

SIG plc
Trading Update
Friday 9 July 2010

SIG plc (“SIG” or “the Company”), a leading European specialist supplier of insulation, interiors, exteriors and specialist construction products, issues the following scheduled Trading Update for the six months to 30 June 2010 ahead of its 2010 Interim Results which will be announced on 25 August 2010.

In the six months to 30 June 2010, sales in Sterling of c.£1,291m were down c.4.0% compared to £1,345m reported in the first half of 2009, and in constant currency were c.3.0% lower and in line with management’s expectations. Underlying* profit before tax in the first half of 2010 will be above market expectations.

After the extreme weather conditions experienced in the first two months of the year in the UK and first three months in Mainland Europe, in general the stabilisation of SIG’s various markets has been progressing in line with management’s expectation that monthly sales compared to the same month in the prior year will level out in late summer 2010. Combined sales rates for May and June were at, or slightly ahead, of 2009 levels in each of SIG’s main reporting regions of the UK & Ireland and Mainland Europe, although volumes in June were a little softer than May.

In the main distribution and merchandising businesses in the UK and Western Europe, which account for c.88.0% of Group sales, monthly sales rates by the end of H1 were running slightly ahead of the same period in 2009. This has been driven by residential markets which have been returning to modest growth. Non-residential construction is still moving downwards and is unlikely to return to growth before the end of 2010.

A highly competitive pricing environment in most countries and markets, combined with a currently unfavourable business mix is, however, continuing to exert pressure on gross margins, and is creating a drag on profitability despite improving volume performance.

Trading Summary

UK and Ireland (c.49% of Total Sales)

H1 2010 sales in the UK and Ireland of c.£635m were c.4.9% down on 2009, although the rate of decline slowed progressively throughout the period. By the end of the first half, overall sales rates for the region were running at almost prior year levels on a constant currency basis.

In the UK, sales in the distribution and merchandising businesses improved steadily through the first half year with sales growth of c.2.0% in Q2 compared to prior year. The biggest improvement was seen in the Group’s Roofing activities, which have the greatest exposure to the recovering residential construction sector.

Conversely, sales in the Group’s UK Interiors Manufacturing and insulation installation businesses (c.12.0% of UK sales) were down c.20.0% compared to H1 2009, with no signs of imminent improvement.

In the Interiors Manufacturing division, the restructuring changes initiated in August 2009, involving factory closures, transfer of production and process improvements continue, and the current programme will run through to the end of 2010. Although some good project work has been secured for the end of 2010 onwards, management does not expect to see the changes impacting positively on the bottom line until 2011.

In the Energy Management division, whose main area of activity is retrofitting insulation in residential property, the temporary shortage of CERT funding previously highlighted has continued right through H1 2010, resulting in a c.23.0% reduction in sales in the period. On 30 June 2010 the government announced the details of the extension of the CERT scheme through to the end of 2012, and although there is unlikely to be any significant new funding released before this autumn, 2011-12 should see a strong uplift in work being carried out.

Sales in Ireland alone (c.3.0% of Group sales) were down c.17.6% in Euros in H1 2010 compared with 2009, though by the end of the period the rate of decline was into single figures.

Mainland Europe (c.51% of Total Sales)

At c.£656m H1 sales were c.3.1% down in Sterling on the same period 2009, and c.1.4% lower in constant currency.

After a first quarter in which trading was heavily impacted by the extreme weather conditions affecting construction activity, overall sales rates in the region in Q2 were slightly ahead of prior year, although volumes in June fell back slightly.

The Group's Roofing businesses in France and Germany have seen the most progress. As in the UK, the non-residential and process insulation sectors in these countries are still declining, though at a gradually slower rate than in 2009.

In Benelux in 2008 and 2009 the Group suffered no sales decline as its main market sectors of non-residential and process insulation held up much better than elsewhere in Mainland Europe. SIG's sectors in Benelux have now entered recession and sales declined in H1 2010, and it is likely that it will be some time before the rate of decline starts to level out.

The Group's activities in Poland and Central Europe have seen a sharper and deeper decline in their markets than experienced in Western Europe, and, whilst demand in this region is gradually stabilising, the rate of improvement lags behind that in SIG's larger Western countries of operation.

Cost Saving Measures

Overall, hard cost savings delivered in H1 2010 are in line with the levels anticipated with the exception of the Interiors Manufacturing reconfiguration which has taken longer than initially planned. Higher than expected inflation in fuel costs has also attenuated some of the planned effect.

As the substantial reorganisation changes implemented in 2009/2010 bed down, the Group continues to assess opportunities to adjust resources. Management is looking closely at trading levels in those operations which are presently running behind planned volumes to seek further efficiencies should this continue.

Financial Position

Following the significant reduction in the Group's net debt and the success of the Group's working capital reduction in 2009, the Group has continued its intense focus on working capital management and trading cash conversion in the first half of 2010.

Net debt at 30 June 2010 amounted to c.£227m (31 December 2009: £255m) after recognition of c.£17m of exchange and fair value benefits.

Summary and Outlook

Notwithstanding the encouraging sales development in its main businesses in Q2, SIG's management remains appropriately cautious about prospects for the remainder of the year. Forecasters and industry sources have recently reduced their estimates for market recovery in 2010 and 2011, driven by macroeconomic concerns both in the UK and the Euro zone. Demand in a number of countries has some way to go before it levels out, and as set out above the Group's UK insulation installation and Interiors Manufacturing operations will continue to face particular challenges in the short term.

Against this background, management is continuing to drive through the operational benefits of the major restructuring changes made over the last two years, protecting its strong market positions and gross margins, and making further cost savings where appropriate.

In the medium term, the Group is well positioned to benefit from increasing demand for insulation, driven by higher regulatory standards as well as from other schemes offering incentives and subsidies in the field of energy conservation, renewable energy and sustainable construction.

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

Conference Call

There will be a conference call with management at 8.00 am this morning to discuss the statement. The dial in number is +44 (0)203 003 2666.

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