



## SIG plc Trading Update

SIG plc ("SIG" or "the Company"), a leading European supplier of insulation, interiors, exteriors and specialist construction products, issues the following scheduled Trading Update for the six months to 30 June 2009 ahead of its Interim Results which will be announced on 20 August 2009.

Further to the last Trading Update issued on 18 June 2009, there has been no material change to the trading environment since that date. Whilst remaining variable on a day to day basis, order intake and sales in the second half of June were on average maintained at the levels experienced over the 4 week period following the Company's Interim Management Statement on 13 May 2009, which has been stable without exhibiting the level of seasonal pickup in activity which typically manifests itself from late Spring onwards.

As previously outlined, trading conditions in the first half of 2009 have been exceptionally challenging. Volumes have been substantially lower in the UK and Ireland accompanied by reduced gross margins, and European markets have not achieved their usual level of seasonal improvement in the second quarter.

In the six months to 30 June 2009 total sales of c.£1,345m were down c.10% compared to £1,494m reported in the first half of 2008, with like for like\* sales down c.13%. At constant currency total sales were c.15% lower and down c.17.5% like for like\*.

### Trading Summary

#### UK and Ireland (c.50% of Total Sales)

As stated previously, construction activity has declined steeply in 2009 over 2008 in both the UK and Ireland (Ireland represents c.4% of Total sales). Against this background, like for like\* sales adjusted for constant currency have fallen by c.24%, with the UK down c.22% against strong prior year comparatives, and Ireland c.44% lower.

The early part of the year saw depressed activity levels in the UK, exacerbated by bad weather in February, and after a modest improvement in most business streams in March trading has remained inconsistent though broadly stable thereafter through to the end of June. Performance in Ireland has continued to weaken throughout 2009, as a result of the severe downturn in the construction market caused by the country's deteriorating economy.

All of SIG's market segments in the UK have seen a sales reduction during the period compared to prior year. Trading in interiors products has been particularly difficult due to a much weaker commercial sector coupled with delays to PFI and directly funded government projects in the health and education sectors. The most resilient segment in the first half has been insulation, which benefited especially in the first few months of the year from the CERT (Carbon Emissions Reduction Target) Scheme introduced in April 2008. However, sales under the scheme have also eased recently due to normal seasonality and a slowing in the release of funding from the power generation Utilities pending final consultation with the government on the 20% planned uplift to the current scheme announced in the Pre-Budget Report last year and arrangements for a follow-on programme.

Gross margins in the UK & Ireland have come under increasing pressure as the year has progressed, due to a combination of some deflation in factory gate prices, aggressive pricing from competitors and a more unfavourable product mix. All of SIG's businesses are taking action to protect and improve gross margins, whilst maintaining market position.

#### Mainland Europe (c.50% of Total Sales)

Trading in most countries in which the Group operates was adversely affected by the extremely cold weather on the Continent during Q1 and restricted building site activity. Sales subsequently experienced an upswing in Q2 as weather conditions returned to normal and construction activity gathered momentum, although have fallen short of the levels associated with normal seasonality. SIG's Western European

markets have shown greater resilience so far this year than those in Central & Eastern Europe (c.5% of Total sales) which have been harder hit by the global financial crisis. Overall, European like for like\* sales in the first 6 months of 2009 are down c.9.3% against the same period in the prior year on a constant currency basis, but 1% up in Sterling resulting from the translational benefit of the weakness of the Pound against the Euro.

Gross margins in Mainland Europe have generally held up better than in the UK, although a similar range of external pressures is present in all countries.

### **Cost Saving Measures**

Since the Spring of 2008, SIG has implemented an ongoing programme of contingency planning and cost reductions, aimed at quickly adjusting its cost base to deteriorating trading conditions in its individual market segments and countries. By 30 June 2009 the cumulative net effect of annualised hard cost savings implemented since the inception of the programme is £74m, comprising 124 branch closures or mergers, 2,004 redundancies and a range of other measures.

Actions so far in 2009 have resulted in annualised savings of £39m (an increase of £4m since SIG's Trading Update on 18 June 2009) with total one-off costs associated with this restructuring in the first half of 2009 of c.£18m.

In addition to the continuing drive to align resources to anticipated market conditions, SIG has in hand a number of fundamental changes to its UK operational structure aimed at achieving increased commercial and operational efficiency, involving principally cross-divisional site sharing and other measures in the distribution businesses and reconfiguration of its UK Interiors manufacturing operations. Full details of these measures and the associated cost savings will be provided with the Interim Results on 20 August 2009.

### **Acquisitions**

No acquisitions were made in the six months to 30 June 2009, and none are planned for the remainder of the year.

### **Financial Position**

Following the equity share issue in April 2009, the Group's balance sheet remains strong and provides levels of resilience and financial flexibility appropriate to the current environment.

The Group has maintained its strong focus on cash generation throughout the first half of 2009, resulting in a net debt reduction of c.£74.1m (in addition to the equity proceeds of £325m (net)). The weakening of the Euro since the year end and fair value movements associated with the Group's derivative financial instruments have reduced the debt position by a further £22m.

Net debt at 30 June 2009 amounted to c.£276m (31 December 2008: £697.1m).

### **Summary and Outlook**

There has been no material change to the trading environment since the Trading Update on 18 June 2009.

SIG's diverse market sectors and countries of operation are all at different stages in their cycles and are affected differently by the macroeconomic situation which limits visibility and renders the short to medium term outlook difficult to predict. Overall however, trading is expected to remain extremely challenging in the near term.

Against this background SIG continues to run its business tightly, taking decisive action to reconfigure its operations and reduce costs further while protecting the integrity of its network and service offering, defending market share and focusing resolutely on cash management. Following the equity issue earlier this year the Company is well positioned to manage the business through the challenging period ahead, and to take maximum advantage of the upturn when it comes. The Board believes that SIG remains well placed to benefit from the longer term positive trend of demand for housing and for insulation in the construction and refurbishment of all types of buildings.

There will be a conference call for analysts at 9.45 this morning to discuss the Trading Update. The details are as follows:

Dial in - 0203 003 2666

Title - SIG Trading Update

Please dial-in 10 minutes before the call to avoid delayed access

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

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