

# **Kingspan Group Plc**

## **Interim Management Statement**

13 May 2010

Kingspan Group Plc, the leading international manufacturer of sustainable building solutions, today issues the following Interim Management Statement for the period from 1 January 2010 to the date of this announcement.

Trading in the first four months of 2010 was characterised by a largely weather related slow start to the year, followed by a noticeable pick-up in activity levels in the latter six weeks or so. Overall sales revenues were relatively solid, down approximately 6% on prior year. This recent and improving activity pattern is anticipated to continue for the coming months which, considering the pronounced weakness in January and February, should result in a decline in operating profit of approximately 10% in the first half, with no significant change in the Group's net debt since year end.

In the UK, market conditions have been stable, aided by some improvement in residential construction and a solid outcome in non-office related commercial building activity, and in Ireland conditions in the newbuild market have weakened further. Mainland Europe began the year at a weaker pace than a year earlier, again improving in recent months, particularly in Germany. North America low rise non-residential has been solid for Kingspan, but office activity has weakened, albeit predictably.

By product segment in the first four months, Insulated Panel sales revenues globally were down 7%. However, order intake has been strong with gains posted in almost all markets. In the UK, volume intake was up 23% on prior year, Western Europe up 16%, Central & Eastern Europe up 21% and North America up 41%. Despite the relatively weak sales performance to date, an overall volume order book approximately 15% higher than a year earlier points towards an improved mid-year performance, but overcapacity continues to weaken pricing.

Insulation Board sales revenues were up 7% (down 3% excluding acquisition) to the end of April, reflecting solid newbuild and refurbishment activity in the UK, continued growth in penetration of Kooltherm® products across all markets, and an excellent performance at the recently acquired Australian business. Western Europe, a region displaying clear long-term growth potential, grew 12% by value. Ireland continued to deteriorate however, with sales down 21% year on year, and margins under significant pressure.

Environmental & Renewable sales revenues were down 3%, reflecting weaknesses in Mainland Europe, particularly in solar products. Hot Water Systems in the UK have improved in line with the mild recovery in residential construction.

Access Floor sales revenues were down 19% as anticipated from the fall off in office activity globally. This trend is likely to accelerate later in the year, although positive mix and operational performance have maintained strong margins to date.

Raw material costs, particularly in steel, have seen sharp increases in the early part of the year, the lag effect of which will pressurise margins overall in the second quarter. Although difficult to predict, the likelihood is that steel prices could be pushed up further in the near term, presenting a significant variable to manage as the business enters the seasonally stronger summer months.

Looking ahead, the sense of nervousness that prevailed in all of the Group's markets a year ago, is less evident at present. This growing stability, combined with encouraging order intake across Panels & Boards, further penetration growth in Western Europe and the US, and with the benefit of prior cost reduction programs, leads the Board to believe that there is scope for a degree of measured optimism through 2010.

Kingspan will issue its half-year financial report for the period ending 30 June 2010 on Monday 23 August 2010.

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