

**KINGSPAN GROUP PLC**  
**HALF-YEARLY FINANCIAL REPORT**  
**(Six months ended 30 June 2011)**





## KINGSPAN GROUP PLC

### 2011 HALF-YEARLY REPORT

**Kingspan, the global leader in high performance insulation and building envelope solutions, reports interim results for the half year ended 30 June 2011**

#### **Highlights:**

##### ***Financial Highlights:***

- Revenue up 32% to €736m, an increase of 16% excluding the acquisition of CRH Insulation Europe (CIE)
- Trading profit up 24% to €44.2m, an increase of 17% excluding the acquisition of CIE. Group trading margin of 6.0% in line with full year 2010
- Basic EPS up 38% to 17.3 cent
- Interim dividend per share up 12.5% to 4.5 cent
- Net debt of €216.5m (H1 2010: €135.1m) due principally to the impact of the acquisition of CIE. Interest cover of 12.2 times

##### ***Operational Highlights:***

- Insulated Panels divisional sales up 22% with growth across all key regions
- Insulation Boards divisional sales up 86%, an increase of 14% excluding the acquisition of CIE, with increased geographical balance following the acquisition
- Environmental & Renewables divisional sales up 17% reflecting buoyant sales in Mainland Europe
- Access Floors divisional sales down 5% overall with strong datacentre volumes partially offsetting a decrease in office activity

#### **Summary Financials:**

|                  | H1 '11<br>€m | H1 '10<br>€m | % change |
|------------------|--------------|--------------|----------|
| Revenue          | 736.0        | 558.7        | +32%     |
| EBITDA           | 63.5         | 53.0         | +20%     |
| Trading Profit   | 44.2         | 35.7         | +24%     |
| Amortisation     | (2.5)        | (2.6)        |          |
| Operating Profit | 41.7         | 33.1         | +26%     |
| Profit after tax | 29.2         | 21.3         | +37%     |
| Trading Margin   | 6.0%         | 6.4%         | -40bps   |

Gene Murtagh, Chief Executive Officer, commented:

*“Kingspan has had a good first half in 2011 with strong organic growth complementing our recent acquisition which will bring even greater balance to our mix of geographies and products. Kingspan continues to outperform both the market and the general macro environment with our range of high performance solutions although we remain very mindful in the period ahead of renewed global uncertainties and their possible impacts.”*

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**BUSINESS REVIEW**

During the first six months of 2011, activity throughout the Group was strong benefiting from the growth in order book recorded towards the end of last year which continued through the first quarter of 2011. In addition to the robust underlying growth across the businesses, the Group also absorbed the CIE Insulation acquisition which completed during the first quarter of 2011. As a consequence, Group sales growth of 32% was recorded in H1 2011, up 16% excluding the CIE acquisition, and Group trading profit grew by 24% to €44.2m. Operating profit after amortisation grew by 26% to €41.7m.

This result was achieved against a backdrop of an untypically robust start to the year, helped by more favourable weather conditions compared to early 2010, with momentum easing industry-wide during the second quarter. Trends in general building activity in the UK and North America were solid in the period, although were less buoyant from quarter two. Furthermore, continued upward momentum was experienced in much of Western and Central Europe with a solid trading pattern in Australia and New Zealand. The trading pattern throughout the Group broadly reflected these trends in H1 whilst significantly outperforming the overall macro environment.

Raw material inflation, and its recovery, was a prominent feature of the first half of 2011 with key inputs of both steel and chemicals rising sharply. As previously indicated, we expect approximately €80m of cost inflation during the full year, and whilst presenting a tough challenge, the recovery of these costs is on track. The Group’s overall trading margin of 6% was in line with the margin recorded in full year 2010 although it is down 40bps on the first half of 2010 due to the mix of divisional earnings.

**Operating Segments:**

**Insulated Panels**

|                | H1 '11<br>€m | H1 '10<br>€m | Change   |
|----------------|--------------|--------------|----------|
| Turnover       | 350.4        | 287.0        | +22% (1) |
| Trading Profit | 21.7         | 13.7         | +58%     |
| Trading Margin | 6.2%         | 4.8%         |          |

(1) Comprising volume growth +14%, price/mix +8% and currency impact 0%

### ***Overall***

The division recorded a strong performance in the period with buoyant activity in most key markets. The increase in the division's trading margin reflects the impact of volume growth and the associated operating leverage.

### ***United Kingdom***

Sales volume of Insulated Panels in the UK grew by 16%, or by 27% in value, in the period. Whilst growth was achieved in almost all sectors, retail and refurbishment activity were the key drivers as well as continually improving insulation standards. Approximately 20% of all volumes in the period represented refurbishment activity, a trend which is likely to increase as demand builds for the Group's Powerpanel® product and Kingspan's "Insulate & Generate" concept. Powerpanel® is an integrated insulated panel and solar energy generation solution and should represent a significant opportunity for building occupiers to make meaningful progress on a net zero energy objective. Sales of this new product suite began in quarter two, during which orders were received for what will be some of the largest on-roof photovoltaic installations in the UK. Order intake volume in the period grew by 6% compared to the first half of last year and although we anticipate this positive trend continuing for the remainder of the year, the project pipeline would indicate that the percentage growth will moderate somewhat in the second half of the year.

### ***Mainland Europe***

Sales volume in the region increased by 14%, or by 22% in value, year on year in the period driven by strong growth in Germany, Belgium and the Netherlands, offsetting lower volumes in Hungary, the Czech Republic and, in particular, Poland. Sales volume in Turkey was strong but, as in Poland, margins came under significant pressure with overcapacity limiting the near-term recovery of raw material increases in these markets. Order intake has largely mirrored this pattern, up 9% overall by volume, strongest in Western Europe and Turkey, offsetting general weakness in Eastern Europe.

### ***North America***

Sales volume growth of 7%, or by 15% in value, was achieved in this region, reflecting the very strong orderbook at the start of the year. Activity and penetration growth in the low-rise commercial/industrial sectors were key in delivering this outcome. In addition, food storage applications were strong by volume, albeit with lower margins. Insulated architectural facades, a cornerstone of future growth, secured orders in excess of H1 2010 but project slippage resulted in lower sales growth than expected. North American order intake reduced by 8% in the period, markedly down in quarter two, reflecting a weaker backdrop when compared with the same period last year when a number of sizeable contracts were won. Notwithstanding this, the orderbook at the end of the period was 7% higher than a year earlier.

### ***Australia/New Zealand***

2010 was a year of great progress in the region, ending with an orderbook considerably up on prior year. This order book supported sales volume growth in excess of 20% during

the first half of 2011 displaying growth in penetration and a positive general building environment. In quarter two there was some evidence of a slowdown in intake levels.

### ***Ireland***

Although activity was exceptionally low, sales volume in Ireland grew by 8%, or by 20% in value. Order intake improved by 15% which is somewhat encouraging albeit from a low base.

### **Insulation Boards**

|                | H1 '11<br>€m | H1 '10<br>€m | Change   |
|----------------|--------------|--------------|----------|
| Turnover       | 222.6        | 119.9        | +86% (1) |
| Trading Profit | 14.5         | 10.7         | +36%     |
| Trading Margin | 6.5%         | 9.0%         |          |

(1) Comprising growth from acquisition +72%, price/mix +9%, volume +4% and currency impact +1%

### ***Overall***

The division recorded a strong first half performance with the key highlight being the acquisition and subsequent integration of CIE. The acquisition contributed €85.7m of sales and €2.4m of trading profit in the period net of integration costs incurred. The divisional margin is broadly in line with the full year trading margin of 6.7% in 2010 but is down on the first half margin recorded in H1 2010. This reflects the mix of business year on year, in particular the initially lower margin lines in the acquired business. As with Insulated Panels, the inflationary pressure from chemical price increases was a prominent feature of the first half. The business is on course to recover these increases which will continue through quarter three.

### ***United Kingdom***

Sales volume in the UK grew by 34%, or by 37% in value, with 28% (22% in value) of this due to the impact of the CIE acquisition. Housing construction has grown marginally over prior year, which when combined with strong progress in insulation sales to the refurbishment sector and the continued growth in penetration of Kingspan's Kooltherm® range, delivered a solid result in the period.

### ***Mainland Europe***

Sales in this region were exceptionally strong during the period, growing in volume by 423%, or by 478% in value, driven substantially by the CIE acquisition. Underlying sales volumes (excluding the CIE acquisition) were up by 21%, or up by 49% in value. Penetration of high performance insulation in Continental Europe significantly lags that of the UK and Ireland. However, the conversion pattern to higher performance insulants is likely to continue shifting in the direction of Kingspan's technology, as evidenced by recent sales trends. Our near term focus will remain on conversion in the Benelux and Germany in particular and ensuring that our capacity is geared accordingly.

### ***Australia/New Zealand***

Following the full integration of the AIR-CELL acquisition during 2010 and notwithstanding the natural disasters earlier this year in both countries, sales volume in this region grew by 6%, or by 25% in value, in the first half in 2011. The region is vastly under-penetrated by modern insulants which promote energy efficiency in both summer and winter periods. Kingspan's team in Australia and New Zealand continue to demonstrate the potential for the Group's Kooltherm® and other products despite the tough market conditions to-date this year.

### ***Ireland***

The construction market in Ireland has suffered a dramatic contraction in recent times, and remains subdued, resulting in sales volume down by 16%, or down by 4% in value. The refurbishment market has been somewhat resilient, and at approximately 50% of current activity, is providing some foundation for activity at present.

### **Environmental & Renewables**

|                | H1 '11<br>€m | H1 '10<br>€m | Change |
|----------------|--------------|--------------|--------|
| Turnover       | 97.9         | 83.4         | +17%   |
| Trading Profit | 1.2          | 1.0          | +20%   |
| Trading Margin | 1.2%         | 1.1%         |        |

Sales in this division grew by 17% in the first half driven principally by activity in Continental Europe, particularly in France. Fuel storage and water treatment products were relatively flat in the UK and were slightly down in Ireland where the new build sector remains exceptionally weak. Recent legislation governing future domestic waste water standards in Ireland will provide scope for medium term growth as inefficient traditional solutions require replacement. This trend is also to be expected across Europe, which along with Renewables activity, will be a clear area of focus for growth within this division.

The Renewables product offering comprising solarthermal, air-sourced heat pumps, hot water storage and rainwater harvesting all recorded encouraging growth as the shift towards more compelling and economic renewable solutions gathers momentum. The UK market has delivered the majority of this growth to date. However, significant progress has also been made in North America, and sizeable specifications have been achieved in China. The UK's Renewable Heat Initiative (RHI) should also serve to accelerate demand for certain elements of this product range going forward.

As in previous years, the environmental tank business continues to be impacted by the polyethylene raw material related warranty issues dating back to 2002/2003. Full provision has now been made for the expected warranty claims through to the expiry of the warranty period. The Group's legal claim against the supplier, Borealis, for the full

recovery of past and potential future losses was heard in the High Court in London with the hearing concluding in July 2011. A judgment is anticipated in the early part of 2012.

### **Access Floors**

|                | H1 '11<br>€m | H1 '10<br>€m | Change  |
|----------------|--------------|--------------|---------|
| Turnover       | 65.1         | 68.4         | -5% (1) |
| Trading Profit | 6.8          | 10.3         | -34%    |
| Trading Margin | 10.4%        | 15.0%        |         |

(1) Comprising volume -4%, price/mix +2% and currency impact -3%

The Group's Access Floors division is geared predominately towards the new build office and data warehousing sectors, mainly in North America and the UK. The decrease in trading margin reflects the combination of the year on year volume decline and relative business mix.

Globally, the datacenter market has been robust during the downturn years and has been providing the base activity for the US business in recent times. As a sector, the datacenter market is forecast to grow substantially over the medium to longer term and Kingspan's new range of products and geographic strategies have been tailored to capitalise on this opportunity.

Office construction, on the other hand, is a highly cyclical segment clearly evidenced by the dramatic reduction experienced in the UK during last year, and currently being experienced in the US. This has substantially impacted demand for our "bare" products, which are forecast to weaken further in the US for the foreseeable future. However, gradual improvement in the UK is expected from 2012 with volume growth unlikely in the US until 2013.

## **FINANCIAL REVIEW**

### **Overall**

The Group trading margin in the first half of the year was 6.0%, compared to 6.4% in the first half of 2010. The decrease reflects the divisional mix of earnings year on year as well as the initially lower margins on the CIE acquired businesses. Group trading profit grew by 24% from €35.7m to €44.2m, driven principally by a 16% increase in underlying sales. Group trading profit was up 17% excluding the impact of CIE. The amortisation charge in respect of intangibles of €2.5m was in line with the charge in the first half of 2010, with the incremental charge in respect of CIE offset by an amount related to intangibles which had been fully written off in 2010. Group operating profit, after amortisation, grew by 26% to €41.7m. Profit after tax was €29.2m compared to €21.3m in the first half of 2010 driven in the main by the increase in operating profit.

### Free Cash Flow

The Group achieved a free cash flow of €32.4m (H1 2010: €28.7m), an increase of 13%, which is stated after net capital expenditure of €10.6m (H1 2010: €4.4m). An analysis of free cash flow is set out in the table below:

| Free Cash Flow                                  | HI '11<br>€m | HI '10<br>€m |
|---|--------------|--------------|
| EBITDA*   | 63.5         | 53.0         |
| Increase in working capital and other movements | (10.8)       | (9.7)        |
| Pension contributions paid less pension expense | (1.4)        | (1.1)        |
| Net capital expenditure                         | (10.6)       | (4.4)        |
| Finance costs paid (net)                        | (5.7)        | (5.0)        |
| Taxation paid                                   | (2.6)        | (4.1)        |
| Free cash flow                                  | 32.4         | 28.7         |

\*Earnings before finance costs, income taxes, depreciation and intangible asset amortisation.

### Working Capital

Working capital increased by €14.7m in the first half of 2011 (increase of €8.7m in H1 2010). This reflects the incremental working capital required to support the underlying sales growth of 16% in the period.

### Retirement Benefits

The Group has two legacy defined benefit pension schemes in the UK. These schemes have been closed and the liability relates only to past service. All current service pension provision is made under defined contribution arrangements.

### Finance Costs

Net finance costs of €5.6m were recorded in the first half of 2011 compared to €7.6m in the comparable period in 2010. A non cash finance amount of €0.3m was charged in respect of FX and mark-to-market adjustments relating to the Group's 2005 Private Placement. The comparable charge was €2.6m in H1 2010 with the associated swap designated as a cashflow hedge from February 2010 resulting in lower income statement volatility. Effective hedges have been put in place for the newly issued Private Placement in August 2011.

Bank interest payable increased by €0.3m due to higher average borrowings in 2011 as a result of increased debt levels associated with the acquisition of CIE partially offset by lower commitment fees than in H1 2010 due to higher drawn debt levels.

### Taxation

The tax charge for the period represents an effective tax rate of 18% (H1 2010: 15.0%). The increase in the effective rate reflects the relative geographic mix of earnings year on year.

## Net Debt

Net debt increased by €87.8m from €128.7m at 31 December 2010 to €216.5m at 30 June 2011. The key components of the debt movement were €32.4m generated in free cashflow offset by €107.1m incurred in respect of the acquisition of CIE (net of disposal proceeds). In addition, an amount of €0.3m was paid in respect of the acquisition of the remaining interest in a subsidiary. Furthermore, deferred consideration amounts of €2.2m were paid in respect of acquisitions made in previous years.

The majority of Group borrowings are subject to financial covenants calculated in accordance with lenders' facility agreements. The key covenants are:

- The ratio of net debt to EBITDA of a maximum 3.5 times; and
- EBITDA to net interest charge of a minimum 4.0 times

The actual performance compared to the covenants is set out below:

|                       | H1 '11<br>Times | H1 '10<br>Times |
|-----------------------|-----------------|-----------------|
| Net debt: EBITDA*     | 1.83            | 1.28            |
| EBITDA: Net interest* | 12.2            | 10.5            |

\*Earnings before finance costs, income taxes, depreciation, intangible asset amortisation and non-trading items (net of related tax).

The maturity profile of Group debt facilities is set out below:

|                                   | 30 June 2011<br>pro-forma*<br>€m | 30 June 2011<br>Actual<br>€m | 30 June<br>2010<br>€m |
|-----------------------------------|----------------------------------|------------------------------|-----------------------|
| Within 1 year                     | 30.0                             | 30.0                         | 30.0                  |
| Between 1 and 2 years             | -                                | -                            | -                     |
| Between 2 and 5 years             | 449.7                            | 449.7                        | 449.7                 |
| Greater than 5 years              | 170.7                            | 31.8                         | 31.8                  |
| Total Facilities                  | 650.4                            | 511.5                        | 511.5                 |
| Net Debt                          | 216.5                            | 216.5                        | 135.1                 |
| Weighted Average Maturity (years) | 5.5                              | 2.75                         | 3.68                  |

\*on a pro-forma basis, net debt as at 30 June 2011 adjusted for Private Placement issued on 10 August 2011

## Related Party Transactions

There were no changes in related party transactions from the 2010 Annual Report that could have a material effect on the financial position or performance of the Group in the first half of the year.

## Principal Risks & Uncertainties

Details of the principal risks and uncertainties facing the Group can be found in the 2010 Annual Report. These risks, but in particular macro-economic construction activity in key markets, fluctuating raw material costs and volatile currencies, remain the most likely to affect the Group in the second half of the current year. The Group actively manages these and all other risks through its control and risk management processes.

**Dividend**

The Board has declared an interim dividend of 4.5 cent per share, an increase of 12.5% on the 2010 interim dividend of 4.0 cent per share. The interim dividend will be paid on 23 September 2011 to shareholders on the register on the record date 2 September 2011.

**Subsequent Event**

On 10 August 2011, the Group completed a ten year US private placement issuance of \$200m maturing in August 2021. Of this amount \$81.4m was retained in US dollars with the balance of \$118.6m swapped into GBP. This issuance extends the average maturity of Group net debt by 2.75 years to 5.5 years.

**Board Changes**

The Company is pleased to announce the appointment of Mr. Gilbert McCarthy to the Board of the Company, with effect from 1 September 2011. Mr. McCarthy, who has been with the Group for the past 13 years, is currently the managing director of the Group's Insulated Panels businesses in the UK, Ireland, Western Europe and Australia, and was previously managing director of the Off-site Division and general manager of the Irish Insulation Board business.

The Company also announces that Mr. Noel Crowe will be resigning from the Board with effect from 31 August 2011, and will be leaving the business in early November. The Board would like to thank Mr. Crowe for his contribution to the Environmental & Renewables Division over the past ten years.

**OUTLOOK**

During the first half of 2011, penetration growth, rising refurbishment activity and geographic expansion all combined to drive the business forward. The pace of growth, however, eased during quarter two and is likely to ease further in the second half reflecting the limited evidence to date of a sustained economic recovery in the Group's key markets.

Steel and chemical raw material prices in the third quarter are likely to remain broadly flat over quarter two, reflecting the recent tempering in global demand for both materials, particularly in Asia.

The order book and pipeline in both the Insulated Panels and Insulation Boards businesses remains higher than a year earlier. This, when combined with progress on the integration of the CIE acquisition, should result in continuing momentum throughout the business, albeit at a lower level than in the first half of the year. However, we remain very mindful in the period ahead of renewed global uncertainties and their possible impacts.

The Group's range of high performance solutions, market positions and increasing geographic diversity, combined with its balance sheet strength, positions the business well for the future.

## **RESPONSIBILITY STATEMENT**

### **Directors' Responsibility Statement in respect of the Half Yearly Financial Report for the six months ended 30 June 2011**

Each of the directors, whose names and functions are listed in the 2010 Annual Report (with the exception of Mr. Dermot Mulvihill, who retired on 12 May 2011) confirm our responsibility for preparing the half yearly financial report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the Transparency Rules of the Republic of Ireland's Financial Regulator and with IAS34 'Interim Financial Reporting' as adopted by the EU. We confirm that to the best of our knowledge:

- a) the condensed consolidated interim financial statements comprising the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the Transparency Rules of the Republic of Ireland's Financial Regulator and with IAS 34 'Interim Financial Reporting' as adopted by the EU.
- b) The interim management report includes a fair review of the information required by:
  - i) Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - ii) Regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

Gene Murtagh  
Chief Executive Officer

22 August 2011

Geoff Doherty  
Chief Financial Officer

22 August 2011

## **INDEPENDENT REVIEW REPORT TO KINGSPAN GROUP PLC.**

### **Introduction**

We have been engaged by the company to review the condensed consolidated interim financial statements for the six months ended 30 June 2011 which comprise the condensed consolidated Income Statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Transparency (Directive 2004/109/EC) Regulations 2007 (“the TD Regulations”) and the Transparency Rules of the Republic of Ireland’s Financial Regulator. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

### **Directors’ responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the TD Regulations and the Transparency Rules of the Republic of Ireland’s Financial Regulator.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The directors are responsible for ensuring that the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

### **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed interim financial statements based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently

does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements for the six months ended 30 June 2011 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU, the TD Regulations and the Transparency Rules of the Republic of Ireland's Financial Regulator.

**Roger Gillespie**

*For and on behalf of KPMG*

*Chartered Accountants, Statutory Audit Firm*

1 Stokes Place

St Stephen's Green

Dublin 2

22 August 2011

# Kingspan Group plc

## Condensed consolidated income statement for the half year ended 30 June 2011

|  | Note | 6 months<br>ended<br>30 June 2011<br>(Unaudited)<br>€ '000 | 6 months<br>ended<br>30 June 2010<br>(Unaudited)<br>€ '000 |
|--|------|--|--|
| <b>Revenue</b>                                     | 4    | <b>735,950</b>   | 558,678  |
| Costs of sales                                     |      | <u>(533,109)</u>   | <u>(399,861)</u>   |
| <b>Gross Profit</b>                                |      | <b>202,841</b>   | 158,817  |
| Operating costs, excluding intangible amortisation |      | <u>(158,596)</u>   | <u>(123,069)</u>   |
| <b>Trading Profit</b>                              | 4    | <b>44,245</b>  | 35,748   |
| Intangible amortisation                            |      | <u>(2,518)</u>   | <u>(2,615)</u>   |
| <b>Operating Profit</b>                            |      | <b>41,727</b>  | 33,133   |
| Finance charge, net                                | 6    | <u>(5,565)</u>   | <u>(7,614)</u>   |
| <b>Profit for the period before income tax</b>     |      | <b>36,162</b>  | 25,519   |
| Income tax expense                                 | 7    | <u>(6,962)</u>   | <u>(4,211)</u>   |
| <b>Profit for the period</b>                       |      | <b>29,200</b>  | 21,308   |
| Attributable to owners of Kingspan Group plc       |      | <b>28,786</b>  | 20,832   |
| Attributable to non-controlling interests          |      | <u>414</u>   | <u>476</u>   |
|  |      | <b>29,200</b>  | 21,308   |
| <b>Earnings per share for the period</b>           |      |  |  |
| Basic  | 10   | <b>17.3c</b>   | 12.5c  |
| Diluted  | 10   | <b>16.7c</b>   | 12.2c  |

# Kingspan Group plc

## Condensed consolidated statement of comprehensive income for the half year ended 30 June 2011

| Note | 6 months<br>ended<br>30 June 2011<br>(Unaudited)<br>€ '000                    | 6 months<br>ended<br>30 June 2010<br>(Unaudited)<br>€ '000 |
|------|---|--|
|      | <b>29,200</b>   | 21,308   |
|      | <b>Net profit for financial period</b>  |  |
|      | <b>Other comprehensive income:</b>  |  |
|      | Effective portion of changes in fair value of cash flow hedges                | 258  |
|      | Net change in fair value of cash flow hedges reclassified to income statement | 389  |
|      | Actuarial gains/(losses) on defined benefit pension scheme                    | (5,370)  |
|      | Currency translation  | 43,025   |
|      | Income tax on other comprehensive income                                      | 1,504  |
|      | <hr/>   | <hr/>  |
|      | <b>13,394</b>   | 61,114   |
|      | <b>Total comprehensive income for the period</b>                              |  |
|      | Attributable to owners of Kingspan Group plc                                  | 60,638   |
|      | Attributable to non-controlling interests                                     | 476  |
|      | <hr/>   | <hr/>  |
|      | <b>13,394</b>   | 61,114   |
|      | <hr/>   | <hr/>  |

# Kingspan Group plc

## Condensed consolidated statement of financial position as at 30 June 2011

|  | Note | At 30 June<br>2011<br>(Unaudited)<br>€'000 | At 30 June<br>2010<br>(Unaudited)<br>€'000 | At 31 December<br>2010<br>(Audited)<br>€'000 |
|--|------|--|--|--|
| <b>Assets</b>  |      |  |  |  |
| <b>Non-current assets</b>                                  |      |  |  |  |
| Property, plant and equipment                              | 11   | 444,140                                    | 424,401                                    | 408,632                                      |
| Goodwill   |      | 358,330                                    | 325,324                                    | 318,216                                      |
| Intangible assets  |      | 11,149                                     | 8,536                                      | 6,457  |
| Financial assets   |      | 10   | 10   | 10   |
| Derivative financial instruments                           |      | -  | 9,147                                      | 1,305  |
| Deferred tax assets  |      | 4,507                                      | 5,824                                      | 5,600  |
|  |      | <u>818,136</u>                             | <u>773,242</u>                             | <u>740,220</u>                               |
| <b>Current assets</b>                                      |      |  |  |  |
| Inventories  |      | 178,129                                    | 139,796                                    | 129,035                                      |
| Trade and other receivables                                |      | 303,789                                    | 256,621                                    | 236,349                                      |
| Derivative financial instruments                           |      | 6,803                                      | 1,931                                      | 1,407  |
| Cash and cash equivalents                                  |      | 95,342                                     | 140,197                                    | 104,402                                      |
|  |      | <u>584,063</u>                             | <u>538,545</u>                             | <u>471,193</u>                               |
| Non-current assets classified as held for sale             |      | -  | -  | 1,658  |
|  |      | <u>584,063</u>                             | <u>538,545</u>                             | <u>472,851</u>                               |
| <b>Total assets</b>  |      | <u>1,402,199</u>                           | <u>1,311,787</u>                           | <u>1,213,071</u>                             |
| <b>Liabilities</b>   |      |  |  |  |
| <b>Current liabilities</b>                                 |      |  |  |  |
| Trade and other payables                                   |      | 310,487                                    | 261,038                                    | 202,660                                      |
| Provisions for liabilities                                 |      | 39,035                                     | 52,855                                     | 50,683                                       |
| Contingent deferred consideration                          |      | 489  | 264  | 2,781  |
| Interest bearing loans and borrowings                      |      | 24,914                                     | 51,964                                     | 14,259                                       |
| Current income tax liabilities                             |      | 36,688                                     | 33,319                                     | 34,539                                       |
|  |      | <u>411,613</u>                             | <u>399,440</u>                             | <u>304,922</u>                               |
| <b>Non-current liabilities</b>                             |      |  |  |  |
| Retirement benefit obligations                             |      | 67   | 9,559                                      | 1,628  |
| Provisions for liabilities                                 |      | 9,857                                      | 8,533                                      | 8,118  |
| Interest bearing loans and borrowings                      |      | 272,943                                    | 227,763                                    | 213,671                                      |
| Derivative financial instruments                           |      | 11,475                                     | -  | -  |
| Deferred tax liabilities                                   |      | 21,631                                     | 15,631                                     | 17,787                                       |
| Contingent deferred consideration                          |      | 956  | 2,355                                      | -  |
|  |      | <u>316,929</u>                             | <u>263,841</u>                             | <u>241,204</u>                               |
| <b>Total liabilities</b>                                   |      | <u>728,542</u>                             | <u>663,281</u>                             | <u>546,126</u>                               |
| <b>Net Assets</b>  |      | <u>673,657</u>                             | <u>648,506</u>                             | <u>666,945</u>                               |
| <b>Equity</b>  |      |  |  |  |
| Share capital  |      | 22,332                                     | 22,310                                     | 22,325                                       |
| Share premium  |      | 37,960                                     | 37,026                                     | 37,739                                       |
| Capital redemption reserve                                 |      | 723  | 723  | 723  |
| Revaluation reserve  |      | 713  | 713  | 713  |
| Other reserves   |      | (160,775)                                  | (135,070)                                  | (144,841)                                    |
| Retained earnings  |      | 767,340                                    | 717,899                                    | 745,338                                      |
|  |      | <u>668,293</u>                             | <u>643,601</u>                             | <u>661,997</u>                               |
| <b>Equity attributable to owners of Kingspan Group plc</b> |      | <u>668,293</u>                             | <u>643,601</u>                             | <u>661,997</u>                               |
| <b>Non-controlling interest</b>                            |      | <u>5,364</u>                               | <u>4,905</u>                               | <u>4,948</u>                                 |
| <b>Total Equity</b>  |      | <u>673,657</u>                             | <u>648,506</u>                             | <u>666,945</u>                               |

# Kingspan Group plc

## Condensed consolidated statement of changes in equity

For the half year ended 30 June 2011 (unaudited)

|   | Share<br>Capital<br>€'000 | Share<br>Premium<br>€'000 | Other<br>Reserves<br>€'000 | Capital<br>Redemption<br>and<br>Revaluation<br>Reserves *<br>€'000 | Retained<br>Earnings<br>€'000 | Total<br>Attributable<br>to Owners<br>of the<br>Parent<br>€'000 | Non-<br>Controlling<br>Interest<br>€'000 | Total<br>Equity<br>€'000 |
|---|---------------------------|---------------------------|----------------------------|--|-------------------------------|---|--|--------------------------|
| <b>Balance at 1 January 2011</b>                              | 22,325                    | 37,739                    | (144,841)                  | 1,436  | 745,338                       | 661,997   | 4,948                                    | 666,945                  |
| <b>Transactions with owners recognized directly in equity</b> |                           |                           |                            |  |                               |   |  |                          |
| Shares issued   | 7                         | 176                       | -                          | -  | -                             | 183   | -  | 183                      |
| Employee share based compensation                             | -                         | -                         | -                          | -  | 2,922                         | 2,922   | -  | 2,922                    |
| Tax on employee share based compensation                      | -                         | -                         | -                          | -  | -                             | -   | -  | -                        |
| Exercise of employee share based compensation                 | -                         | 45                        | -                          | -  | (45)                          | -   | -  | -                        |
| Dividends   | -                         | -                         | -                          | -  | (9,789)                       | (9,789)   | -  | (9,789)                  |
| <b>Transactions with non-controlling interests:</b>           |                           |                           |                            |  |                               |   |  |                          |
| Currency translation  | -                         | -                         | -                          | -  | -                             | -   | 2  | 2                        |
| <b>Transactions with owners</b>                               | <b>7</b>                  | <b>221</b>                | <b>-</b>                   | <b>-</b>   | <b>(6,912)</b>                | <b>(6,684)</b>  | <b>2</b>                                 | <b>(6,682)</b>           |
| Profit for the period   | -                         | -                         | -                          | -  | 28,786                        | 28,786  | 414                                      | 29,200                   |
| <b>Other comprehensive income:</b>                            |                           |                           |                            |  |                               |   |  |                          |
| Cash flow hedging in equity                                   |                           |                           |                            |  |                               |   |  |                          |
| - current year  | -                         | -                         | 2,946                      | -  | -                             | 2,946   | -  | 2,946                    |
| - reclassification to income statement                        | -                         | -                         | -                          | -  | -                             | -   | -  | -                        |
| Defined benefit pension scheme                                | -                         | -                         | -                          | -  | 128                           | 128   | -  | 128                      |
| Exchange differences on translating foreign operations        | -                         | -                         | (18,880)                   | -  | -                             | (18,880)  | -  | (18,880)                 |
| <b>Total comprehensive income for the period</b>              | <b>-</b>                  | <b>-</b>                  | <b>(15,934)</b>            | <b>-</b>   | <b>28,914</b>                 | <b>12,980</b>   | <b>414</b>                               | <b>13,394</b>            |
| <b>Balance at 30 June 2011</b>                                | <b>22,332</b>             | <b>37,960</b>             | <b>(160,775)</b>           | <b>1,436</b>   | <b>767,340</b>                | <b>668,293</b>  | <b>5,364</b>                             | <b>673,657</b>           |

\*Capital Redemption and Revaluation reserves are €723,000 and €713,000 respectively.

# Kingspan Group plc

## Condensed consolidated statement of changes in equity

For the half year ended 30 June 2010 (unaudited)

|   | Share<br>Capital<br>€'000 | Share<br>Premium<br>€'000 | Other<br>Reserves<br>€'000 | Capital<br>Redemption<br>and<br>Revaluation<br>Reserves *<br>€'000 | Retained<br>Earnings<br>€'000 | Total<br>Attributable<br>to Owners<br>of the<br>Parent<br>€'000 | Non-<br>Controlling<br>Interest<br>€'000 | Total<br>Equity<br>€'000 |
|---|---------------------------|---------------------------|----------------------------|--|-------------------------------|---|--|--------------------------|
| <b>Balance at 1 January 2010</b>                              | 22,296                    | 36,486                    | (178,742)                  | 1,436  | 699,373                       | 580,849   | 4,686                                    | 585,535                  |
| <b>Transactions with owners recognized directly in equity</b> |                           |                           |                            |  |                               |   |  |                          |
| Shares issued   | 14                        | 341                       | -                          | -  | -                             | 355   | -  | 355                      |
| Employee share based compensation                             | -                         | -                         | -                          | -  | 1,759                         | 1,759   | -  | 1,759                    |
| Tax on employee share based compensation                      | -                         | -                         | -                          | -  | -                             | -   | -  | -                        |
| Exercise of employee share based compensation                 | -                         | 199                       | -                          | -  | (199)                         | -   | -  | -                        |
| <b>Transactions with non-controlling interests:</b>           |                           |                           |                            |  |                               |   |  |                          |
| Currency translation  | -                         | -                         | -                          | -  | -                             | -   | 3  | 3                        |
| Dividends paid to non-controlling interest                    | -                         | -                         | -                          | -  | -                             | -   | (260)                                    | (260)                    |
| <b>Transactions with owners</b>                               | 14                        | 540                       | -                          | -  | 1,560                         | 2,114   | (257)                                    | 1,857                    |
| Profit for the period   | -                         | -                         | -                          | -  | 20,832                        | 20,832  | 476                                      | 21,308                   |
| <b>Other comprehensive income:</b>                            |                           |                           |                            |  |                               |   |  |                          |
| Cash flow hedging in equity                                   | -                         | -                         | 258                        | -  | -                             | 258   | -  | 258                      |
| - current year  | -                         | -                         | 389                        | -  | -                             | 389   | -  | 389                      |
| - reclassification to income statement                        | -                         | -                         | -                          | -  | (5,370)                       | (5,370)   | -  | (5,370)                  |
| Defined benefit pension scheme                                | -                         | -                         | -                          | -  | 1,504                         | 1,504   | -  | 1,504                    |
| Tax on defined benefit pension scheme                         | -                         | -                         | -                          | -  | -                             | -   | -  | -                        |
| Exchange differences on translating foreign operations        | -                         | -                         | 43,025                     | -  | -                             | 43,025  | -  | 43,025                   |
| <b>Total comprehensive income for the period</b>              | -                         | -                         | 43,672                     | -  | 16,966                        | 60,638  | 476                                      | 61,114                   |
| <b>Balance at 30 June 2010</b>                                | 22,310                    | 37,026                    | (135,070)                  | 1,436  | 717,899                       | 643,601   | 4,905                                    | 648,506                  |

\*Capital Redemption and Revaluation reserves are €723,000 and €713,000 respectively.

# Kingspan Group plc

## Condensed consolidated statement of changes in equity

For the financial year ended 31 December 2010 (audited)

|   | Share<br>Capital<br>€'000 | Share<br>Premium<br>€'000 | Other<br>Reserves<br>€'000 | Capital<br>Redemption<br>and<br>Revaluation<br>Reserves *<br>€'000 | Retained<br>Earnings<br>€'000 | Total<br>Attributable<br>to Owners<br>of the<br>Parent<br>€'000 | Non-<br>Controlling<br>Interest<br>€'000 | Total<br>Equity<br>€'000 |
|---|---------------------------|---------------------------|----------------------------|--|-------------------------------|---|--|--------------------------|
| <b>Balance at 1 January 2010</b>                              | 22,296                    | 36,486                    | (178,742)                  | 1,436  | 699,373                       | 580,849   | 4,686                                    | 585,535                  |
| <i>Transactions with owners recognized directly in equity</i> |                           |                           |                            |  |                               |   |  |                          |
| Shares issued   | 29                        | 520                       | -                          | -  | -                             | 549   | -  | 549                      |
| Employee share based compensation                             | -                         | -                         | -                          | -  | 4,478                         | 4,478   | -  | 4,478                    |
| Tax on employee share based compensation                      | -                         | -                         | -                          | -  | 943                           | 943   | -  | 943                      |
| Exercise of employee share based compensation                 | -                         | 733                       | -                          | -  | (733)                         | -   | -  | -                        |
| Dividends   | -                         | -                         | -                          | -  | (6,661)                       | (6,661)   | -  | (6,661)                  |
| <i>Transactions with non-controlling interests:</i>           |                           |                           |                            |  |                               |   |  |                          |
| Currency translation  | -                         | -                         | -                          | -  | -                             | -   | 17                                       | 17                       |
| Dividends paid to non-controlling interest                    | -                         | -                         | -                          | -  | -                             | -   | (166)                                    | (166)                    |
| <b>Transactions with owners</b>                               | <b>29</b>                 | <b>1,253</b>              | <b>-</b>                   | <b>-</b>   | <b>(1,973)</b>                | <b>(691)</b>  | <b>(149)</b>                             | <b>(840)</b>             |
| Profit for the year   | -                         | -                         | -                          | -  | 48,657                        | 48,657  | 411                                      | 49,068                   |
| <b>Other comprehensive income:</b>                            |                           |                           |                            |  |                               |   |  |                          |
| Cash flow hedging in equity                                   |                           |                           |                            |  |                               |   |  |                          |
| - current year  | -                         | -                         | 2,787                      | -  | -                             | 2,787   | -  | 2,787                    |
| - reclassification to income statement                        | -                         | -                         | 389                        | -  | -                             | 389   | -  | 389                      |
| Defined benefit pension scheme                                | -                         | -                         | -                          | -  | (998)                         | (998)   | -  | (998)                    |
| Tax on defined benefit pension scheme                         | -                         | -                         | -                          | -  | 279                           | 279   | -  | 279                      |
| Exchange differences on translating foreign operations        | -                         | -                         | 30,725                     | -  | -                             | 30,725  | -  | 30,725                   |
| <b>Total comprehensive income for the year</b>                | <b>-</b>                  | <b>-</b>                  | <b>33,901</b>              | <b>-</b>   | <b>47,938</b>                 | <b>81,839</b>   | <b>411</b>                               | <b>82,250</b>            |
| <b>Balance at 31 December 2010</b>                            | <b>22,325</b>             | <b>37,739</b>             | <b>(144,841)</b>           | <b>1,436</b>   | <b>745,338</b>                | <b>661,997</b>  | <b>4,948</b>                             | <b>666,945</b>           |

\*Capital Redemption and Revaluation reserves are €723,000 and €713,000 respectively.

# Kingspan Group plc

## Condensed consolidated statement of cash flows for the half year ended 30 June 2011

|   | Note | 6 months<br>ended<br>30 June 2011<br>(Unaudited)<br>€ '000 | 6 months<br>ended<br>30 June 2010<br>(Unaudited)<br>€ '000 |
|---|------|--|--|
| <b>Operating activities</b>                                       |      |  |  |
| Profit for the period before income tax                           |      | 36,162   | 25,519   |
| Non cash items  | 12   | 31,049   | 26,183   |
| Change in inventories   |      | (35,532)   | (22,638)   |
| Change in trade and other receivables                             |      | (52,391)   | (44,679)   |
| Change in trade and other payables                                |      | 73,204   | 58,619   |
| Pension contributions   |      | (1,365)  | (1,052)  |
|   |      | <hr/>  | <hr/>  |
| Cash generated from operations                                    |      | 51,127   | 41,952   |
| Taxes paid  |      | (2,577)  | (4,110)  |
|   |      | <hr/>  | <hr/>  |
| Net cash flow from operating activities                           |      | 48,550   | 37,842   |
| <b>Investing activities</b>                                       |      |  |  |
| Additions to property, plant and equipment                        |      | (12,429)   | (10,385)   |
| Additions to intangible assets                                    |      | (41)   | (95)   |
| Proceeds from disposals of property, plant and equipment          |      | 1,803  | 6,033  |
| Purchase of subsidiary undertakings, net of disposals             |      | (107,374)  | -  |
| Payment of deferred consideration in respect of acquisitions      |      | (2,202)  | (940)  |
| Interest received   |      | 120  | 71   |
|   |      | <hr/>  | <hr/>  |
| Net cash flow from investing activities                           |      | (120,123)  | (5,316)  |
| <b>Financing activities</b>                                       |      |  |  |
| Increase of bank loans  |      | 67,535   | 3,444  |
| Discharge of finance lease liability                              |      | (293)  | (290)  |
| Proceeds from the share issues                                    |      | 183  | 355  |
| Interest paid   |      | (5,808)  | (5,102)  |
| Dividends paid to non-controlling interests                       |      | -  | (260)  |
| Dividends paid  |      | (9,789)  | -  |
|   |      | <hr/>  | <hr/>  |
| Net cash flow from financing activities                           |      | 51,828   | (1,853)  |
| <b>Increase in cash and cash equivalents</b>                      |      |  |  |
| Translation adjustment  |      | (3,613)  | 3,767  |
| Cash and cash equivalents at the beginning of the period          |      | 99,481   | 59,917   |
|   |      | <hr/>  | <hr/>  |
| Cash and cash equivalents at the end of the period                |      | 76,123   | 94,357   |
| Cash and cash equivalents at beginning of period were made up of: |      |  |  |
| - Cash and cash equivalents                                       |      | 104,402  | 83,886   |
| - Overdrafts  |      | (4,921)  | (23,969)   |
|   |      | <hr/>  | <hr/>  |
|   |      | 99,481   | 59,917   |
| Cash and cash equivalents at end of period were made up of:       |      |  |  |
| - Cash and cash equivalents                                       |      | 95,342   | 140,197  |
| - Overdrafts  |      | (19,219)   | (45,840)   |
|   |      | <hr/>  | <hr/>  |
|   |      | 76,123   | 94,357   |

# Kingspan Group plc

## Notes

*forming part of the financial statements*

### **1 Reporting entity**

Kingspan Group plc ("the Company" or "the Group") is a public limited company registered and domiciled in Ireland. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in jointly controlled entities.

The Group is primarily involved in the manufacture of high performance insulation and building envelope solutions.

The financial information presented in the half-yearly report does not represent full statutory accounts. Full statutory accounts for the year ended 31 December 2010 prepared in accordance with IFRS, upon which the auditors have given an unqualified audit report, have been filed with the Registrar of Companies.

### **2 Basis of preparation**

The interim results for the half year to 30 June 2011 and 30 June 2010 are unaudited.

#### **(a) Statement of compliance**

These condensed consolidated interim financial statements (the Interim Financial Statements) have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements.

These condensed consolidated financial statements were approved by the Board of Directors on 19 August 2011.

#### **(b) Significant accounting policies**

The accounting policies applied by the Group in the Interim Financial Statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2010.

The adoption of other new standards and interpretations (as set out in the 2010 annual report) that became effective for the Group's financial statements for the year ended 31 December 2011 did not have any significant impact on the interim financial statements.

# Kingspan Group plc

Notes (*continued*)

## 2 Basis of preparation

### (c) Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2010.

These interim results are available on the Group's website ([www.kingspan.com](http://www.kingspan.com)).

## 3 Reporting currency

The condensed consolidated interim financial statements are presented in euro which is the functional currency of the Company.

Results and cash flows of foreign subsidiary undertakings have been translated into euro at the average exchange rates for the period as these approximate the exchange rates at the dates of the transactions. The related assets and liabilities have been translated at the closing rates of exchange ruling at the end of the reporting period.

**The following significant exchange rates were applied during the period:**

|                   | Average Rate  |          |          | Closing Rate  |          |          |
|-------------------|---------------|----------|----------|---------------|----------|----------|
| Euro =            | 30.06.11      | 30.06.10 | 31.12.10 | 30.06.11      | 30.06.10 | 31.12.10 |
| Pound Sterling    | <b>0.868</b>  | 0.870    | 0.859    | <b>0.90</b>   | 0.830    | 0.860    |
| US Dollar         | <b>1.40</b>   | 1.329    | 1.328    | <b>1.44</b>   | 1.262    | 1.342    |
| Canadian Dollar   | <b>1.37</b>   | 1.376    | 1.368    | <b>1.40</b>   | 1.34     | 1.330    |
| Australian Dollar | <b>1.36</b>   | 1.490    | 1.446    | <b>1.36</b>   | 1.48     | 1.310    |
| Czech Koruna      | <b>24.32</b>  | 25.76    | 25.32    | <b>24.30</b>  | 26.00    | 25.00    |
| Polish Zloty      | <b>3.94</b>   | 4.00     | 4.00     | <b>4.00</b>   | 4.15     | 3.950    |
| Hungarian Forint  | <b>269.00</b> | 272.00   | 275.94   | <b>266.00</b> | 285.00   | 278.00   |

# Kingspan Group plc

## Notes (continued)

### 4 Operating segments

The Group has the following operating segments:

|                            |   |
|----------------------------|---|
| Insulated Panels           | Manufacture of insulated panels, structural framing and metal facades.                              |
| Insulation Boards          | Manufacture of rigid insulation boards, building services insulation and engineered timber systems. |
| Environmental & Renewables | Manufacture of environmental, pollution control and renewable energy solutions.                     |
| Access Floors              | Manufacture of raised access floors.  |

### Analysis by class of business

#### Segment revenue

|                         | Insulated<br>Panels<br>€m | Insulation<br>Boards<br>€m | Environmental<br>& Renewables<br>€m | Access<br>Floors<br>€m | Total<br>€m |
|-------------------------|---------------------------|----------------------------|-------------------------------------|------------------------|-------------|
| Total revenue - H1 2011 | 350.4                     | 222.6                      | 97.9                                | 65.1                   | 736.0       |
| Total revenue - H1 2010 | 287.0                     | 119.9                      | 83.4                                | 68.4                   | 558.7       |

#### Segment result (profit before finance costs)

|  | Insulated<br>Panels<br>€m | Insulation<br>Boards<br>€m | Environmental<br>& Renewables<br>€m | Access<br>Floors<br>€m | Total<br>€m |
|--|---------------------------|----------------------------|-------------------------------------|------------------------|-------------|
| Trading profit - H1 2011                       | 21.7                      | 14.5                       | 1.2                                 | 6.8                    | 44.2        |
| Intangible amortisation                        | (1.2)                     | (0.9)                      | (0.4)                               | (0.0)                  | (2.5)       |
| <b>Operating result - H1 2011</b>              | <b>20.5</b>               | <b>13.6</b>                | <b>0.8</b>                          | <b>6.8</b>             | <b>41.7</b> |
| Finance charge                                 |                           |                            |                                     |                        | (5.6)       |
| <b>Profit for the period before income tax</b> |                           |                            |                                     |                        | <b>36.1</b> |
| Income tax expense                             |                           |                            |                                     |                        | (7.0)       |
| <b>Profit for the period - H1 2011</b>         |                           |                            |                                     |                        | <b>29.2</b> |
| <i>Attributable to:</i>                        |                           |                            |                                     |                        |             |
| Owners of the Company                          |                           |                            |                                     |                        | 28.8        |
| Non-controlling interest                       |                           |                            |                                     |                        | 0.4         |
|  |                           |                            |                                     |                        | <b>29.2</b> |

# Kingspan Group plc

## Notes (continued)

### 4 Operating segments (continued)

#### Segment result (profit before finance costs)

|  | Insulated<br>Panels<br>€m | Insulation<br>Boards<br>€m | Environmental<br>& Renewables<br>€m | Access<br>Floors<br>€m | Total<br>€m |
|--|---------------------------|----------------------------|-------------------------------------|------------------------|-------------|
| <b>Trading profit - H1 2010</b>                | 13.7                      | 10.7                       | 1.0                                 | 10.3                   | 35.7        |
| Intangible amortisation                        | (1.5)                     | (0.6)                      | (0.5)                               | 0.0                    | (2.6)       |
| <b>Operating result - H1 2010</b>              | <b>12.2</b>               | <b>10.1</b>                | <b>0.5</b>                          | <b>10.3</b>            | <b>33.1</b> |
| Finance charge                                 |                           |                            |                                     |                        | (7.6)       |
| <b>Profit for the period before income tax</b> |                           |                            |                                     |                        | <b>25.5</b> |
| Income tax expense                             |                           |                            |                                     |                        | (4.2)       |
| <b>Profit for the period - H1 2010</b>         |                           |                            |                                     |                        | <b>21.3</b> |
| <i>Attributable to:</i>                        |                           |                            |                                     |                        |             |
| Owners of the Company                          |                           |                            |                                     |                        | 20.8        |
| Non-controlling interest                       |                           |                            |                                     |                        | 0.5         |
|  |                           |                            |                                     |                        | <b>21.3</b> |

#### Segment assets and liabilities

|   | Insulated<br>Panels<br>€m | Insulation<br>Boards<br>€m | Environmental<br>& Renewables<br>€m | Access<br>Floors<br>€m | Total<br>30 June<br>2011<br>€m | Total<br>30 June<br>2010<br>€m |
|---|---------------------------|----------------------------|-------------------------------------|------------------------|--------------------------------|--------------------------------|
| <b>Assets - H1 2011</b>                                     | <b>563.0</b>              | <b>437.9</b>               | <b>184.8</b>                        | <b>116.7</b>           | <b>1,302.4</b>                 |                                |
| Assets - H1 2010  | 553.7                     | 279.1                      | 191.3                               | 141.7                  |                                | 1,165.8                        |
| Cash and cash equivalents                                   |                           |                            |                                     |                        | <b>95.3</b>                    | 140.2                          |
| Deferred tax asset  |                           |                            |                                     |                        | <b>4.5</b>                     | 5.8                            |
| <b>Total assets</b>   |                           |                            |                                     |                        | <b>1,402.2</b>                 | <b>1,311.8</b>                 |
| <b>Liabilities - H1 2011</b>                                | <b>(172.1)</b>            | <b>(116.2)</b>             | <b>(68.0)</b>                       | <b>(14.6)</b>          | <b>(370.9)</b>                 |                                |
| Liabilities - H1 2010                                       | (168.2)                   | (58.3)                     | (71.4)                              | (34.1)                 |                                | (332.0)                        |
| Financial liabilities (current and non-current)             |                           |                            |                                     |                        | <b>(297.9)</b>                 | (279.7)                        |
| Contingent deferred consideration (current and non-current) |                           |                            |                                     |                        | <b>(1.4)</b>                   | (2.6)                          |
| Income tax liabilities (current and deferred)               |                           |                            |                                     |                        | <b>(58.3)</b>                  | (49.0)                         |
| <b>Total liabilities</b>                                    |                           |                            |                                     |                        | <b>(728.5)</b>                 | <b>(663.3)</b>                 |

# Kingspan Group plc

## Notes (continued)

### Other segment information

|  | Insulated<br>Panels<br>€m | Insulation<br>Boards<br>€m | Environmental<br>& Renewables<br>€m | Access<br>Floors<br>€m | Total<br>€m   |
|--|---------------------------|----------------------------|-------------------------------------|------------------------|---------------|
| <b>Capital Investment - H1 2011</b>                        | <b>7.2</b>                | <b>54.3</b>                | <b>2.1</b>                          | <b>0.5</b>             | <b>64.1</b>   |
| Capital Investment - H1 2010                               | 5.3                       | 3.3                        | 0.4                                 | 0.6                    | 9.6           |
| <b>Depreciation included in segment result - H1 2011</b>   | <b>(9.8)</b>              | <b>(6.2)</b>               | <b>(2.1)</b>                        | <b>(1.2)</b>           | <b>(19.3)</b> |
| Depreciation included in segment result - H1 2010          | (9.3)                     | (4.4)                      | (2.2)                               | (1.4)                  | (17.3)        |
| <b>Amortisation included in segment result - H1 2011</b>   | <b>(1.2)</b>              | <b>(0.9)</b>               | <b>(0.4)</b>                        | <b>(0.0)</b>           | <b>(2.5)</b>  |
| Amortisation included in segment result - H1 2010          | (1.5)                     | (0.6)                      | (0.5)                               | -                      | (2.6)         |
| <b>Non cash items included in segment result - H1 2011</b> | <b>0.1</b>                | <b>0.2</b>                 | <b>0.1</b>                          | <b>-</b>               | <b>0.4</b>    |
| Non cash items included in segment result - H1 2010        | 0.1                       | 0.1                        | (0.7)                               | -                      | (0.5)         |

### Analysis of segmental data by geography

|  | Republic<br>of Ireland<br>€m | United<br>Kingdom<br>€m | Rest of<br>Europe<br>€m | Americas<br>€m | Others<br>€m | Total<br>€m  |
|--|------------------------------|-------------------------|-------------------------|----------------|--------------|--------------|
| <b>Income Statement Items</b>                |                              |                         |                         |                |              |              |
| <b>Revenue - H1 2011</b>                     | <b>36.2</b>                  | <b>308.1</b>            | <b>258.6</b>            | <b>100.0</b>   | <b>33.1</b>  | <b>736.0</b> |
| Revenue - H1 2010                            | 32.4                         | 248.5                   | 147.6                   | 93.9           | 36.3         | 558.7        |
| <b>Statement of Financial Position Items</b> |                              |                         |                         |                |              |              |
| <b>Non current assets - H1 2011</b>          | <b>70.8</b>                  | <b>311.5</b>            | <b>251.2</b>            | <b>147.2</b>   | <b>32.9</b>  | <b>813.6</b> |
| Non current assets - H1 2010                 | 70.2                         | 350.5                   | 144.0                   | 163.8          | 29.8         | 758.3        |
| <b>Capital Investment - H1 2011</b>          | <b>2.4</b>                   | <b>5.1</b>              | <b>53.4</b>             | <b>2.6</b>     | <b>0.6</b>   | <b>64.1</b>  |
| Capital Investment - H1 2010                 | 1.7                          | 2.8                     | 2.1                     | 2.8            | 0.2          | 9.6          |

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Segment assets are based on the geographical location of the assets.

## 5 Seasonality of operations

Activity in the global construction industry is characterised by cyclicity and is dependent to a significant extent on the seasonal impact of weather in some of the Group's operating locations. Activity is second half weighted.

# Kingspan Group plc

## Notes (continued)

### 6 Finance charge, net

|  | 6 months<br>ended<br>30 June 2011<br>(Unaudited)<br>€ '000 | 6 months<br>ended<br>30 June 2010<br>(Unaudited)<br>€ '000 |
|--|--|--|
| Loan interest expense  | 5,643  | 5,367  |
| Finance lease interest expense                                     | -  | 13   |
| Net defined benefit pension scheme credit                          | (295)  | (218)  |
| Bank interest income   | (120)  | (134)  |
|  | 5,228  | 5,028  |
| Translation (gain)/loss on retranslation of Private Placement debt | (10,187)   | 19,022   |
| Fair value movement on derivative financial instruments            | 10,524   | (16,436)   |
|  | <u>5,565</u>   | <u>7,614</u>   |

There were no borrowing costs capitalised during the period (2010: Nil).

### 7 Taxation

Taxation provided for on profits is €7.0m which represents 18% of the profit before tax and amortisation for the period (H1 2010: 15%). The full year effective tax rate in 2010 was 12%. The taxation charge for the six month period is accrued using an estimate of the applicable rate for the year as a whole. The increase in the effective rate is due principally to a differing mix of profits by jurisdiction.

### 8 Analysis of net debt

|   | At<br>30 June 2011<br>(Unaudited)<br>€ '000 | At<br>30 June 2010<br>(Unaudited)<br>€ '000 |
|---|---|---|
| Cash and cash equivalents   | 95,342                                      | 140,197                                     |
| Bank overdraft & debt < 1 year  | (24,413)                                    | (51,323)                                    |
| Private placement debt 2 - 5 years  | (119,652)                                   | (119,652)                                   |
| Private placement debt > 5 years  | (31,807)                                    | (31,807)                                    |
| Bank debt 2 - 5 years   | (134,053)                                   | (68,784)                                    |
| Contingent deferred consideration   | (1,445)                                     | (2,619)                                     |
| Finance leases  | (501)                                       | (1,091)                                     |
|   | <u>(216,529)</u>                            | <u>(135,079)</u>                            |
| Movement on translation of 2005 Private Placement debt & associated swap liability* | 7,897                                       | 4,007                                       |
| <b>Total net debt</b>   | <u><b>(208,632)</b></u>                     | <u><b>(131,072)</b></u>                     |

\* The amounts of €119,652,000 and €31,807,000 included above for the private placement debt (total €151.4m) reflect the Group's obligations under the associated cross currency swap, and do not include the mark-to-market value of the swap. The nominal value of the debt is USD200m which translates to €138.9m at closing rate of exchange (2010: €158.5m) and this is the amount which is reflected within Interest Bearing Loans and Borrowings in the Condensed Consolidated Statement of Financial Position. The difference of €12.5m (2010: €7.1m negative), offset by the negative mark-to-market value of the swap of €4.7m (2010: €11.1m positive), amounts to €7.8m (2010: €4.0m).

# Kingspan Group plc

Notes (continued)

## 9 Dividends

A final dividend on ordinary shares of 6 cent per share in respect of the year ended 31 December 2010 (31 December 2009: Nil) was paid on 16 May 2011.

The Directors are proposing an interim dividend of 4.5 cent (2010: 4.0 cent) per share in respect of 2011, which will be paid on 23 September 2011 to shareholders on the register on the record date 2 September 2011.

## 10 Earnings per share

|  | <b>6 months<br/>ended<br/>30 June 2011<br/>(Unaudited)<br/>€ '000</b>      | 6 months<br>ended<br>30 June 2010<br>(Unaudited)<br>€ '000                 |
|--|--|--|
| The calculations of earnings per share are based on the following:                           |  |  |
| Profit attributable to owners of the Company   | <b>28,786</b>  | 20,832   |
|  | <b>Number of<br/>shares ('000)<br/>6 months<br/>ended<br/>30 June 2011</b> | <b>Number of<br/>shares ('000)<br/>6 months<br/>ended<br/>30 June 2010</b> |
| Weighted average number of ordinary shares for the calculation of basic earnings per share   | <b>166,568</b>   | 166,327  |
| Dilutive effect of share options   | <b>5,453</b>   | 4,041  |
| Weighted average number of ordinary shares for the calculation of diluted earnings per share | <b>172,021</b>   | 170,368  |
|  | <b>€ cent</b>  | <b>€ cent</b>  |
| Basic earnings per share   | <b>17.3</b>  | 12.5   |
| Diluted earnings per share   | <b>16.7</b>  | 12.2   |
| Adjusted basic (pre amortisation) earnings per share   | <b>18.8</b>  | 14.1   |

The number of options which are anti-dilutive and have therefore not been included in the above calculations are 1,238,000.

# Kingspan Group plc

Notes (continued)

## 11 Property, plant & equipment

|  | At<br>30 June 2011<br>(Unaudited)<br>€ '000 | At<br>30 June 2010<br>(Unaudited)<br>€ '000 | At<br>31 December<br>2010<br>(Audited)<br>€ '000 |
|--|---|---|--|
| Opening net book value                     | 408,632                                     | 399,989                                     | 399,989  |
| Translation adjustment                     | (9,579)                                     | 17,960                                      | 13,443   |
| Acquisitions through business combinations | 52,592                                      | -   | 16   |
| Impairment                                 | (75)  | -   | (2,682)  |
| Other additions in the period              | 11,507                                      | 9,593                                       | 22,124   |
| Reclassification from non-current assets   | 1,658                                       | 19,010                                      | 13,740   |
| Disposals                                  | (1,313)                                     | (4,888)                                     | (2,375)  |
| Depreciation                               | (19,282)                                    | (17,263)                                    | (35,623)   |
| <b>Closing net book value</b>              | <b>444,140</b>                              | <b>424,401</b>                              | <b>408,632</b>                                   |

The disposals generated a profit of €0.4m (H1 2010: €1.2m profit) which has been included within Operating Costs.

## 12 Non cash items

The following adjustments have been made to the pre-tax result for the period to arrive at operating cash flow:

|   | 6 months<br>ended<br>30 June 2011<br>(Unaudited)<br>€ '000 | 6 months<br>ended<br>30 June 2010<br>(Unaudited)<br>€ '000 |
|---|--|--|
| Depreciation of property, plant and equipment and amortisation of intangible assets | 21,800   | 19,878   |
| Employee equity-settled share options   | 2,922  | 1,758  |
| Finance charge  | 5,565  | 7,614  |
| Non cash items  | 1,177  | (1,852)  |
| Profit on sale of property, plant and equipment                                     | (415)  | (1,215)  |
| <b>Total</b>  | <b>31,049</b>  | <b>26,183</b>  |

# Kingspan Group plc

Notes (continued)

## 13 Reconciliation of net cash flow to movement in net debt

|  | 6 months<br>ended<br>30 June 2011<br>(Unaudited)<br>€ '000 | 6 months<br>ended<br>30 June 2010<br>(Unaudited)<br>€ '000 | Year ended<br>31 December<br>2010<br>(Audited)<br>€ '000 |
|--|--|--|--|
| (Decrease)/increase in cash and cash equivalents net of bank overdrafts          | (19,745)   | 30,673   | 37,039   |
| (Increase)/decrease in debt, lease finance and contingent deferred consideration | <u>(65,039)</u>  | <u>(2,214)</u>   | <u>(2,016)</u>   |
| <b>Change in net debt resulting from cash flows</b>                              | <b>(84,784)</b>  | 28,459   | 35,023   |
| Loans and lease finance acquired with subsidiaries                               | -  | -  | -  |
| Contingent deferred consideration arising on acquisitions in the period          | (956)  | -  | -  |
| Translation movement - relating to US dollar loan                                | 10,187   | (18,952)   | (9,498)  |
| Translation movement - other   | (2,098)  | 769  | 591  |
| Derivative financial instruments   | <u>(7,384)</u>   | <u>18,037</u>  | <u>9,671</u>   |
| <b>Net movement</b>  | <b>(85,035)</b>  | 28,313   | 35,787   |
| <b>Net debt at start of the period</b>   | <b><u>(123,597)</u></b>                                    | <b><u>(159,384)</u></b>                                    | <b><u>(159,384)</u></b>                                  |
| <b>Net debt at end of the period</b>   | <b><u>(208,632)</u></b>                                    | <b><u>(131,071)</u></b>                                    | <b><u>(123,597)</u></b>                                  |

## 14 Acquisitions

Effective 18 January 2011 and 25 March 2011, and in order to expand its existing insulation business, the Group obtained control of two parts of the European insulation business of CRH Insulation Europe (CIE) by acquiring a combination of 100 percent of the shares, voting interests and certain assets. The acquired businesses, which include Unidek and Ecotherm are primarily involved in the manufacture of rigid insulation boards.

In addition to the CIE acquisition, there was a small acquisition within the insulation business for a consideration c. €1.2m, €0.9m of which has been deferred and is contingent on future profits. These amounts are incorporated in the figures below.

# Kingspan Group plc

## Notes (continued)

### 14 Acquisitions (continued)

The following table summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

| <b>Consideration</b>  | <b>€m</b>         |
|---|-------------------|
| Cash consideration (net of cash acquired)                   | 130.4             |
| Contingent deferred consideration                           | 0.9               |
|   | <hr/>             |
|   | <b>131.3</b>      |
| <b>Identifiable assets acquired and liabilities assumed</b> |                   |
| Property, plant and equipment                               | 52.6              |
| Intangible assets   | 7.4               |
| Inventories   | 17.2              |
| Trade and other receivables                                 | 22.2              |
| Deferred tax liability                                      | (4.0)             |
| Other liabilities   | (1.8)             |
| Proceeds received on disposal of acquired businesses        | 23.0              |
| Trade and other payables                                    | (39.8)            |
| <b>Total net identifiable assets</b>                        | <hr/> <b>76.8</b> |
| <b>Goodwill</b>   | <hr/> <b>54.5</b> |

Fair values have been determined on a provisional basis and will be reviewed prior to 31 December 2011.

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the acquired companies in the Group's existing business. None of this goodwill is expected to be deductible for tax purposes.

The Group disposed of two of the acquired entities for a total consideration of €23.0m. Total cash consideration paid for both acquisitions, net of cash acquired and the proceeds received on disposal amounted to €107.4m.

In the post-acquisition period to 30 June 2011, the acquired businesses contributed revenue of €85.7m and a profit of €2.4m to the Group's results net of integration costs incurred.

#### **Acquisition-related costs**

The Group incurred acquisition-related costs of €2.0m relating to external legal fees and due diligence costs. These amounts were substantially accrued in 2010 and included in administrative expenses in the 2010 consolidated Income Statement.

# Kingspan Group plc

Notes *(continued)*

## 15 Capital and reserves

### Issues of ordinary shares

56,023 ordinary shares were issued as a result of the exercise of vested options arising from the Group's standard share option scheme (see the 2010 annual report for full details of the Group's share option scheme). Options were exercised at an average price of €4.00 per option.

## 16 Significant events and transactions

Apart from the acquisition of the CIE business as explained in Note 14, there were no individually significant events or transactions in the period which contributed to the material changes in the balance sheet; the more significant movements are described below:

- the changes in Inventories, Trade & Other Receivables and Trade & Other Liabilities reflect the normal business cycle;
- the negative currency translation movement of €18.8m reflected in the Consolidated Statement of Comprehensive Income reflects primarily the weakening of sterling (closing rate 0.90 for the period compared to 0.86 at 1 January 2011);
- the increase in the Goodwill, Intangible assets and Property, Plant and Equipment relates primarily to the acquisition of the CIE business.

## 17 Related party transactions

There were no changes in related party transactions from the 2010 annual report that could have a material effect on the financial position or performance of the Group in the first half of the year.

## 18 Subsequent Events

Subsequent to the reporting date, the Group completed a ten year US private placement issuance of USD200m maturing in August 2021 which carried a coupon of 5.25%.