

SIG plc
AGM and Interim Management Statement

Thursday 13 May 2010

SIG plc, a leading European specialist supplier of insulation, interiors, exteriors and specialist construction products is today issuing its Interim Management Statement covering the period from 1 January 2010 to the date of this announcement, ahead of its Annual General Meeting to be held at 12 noon today at Aston Hotel, Catcliffe, Rotherham, S60 5BD.

As signalled in the Group's Preliminary Results announcement on 18 March 2010, the UK and Mainland Europe experienced extreme cold weather conditions and snow in January and February, which persisted in parts of Mainland Europe well into March. This resulted in building site activity being restricted and deliveries unable to be made in the early weeks of the year, with a corresponding adverse impact on Q1 sales. Sales in the period 1 January to 12 May 2010 were lower by c.6% in constant currency terms compared to the same period in 2009, and by c.7% in Sterling.

Excluding the exceptional impact of the extreme weather, underlying trading in Q1 was in line with management's expectations, and the onset of normal seasonal weather has seen a continuing reduction in the rate of decline in monthly sales versus prior year. In April 2010, sales in local currency were c.2% lower than in the same month last year, though as in March this performance benefited from an element of recovery of sales lost at the start of the year due to the extreme weather.

Gross margins have remained broadly stable over the last few months, though the competitive trading environment, the current product mix within individual operating units and the relative weakness of some of the higher margin business units in the Group's overall portfolio are continuing to prove unhelpful to efforts to improve the blended gross margin.

Around one third of the Group's sales are made into the residential building sector, comprising new construction and also Repairs, Maintenance and Improvement (RMI). Following a steep fall in 2008, demand from this sector in the UK stabilised in the first half of 2009, and has continued to show gradual improvement so far in 2010. Whilst residential demand has continued to fall in Ireland in 2010, the rate of decline has moderated. In Mainland Europe, where the fall in residential construction in SIG's countries of operation overall in 2009 was less marked than in the UK, underlying trends following the weather-affected start to the year will only become clearer towards the end of Q2, though recent trading patterns point towards some improvement in demand.

Approximately two thirds of the Group's sales are made into the non-residential building and industrial non-construction sectors. In the UK, the Group's sales in the private sector non-residential market have continued to decline in 2010, albeit at a slower rate than in 2009, a reduction partly offset by continuing positive project workflow for SIG's customers from the publicly-funded sector, notably for schools and hospitals. As expected, non-residential sales in Mainland Europe so far in 2010 have weakened compared to prior year, though, as with the residential sector, underlying trends following the disruptions to trading in Q1 will take a further few weeks to emerge. Demand for non-construction industrial insulation for process engineering applications across the Group's countries of operation has been subdued in 2010.

Trading Summary

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

Overall construction and building activity has continued to fall in 2010 compared with prior year in both the UK and Ireland (Ireland accounts for c.3% of Group sales), though the pace of decline has begun to slow, led by a gradual improvement in the UK residential construction sector which began to take hold in mid-2009. Against this background, sales adjusted for constant currency have fallen by c.7%, with the UK down c.5% and Ireland c.24% lower.

After a slow start to the year in the UK due to extreme weather conditions which caused sales trends to regress in the first two months, trading since March has seen the resumption of a slowing in the monthly rate of sales decline versus prior year, combined with some modest recouping of sales lost to the weather in previous months. Sales development in Ireland has changed little from month to month so far this year, and is consistent with management expectations.

As the part of the Group's portfolio most directly associated with the recovering residential sector, sales of roofing products in the UK have progressed well in 2010, recording a slight improvement versus 2009. Conversely, those parts of the Group's portfolio with the greatest exposure to the private non-residential sector, particularly the Interiors Manufacturing Division, have seen the least improvement in sales trends. As signalled at the Preliminary Results announcement, SIG Energy Management's Miller Pattison business, which retrofits thermal insulation in homes, has seen a steep fall in sales compared with 2009, caused by a temporary shortage of CERT (Carbon Emissions Reduction Target) funding being released by the power utilities pending the finalisation of arrangements for the extension of the Scheme. It is widely anticipated that a steady flow of funding will recommence in autumn 2010 to ensure that the increased carbon reduction targets being specified under the Scheme are achieved by 2012.

Mainland Europe (c.50% of Group Sales)

Trading in all of SIG's countries of operation in Mainland Europe was heavily impacted by the snow and extreme cold weather which gripped the continent from January through to the first half of March 2010, and Mainland European sales in constant currency in 2010 to date are down c.6% against the same period in 2009.

As has been the case in the UK, since more normal seasonal weather patterns set in (in Mainland Europe's case around mid-March), there has been a resumption of the slowing in the monthly rate of sales decline versus prior year, which has been supplemented by a small amount of incremental sales volume recouped from weather-deferred projects at the start of the year.

Sales over the last two months in the Group's French and German roofing divisions have been running close to 2009 levels, though non-residential and industrial insulation demand in those countries, and in Benelux, remains subdued. The decline in sales in Poland and Central Europe has been gradually slowing, but at a rate which continues to lag behind that experienced in the Group's Western European countries of operation.

Cost Saving Measures

The implementation of the programme of restructuring changes previously announced is ongoing, and all business units continue to bear down on day to day costs and drive through operational efficiencies.

Financial Position

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

Board

As has been previously announced, Mr David Haxby, Senior Independent Director, will retire at the conclusion of today's Annual General Meeting, having served as a Non-Executive Director since 2003. His retirement follows the handover of his Chairmanship of the Audit Committee to Mr Jonathan Nicholls in November 2009. The Board would like to thank David for his excellent counsel over the last 7 years. Mr Chris Geoghegan, who joined the Group as a Non-Executive Director in July 2009, has been appointed Senior Independent Director to succeed Mr Haxby.

Summary and Outlook

Following the disruption to trading patterns caused by the extreme winter weather in Q1, macroeconomic uncertainty still persists, with the general outlook for recovery in construction markets accordingly remaining unclear. Consequently the Group remains duly cautious on the timing and rate of likely recovery in its specific sectors and geographies. However, there has been a clear slowing in the rate of decline in construction activity, led by residential new build and RMI, in all of SIG's countries of operation, and recent trading trends continue to point to a levelling out in monthly sales sometime in late summer 2010.

As previously anticipated, it now appears by year end that some of the sales lost in Q1 due to the extreme weather will be recovered, though not all, particularly in Europe where the duration of the disruption was longer than in the UK and Ireland.

Some of the cost saving and restructuring measures the Group has undertaken to improve long-term operational efficiency and commercial effectiveness remain a work in progress, with the planned benefits scheduled to begin to flow through later in the year.

The combination of these factors means that the shape of the current year remains more heavily weighted to the second half than has historically been the case.

In the medium term, the Group is well positioned to benefit from increasing demand for insulation, driven by higher regulatory standards such as the new Part 'L' Building Regulations coming into force in the UK in October 2010, as well as from other schemes offering incentives and subsidies in the field of energy conservation, renewable energy and sustainable construction, such as the solar energy feed-in tariff introduced in the UK in April 2010 and earlier in other countries in which SIG operates.

Cautionary Statement

This Interim Management Statement is prepared for and addressed only to the Company's shareholders as a whole and to no other person. The Company, its directors, employees, agents or advisors do not accept or assume responsibility to any other person to whom this Interim Management Statement is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

Certain information included in this Interim Management Statement is forward looking and involves risks and uncertainties that could cause the actual results to differ materially from those expressed or implied by forward looking statements. It is believed that the expectations set out in these forward looking statements are reasonable but they may be affected by a wide range of variables which could cause future outcomes to differ from those foreseen in forward looking statements, including but not limited to, changes in risks associated with the level of market demand, product availability and pricing, competitor risk, credit risk, credit insurance, restructuring of SIG and exchange rates. All statements in this release are based upon information known to the Company as at the date of this Statement. The Company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise.