

Press Release

11 February 2010

The BSS Group plc

Interim Management Statement

The BSS Group plc ('BSS' or 'the Group'), a market leading distributor to specialist trades, is today issuing its Interim Management Statement for the first 19 weeks of the second half of the financial year, relating to the period from 1 October 2009 to 10 February 2010.

Trading Update

As anticipated, market conditions have remained challenging throughout the period. Revenue has however held up well with total revenue for the 19 week period in line with our expectations at £473.4m, 0.9% above last year on an equivalent working day basis. Like for like revenue, excluding the impact of new branches and acquisitions, was 2.1% below last year (against a 6.8% like for like reduction in the six months to 30 September 2009).

Colder weather conditions during December benefited the Domestic Division as repair and maintenance (R & M) activity increased with boiler usage. Snow disruption in January caused some loss of business, primarily domestic contract work, but the adverse impact was offset by the better performance in December.

The underlying core R & M business that underpins revenue has remained resilient throughout the period.

As expected, gross margin percentage in the period is lower than last year reflecting competitive market conditions and stronger contract sales. We are continuing to focus on margin recovery and believe that price conditions are showing signs of stabilising.

Costs continue to be tightly managed, like for like costs in the period were 5.2% below last year (against a 7.8% decrease in the six month period to 30 September 2009).

New Revenue

BSS anticipates that government capital expenditure, which will represent around 10% of Group revenue in the current financial year, will reduce significantly in the coming years.

BSS is pursuing new revenue streams to offset the expected reduction in public sector activity beyond the current financial year. Further progress has been made in the period:

Direct Heating Spares is moving to seven day operations on the back of contract gains and stronger underlying demand; 12 new implant branches have been opened financial year to date in support of our expansion into the above ground drainage market (with a further six to be opened in February and March). The recent acquisition of UGS Limited ('UGS') gives BSS the opportunity to service the broader drainage market (above and below ground), which we believe has significant growth potential.

Renewables revenue continues to grow at pace and the first orders have been received in support of the water industry upgrade which will be serviced from our dedicated distribution facility in Nottingham.

Management remains confident that the new revenue opportunities targeted can offset the impact of a contraction in public sector investment in the coming years.

Outlook and Financial Position

The Group has faced considerable challenges in the current year with recession in the broader economy resulting in a contraction in a number of core markets, reducing demand and bringing a more competitive price environment.

The Group has reacted quickly to the changing market conditions, scaling down appropriately and re-positioning resource to present a leaner, fitter business that is focussed on new growth opportunities.

BSS remains well positioned to take advantage of early cycle recovery in economic activity in new build residential and the manufacturing sectors. Our core business continues to be the repair and maintenance of existing facilities with a significant proportion of our revenue from medium to long term contracts. We therefore expect revenue for the balance of the year to continue to show resilience.

The Group's financial position remains strong, net debt to EBITDA at 30 September was 1.4 times and interest cover was 9.7 times. Gearing at 30 September 2009 was 36% (2008: 44%) and unutilised borrowing facilities amounted to £114m.

Other than the acquisition of UGS for £5.1m announced on 8 February 2010, there have been no material events or transactions affecting the Group in the period.

The Board expect profits to be in line with market expectations for the year ended 31 March 2010 and the financial position of the Group to strengthen further in the current financial year.

For further enquiries please contact:

The BSS Group plc
Gavin Stark, Group Chief Executive
Roddy Murray, Group Finance Director
T: 0116 - 256 7038

Hogarth
Andrew Jaques
Rachel Hirst
T: 0207 - 357 9477