

# P R E S S   R E L E A S E

18 March 2010

## PRELIMINARY RESULTS FOR YEAR ENDED 31 DECEMBER 2009

SIG plc is a leading European specialist supplier of insulation, exteriors, interiors and specialist construction products.

- As outlined in the trading update on 13 January 2010, trading conditions throughout 2009 were exceptionally challenging.
- Group sales were £2,744m, down 10.2% on 2008 (2008: £3,054m), with like for like<sup>†</sup> sales down by 11.6% in Sterling and 15.6% in constant currency.
  - Total sales in Mainland Europe were £1,417.3m, an increase of 2.4% (2008: £1,384.2m). Like for like sales on a constant currency basis decreased 7.6%.
  - Total sales in the UK and Ireland were £1,326.2m, down 20.6% (2008: £1,669.4m). Like for like sales decreased by 21.7%.
- Underlying\* profit before tax was £60.6m, a decrease of 55.9% (2008: £137.3m) and in line with market expectations.
- Underlying basic earnings per share was 9.0p, a reduction of 84.7% (2008: 58.9p).
- Following charges of £115.9m (2008: £104.2m) relating primarily to the amortisation of acquired intangibles, restructuring costs and further impairment of SIG's Irish business, the Group recorded a loss before tax of £55.3m (2008: profit before tax £33.1m) and basic EPS amounted to a loss per share of 9.7p (2008: earnings per share 3.8p).
- Net debt was reduced to £254.5m from £697.1m at 31 December 2008. This was driven by:
  - Continued intense focus on cash management with trading cash generated increasing from £156.0m in 2008 to £174.1m in 2009. As a result trading cash conversion<sup>^</sup> increased to 216% (2008: 97%); and
  - The raising of £325m via a placing and open offer and firm placing of new shares.
- The Group continued its rigorous cost cutting programme during the year, ensuring the protection of profits whilst also defending the Group's strong market positions and customer relationships.
  - Actions taken since mid 2008 have resulted in total annualised cost savings of £100m.
  - At the same time as implementing the very substantial change programmes most of the Group's operating units succeeded in delivering a sales performance ahead of the market.
- The Board is not proposing a final dividend in respect of 2009.

### **Les Tench, Chairman, commented:**

*"2009 was an exceptionally challenging year for SIG, with the global economic downturn significantly reducing construction activity and hence demand for the products and services supplied by the Group. The scale of the decline varied by geography and market sector, with a number of SIG's Mainland European countries of operation less heavily affected than the UK and Ireland.*

*The extreme cold weather conditions and snow experienced across the UK and Mainland Europe in January and February have resulted in a particularly slow start to trading in 2010. It is management's expectation that the shape of the year is now more likely to be significantly more weighted towards the second half and that the pre tax profit for the first six months will be well below the result for the equivalent period last year.*

*Management action over the last 18 months has improved the Group's long-term operational efficiency, reduced its fixed cost base and significantly strengthened its balance sheet. SIG is therefore well positioned to deal with the likelihood of a number of its end markets continuing to weaken in the coming months and to take advantage of their subsequent later recovery and of any growth opportunities which may emerge."*

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Results information, including a live webcast of the analyst presentation, is available at [www.sigplc.com](http://www.sigplc.com)

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

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

^ Trading cash conversion is defined as cash flow from operations before pension movements divided by underlying operating profit.

## Chairman's Statement

2009 was an exceptionally challenging year for SIG, with the global economic downturn significantly reducing construction activity and hence demand for the products and services supplied by the Group. The scale of the decline varied by geography and market sector, with a number of SIG's Mainland European countries of operation less heavily affected than the UK and Ireland. Against the backdrop of these challenging trading conditions, the Group has remained focused on its cost saving and restructuring programme as well as initiatives to improve cash generation and reduce the Group's level of net debt.

Since the middle of 2008, the Group has achieved total annualised cost savings of £100m, and following the equity raise in 2009, net debt has reduced by £442.6m to £254.5m (2008: £697.1m). Underlying\* profit before tax for the year of £60.6m is in line with market expectations.

### Results

For the year ended 31 December 2009, compared with the corresponding period in 2008:

#### **Sales**

Total sales decreased by £310m (10.2%) to £2,744m (2008: £3,054m).

Like for like<sup>†</sup> sales declined by 11.6% in Sterling and 15.6% in constant currency.

The continued weakness of Sterling throughout 2009 against the Euro resulted in foreign exchange rate movements having a beneficial impact on reported sales on a year on year basis, adding £125m to sales.

#### **Underlying Profits**

Total underlying operating profit fell by £88.9m (52.4%) to £80.9m (2008: £169.8m). On a constant currency basis underlying operating profit was £75.9m (2008: £169.8m).

Underlying net finance costs reduced by £12.2m to £20.3m (2008: £32.5m).

Underlying profit before tax reduced by £76.7m (55.9%) to £60.6m (2008: £137.3m).

#### **Other Items**

The Group continued its cost saving and restructuring programme, which commenced in July 2008, throughout 2009. The primary objective has been to realign the Group's cost base to current and anticipated levels of market demand but also to drive operational and commercial efficiencies within the Group. One-off restructuring costs incurred in 2009 amounted to £54.8m, taking the total one-off costs since the inception of the programme in 2008 to £77.0m. The restructuring programme in total has delivered annualised net hard cost savings of £100m, of which £30m is incremental in 2010.

Amortisation of acquired intangibles increased by £2.2m to £28.6m (2008: £26.4m). In addition, the carrying value of goodwill in respect of the Group's Irish business has been written down by a further £30m during the year. Net losses on derivative financial instruments were £2.5m (2008: £41.4m).

#### **(Loss)/Profit Before Tax**

The Group recorded a loss before tax of £55.3m (2008: profit before tax £33.1m), after accounting for the other items noted above.

#### **Margins**

The underlying operating profit margin for the Group fell from 5.6% to 2.9% during the year. This decline principally arose as the sales decline in 2009 outpaced the Group's reduction in operating costs. In addition, the reduction in the Group's gross margin from 26.5% to 25.3% was a significant factor.

In the UK and Ireland, the underlying operating profit margin fell from 6.7% to 2.8% reflecting the decline in like for like sales of 21.7% and also the reduction in the gross margin by 2%.

In Mainland Europe, the underlying operating profit margin reduced from 4.9% to 3.5%.

### **Earnings and Dividends**

The underlying basic earnings per share reduced by 49.9p (84.7%) to 9.0p (2008: 58.9p). Basic EPS amounted to a loss per share of 9.7p (2008: earnings per share 3.8p) as a result of charging the other items noted above to profit after tax.

The Board has determined not to propose a final dividend in respect of 2009. This follows no interim dividend being declared.

The Board remains committed to a progressive dividend policy and SIG will resume dividend payments when markets stabilise and it believes it is prudent to do so taking into account the Group's earnings, cash flow and balance sheet position.

### **Capital Structure**

In order to reduce the Group's level of debt from £697m at 31 December 2008 and in light of the increasingly challenging outlook for 2009, 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 of new shares. The equity share issue enabled SIG to preserve its existing attractive debt financing arrangements and increase headroom against debt covenants. The reduction in debt also provides greater resilience and financial flexibility in the current environment.

### **Financial Position**

Overall, the Group's level of net debt at 31 December 2009 has reduced by £442.6m to £254.5m (2008: £697.1m). This reduction in debt can be analysed as follows:

- Intense focus on cash management continued throughout the year and the Group implemented a range of operational measures to reduce working capital and minimise non-essential capital expenditure. As a result of these measures, despite lower trading volumes, trading cash generated has increased from £156.0m in 2008 to £174.1m in 2009.
- As detailed above, in April 2009 the Group raised £325m (net of expenses) via a placing and open offer and firm placing of new shares. The Group has used these equity proceeds to reduce the Group's overall level of net debt.
- Interest and taxation payments in 2009 reduced by £25.5m to £37.9m (2008: £63.4m).
- Following the appreciation of Sterling against the Euro in 2009, the Group benefited from foreign exchange rate gains on the Group's reported net debt position of £20m. However, these gains were more than offset by fair value movements associated with the Group's derivative financial instruments which added a further £25m to the Group's net debt at 31 December 2009.

### **Acquisitions**

No acquisitions have been made in the year.

### **Cost Saving Initiatives**

2009 was characterised by massive upheavals and uncertainty in construction markets which began in earnest in 2008 but which gathered momentum during the year. Against this backdrop, SIG instigated a comprehensive range of measures to minimise the impact of the macroeconomic crisis on its various businesses, aimed at protecting profits by reducing costs promptly in light of rapidly shifting market conditions, whilst simultaneously defending its strong market positions and maintaining the integrity of its customer service proposition. At the same time as implementing very substantial change programmes most of the Group's operating units succeeded in delivering a sales performance ahead of their respective individual markets, an achievement which is of great credit to the professionalism and commitment of the Group's operational management and staff.

The following table sets out the impact of the restructuring and cost saving programme since inception in 2008. The table also separately details the cost saving measures introduced since 1 January 2009.

	TOTAL ACTIONS			2009 ACTIONS		
	To 30/06/09	01/07/09 – 31/12/09	Cumulative	H1 2009	H2 2009	Cumulative
Annualised net hard cost savings	£74m	£26m	£100m	£39m	£26m	£65m
Branches closed/merged	124	28	152	44	28	72
Headcount reduction	2,000	794	2,794	980	794	1,774
Associated one-off costs	£40m	£37m	£77m	£18m	£37m	£55m

### Board

During the year SIG appointed Chris Geoghegan, Vanda Murray OBE and Jonathan Nicholls to its Board as Non-Executive Directors. Mr Geoghegan and Mrs Murray joined the Board on 1 July 2009 and Mr Nicholls joined on 6 November 2009.

Peter Blackburn and Michael Borlenghi (both Non-Executive Directors) retired from the Board on 30 September 2009. Following Mr Blackburn's retirement, Mr Geoghegan was appointed Chairman of the Remuneration Committee. Mr Nicholls was appointed Chairman of the Audit Committee on 12 November 2009. In addition, David Haxby, Senior Independent Director, has advised the Company of his intention to retire as a Director at the conclusion of the Company's Annual General Meeting on 13 May 2010.

I would like to thank Peter, Michael and David for their many years of service and their significant contribution to the success of SIG.

### Employees

On behalf of the Board I wish to thank all our employees throughout the Group for their efforts during an exceptionally challenging year.

### Outlook

With macroeconomic conditions remaining uncertain the prospects for recovery in construction markets are unclear with regard to both timing and degree. SIG's outlook for 2010 therefore remains challenging in all of the Group's markets although it is generally expected that as macroeconomic conditions improve, the rate of decline in construction in most of SIG's different market sectors and countries of operation should gradually level out as the year progresses.

The extreme cold weather conditions and snow experienced across the UK and Mainland Europe in January and February, and in parts of Mainland Europe in March to date, have impacted SIG's business with deliveries unable to be made and construction site activity inhibited for prolonged periods, resulting in a particularly slow start to trading in 2010. The Group estimates that as a result of the bad weather it has lost around £30m of sales in the first two months of 2010.

It remains to be seen whether these lost sales are retrieved over the next few months. However it is management's expectation that the shape of the year is now more likely to be significantly more weighted towards the second half and that the pre tax profit for the first six months will be well below the result for the equivalent period last year.

In general, excluding the effects of the extreme cold weather experienced this winter, the level of market activity and the decline in like for like sales since the corresponding period last year has been in line with management's expectations.

Management action over the last 18 months has improved the Group's long-term operational efficiency, reduced its fixed cost base and significantly strengthened its balance sheet. Accordingly, SIG is well positioned to deal with the likelihood of a number of its end markets continuing to weaken in the coming months and to take advantage of their subsequent later recovery and of any growth opportunities which may emerge. In the meantime, management remains resolutely focused on customer service, driving operational efficiencies and cash generation.

SIG's position as Europe's leading distributor of insulation grouped 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, carbon reduction and sustainability throughout all regions in which it trades and to pursue at the appropriate time other organic opportunities.

## Chief Executive's Review of Trading Performance

Exceptionally challenging trading conditions prevailed in all of SIG's market sectors and countries of operation throughout 2009, with the economic downturn significantly reducing construction activity and hence demand for the products and services which the Company supplies.

The pace and the likely extent of market decline proved especially hard to gauge in the early part of the year, with abnormally harsh winter weather conditions which gripped Mainland Europe throughout Q1 restricting building site activity for all outside trades and severely depressing normal patterns of seasonal demand. Inconsistent trading from week to week across all of SIG's operations was a feature of the early months of 2009, but by mid year underlying trends were beginning to emerge in the Group's different sectors and geographies. It emerged that the heavy fall in demand experienced in the UK and Ireland towards the end of 2008 had gathered speed in the first half of 2009. The much reduced level of activity that the Group experienced from early 2008 onwards in the UK house building market was followed by a rapid slowdown in non-residential construction. By late spring 2009 new housing construction began to show signs of stabilisation, albeit at a historically low level, whilst an increased flow of work coming through from the publicly-funded non-residential sector proved insufficient to offset the decline in commercial new build.

The trading environment in Ireland remained extremely challenging during the year as the full effects of the country's economic difficulties impacted on all sectors of the construction market.

Trading conditions in the Group's Mainland European countries of operation had held up much better than in the UK and Ireland throughout 2008, and whilst none of these countries proved to be impervious to the strengthening macroeconomic headwinds, taken together they were also more resilient in 2009. In general terms, SIG's principal Western European markets of Germany, France and Benelux were less volatile than those of Poland and Central Europe, and by early summer they began to emerge from recession. These Western European countries appear to have suffered less economic damage and, as management had anticipated, construction markets there seem to have escaped the depth of decline suffered by the UK and Ireland.

For the first time sales in Mainland Europe in 2009 represented over half of Group turnover. This along with the exchange gains on the translation of overseas earnings denominated in Euros (following the consistent strength of the Euro) and the relative stability in its European markets, proved beneficial to the Company's results.

The precipitous fall in volumes in many markets from 2008 onwards has exceeded most expectations, and, notwithstanding cuts in manufacturing capacity in many product groups and countries, surplus production continued to wash into the market in 2009, exerting downward pressure on factory gate prices and resulting in price deflation averaging a little over 2% for the Group as a whole.

Against this background, total Group turnover in 2009 was £2,744m, a decrease of 10.2% on prior year. Underlying profit before tax was 55.9% lower at £60.6m as a result of the more challenging trading conditions. The Group recorded a loss before tax of £55.3m (2008: profit before tax £33.1m), after accounting for other items amounting to £115.9m (2008: £104.2m).

In the face of further reductions in demand for its products and services, as well as bearing down on day to day running costs and working capital, the Company continued in 2009 to implement a comprehensive range of cost reduction measures aimed at adapting resources to the evolving level of demand in its various market sectors and geographies, and which included a significant number of further trading site closures and mergers.

Whilst management's main focus in the year was on optimising revenue and gross margins and delivering cost savings and efficiencies, the Group did selectively continue to allocate some modest additional resources to core operations where opportunities arose to extend market coverage which offered good value.

As a result of these various actions, there was a net reduction of 54 in the total number of the Group's trading locations to 753 at the end of December 2009 (2008: 807), comprising:

- 18 new trading site openings, of which 3 were in the UK, 11 in France, 2 in Benelux and 2 in Central Europe
- 72 closures or mergers, of which 58 were in the UK and 14 across Mainland Europe

## Trading Highlights

### **UK and Ireland (48% of total sales)**

- Total sales decreased by £343.2m (20.6%) to £1,326.2m (2008: £1,669.4m)
- Like for like sales decreased by £342.4m (21.7%)
- In the UK only, like for like sales decreased by £296.2m (20.5%)
- Underlying operating profit decreased by £73.5m (66.1%) to £37.7m (2008: £111.2m)
- Underlying operating profit margin was 390 basis points lower at 2.8% (2008: 6.7%)
- In the UK and Ireland the Group recorded an operating loss of £61.6m (2008: profit of £60.4m) after accounting for other items amounting to £99.3m (2008: £50.8m).
- 3 trading sites were added in the year organically, with 58 closures, taking the total at 31 December 2009 to 378 (31 December 2008: 433)

As a consequence of the worsening economic situation, construction activity in the UK weakened considerably again in 2009, following an accelerating decline which began in the Spring of 2008 in the house building sector and which subsequently spread to other parts of the market. New housing starts and completions again fell steeply in 2009 to levels not seen for decades, resulting from a powerful combination of negative factors including weak consumer confidence, falling house prices and lack of mortgage finance availability. By the spring, however, demand in the house building sector began to stabilise, and as the year progressed there were signs of a small but consistent improvement in demand for product from the major national house builders, although smaller regional and local builders were slower to see any signs of recovery.

Discretionary repair, maintenance and improvement (RMI) demand in the types of higher value residential projects supplied by SIG such as home extensions and re-roofing work showed a similar negative trend to residential new build construction.

The private sector component of the non-residential construction market contracted sharply in 2009, with the lack of new building projects in the office, retail and leisure segments since mid-2008 causing an acute shortage of work as existing projects under construction came to a finish. The publicly and PFI-funded sectors showed some positive development in programmes such as Building Schools for the Future and NHS infrastructure renewal projects, although this was insufficient to offset the steep drop in the private commercial new build and refurbishment segments.

In Ireland, the severe economic recession and government austerity measures took a further toll on all areas of the construction market, which suffered an overall decline in 2009 approaching 50%.

Sales of **Insulation** and related products in the UK and Ireland decreased by 16.6% in total, 17.2% like for like, which was better than the overall annual decline in construction markets as a whole in those countries. In the UK, this was again partly due to the higher levels of thermal performance required by the 2006 changes to Building Regulations (Part L) feeding through into increased quantities of insulation being installed in new buildings. There was also some impact from the effects of the Carbon Emissions Reduction Target ("CERT") scheme, a three-year arrangement which came into effect in April 2008 and under which the Government obliges the UK power generation companies to fund CO<sub>2</sub> and therefore energy-saving programmes in existing homes. In Ireland, the sharply reduced level of construction activity resulted in correspondingly lower demand for insulation and all other types of building materials. In the later part of the year however, there was some modest improvement in insulation volumes stemming from government supported energy saving initiatives.

The Group's Miller Pattison subsidiary, whose main activity is the retrofitting of thermal insulation in the walls and lofts of houses, saw volumes under the CERT scheme grow strongly in the first half of the year, but then fall away from summer onwards. This reflected a reduction in the flow of funding from the utility companies, pending the outcome of government consultations to increase the value of work to be carried out during the lifetime of the current arrangements and to extend the scheme pro rata for a further year to 2012.

As well as thermal and acoustic insulation for buildings, SIG is the leading UK supplier of specialist insulation materials for a broad range of industrial process applications, ranging from food processing through to power generation, petrochemical and pharmaceutical plant. Demand for insulation for industrial applications was less depressed in 2009 than for construction use, although the severe contraction in non-residential building adversely impacted sales into the Heating and Ventilation (H&V) sector.

The number of Insulation trading sites decreased by 4 to 79 at the end of December 2009.

The **Exteriors** division through its sales of core roofing and building plastics products is the part of SIG most heavily exposed to the housing market. With both new residential construction and larger discretionary home improvement projects running at low levels, trading conditions remained challenging through the year, and sales in 2009 were down 20.1% on prior year in total and down 21.8% like for like.

The majority of sales in this division are generated from RMI works rather than new construction, and from the summer onwards there was a slight, gradual but consistent increase in market activity partly due to the release of work under the Decent Homes scheme by local authorities in the Midlands and the North of England. Demand for roofing and cladding products into the non-residential building sector remained weak throughout the year.

In 2009 the Exteriors division extended the rationalisation of its trading locations which began in 2008, implementing a significant number of further site closures and merging the hitherto separate Roofing and Building Plastics businesses into a single operating unit. This streamlining has strengthened the commercial and operational efficiency of the Division and provides a solid platform for the future.

The number of Exteriors trading sites decreased by 35 to 218 at the end of December 2009.

The **Interiors** division had a very difficult year, with sales decreasing by 24.4% in total and 25.5% like for like. This division, through its several operating units, supplies a wide range of specialist products for the fit out of the interior space of all types of non-residential building, from offices, shops and hotels to schools, hospitals and other public buildings. The product portfolio encompasses resale items such as suspended ceilings and commercial floor coverings bought and sold through the division's distribution network, and partitioning and door sets made to order in the Company's own manufacturing units. SIG enjoys a leading market position in both distributed and manufactured interior products.

In the UK and Ireland the steep decline in the commercial new build and renovation sector which commenced towards the end of 2008 continued apace in 2009. Whilst there was some growth in the distribution businesses in public works such as schools and hospitals, the fall in the office, retail and leisure sectors resulted in a more significant reduction in sales and profitability in the manufacturing businesses. Gross margins came under pressure from a diluted product mix and from capacity underutilisation in the manufacturing businesses as well as external competition, and major restructuring measures were introduced to improve the commercial and operational efficiency of the division.

The number of Interiors trading sites decreased by 9 to 40 at the end of December 2009.

The **Specialist Construction Products** division supplies a wide range of specialist and niche products to building contractors, including brickwork accessories, access equipment, groundwork preparation products, power tools, fixings, personal protection equipment, cable ducting and other supplies for mechanical and electrical engineering contractors. A large part of the division's sales is into new construction, and with the severe curtailment in the number of new projects getting underway in both housing and non-residential development sales in the year were down 24.4% in total, and down 25.8% like for like. In the face of reducing market demand significant steps were taken in 2009 to further reconfigure the operating structure, increasing the sharing of sites and other resources both within the division and with other SIG businesses.

As a result of these changes, the number of Specialist Construction Products trading sites decreased by 7 to 41 at the end of December 2009.

#### ***Mainland Europe (52% of total sales)***

- Total sales in Sterling increased by £33.1m (2.4%) to £1,417.3m (2008: £1,384.2m), aided by a strengthening Euro
- Like for like sales on a constant currency basis decreased by 7.6%
- Underlying operating profit decreased by £17.7m (26.1%) to £50.2m (2008: £67.9m)
- Underlying operating profit margin fell 140 basis points to 3.5% (2008: 4.9%)
- Total operating profit reduced by £19.8m (35.4%) to £36.1m (2008: £55.9m) after accounting for other items amounting to £14.1m (2008: £12.0m)

Against a background of strong sales and profit performance in Mainland Europe in 2008, when like for like turnover was up 4% in the year and 5% in H2, 2009's results were overall moderately encouraging. Although sales and profits were well down on 2008, the region as a whole saw construction activity less impaired by the economic downturn than the UK or Ireland, with SIG's main Western European countries of operation going into recession later and emerging from it earlier without the property bubble burst which was experienced in the UK and Ireland.

Broadly speaking, residential new build and RMI was down in Mainland Europe but tended to stabilise as the year unfolded, while non-residential activity declined less than many had expected. In part this was due to the effect of government stimulus packages, notably in France, although the major support measures put in place in Germany by the federal government were much slower to take effect. Demand for industrial insulation from non-construction sectors also remained reasonably stable.

In **Germany and Austria** (42% of sales in Mainland Europe) total sales were 3.2% ahead of prior year in Sterling, but down 7.2% in local currency and down 7.6% like for like in local currency. Overall construction activity in the region in the Group's segments is estimated to have been down around 10% on 2008, although the residential sector has been running at a low level for a number of years and experienced only modest further deterioration in 2009. Whilst our German operations outperformed the market again in all segments, the development of the Roofing division was particularly encouraging with like for like sales in Euros held at 2008 levels out of 4 fewer trading locations, and up 6% in H2 on the same basis.

The number of trading sites decreased by 7 to 82 at the end of December 2009.

In **France** (37% of sales in Mainland Europe) total sales in Sterling grew 7.4% versus prior year, but were down 3.5% in local currency both in total and on a like for like basis. Larivière continued to outperform the general French roofing market, with annual sales in Euros versus prior year down by 6.2% in a residential construction market down by more than 10%. Incremental sales from maturing trading sites opened in the previous three years as part of Larivière's strategic development programme, and from a further 4 trading sites opened in 2009, contributed significantly to the positive sales development.

The Group's French Insulation and Interiors operations traded exceptionally well in challenging trading conditions, achieving like for like sales in local currency in line with prior year levels in non-residential construction and process industrial insulation markets estimated together to be down around 10% versus 2008. As in the case of Larivière, these divisions benefited from organic sales growth from trading sites opened in the previous three years as well as from another 7 sites opened in 2009.

The number of trading sites increased by 11 to 175 at the end of December 2009.

In **Poland and Central Europe** (11% of sales in Mainland Europe), total sales in Sterling fell by 27.2% and by 23.8% like for like in local currency. As developing economies, the majority of them recent European Union accession states, the countries in which SIG is present in this region offer the prospect of above average sales and profit growth in the medium term, but are prone to above average volatility.

In Czech Republic, Slovakia and Hungary a variety of local political and exchange rate issues complicated the global macroeconomic pressures on the region, severely reducing construction activity and leading to substantial price deflation. Like for like sales in local currency in this sub-region, which represented 2.4% of Mainland European sales in 2009, were down 42.3% against prior year. The larger core business in Poland, where the Group has been present since 1996 and which accounted for 8.6% of sales in Mainland Europe in the year, traded in an increasingly weak market and suffered a reduction in like for like sales in local currency of 20.5% compared with 2008. Gross margins across the whole region were adversely affected by a combination of significant price deflation and temporary arbitraging across national borders occasioned by exchange rate anomalies as well as by general competitive pressures.

In light of the unfolding trading environment and forward prospects, significant restructuring measures were implemented in Poland to secure greater operational efficiency and commercial effectiveness. Management continues to have full confidence in the medium term outlook for its businesses in this region.

The number of trading sites decreased by 5 to 92 at the end of December 2009.

Sales in **Benelux** (6% of total sales in Mainland Europe) were up by a substantial 11.8% in total in Sterling, and were held at 2008 level on a like for like basis in local currency. The core business in Benelux is focused on Industrial Insulation and Interiors, and both divisions continued to perform well in 2009 against background market conditions in Benelux which, in SIG's sectors combined, are estimated to have been around 6% lower than prior year.

The number of trading sites increased by 2 to 14 at the end of December 2009.

Sales in **Air Trade Centre**, the European-wide air conditioning and air handling business acquired in April 2008 and which is headquartered in Benelux, amounted to 4% of total sales in Mainland Europe. This business provides SIG with a platform for growth in the field of the energy management of buildings, which is highly complementary to the Group's insulation activities in energy saving and carbon reduction. Like for like sales in Euros in Air Trade Centre in 2009 were 11% lower than in 2008, not all of which period was under SIG ownership.

The number of Air Trade Centre trading sites at 31 December 2009 was 12.

## **Cost Saving and Restructuring**

With its individual operating divisions affected differently by the downturn and being at different points in their business cycle, the Group continued a differentiated approach to cost reduction whereby the performance, resources employed and forward prospects of individual trading locations were kept under regular review and pre-planned contingency measures implemented as these became warranted. Consistent with the overarching aims of maintaining customer service and defending market position, as appropriate, staffing and vehicles were cut back and trading locations merged or closed to protect profitability. Such actions were taken in all of the Group's countries and operating divisions, although given the scale of the decline and the density of market coverage, the impact of such changes was heaviest in the UK and Ireland.

In addition to seeking efficiencies in the Group's operations on a standalone basis, a number of further initiatives were implemented to increase commercial and operational efficiencies between some of the UK divisions. These ranged from site sharing between several trading locations in different divisions to the full merger under single management of the insulation and interiors distribution businesses, and likewise of the previously separate roofing and roofline plastics operating units. In Poland, all of the Group's standalone businesses were merged into a single entity with a unified management structure. Furthermore, the Company embarked on the complete reconfiguration of its UK Interiors manufacturing operations, with four previously autonomous businesses being re-formed into a specialist UK Manufacturing Division, rationalising the product range and improving capacity utilisation by reducing the number of production facilities from twelve to six.

The impact of these carefully designed changes will become increasingly apparent in 2010, and will stand the Company in good stead to benefit from eventual market recovery.

## **Outlook**

2010 is set to be another challenging year, though one in which the rate of decline in most of SIG's different market sectors and countries of operation should gradually level out as the year unfolds. Management and staff across the Group are ready to deal with the challenges ahead, to continue to provide excellent service and value to our customers, to strengthen our position in our different markets to look for opportunities for profitable growth, and to take full advantage of the upturn when it eventually comes.

## **Definitions**

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

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

## **Directors' responsibilities statement**

We confirm that to the best of our knowledge:

- the Accounts, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Trading Performance Review includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and
- the Accounts include a fair review of all related party transactions.

**Chris Davies**  
**Director**  
17 March 2010

**Gareth Davies**  
**Director**  
17 March 2010

**Cautionary Statement**

This report contains certain forward looking statements with respect to the financial condition, results, operations and business of SIG plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. Nothing in this report should be considered as a profit forecast.

**Consolidated Income Statement**  
for the year ended 31 December 2009

	Note	Before other items* 2009 £m	Other items* 2009 £m	Total 2009 £m	Before other items* 2008 £m	Other items* 2008 £m	Total 2008 £m
<b>Revenue</b>							
Existing operations		2,743.5	-	2,743.5	2,898.0	-	2,898.0
Acquisitions		-	-	-	155.6	-	155.6
Continuing operations	2	2,743.5	-	2,743.5	3,053.6	-	3,053.6
Cost of sales		(2,050.3)	-	(2,050.3)	(2,245.2)	-	(2,245.2)
<b>Gross profit</b>		<b>693.2</b>	<b>-</b>	<b>693.2</b>	<b>808.4</b>	<b>-</b>	<b>808.4</b>
Other operating expenses		(612.3)	(113.4)	(725.7)	(638.6)	(62.8)	(701.4)
<b>Operating (loss)/profit</b>							
Existing operations		80.9	(113.4)	(32.5)	156.6	(62.8)	93.8
Acquisitions		-	-	-	13.2	-	13.2
Continuing operations		80.9	(113.4)	(32.5)	169.8	(62.8)	107.0
Finance income		10.3	1.4	11.7	11.9	-	11.9
Finance costs		(30.6)	(3.9)	(34.5)	(44.4)	(41.4)	(85.8)
<b>(Loss)/profit before tax</b>		<b>60.6</b>	<b>(115.9)</b>	<b>(55.3)</b>	<b>137.3</b>	<b>(104.2)</b>	<b>33.1</b>
Income tax credit/(expense)	3	(18.0)	28.2	10.2	(40.2)	13.9	(26.3)
<b>(Loss)/profit after tax</b>		<b>42.6</b>	<b>(87.7)</b>	<b>(45.1)</b>	<b>97.1</b>	<b>(90.3)</b>	<b>6.8</b>
<b>Attributable to:</b>							
Equity holders of the Company		42.1	(87.7)	(45.6)	96.6	(90.3)	6.3
Minority interests		0.5	-	0.5	0.5	-	0.5
<b>Earnings per share<sup>^</sup></b>							
Basic (loss)/earnings per share	4	9.0p	(18.7p)	(9.7p)	58.9p	(55.1p)	3.8p
Diluted (loss)/earnings per share	4	9.0p	(18.7p)	(9.7p)	58.7p	(54.9p)	3.8p

\* "Other items" relate to the amortisation of acquired intangibles, impairment charges, restructuring costs and gains and losses on derivative financial instruments. "Other items" have been disclosed separately in order to give an indication of the underlying earnings of the Group.

<sup>^</sup> In accordance with IAS 33 "Earnings per Share", earnings per share has been recalculated to take into account the discount to the open offer element of the Group's equity issue completed in April 2009. Further details can be found in Note 4.

**Consolidated Statement of Comprehensive Income**  
for the year ended 31 December 2009

	2009 £m	2008 £m
<b>(Loss)/profit after tax</b>	<b>(45.1)</b>	6.8
<b>Other comprehensive (expense)/income</b>		
Exchange difference on retranslation of foreign currency goodwill and intangibles	(33.1)	97.0
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	(21.2)	61.8
Exchange and fair value movements associated with borrowings and derivative financial instruments	16.5	(92.9)
Tax (charge)/credit on exchange difference arising on borrowings and derivative financial instruments	(5.5)	13.8
Gains and losses on cash flow hedges	(20.1)	3.5
Transfer to profit and loss on cash flow hedges	1.3	(1.4)
Current and deferred tax on share options	-	(0.7)
Actuarial loss on defined benefit pension schemes	(4.7)	(10.6)
Deferred tax movement associated with actuarial loss	1.3	3.0
<b>Other comprehensive (expense)/income</b>	<b>(65.5)</b>	73.5
<b>Total comprehensive (expense)/income</b>	<b>(110.6)</b>	80.3
<b>Attributable to:</b>		
Equity holders of the Company	(111.1)	79.8
Minority interests	0.5	0.5
	<b>(110.6)</b>	80.3

**Consolidated Balance Sheet**  
as at 31 December 2009

	2009 £m	2008 £m
<b>Non-current assets</b>		
Property, plant and equipment	213.5	259.3
Goodwill	506.9	567.1
Intangible assets	150.6	183.4
Deferred tax assets	27.5	18.7
	<b>898.5</b>	<b>1,028.5</b>
<b>Current assets</b>		
Inventories	227.7	268.6
Trade receivables	385.8	469.7
Other receivables	28.0	31.3
Derivative financial instruments	38.6	74.6
Cash and cash equivalents	219.4	71.7
	<b>899.5</b>	<b>915.9</b>
<b>Total assets</b>	<b>1,798.0</b>	<b>1,944.4</b>
<b>Current liabilities</b>		
Trade and other payables	340.7	373.2
Obligations under finance lease contracts	2.3	3.4
Bank overdrafts	2.5	18.8
Bank loans	173.5	345.3
Loan notes	0.1	0.1
Derivative financial instruments	0.1	60.6
Current tax liabilities	2.8	5.9
Provisions	9.5	8.3
	<b>531.5</b>	<b>815.6</b>
<b>Non-current liabilities</b>		
Obligations under finance lease contracts	7.1	9.2
Bank loans	12.1	6.4
Private placement notes	299.2	328.6
Loan notes	-	0.1
Derivative financial instruments	15.6	70.9
Deferred tax liabilities	38.9	49.5
Other payables	6.1	4.0
Retirement benefit obligations	24.0	19.1
Provisions	31.7	22.1
	<b>434.7</b>	<b>509.9</b>
<b>Total liabilities</b>	<b>966.2</b>	<b>1,325.5</b>
<b>Net assets</b>	<b>831.8</b>	<b>618.9</b>
<b>Capital and reserves</b>		
Called up share capital	59.1	13.6
Share premium account	447.0	167.5
Capital redemption reserve	0.3	0.3
Special reserve	-	22.1
Share option reserve	0.9	2.6
Hedging and translation reserve	46.1	89.4
Retained profits	276.2	321.5
<b>Attributable to equity holders of the Company</b>	<b>829.6</b>	<b>617.0</b>
<b>Minority interests</b>	<b>2.2</b>	<b>1.9</b>
<b>Total equity</b>	<b>831.8</b>	<b>618.9</b>

**Consolidated Cash Flow Statement**  
for the year ended 31 December 2009

	Note	2009 £m	2008 £m
<b>Net cash flow from operating activities</b>			
Cash inflow from operating activities	5	174.1	156.0
Borrowing costs paid		(27.4)	(42.2)
Interest received		6.0	6.6
Income tax paid		(16.5)	(27.8)
<b>Net cash inflow from operating activities</b>		<b>136.2</b>	<b>92.6</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(19.6)	(65.9)
Proceeds from sale of property, plant and equipment		10.1	15.8
Settlement of amounts payable for purchase of businesses		(3.9)	(121.4)
<b>Net cash used in investing activities</b>		<b>(13.4)</b>	<b>(171.5)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary share capital		325.0	1.1
Capital element of finance lease rental payments		(2.3)	(3.5)
Repayment of loans / settlement of derivative financial instruments		(278.6)	(74.8)
New loans		-	146.0
Dividends paid to equity holders of the Company		-	(36.5)
Payments to minority Shareholder		(0.2)	(0.7)
<b>Net cash generated in financing activities</b>		<b>43.9</b>	<b>31.6</b>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>	6	<b>166.7</b>	<b>(47.3)</b>
Cash and cash equivalents at beginning of year		52.9	87.3
Effect of foreign exchange rate changes		(2.7)	12.9
<b>Cash and cash equivalents at end of year</b>		<b>216.9</b>	<b>52.9</b>

### Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Special reserve £m	Share option reserve £m	Hedging and translation reserve £m	Retained profits £m	Total £m	Minority interests £m	Total equity £m
At 31 December 2008	13.6	167.5	0.3	22.1	2.6	89.4	321.5	617.0	1.9	618.9
Loss after tax	-	-	-	-	-	-	(45.6)	(45.6)	0.5	(45.1)
Other comprehensive income/(expense):										
Exchange difference on retranslation of foreign currency goodwill and intangibles	-	-	-	-	-	(33.1)	-	(33.1)	-	(33.1)
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	-	-	-	-	-	(21.2)	-	(21.2)	-	(21.2)
Exchange and fair value movements associated with borrowings and derivative financial instruments	-	-	-	-	-	16.5	-	16.5	-	16.5
Tax charge on exchange difference arising on borrowings and derivative financial instruments	-	-	-	-	-	(5.5)	-	(5.5)	-	(5.5)
Gains and losses on cash flow hedges	-	-	-	-	-	-	(20.1)	(20.1)	-	(20.1)
Transfer to profit and loss on cash flow hedges	-	-	-	-	-	-	1.3	1.3	-	1.3
Actuarial loss on defined benefit pension schemes	-	-	-	-	-	-	(4.7)	(4.7)	-	(4.7)
Deferred tax movement associated with actuarial loss	-	-	-	-	-	-	1.3	1.3	-	1.3
Total comprehensive expense	-	-	-	-	-	(43.3)	(67.8)	(111.1)	0.5	(110.6)
New share capital issued	45.5	279.5	-	-	-	-	-	325.0	-	325.0
Transfer between reserves	-	-	-	(22.1)	-	-	22.1	-	-	-
Debit to share option reserve	-	-	-	-	(1.3)	-	-	(1.3)	-	(1.3)
Exercise of share options	-	-	-	-	(0.4)	-	0.4	-	-	-
Dividend payment to minority interest Shareholder	-	-	-	-	-	-	-	-	(0.2)	(0.2)
<b>At 31 December 2009</b>	<b>59.1</b>	<b>447.0</b>	<b>0.3</b>	<b>-</b>	<b>0.9</b>	<b>46.1</b>	<b>276.2</b>	<b>829.6</b>	<b>2.2</b>	<b>831.8</b>

**Consolidated Statement of Changes in Equity (continued)**  
for the year ended 31 December 2008

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Special reserve £m	Share option reserve £m	Hedging and translation reserve £m	Retained profits £m	Total £m	Minority interests £m	Total equity £m
At 31 December 2007	13.5	166.5	0.3	22.1	2.7	9.7	358.8	573.6	1.3	574.9
Profit after tax	-	-	-	-	-	-	6.3	6.3	0.5	6.8
Other comprehensive income/(expense):										
Exchange difference on retranslation of foreign currency goodwill and intangibles	-	-	-	-	-	97.0	-	97.0	-	97.0
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	-	-	-	-	-	61.8	-	61.8	-	61.8
Exchange and fair value movements associated with borrowings and derivative financial instruments	-	-	-	-	-	(92.9)	-	(92.9)	-	(92.9)
Tax credit on exchange difference arising on borrowings and derivative financial instruments	-	-	-	-	-	13.8	-	13.8	-	13.8
Gains and losses on cash flow hedges	-	-	-	-	-	-	3.5	3.5	-	3.5
Transfer to profit and loss on cash flow hedges	-	-	-	-	-	-	(1.4)	(1.4)	-	(1.4)
Current and deferred tax on share options	-	-	-	-	-	-	(0.7)	(0.7)	-	(0.7)
Actuarial loss on defined benefit pension schemes	-	-	-	-	-	-	(10.6)	(10.6)	-	(10.6)
Deferred tax movement associated with actuarial loss	-	-	-	-	-	-	3.0	3.0	-	3.0
Total comprehensive income	-	-	-	-	-	79.7	0.1	79.8	0.5	80.3
New share capital issued	0.1	1.0	-	-	-	-	-	1.1	-	1.1
Dividends	-	-	-	-	-	-	(36.5)	(36.5)	-	(36.5)
Recognition of option in relation to minority interest Shareholding	-	-	-	-	-	-	(2.0)	(2.0)	-	(2.0)
Credit to share option reserve	-	-	-	-	1.0	-	-	1.0	-	1.0
Exercise of share options	-	-	-	-	(1.1)	-	1.1	-	-	-
Minority interest acquired	-	-	-	-	-	-	-	-	1.4	1.4
Purchase of minority interest Shareholding	-	-	-	-	-	-	-	-	(0.6)	(0.6)
Dividend payment to minority interest Shareholder	-	-	-	-	-	-	-	-	(0.7)	(0.7)
At 31 December 2008	13.6	167.5	0.3	22.1	2.6	89.4	321.5	617.0	1.9	618.9

The special reserve arose as a result of a number of transfers from the Group's share premium reserve up until 1996. Goodwill arising on a number of historic acquisitions was then written off against this special reserve under the accounting convention at that time. The balance on the special reserve was transferred into retained profits in the year.

The share option reserve represents the cumulative share option charge under IFRS 2 less the value of any share options that have been exercised.

The hedging and translation reserve represents movements in the Consolidated Balance Sheet as a result of movements in exchange rates which are taken directly to reserves.

## **1. Basis of preparation**

The Group's financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued for use in the European Union and on a basis consistent with that adopted in the previous year.

The financial information has been prepared under the historical cost convention except for derivative financial instruments that are stated at their fair value.

Whilst the financial information included in this Annual Results announcement has been computed in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

The Annual Results announcement does not constitute the Company's statutory accounts for the year ended 31 December 2009 within the meaning of Section 435 of Companies Act 2006 and the year ended 31 December 2008 within the meaning of Section 240 of the Companies Act 1985 but is derived from those statutory accounts.

The Group's statutory accounts for the year ended 31 December 2008 have been filed with the Registrar of Companies, and those for 2009 will be delivered following the Company's Annual General Meeting. The Auditors have reported on the statutory accounts for 2009 and 2008, and their reports were unqualified and did not contain statements under Sections 498 (2) or 498 (3) of the Companies Act 2006 in relation to the 2009 financial statements or Sections 237 (2) or 237 (3) of the Companies Act 1985 in relation to the 2008 financial statements.

### **Changes in accounting policy**

The Group has adopted IFRS 8 "Operating Segments" for the first time in 2009. This standard requires the Group to report segmental information on the basis of internal reports which are regularly reviewed by the Group Board and used to allocate the resources of the business, and supersedes IAS 14 "Segment Reporting". The Group has also adopted IAS 1 "Presentation of Financial Statements" (revised 2007) for the first time in 2009. The amendments arising from this require the inclusion of the Consolidated Statement of Changes in Equity as a primary statement in the financial information. The Group has complied fully with the requirements of IFRS 8 and IAS 1 in the year, which apply to disclosure matters only.

In the current financial year, in addition to the two standards detailed above, the following significant changes to International Financial Reporting Standards have become applicable. The adoption of these standards in the current year has had no material impact on the financial statements of the Group:

- IFRS 2 "Share-based Payment";
- IAS 23 "Borrowing Costs"; and
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation".

## 2. Segmental information

### (a) Segmental results

Following the adoption of IFRS 8 "Operating Segments", the Group had identified its reportable segments as those upon which the Group Board regularly bases its opinion and assesses performance. The Group has deemed it appropriate to aggregate its operating segments into two reported segments: UK and Ireland and Mainland Europe. The constituent operating segments have been aggregated as they have similar products and services; production processes; types of customer; methods of distribution; regulatory environments; and economic characteristics.

	2009 UK and Ireland £m	2009 Mainland Europe £m	2009 Eliminations £m	2009 Total £m	2008 UK and Ireland £m	2008 Mainland Europe £m	2008 Eliminations £m	2008 Total £m
<b>Revenue</b>								
External sales	1,326.2	1,417.3	-	2,743.5	1,669.4	1,384.2	-	3,053.6
Inter-segment sales*	0.5	3.9	(4.4)	-	-	2.3	(2.3)	-
Total revenue	1,326.7	1,421.2	(4.4)	2,743.5	1,669.4	1,386.5	(2.3)	3,053.6
<b>Result</b>								
<b>Segment result before amortisation of acquired intangibles, impairment charges and restructuring costs</b>	37.7	50.2	-	87.9	111.2	67.9	-	179.1
Amortisation of acquired intangibles and impairment charges	(49.5)	(9.1)	-	(58.6)	(31.7)	(8.9)	-	(40.6)
Restructuring costs	(49.8)	(5.0)	-	(54.8)	(19.1)	(3.1)	-	(22.2)
<b>Segment operating (loss)/profit</b>	(61.6)	36.1	-	(25.5)	60.4	55.9	-	116.3
Parent Company costs				(7.0)				(9.3)
<b>Operating (loss)/profit</b>				(32.5)				107.0
Net finance costs				(20.3)				(32.5)
Net losses on derivative financial instruments				(2.5)				(41.4)
<b>(Loss)/profit before tax</b>				(55.3)				33.1
Income tax credit/(expense)				10.2				(26.3)
Minority interests				(0.5)				(0.5)
<b>Retained (loss)/profit</b>				(45.6)				6.3
<b>Balance sheet</b>								
<b>Assets</b>								
Segment assets	801.1	826.0	-	1,627.1	909.0	961.4	-	1,870.4
Unallocated assets				170.9				74.0
Consolidated total assets				1,798.0				1,944.4
<b>Liabilities</b>								
Segment liabilities	260.4	188.0	-	448.4	245.4	246.5	-	491.9
Unallocated liabilities				517.8				833.6
Consolidated total liabilities				966.2				1,325.5
<b>Other segment information</b>								
<i>Capital expenditure on:</i>								
Property, plant and equipment	10.7	8.9	-	19.6	39.7	29.0	-	68.7
Intangible assets	-	-	-	-	35.8	4.6	-	40.4
Goodwill	(3.0)	1.7	-	(1.3)	40.2	25.8	-	66.0
<i>Non-cash expenditure:</i>								
Depreciation	25.7	14.5	-	40.2	28.4	14.2	-	42.6
Impairment of property, plant and equipment	6.8	-	-	6.8	-	-	-	-
Amortisation of acquired intangibles	19.5	9.1	-	28.6	17.5	8.9	-	26.4
Goodwill impairment charges	30.0	-	-	30.0	14.2	-	-	14.2

\* Inter-segment sales are charged at the prevailing market rates.

## 2. Segmental information (continued)

### (b) Revenue by product group

The Group focuses its activities into four product sectors: Insulation and Building Environments; Interiors; Exteriors; and Specialist Construction Products ("SCP").

The following table provides an analysis of Group sales by type of product:

	2009 £m	2008 £m
Insulation and Building Environments	1,086.4	1,111.5
Interiors	685.9	809.2
Exteriors	749.0	848.9
SCP	222.2	284.0
<b>Total</b>	<b>2,743.5</b>	<b>3,053.6</b>

### (c) Geographic information

The Group's revenue from external customers and its non-current assets (i.e. property, plant and equipment, goodwill, intangible assets and deferred tax assets) by geographical location are as follows:

Country	2009 Revenue £m	2009 Non-current assets £m	2008 Revenue £m	2008 Non-current assets £m
United Kingdom	1,239.3	442.6	1,536.2	501.2
Ireland	86.9	14.0	133.2	52.9
France	520.0	269.6	484.5	288.1
Germany & Austria	588.6	73.7	570.5	79.5
Poland	122.7	23.0	171.1	26.7
Benelux*	156.3	46.1	120.0	49.3
Central Europe	29.7	29.5	38.1	30.8
<b>Total</b>	<b>2,743.5</b>	<b>898.5</b>	<b>3,053.6</b>	<b>1,028.5</b>

\* Includes international air handling business (headquartered in Benelux).

There is no material difference between the basis of preparation of the information reported above and the Accounting Policies adopted by the Group.

### 3. Income tax

The income tax (credit)/expense comprises:

	2009	2008
	£m	£m
<b>Current tax</b>		
UK Corporation tax:- on (losses)/profits for the year	(4.7)	15.7
- adjustments in respect of previous years	(0.4)	(1.9)
	(5.1)	13.8
Overseas taxation: - on (losses)/profits for the year	13.0	17.5
- adjustments in respect of previous years	(0.3)	0.2
<b>Total current tax</b>	<b>7.6</b>	<b>31.5</b>
<b>Deferred taxation</b>		
Current year	(10.7)	(8.1)
Adjustments in respect of previous years	(7.0)	0.4
Deferred tax (credit)/charge in respect of pension schemes	(0.1)	2.5
<b>Total deferred tax</b>	<b>(17.8)</b>	<b>(5.2)</b>
<b>Total income tax (credit)/expense</b>	<b>(10.2)</b>	<b>26.3</b>

The total tax charge for the year differs from that resulting from applying the standard rate of corporate tax in the UK, 28.0% (2008: 28.5%). The differences are explained in the following reconciliation:

	2009	2009	2008	2008
	£m	%	£m	%
(Loss)/profit on ordinary activities before tax	(55.3)		33.1	
Tax at 28.0% (2008: 28.5%) thereon	(15.5)	28.0%	9.4	28.5%
Factors affecting the income tax (credit)/expense for the year:				
- permanent items	1.4	(2.5%)	1.8	5.3%
- impairment charges	8.4	(15.2%)	4.0	12.1%
- losses not recognised	0.4	(0.7%)	11.9	36.0%
- prior year losses utilised not previously recognised	(5.8)	10.5%	-	-
- other adjustments in respect of previous years	(1.9)	3.4%	(1.3)	(3.9%)
- effect of overseas tax rates	2.8	(5.1%)	0.5	1.5%
<b>Total income tax (credit)/expense</b>	<b>(10.2)</b>	<b>18.4%</b>	<b>26.3</b>	<b>79.5%</b>

The effective tax rate for the Group on the total loss before tax of £55.3m is 18.4% (2008: 79.5%). The effective tax charge for the Group on profit before tax before the amortisation of intangibles, impairment charges, restructuring costs and gains and losses on derivative financial instruments of £60.6m is 29.7% (2008: 29.3%), which comprises a charge of 33.0% (2008: 30.3%) in respect of current year profits and a tax credit of 3.3% (2008: 1.0%) in respect of prior years.

The following factors that will affect the Group's future total tax charge as a percentage of underlying profits are:

- the mix of profits between the UK and overseas; in particular, France/Germany/Belgium (corporate tax rates greater than 28%) and Ireland/Poland/Netherlands/Czech Republic/Slovakia (corporate tax rates less than 28%). If the proportion of profits from these jurisdictions changes, this could result in a higher or lower Group tax charge;
- the impact of non-deductible expenditure and non-taxable income;
- agreement of open tax computations with the respective tax authorities; and
- the recognition or utilisation (with corresponding reduction in cash tax payments) of unrecognised deferred tax assets.

### 3. Income tax (continued)

In addition to the amounts charged to the Consolidated Income Statement, the following amounts in relation to taxes have been (charged)/credited directly to equity and are shown in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Equity:

	2009	2008
	£m	£m
Deferred tax movement associated with actuarial loss	1.3	3.0
Current and deferred tax on share options	-	(0.7)
Tax (charge)/credit on exchange difference arising on borrowings and derivative financial instruments	(5.5)	13.8
	<b>(4.2)</b>	<b>16.1</b>

### 4. Earnings per share

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

	Basic and diluted	
	2009	2008
	£m	£m
(Loss)/profit after tax	(45.1)	6.8
Minority interests	(0.5)	(0.5)
	<b>(45.6)</b>	<b>6.3</b>
	<b>Basic and diluted before amortisation of acquired intangibles, impairment charges, restructuring costs and gains and losses on derivative financial instruments</b>	
	2009	2008
	£m	£m
(Loss)/profit after tax	(45.1)	6.8
Minority interests	(0.5)	(0.5)
Amortisation of acquired intangibles	28.6	26.4
Impairment charges	30.0	14.2
Restructuring costs	54.8	22.2
Gains and losses on derivative financial instruments	2.5	41.4
Tax relating to other items*	(28.2)	(13.9)
	<b>42.1</b>	<b>96.6</b>

\*"Other items" relate to the amortisation of acquired intangibles, impairment charges, restructuring costs and gains and losses on derivative financial instruments.

Weighted average number of shares:

	2009	2008
	Number	Number
For basic earnings per share as previously reported	469,350,343	135,314,199
Equity issue adjustment*	-	28,624,157
Revised	469,350,343	163,938,356
Exercise of share options	897,421	557,700
For diluted earnings per share	<b>470,247,764</b>	<b>164,496,056</b>

\* Following the placing and open offer and firm placing of 455,047,973 ordinary shares announced on 18 March 2009 and approved at the Company's Extraordinary General Meeting on 9 April 2009, in accordance with paragraph 26 of IAS 33 "Earnings per Share" the Group has treated the discount element to the open offer part of the increase in share capital as if it were a bonus issue. The effect of this is to increase the weighted average number of shares for the reported prior period, with a resulting reduction in the reported basic and diluted earnings per share for the year ended 31 December 2008.

#### 4. Earnings per share (continued)

	2009	2008
Total basic (loss)/earnings per share	<b>(9.7p)</b>	3.8p
Total diluted (loss)/earnings per share	<b>(9.7p)</b>	3.8p
<b>Earnings per share before amortisation of acquired intangibles, impairment charges, restructuring costs and gains and losses on derivative financial instruments</b>		
Total basic earnings per share	<b>9.0p</b>	58.9p
Total diluted earnings per share	<b>9.0p</b>	58.7p

Earnings per share before amortisation of acquired intangibles, impairment charges, restructuring costs and gains and losses on derivative financial instruments is disclosed in order to present the underlying performance of the Group. The following disclosures reconcile these adjustments to the disclosures made on the face of the Consolidated Income Statement:

a) amortisation of acquired intangibles of £28.6m (2008: £26.4m) is included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items";

b) an impairment charge of £30.0m (2008: £14.2m) is included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items";

c) restructuring costs of £54.8m (2008: £22.2m) are included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other Items";

d) net losses on derivative financial instruments of £2.5m (2008: losses of £41.4m) are included as finance costs within the column of the Consolidated Income Statement entitled "Other items"; and

e) the amortisation of acquired intangibles, impairment charges, restructuring costs and gains and losses on derivative financial instruments give rise to tax as disclosed in the table below:

	2009			2008		
	Other items	Tax impact	%	Other items	Tax impact	%
	£m	£m		£m	£m	
Amortisation of acquired intangibles	28.6	8.0	28.0%	26.4	7.5	28.5%
Impairment charges	30.0	-	-	14.2	-	-
Restructuring costs	54.8	13.3	24.3%	22.2	6.4	28.5%
Net losses on derivative financial instruments	2.5	1.1	44.0%	41.4	-	-
Utilisation of losses not previously recognised	-	5.8	-	-	-	-
	<b>115.9</b>	<b>28.2</b>	<b>24.3%</b>	104.2	13.9	13.3%

**5. Reconciliation of operating profit to cash inflow from operating activities**

	2009 £m	2008 £m
<b>Operating (loss)/profit</b>	<b>(32.5)</b>	107.0
Depreciation charge	40.2	42.6
Impairment of property, plant and equipment	6.8	-
Amortisation of acquired intangibles and impairment charges	58.6	40.6
Profit on sale of property, plant and equipment	(1.8)	(1.8)
Share-based payments	(0.5)	1.0
Decrease in inventories	26.1	15.1
Decrease in receivables	67.8	43.0
Increase/(decrease) in payables	9.4	(91.5)
Cash inflow from operating activities	<b>174.1</b>	156.0

Included in the increase/(decrease) in payables is a cash outflow relating to defined benefit pension contributions being £0.8m (2008: £8.4m) greater than the amount charged to operating (loss)/profit.

**6. Reconciliation of net cash flow to movements in net debt**

	2009 £m	2008 £m
Increase/(decrease) in cash and cash equivalents in the year	166.7	(47.3)
Cash flow from decrease/(increase) in debt	280.9	(70.5)
Decrease/(increase) in net debt resulting from cash flows	447.6	(117.8)
Debt acquired with acquisitions*	-	(8.2)
Non-cash items <sup>^</sup>	(24.5)	(52.7)
Exchange difference	19.5	(89.5)
Decrease/(increase) in net debt in the year	442.6	(268.2)
Net debt at beginning of year	(697.1)	(428.9)
Net debt at end of year	<b>(254.5)</b>	(697.1)

\* Including loan notes issued.

<sup>^</sup> Non-cash items relate to the fair value movement of debt recognised in the year which does not give rise to a cash inflow or outflow.

**7. Final dividend**

No final dividend has been proposed (2008: nil p), giving a full year dividend of nil p (2008: 8.3p). In accordance with IAS 10 "Events after the balance sheet date", dividends declared after the balance sheet date are not recognised as a liability in the Accounts.

**8. Impairment of goodwill**

During the year, SIG's Irish business has continued to experience a significant reduction in demand for its products. The resulting value in use calculation for the Ireland Cash Generating Unit ("CGU") indicated that the carrying value of goodwill was not supportable, therefore the CGU has been further reduced to its recoverable amount through the recognition of an impairment charge as follows:

	£m
At 31 December 2008	40.7
Adjustments in respect of prior period acquisitions	(0.2)
Exchange difference	(5.4)
Impairment charge recognised	(30.0)
<b>At 31 December 2009</b>	<b>5.1</b>

## 9. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and have therefore not been disclosed.

Directors' emoluments in the year were £1.9m (2008: £1.8m), excluding an IFRS 2 share based payment credit of £0.4m (2008: charge of £0.4m).

## 10. Forward looking statements

This Preliminary Results announcement for the year ended 31 December 2009 contains certain forward looking statements with respect to the Group's financial condition, its results, strategy, plans and objectives. The forward looking statements contained in this document are not forecasts or guarantees of future performance and are subject to risks, uncertainties and other factors. Some of these factors are beyond the Group's control, are difficult to predict and could cause actual results to differ materially from those expressed, implied or forecast in the forward looking statements.

These factors include, but are not limited to, general economic conditions and business conditions in the Group's markets, product availability and prices, credit risk, the actions of competitors, interest and exchange rates and legislative fiscal and regulatory developments.

All forward looking statements in this document are based on information known to the Group as at 17 March 2010. The Group has no obligation publicly to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

## 11. Going concern basis

In determining whether the Group's 2009 Accounts can be prepared on a going concern basis, the Directors considered all factors likely to affect its future development, performance and its financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities.

The key factors considered by the Directors were as follows:

- the implications of the challenging economic environment and continuing weak levels of market demand in the building and construction markets on the Group's revenues and profits. The Group prepares forecasts and projections of revenues, profits and cash flows on a regular basis. Whilst this is essential for targeting performance and identifying areas of focus for management to improve performance and mitigate the possible adverse impact of a deteriorating economic outlook, these also provide projections of working capital requirements;
- the impact of the competitive environment within which the Group's businesses operate;
- the availability and market prices of the goods that the Group sells;
- the credit risk associated with the Group's trade receivable balances;
- the potential actions that could be taken in the event that revenues are worse than expected, to ensure that operating profit and cash flows are protected; and
- the committed finance facilities available to the Group. The Group has access to a variety of bi-lateral banking facilities to meet day-to-day working capital requirements. At 31 December 2009, the Group had undrawn facilities of £210m. The Group also had cash held on deposit at 31 December 2009 amounting to £219.4m.

Having considered all the factors above impacting the Group's businesses, including downside sensitivities, the Directors are satisfied that the Group will be able to operate within the terms and conditions of the Group financing facilities for the foreseeable future.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group's 2009 Accounts.

## 12. Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on SIG's long term performance. SIG has a comprehensive system of risk management installed in all parts of its business.

### ***Levels of Market Demand in the Building and Construction Markets in which SIG Operates***

Approximately 90% of SIG's sales are made to the building, construction and civil engineering industries. These industries are driven by private and Government expenditure and include major new construction projects (e.g. airports, hospitals, schools and sports complexes), new residential housing developments and a wide range of renovation, upgrading and repair work on existing buildings.

SIG is exposed to changes in the level of activity and therefore demand from these industries. Government policy and expenditure plans, private investor decisions, the general economic climate and both business and (to a lesser extent) consumer confidence are all factors which can influence the level of building activity and therefore the demand for many of SIG's products.

Approximately 10% of SIG's sales are made into specific industrial applications, especially where there are temperature critical processes and the use of highly specialist insulation is an important part of the process plant itself. These industries include power generation, oil and gas processing, chemical, pharmaceutical and cold storage facilities.

## 12. Principal risks and uncertainties (continued)

### **Levels of Market Demand in the Building and Construction Markets in which SIG Operates (continued)**

SIG is exposed to activity levels and therefore demand for some of its products, within these diverse industries. These industries would, in turn, be affected by the general economic climate, energy demand and energy costs and business investment decisions in major industries such as power generation and petrochemicals.

### **Competitors**

SIG has a mix of both direct specialist competition and some overlap with more general suppliers (such as general builders merchants) in all its markets and countries of operation. As a distributor handling and supplying products manufactured by other companies, SIG is itself dependent upon other companies for in excess of 90% of the products that it sells. Some of SIG's competitors may be funded in such a way that they are willing to accept lower financial returns than SIG or have a greater breadth of resources than SIG in particular market sectors. Competition with these companies could adversely affect SIG's profitability and/or, financial condition.

However, the majority of products that are sold by SIG are relatively bulky and inexpensive in relation to their mass and the cost of transport. This means that the risk faced by SIG of price disruption and possible cross border or international trading having a detrimental impact on prices in any particular country is low. Similarly, the risk posed by internet-based trading dependent upon parcel-carrier service is mitigated by the bulky nature of most of the products sold by SIG and the fact that specialist handling and delivery services are an important feature of the service provided by SIG to many customers.

### **Information Technology ("IT")**

SIG uses a range of computer systems to provide order processing, inventory control and financial management within each country. Outages and interruptions could affect SIG's ability to conduct day-to-day operations. Any lengthy failure or disruption to the IT system in any business unit or country would result in loss of sales and delays to cash flow. Interruption to SIG's IT systems could be caused by a number of factors, including as a result of human error or malfeasance, malfunction, damage, fire or power loss. There can be no certainty that recovery plans and contingency plans will be effective in the event that they need to be activated. SIG's IT systems are not interdependent and there are dedicated support staff directly employed, together with external support service providers, to monitor the IT systems.

### **Commercial Relationships**

SIG is exposed to changes in relationships with both customers and suppliers. Failure to negotiate competitive terms of business with its suppliers or failure to satisfy the needs of its customers could harm the Group's business. It is a key task for the operational management in each country and business unit to maintain and develop their relationships with customers and suppliers.

### **Credit Risk**

SIG, by the nature of its position in the supply chain, buys products from highly reputable suppliers in bulk and sells the products to a wide variety of professional contractors on credit terms. There is a risk that customers do not pay as the typical customer does not have many assets. SIG has therefore developed well proven credit control guidelines and procedures that are designed to minimise its credit risk whilst trying to maximise sales potential. For the year ended 31 December 2009 bad debt expense increased to 0.8% of sales (2008: 0.6% of sales) reflecting the more challenging economic conditions faced by many of the Group's customers.

### **Credit Insurers**

A number of the Group's suppliers insure their credit exposure to SIG with a small number of credit insurers. Likewise SIG also insures its credit exposure in relation to a number of its customers. These credit insurers could withdraw their cover on SIG or its customers which would affect the trading relationship between SIG, its suppliers or its customers and potentially the profitability of SIG.

### **Restructuring of SIG**

Since 1 July 2008 the Group has actively taken steps to align its cost base in those markets where short to medium term demand is expected to remain subdued and also to drive operational and commercial efficiencies within the Group. There is a risk that the restructuring plans may not achieve their goals and may cost more than anticipated.

### **Government Legislation**

SIG operates in a number of countries across Europe, each with their own laws and regulations, encompassing environmental, legal, health and safety, employment and tax matters. Changes in these laws and regulations could impact on SIG's ability to conduct its business, or make such conduct of business more costly.

SIG is committed to complying with all local legal requirements and the clear devolution of responsibility to local operating management, together with the employment of competent advisers. Changes to legislation are monitored locally and appropriate actions taken to ensure they are incorporated into the Company's business policies and procedures.

### **Transport and Fuel Prices**

In excess of 70% of SIG's sales are delivered to customers. Prolonged disruption to road transport systems or the availability of vehicle fuel would result in reduced sales in any country in which this may occur. In addition, a significant increase in fuel prices can affect profitability.

### **Product Availability and Product Prices**

The availability and market prices of products that the Group supplies can change. These changes can adversely affect the Group's sales and operating profits.

If product demand outstrips supply, be it due to demand rising or supply falling, there could be a negative impact on the Group's ability to service its customers' needs. The factories that produce fibrous insulation products take a number of years to build and so if demand exceeds the production capacity, product shortages could result. The Group keeps in regular contact with its suppliers to ensure that it protects its position regarding product availability and product pricing. The Group also sources its products from a number of manufacturers in order to reduce its reliance upon any one manufacturer.

The Group negotiates purchase prices with its suppliers. The ability of SIG to secure satisfactory terms of trade in these negotiations is key to its ability to supply the products to its customers at competitive prices. Rising product prices are advantageous for SIG as the Group's standard gross margin is achieved on a higher selling price resulting in improved overhead recovery, thus providing a higher underlying operating profit margin.

## 12. Principal risks and uncertainties (continued)

### **Product Availability and Product Prices (continued)**

Rising prices may also provide SIG with the opportunity to benefit from inventory gains whereby inventory is bought at the lower price and sold on at the higher price.

Conversely, falling product prices are disadvantageous for SIG. In recent years, product price inflation across the basket of SIG products has been positive rather than negative, although in 2009, the Group has experienced price deflation of 2.3%.

There is an additional risk that disruption in the supply chain, for example due to the insolvency of a supplier, industrial action or adverse weather conditions, could affect SIG's business. This could lead to SIG being unable to fulfil certain commitments and this could lead to a material adverse effect on SIG's reputation, business, results of operations and overall financial condition.

### **Identification and Integration of Acquisitions**

The Group's long term growth strategy is partly dependent upon the identification of appropriate acquisition opportunities at appropriate prices and the successful integration of acquisitions into the Group. Failure to identify, acquire and integrate new acquisitions could adversely affect the growth of the Group's business in the long term.

SIG commits dedicated resources to the research of new markets, the origination of appropriate acquisition targets and the execution of appropriate due diligence and the contract negotiation process. Post acquisition, SIG constantly evaluates the management structures of its businesses to ensure that appropriate management time can be dedicated to new businesses.

### **Loss of Key Management or Personnel**

The Group's businesses are highly reliant on the continued services of its Senior Management, including its Executive Directors and other key personnel. These individuals possess sales and marketing, technical, manufacturing, financial and administrative skills that are important to the continued successful operation of the Group's business. SIG is also reliant on the ability to recruit and retain skilled and experienced labour available within the industry at an operational level.

Failure to retain such individuals, or the failure to attract and retain strong management and technical staff in the future, could have an adverse effect upon the Group's business, results of its operations and financial condition.

### **Product Defect Claims**

High product quality is an important reason why customers buy products from SIG. The inadvertent supply of defective or inferior products by SIG to its customers could have an adverse impact on the Company's reputation and standing, thereby harming the Company's business and financial results. The Group takes care to source products selectively to ensure any possible risk associated with product quality issues is minimised.

## 13. Publication of unaudited information

As part of the Group's Placing and Open Offer and Firm Placing of New Ordinary Shares in April 2009, certain financial disclosures were included in the Prospectus dated 18 March 2009 ("the Prospectus") which were unaudited. Under the provisions of Listing Rule 9.2.18 'Publication of unaudited financial information', the Company must:

- (i) reproduce the unaudited information in the following years Annual Report and Accounts (i.e. 2009 Annual Report and Accounts);
- (ii) disclose the actual figures for the same period covered by the reproduced information; and
- (iii) provide an explanation of any significant variations from the numbers actually achieved compared to those stated in the Prospectus.

The following unaudited financial information was included in the Prospectus:

"As set out in the Trading Statement and the Interim Management Statement, in order to better align resources to anticipated levels of trading going into 2009, SIG implemented a comprehensive range of previously prepared contingency measures in the second half of 2008. These included the closure of 80 trading sites and a reduction in the number of employees in the Group, including head office functions, of 1,020, or 7 per cent., of total staffing. From these actions, the Directors expect to deliver a total net cost saving in 2009 of around £35 million."

"The cost reduction programme is an ongoing process and, since 31 December 2008, SIG has agreed and is in the process of implementing further cost saving initiatives, which are expected to deliver additional savings of £12 million in 2009 (£15 million annualised)."

In respect of the disclosures made above, in 2009 the Group achieved actual cost savings of £35m arising from restructuring actions implemented in 2008, in line with the unaudited figure stated in the Prospectus. The cost saving measures implemented up to 18 March 2009 delivered savings of £12m in 2009, also in line with the disclosures made in the Prospectus. In addition, the Group implemented further cost saving and restructuring measures throughout 2009 over and above those described in the Prospectus, which at 31 December 2009 delivered total annualised cost savings of £100m. Further details on the cost saving measures can be found within the Chairman's Statement.