non-recurring items.

Conference call

There will be a conference call for analysts and investors at 9:30 this morning, hosted by Chris Davies and Gareth Davies. The dial-in number is +44 (0)20 7162 0025.

Enquiries

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