

SIG plc | Interim Results 2010

for the six months to 30 June 2010

25 August 2010



The SIG logo, consisting of the letters "SIG" in a stylized, bold, red font.

Introduction

Les Tench | Chairman



Agenda



Overview

Les Tench | Chairman



Financial Review

Gareth Davies | Finance Director



Trading Review

Chris Davies | Chief Executive



Outlook

Chris Davies | Chief Executive



Questions

Les Tench | Chairman

Overview

- Extremely challenging trading conditions in Q1 2010
- Stabilisation in markets in Q2 2010 in line with management's expectations
- Some early signs of recovery in certain markets
- Restructuring substantially complete
- Net debt further reduced to £227m from £255m

Financial Review

Gareth Davies | Finance Director

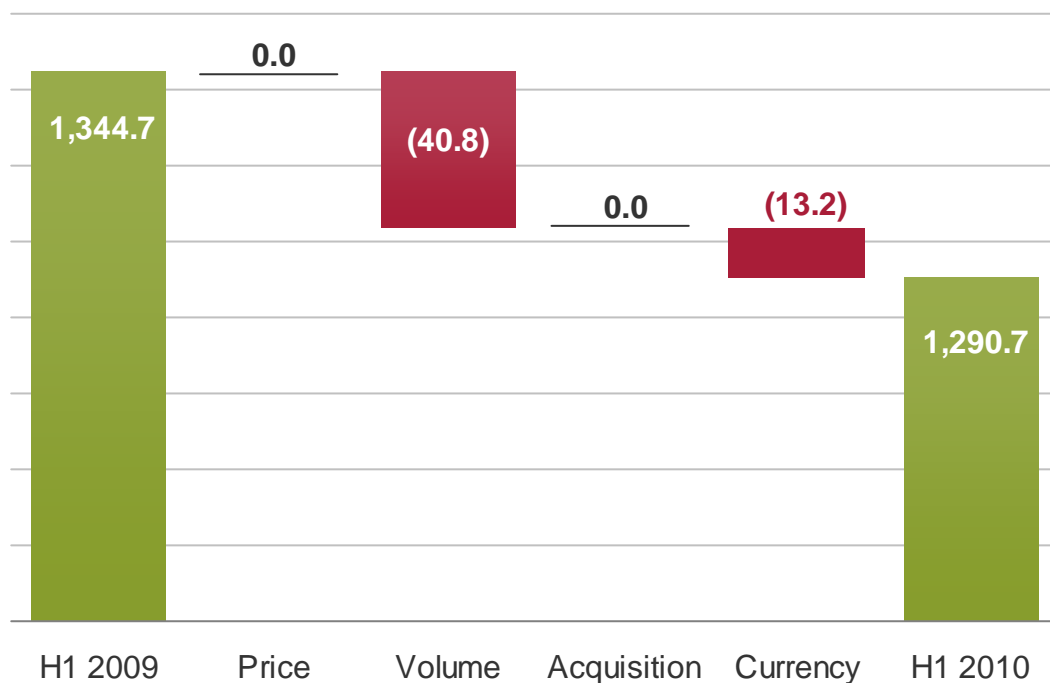


Summary Income Statement

	H1	H1	
£m	2010	2009	%
Revenue	1,290.7	1,344.7	(4.0%)
Gross profit	322.0	338.4	(4.8%)
Gross margin	24.9%	25.2%	(0.3%)
Underlying operating profit	25.8	35.0	(26.3%)
Underlying net finance costs	(7.3)	(13.1)	44.3%
Underlying profit before tax	18.5	21.9	(15.5%)
Other items*	(20.7)	(31.1)	
(Loss)/profit before tax	(2.2)	(9.2)	
Underlying basic EPS	2.1p	4.3p	
Underlying tax rate	32.4%	29.7%	

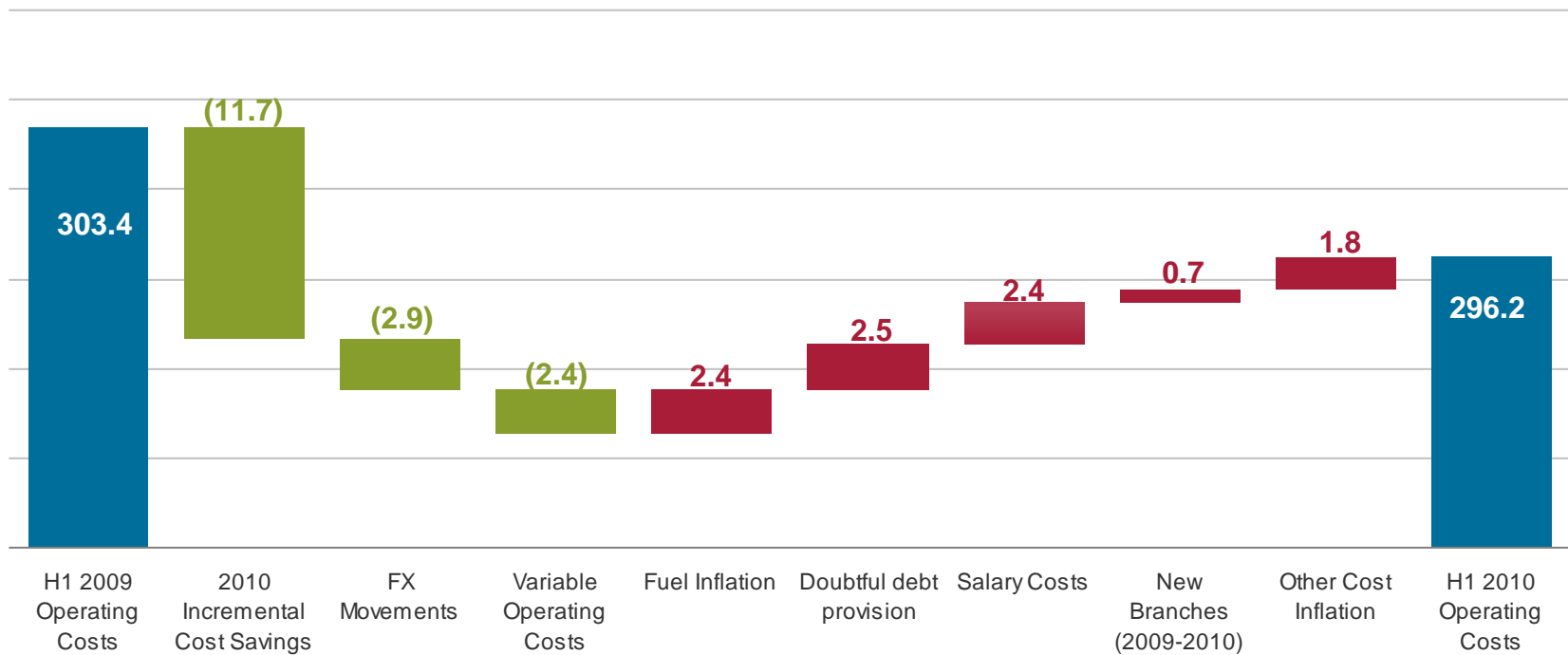
*Other items relate to the amortisation of acquired intangibles, restructuring costs and gains and losses on derivative financial instruments.

Analysis of Revenue Performance



	%	£m
Price	-	-
Volume	(3.0%)	(40.8m)
Like for like	(3.0%)	(40.8m)
Acquisitions	-	-
Currency	(1.0%)	(13.2m)
	(4.0%)	(54.0m)

H1 2009 v H1 2010 Operating Cost Movement



Cost Saving Initiatives

	£'m
Brought forward into 2010	30
Expected 2010 H1	10
Expected 2010 H2	20
<hr/>	
Update to 30 June 2010	
Actual 2010 H1	12
Expected 2010 H2	12
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Carried forward into 2011	6

Strong Balance Sheet

£m	H1 2010	H1 2009	FY 2009
Net Capex	5.2	1.9	9.5
Depreciation	18.3	20.0	40.2
Capex / Depreciation	0.28x	0.10x	0.24x
Net working capital*	250.6	273.2	253.6
Net debt	(226.6)	(276.2)	(254.5)
Net debt / EBITDA ratio**	1.9x	1.6x	2.0x
Interest cover**	5.4x	4.1x	4.3x

*Excludes defined benefit pension liability and contingent consideration

**Based on covenant calculation

Cash flow

£m	H1 2010	H1 2009
Cash inflow from trading	43	37
Change in working capital	(11)	67
Cash inflow from operations	32	104
Interest and tax	(14)	(23)
Maintenance capex	(5)	(2)
Free cash flow available for investment	13	79
Settlement of amounts payable for purchase of businesses	(2)	(3)
Proceeds from equity issue	-	325
Exchange and fair value movements	17	20
Decrease in borrowings	28	421
Opening debt	(255)	(697)
Closing debt	(227)	(276)

- Underlying debt reduction (i.e. excluding positive foreign exchange and fair value movements and cash paid on 2009 exceptional costs) amounted to £21m

Working Capital

Working Capital	H1 2010	H1 2009
Stock days*	46	42
Debtor days*	53	55
Bad & doubtful debt as a % of sales	0.7%	0.5%
Creditor days*	49	47
Working Capital / Sales*	10.0%	10.2%

* Calculated on a like for like constant currency basis

- Continued focus on trading cash conversion to reduce debt levels
- Further improvement in working capital/sales

Cash Conversion remains strong

Cash Conversion				
£m	12 MONTHS TO JUNE 2010	H1 2010	H1 2009	FY 2009
Cash inflow from operations	103.0	32.5	103.6	174.1
Underlying operating profit	71.7	25.8	35.0	80.9
Trading cash conversion	144%	126%	296%	215%

- 12 month rolling measure removes impact of seasonality on Group's cash conversion performance
- Both six months and rolling 12 months cash conversion ahead of long term average target of 100%

Current Debt Facilities*

- Current UK committed debt facilities at 30 June 2010 of £535m

Facilities Profile	30 June 2010	31 Dec 2011	31 Dec 2012
Total facilities	535	307	307
Facility maturities	50	178	-
Amount drawn on maturing facilities	50	78	-

- Repayment requirement of £128m in 2010 and 2011
- Funding available to meet repayment requirement

	£'m
Cash on deposit at 30 June 2010	134
2013 undrawn facilities	75
2010/2011 repayment requirement	(128)
Existing funding surplus	81

- Fixed rate debt as % of total 73% (H1 2009: 57%)

* At 30 June 2010 exchange rates

Trading Review

Chris Davies | Chief Executive



Sales Performance H1 2010 v 2009

	Sales	In £	In Constant Currency
Total	£1,290.7m (100%)	(4.0%)	(3.0%)
UK & Ireland	£633.7m (49.1%)*	(5.0%)	(4.8%)
Mainland Europe	£657.0m (50.9%)*	(3.0%)	(1.3%)

* 2009 Geographical Split:

UK & Ireland	49.6%
Mainland Europe	50.4%

Underlying Operating Profit Performance

H1 2010 v 2009

		In £	In Constant Currency
Total Underlying Operating Profit	£25.8m	(26.3%)	(24.5%)
UK & Ireland		(18.1%)	(18.1%)
Mainland Europe		(30.7%)	(27.5%)

Operating Margins (underlying)	H1 2010	H1 2009
Group	2.0%	2.6%
UK & Ireland	2.4%	2.7%
Mainland Europe	2.2%	3.0%

LFL Sales Trends H1 2010*

	Nov/Dec 2009	Q1 2010	Q2 2010	June 2010
Group Total	(11.6%)	(9.0%)	0.3%	+1.1%
Total UK & Ireland	(16.2%)	(9.0%)	(1.6%)	(1.0%)
UK Distribution	(10.0%)	(5.0%)	+2.1%	+2.4%
Mainland Europe	(6.8%)	(9.0%)	+2.2%	+3.0%

- Extreme cold weather hit Q1 sales in all regions
- Recovery of Q1 “lost” sales boosted Q2
- By end H1, total LFL sales slightly ahead of prior year

*All v. same period prior year in constant currency and constant working days

LFL Sales July 2010*

	June 2010	July 2010
Group Total	+1.1%	+4.0%
Total UK & Ireland	(1.0%)	+1.8%
UK Distribution	+2.4%	+4.5%
Mainland Europe	+3.0%	+5.9%

- Trading since half year ahead of management's expectations
- Some overhang from Q1 may still be coming through?

*All v. same period prior year in constant currency and constant working days

SIG Structural Changes 2009 / 2010

Progress Update

- Successfully executed, post-change performance in line with expectations:
 - SIGI / CPD / Fixings / Construction Accessories merger to create SIG Distribution
 - SIG Roofing / Roofline merger
 - Full integration of Polish operations
 - Cross-divisional site sharing in UK
 - Overall new UK organisation bedding down well, fine-tuning continuing
- Interiors Manufacturing restructuring and cost savings behind schedule – but on track for 2011
- UK National Sales team already delivering increased sales to major contractors and projects – >£15m extra sales in 2010

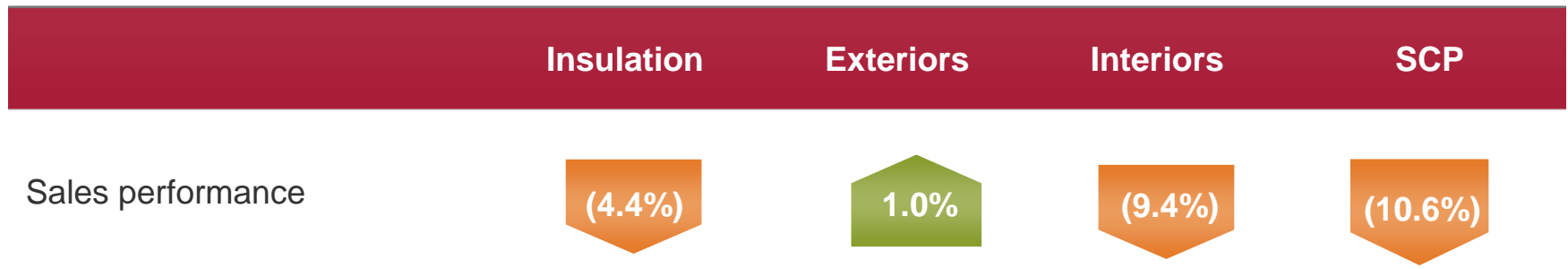
Performance H1 2010 : UK & Ireland

	Sales		
Sterling	(5.0%)	(18.1%)	-12 (366)
Constant currency	(4.8%)	(18.1%)	

- Gross margin 26.2% down 70bps
- Underlying operating margin 2.4% down 30bps
- Residential sector improving gradually, non-residential still declining
- UK distribution rebounded well in Q2 – monthly LFL sales ahead of prior year since April
- Ireland 17% down in Euros v. prior year, though rate of decline easing

* Compared to 1 January 2010

UK & Ireland: Performance by Business Segment H1 2010 v H1 2009



- Insulation sales c.0.6% down excl. installation which was c.23% down v. strong H1 2009, driven by temporary lack of CERT funding
- New CERT funding now passed through Parliament
- Exteriors benefiting from heavy exposure to the improving residential new build and RMI sectors
- Interiors sales reduction driven by continuing non-residential market decline
- SCP performance improving post-Q1 divisional re-organisation and management changes

Performance H1 2010 : Mainland Europe

	Sales		
Euro	(1.3%)	(27.5%)	+ 6 (381)
Sterling	(3.0%)	(30.7%)	

- Gross margin up +20bps at 23.6%
- Underlying operating margin 2.2% down 80bps
- Germany & France LFL monthly sales ahead of prior year from April
- Benelux still declining
- Rate of sales decline easing in Poland & Central Europe

Performance H1 2010 : Germany & Austria

	Sales		
Euro	(0.7%)	(51.3%)	No Change (82)
Sterling	(3.5%)	(52.7%)	

- Insulation & Interiors sales down 3.2% in Euros
- Roofing Division sales up 8.4% in Euros
- Gross margins up 10bps
- Underlying operating margin at 0.9% down 100bps

Performance H1 2010 : France

	Sales		
Euro	2.8%	(0.9%)	+ 5 (180)
Sterling	(0.0%)	(3.6%)	

- Insulation and Interiors LFL sales down 0.5% in Euros
- Roofing (Lariviere) LFL sales up 5.5% in Euros
- Gross margins up 10bps
- Underlying operating margin at 4.9% down 20bps

Performance H1 2010 : Poland and Central Europe

	Sales		
Local Currency	(14.4%)	(59.7%)	No Change (92)
Sterling	(7.7%)	(65.2%)	

- Rate of decline easing end Q2, especially Poland
- Continuing economic weakness in Czech Republic, Slovakia and Hungary holding back construction recovery
- Gross margin up 50bps

* Compared to 1 January 2010

Performance H1 2010 : Benelux

	Sales		
Euro	(4.7%)	(44.5%)	+ 1 (27)
Sterling	(7.4%)	(46.0%)	

- Includes international air handling business – HQ in Holland
- Benelux construction market cycle behind rest of Europe – rate of decline still increasing
- Insulation & Interiors sales down 6.8% in Euros
- Gross margins decreased 60bps
- Underlying operating margin at 3.0% down 210bps

* Compared to 1 January 2010

Outlook

Chris Davies | Chief Executive



Current Year Outlook

- Majority of markets stabilising, but remain highly competitive
- H1 2010 sales in line with management's forecasts
- Good start to H2 but cautious on evenness of recovery
- Negative P&L effect of current €Euro / £Sterling exchange rate
- Management focused short-term on:
 - Protecting market position and gross margins
 - Customers
 - Cash
 - Consolidating 2009 / 2010 changes, continuing to deliver planned savings

Demand Drivers

- Underlying housing shortages remain
- Fundamental drivers in energy saving / carbon reduction remain sound across our geographies, e.g. in UK:
 - New UK government attitude & intentions positive
 - CERT 20% uplift + extension to 2012 passed into law in July, increased weighting on professionally installed insulation
 - New UK Building Part 'L' regs autumn 2010, alongside Code for Sustainable Homes
 - Solar energy feed-in tariff implemented April 2010
 - Renewable Heat Incentive anticipated April 2011

Future growth

SIG continues to invest selectively in future growth:

- 61 new trading locations opened in 2008 / 2009
- 6 new Mainland European trading locations in H1 2010
- SIG Energy Management position in new technologies strengthened via investment in Ice Energy Technologies Ltd.
- SIG Express concept successfully trialled, optimal formats identified and proven
- SIG Emirates began trading Q2

Summary

- Macroeconomic picture still highly uncertain
- Markets likely to show little underlying growth
- Countries / sectors at different points in cycle
- SIG is well positioned to exploit market recovery
 - leaner, more efficient operating structure post-restructuring
 - exposed to good markets with long-term growth potential
- Selective investment in future growth

Questions

Les Tench | Chairman



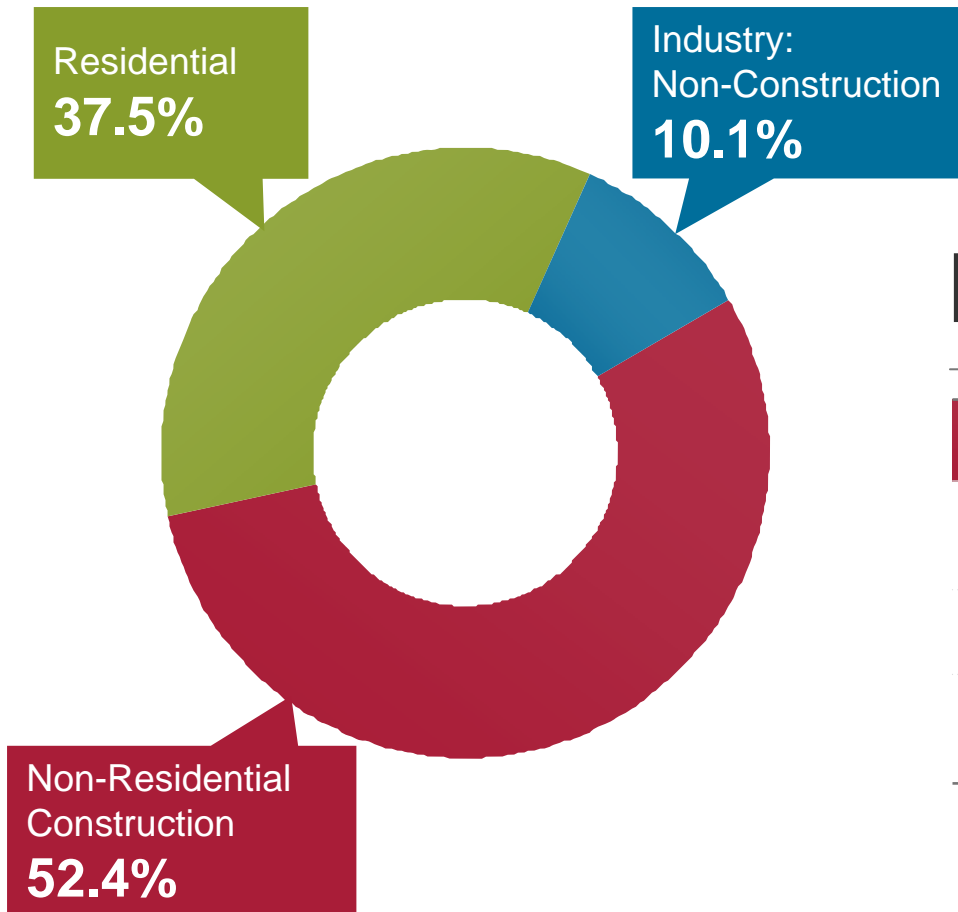
Appendices

25 August 2010



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Market Sectors – Indicative Breakdown



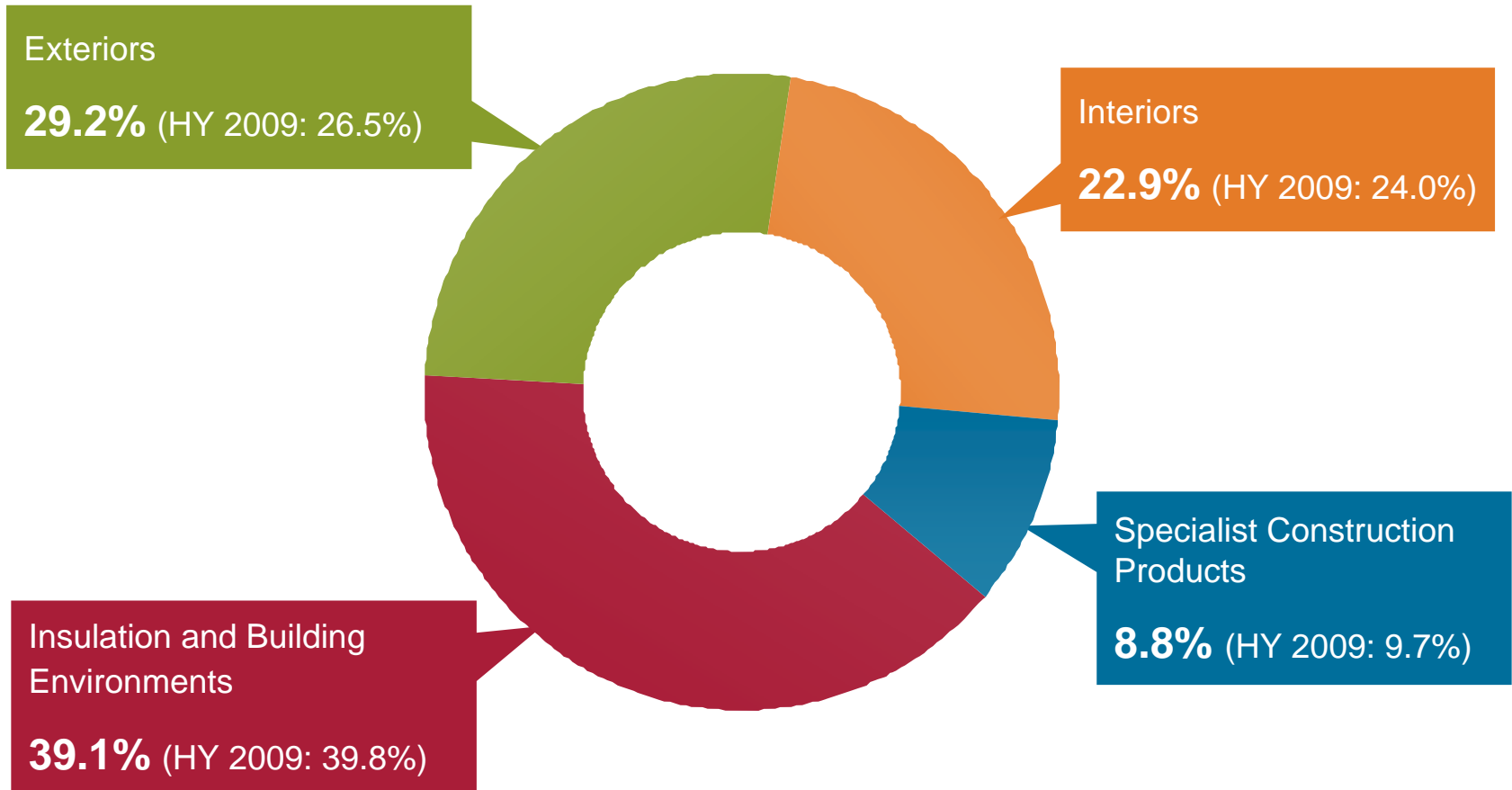
Source: Company estimates.

RMI: Repairs, Maintenance and Improvement

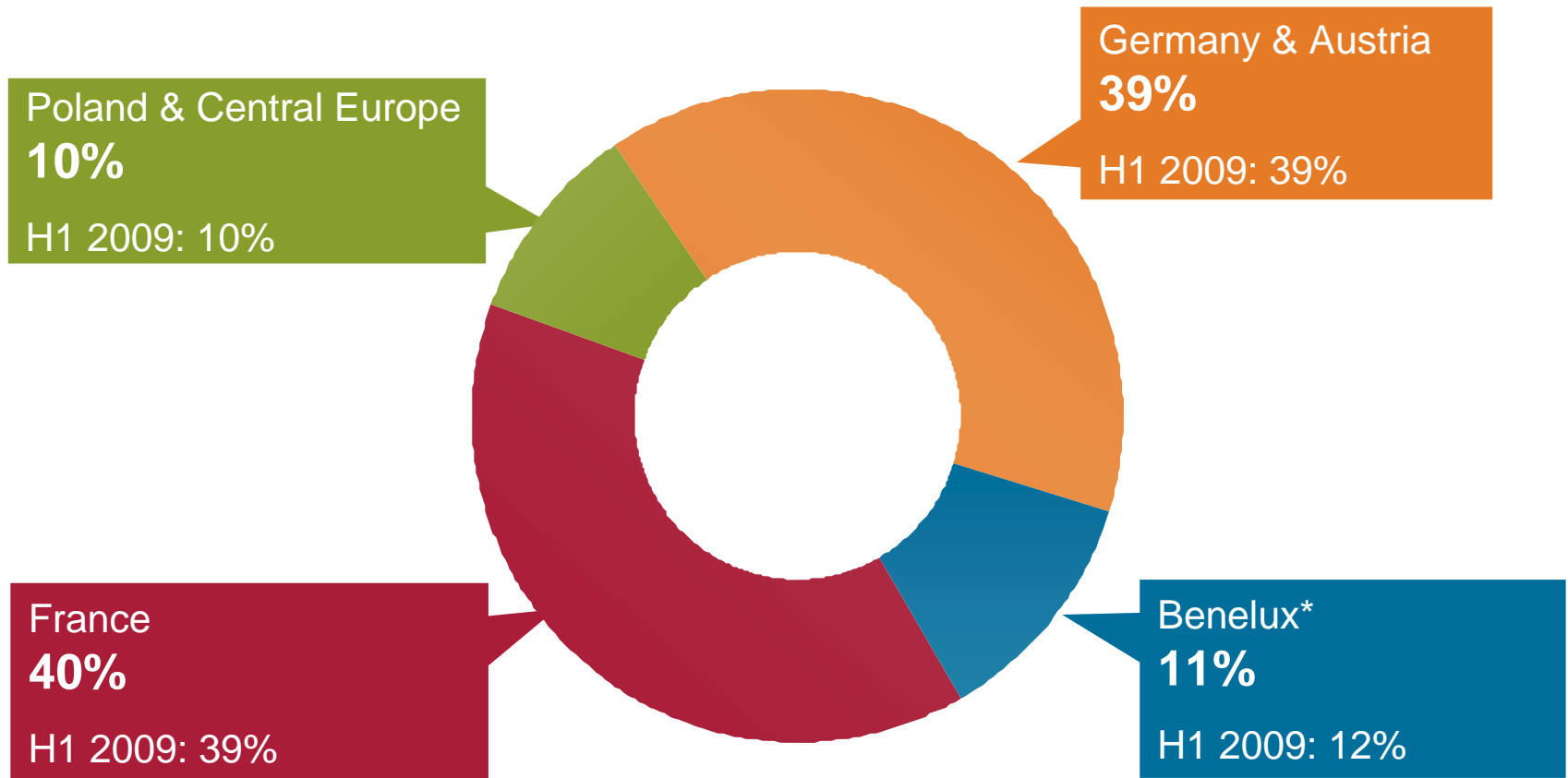
By End Market

Non-Residential Construction	57%	43%
Residential	44%	56%
Industry: Non-Construction	48%	52%

Sales Sector Split H1 2010



SIG Mainland Europe Sales by Region H1 2010



* Includes International Air handling business (HQ in Holland)

Fixed vs. Floating Rate Debt

	£m	Rate (%)
Private placement fixed rate debt*	136.1	6.7%
Fixed rate bank debt	20.8	1.5%
Total Fixed rate debt	156.9	
Private placement floating rate debt*	132.9	2.1%
Floating rate bank debt^	59.9	1.5%
Cash and cash equivalents (Cash – overdraft)	(130.9)	1.0%
Total Floating rate debt	61.9	
Other debt (Hire purchase and loan notes)	7.8	13.9%
Total Group debt	226.6	
Fixed rate debt (%) of Total debt	72.7%	

* After taking into account associated derivative financial instruments

^ Based on current interest rates

Trading sites movement

	1 January 2008	Closed/ merged	Opened	Acquired	31 December 2009	Closed/ merged	Opened	Acquired	30 June 2010
UK & Ireland	461	(131)	12	36	378	(12)	-	-	366
France	142	(4)	36	1	175	-	5	-	180
Germany & Austria	82	(7)	2	5	82	-	-	-	82
Benelux	11	-	3	12	26	-	1	-	27
Poland	61	(3)	4	1	63	-	-	-	63
Central Europe	22	(7)	4	10	29	-	-	-	29
Mainland Europe	318	(21)	49	29	375	-	6	-	381
Group Total	779	(152)	61	65	753	(12)	6	-	747