



Trading Update

Wednesday 13 January 2010

SIG plc, a leading European supplier of insulation, interiors, exteriors and specialist construction products, today issues the following trading update for the year ended 31 December 2009 in advance of its preliminary results announcement on 18 March 2010.

Exceptionally challenging market conditions persisted throughout 2009, with the economic downturn significantly reducing construction activity and hence demand for the products and services supplied by SIG. 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. While trading patterns within individual countries and business streams remained inconsistent through to the year end, as H2 2009 progressed there were slight indications in some areas of a slowing in the rate of decline. Overall sales in the period were within the range anticipated by management.

Notwithstanding the exceptionally challenging conditions and disruption to trading caused by extreme weather conditions in a number of countries in the final weeks of the year, the Company expects full year underlying** profit before tax to be not less than current analysts' consensus expectations of £60m.

SIG's total sales for the year were c.£2,744m, a decrease of approximately £310m (10.1%) compared with 2008 (£3,054m). Like for like* sales reduced by c.11.5% in Sterling and by c.15.6% in constant currency, as set out in the following table:

Period	Like for like (Sterling)	Like for like (constant currency)	Total (Sterling)	Total (constant currency)
Group H2 sales	(10.4)%	(13.6)%	(10.3)%	(13.5)%
Group FY sales	(11.5)%	(15.6)%	(10.1)%	(14.2)%

UK and Ireland (c.48% of Group Sales)

Total sales decreased by 20.4% over prior year, with like for like sales in constant currency 22.0% lower compared to 2008.

The following table sets out the detail of the percentage change in sales in the UK and Ireland in H2 and for the full year 2009:

Period	Like for like (Sterling)	Like for like (constant currency)	Total (Sterling)	Total (constant currency)
UK & Ireland H2 sales	(19.5)%	(19.8)%	(19.3)%	(19.7)%
UK & Ireland FY sales	(21.5)%	(22.0)%	(20.4)%	(20.9)%
UK H2 sales	(18.1)%	(18.1)%	(18.1)%	(18.1)%
UK FY sales	(20.2)%	(20.2)%	(19.2)%	(19.2)%
Ireland H2 sales	(35.8)%	(40.5)%	(34.3)%	(39.1)%
Ireland FY sales	(36.1)%	(42.6)%	(34.8)%	(41.4)%

UK non-residential construction levels continued to fall during H2 2009 while residential new build activity levels showed a slight improvement from the summer onwards.

Accordingly, the UK Exteriors division, which has the greatest exposure to the house building sector, saw a modest increase in demand in the final months of the year, while other parts of the Group's UK operations more oriented towards the non-residential sector faced increasingly challenging conditions throughout the second half of the year. Construction activity was also affected in late November by flooding in parts of the UK and Ireland, and from mid-December by snow and freezing temperatures which resulted in premature Christmas site closures and some shortfall in anticipated sales.

In December, the UK government published proposed changes to the CERT (Carbon Emissions Reduction Target) Scheme which favour insulation over other qualifying measures from 2011. Along with the recent 20% uplift in the value of the 2008-2011 Scheme, these proposals are beneficial for our Miller Pattison business going forward, though the flow of funding has been slowing recently, resulting in subdued demand for retrofit domestic insulation throughout the autumn and winter period.

Trading conditions in Ireland, which accounts for c.3% of Group sales, remained extremely tough across all market sectors through to the end of 2009.

Mainland Europe (c.52% of Group Sales)

Total sales in Mainland Europe increased by 2.2% in Sterling, down by 6.2% in constant currency, with like for like sales up by 0.3% in Sterling and down by 7.9% in constant currency.

The following table sets out the detail of the percentage change in sales in Mainland Europe in H2 and for the full year 2009:

Period	Like for like (Sterling)	Like for like (constant currency)	Total (Sterling)	Total (constant currency)
Mainland Europe H2 sales	(0.5)%	(6.8)%	(0.4)%	(6.8)%
Mainland Europe FY sales	0.3%	(7.9)%	2.2%	(6.2)%

Sales in the final weeks of the year were generally in line with expectations, with no significant changes in trading or demand patterns since the Group's Interim Management Statement on 12 November 2009.

Although market demand in SIG's Western European countries of operation softened further in H2, despite testing comparative numbers from a strongly-growing equivalent period in 2008 the sales decrease in local currency was less pronounced than in the UK and in line with management expectations.

In Poland and Central Europe trading remained very challenging throughout H2 2009, with total sales in local currency showing a broadly similar level of decline to that experienced in the UK.

Financial Position

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

Net debt has reduced by c.£437m from £697m at 31 December 2008 to c.£260m at 31 December 2009. The total reduction in net debt consists of the following:

Net equity proceeds	£325m
Cash generation	£119m
Contingent consideration payments associated with acquisitions in previous years	(£3m)
Foreign exchange and fair value movements	(£4m)

In H2 2009, the Group has generated a further £40m in cash. Therefore, assuming constant currency and fair value movements from H1 2009, Group net debt would have reduced from £276m at 30 June 2009 to c.£236m at 31 December 2009.

Intense focus on cash management continued throughout the year resulting in strong cash generation of c.£119m. This has been achieved through trading cash flows, tight working capital management and a much reduced capital expenditure programme.

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

Restructuring and Cost Saving Programme

Implementation has continued of the major restructuring programmes announced in August 2009, involving notably SIG's UK Interiors Manufacturing, UK Exteriors, and UK Insulation & Interiors Distribution operations. Aimed at enhancing customer service and improving operational efficiency, these major projects are on track to deliver the previously announced savings and benefits. The continuing review of resource levels across the Group's businesses generated additional annualised hard net cost savings of c.£24m in the second half of 2009 bringing the total to c.£98m since the inception of the programme in 2008.

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	£24m	£98m	£39m	£24m	£63m
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	£34m	£74m	£18m	£34m	£52m

The one-off restructuring costs associated with the actions taken in 2009 are currently estimated to be c.£52m and will be treated as non-recurring items in the 2009 accounts.

Board Change

The Board of SIG today announces that Mr. David Haxby (68), 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, 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.

Outlook

Macroeconomic conditions remain uncertain and, with the prospects for recovery in construction markets accordingly unclear in respect of both timing and degree, the outlook for 2010 remains challenging. As a result of the Group's restructuring measures undertaken to improve long-term operational efficiency together with the reduction in its fixed cost base and its significantly strengthened balance sheet, SIG is in good shape to deal both 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.

Definitions

- * Like for like is defined as the business excluding the impact of acquisitions made since 1 January 2008.
- ** Underlying profit before tax is before the amortisation of acquired intangibles, impairment charges, gains and losses on derivative financial instruments and restructuring costs.

There will be a conference call with management at 9.00 this morning to discuss the statement. The dial in number is 020 3003 2666.

Enquiries

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Cautionary Statement

This Trading Update 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 Trading Update is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

Certain information included in this Trading Update 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. More information about the risks and uncertainties that may affect the Group's performance is contained in the Annual Report to Shareholders for the year ended 31 December 2008. All statements in this release are based upon information known to the Company at the date of this Trading Update. 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.