# KINGSPAN GROUP PLC

## HALF-YEARLY FINANCIAL REPORT

## (Six months ended 30 June 2010)

**KINGSPAN GROUP PLC**

**2010 HALF-YEARLY REPORT**

**Six months ended 30 June 2010**

Highlights:

- Operating profit growth for the first time in three years, up 9% to €33.1mn;
- Continued steady reduction in debt, down from €230.8mn at June 2009 to €135.1mn;
- Resumption of growth in UK Insulated Panel markets, order intake up 14% on half one 2009;
- Strong growth in US & Central Europe Panels intake and orderbook, which will help deliver a solid second half;
- Insulation sales growth of 12% including the acquisition of the Australian business, and encouraging growth in the Mainland Europe business;
- Access Floors sales decline, although margins and profitability both remain robust;
- Capital expenditure curtailed to €9.6mn;
- Resumption of an interim dividend of 4c per share.

| | **H1 2010** | **H1 2009** | **% change** | **% change at constant currency** |
|---|---|---|---|---|
| Revenue | €558.7mn | €552.5mn | **1.1%** | -1.9% |
| EBITDA | €53.0mn | €50.7mn | **4.5%** | 1.3% |
| Operating Profit | €33.1mn | €30.3mn | **9.2%** | 6.2% |
| Operating Margin | 5.9% | 5.5% | | |
| Earnings per Share | 12.5c | 12.3c | **1.6%** | |
| Adjusted Earnings per Share* | 15.7c | 14.1c | **11.3%** | |
| Dividend per Share | 4c | 0c | | |
| Net Debt | €135.1mn | €230.8mn | | |
| Interest Cover | 10.5times | 9.5times | | |

*Earnings before amortisation and IAS 39 derivative adjustment

Gene Murtagh, Chief Executive Officer, commented:

*"We are encouraged to have resumed profit growth again for the first time in three years. Positive trends in first half order intake across the business point to a robust and solid outcome this year and together with the substantial progress made in lowering costs and debt, there is now scope to restore an interim dividend to shareholders.*

*Nevertheless, we remain mindful that recent global macro indicators remain cautious and mixed, while input price increases will present their own challenges in the months ahead."*

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**BUSINESS REVIEW**

During the first two months of 2010, construction activity throughout all of Kingspan's markets was impacted by an unusually severe and prolonged winter, leaving quarter one's operations below that of the previous year. During that period however, the order book across the Group was building and through the second quarter sales picked up considerably, particularly in June. This resulted in an overall first half sales performance of €558.7mn against €552.5mn in the same period in 2009, arresting the declines of recent years. When the effect of currency movements and the effect of the acquisition of AIR-CELL Innovations are stripped out, the underlying fall in turnover is 3.8%. Operating profit was €33.1m, up 9%, aided by the cost reduction activities in the preceding two years and by an improvement in gross contribution, up by 1.2 percentage points. Tight cash management delivered a steady reduction in debt from the same period last year, of €95.7mn and a reduction from year end 2009 of €29.2mn to €135.1mn.

The general sentiment throughout Kingspan's markets and segments is one of noticeably improved confidence, despite the subdued nature of many global macroeconomic indicators. Although activity is markedly down in relation to the highs of recent years, sentiment improved and was key in delivering growth in a number of end markets. Specific to the business itself, order intake in most regions trended positively throughout the period, and was substantially up in the Insulated Panel businesses globally. Recovery was clearly evident in many of the Group's businesses in the UK, Germany and, Central Europe, whilst market share gains in the US Panel operations drove growth there. Ireland as a market weakened further, and predictably office construction internationally continued to decline.

**Operating Segments**:

**<u>Insulated Panels</u>**

| Sales | | | % of Group Turnover | |
|---|---|---|---|---|
| H1 10 | H1 09 | % change | H1 10 | H1 09 |
| €287.0mn | €284.0mn | +1% | 52% | 51% |

| Currency | Volume | Price & Mix | Total |
|---|---|---|---|
| +3% | +5% | -7% | +1% |

As was the case in most regions, sales in the UK and Ireland were adversely affected by the severity of the winter, but recovered strongly in the UK in quarter two, resulting in this division's sales volumes being up 4% for the half year. There was a positive trend in activity, evidenced by growth in order intake of 15% and a strong improvement in sales during quarter two. This was largely driven by a solid performance in the retail sector, strong refurbishment activity, and a gradual resumption of speculative development. Although clearly lacking the buoyancy of a few years ago, this outcome and the related pipeline of medium term activity demonstrates that this business unit has passed the recent trough.

Momentum continues to build in Australia where sales rose in excess of 50% over prior year and the Benelux performed robustly despite the weakening macro indicators for the region.

This growth pattern has also been evident in a number of Central European markets particularly in the Czech Republic and Germany where sales grew by 37% and 13% respectively bringing the total CEMEI regional sales volume performance up by 6%. Order intake in volume was up 14% year on year. Market share growth played a key role in achieving these gains. Poland, Ukraine and the Baltic States were notably weaker in the first half and the Middle East continued to perform similarly to prior year. Overall however, the increasingly competitive landscape, exacerbated by a surplus of industry capacity in the region, led to reductions in selling prices of on average 3%. Momentum heading into the second half is strong, bolstered by an increased order book.

North America as a whole delivered a solid result in the period, owing in the main to market share gains in the food store segment, with share and penetration growth evident in the commercial and industrial fields. Turnover across the continent was up 4% in volume but down 8% between mix of product and average selling prices, reflecting a now more competitive market. This is more acutely the case in Canada, where recent entrant has resulted in sustained pricing and volume pressure. However, once fully commissioned later this year the Toronto facility will enhance Kingspan's competitiveness in the region, as well as providing ample capacity for long term growth in the north east US. In the US itself Kingspan has established itself in a relatively short period of time as a leading force not only in the Insulated Panel segment, but also in the wider non-residential building industry. Our "Envelope First" strategy remains key in bringing the brand to the fore of low energy building technology in the US, and is already playing a role in helping deliver an order book which was more than 20% ahead of June 2009.

**Insulation**

| Sales | | | % of Group Turnover | |
|---|---|---|---|---|
| H1 10 | H1 09 | % change | H1 10 | H1 09 |
| €119.9mn | €106.9mn | +12% | 21% | 19% |

| Currency | Volume | Price & Mix | Acquisition | Total |
|---|---|---|---|---|
| +4% | +2% | -4% | +10% | +12% |

With the exception of Ireland, where sales volumes weakened further in the first half, the performance of the Insulation business was positive, relative to the industry more generally.

Sales volumes grew by an underlying 2%, again recovering well towards the middle of the year. In the UK, volumes were flat, and this despite a much weakened commercial office segment which traditionally has been a key outlet for high performance insulation. A mild improvement in new housing numbers, strong growth in refurbishment activity, and continued growth in penetration by Kooltherm® all contributed to a result that outperformed the industry.

Ireland sales volumes declined by almost 10%, leaving the current market run rate similar to that of 2003. Notwithstanding recent chemical cost increases, prices also remain under significant pressure. Medium term growth can therefore only be achieved through a more widespread and incentivised residential upgrading programme, and greater penetration of the market by Kooltherm®. Focus on these opportunities is paramount.

Western Europe had an excellent performance, with sales volumes up 14%. Much of the growth was in Germany, where Kingspan's external wall insulation is consistently gaining share in an end market traditionally occupied by poorer performing insulation materials. Penetration by Kingspan's products is nearing 2%, clearly leaving scope for long-term future growth.

AIR-CELL Innovations, acquired in Australia towards the end of 2009, has been well integrated into the existing business. Underlying sales grew significantly, and combined with the Group's existing presence in the Insulated Panel segment, the brand is becoming increasingly prominent in the Australasian region.

In Engineered Timber Systems, there was a marginal increase in sales in both the UK and Irish markets, indicating that the low point has been passed at this stage for this product range.

**Access Floors**

| Sales | | | % of Group Turnover | |
|---|---|---|---|---|
| H1 10 | H1 09 | % change | H1 10 | H1 09 |
| €68.4mn | €80.0mn | -15% | 12% | 15% |

| Currency | Volume | Price & Mix | Total |
|---|---|---|---|
| +1% | -20% | +4% | -15% |

The global market for commercial office buildings, particularly in Europe and North America, has drifted steadily over the past two years. Overall sales volumes were down 20% in the first 6 months.

Kingspan's UK based business declined by 35% and volumes here are not likely to show any improvement through 2011.

In North America, local first half volumes were down in excess of 10%, however exports outside the continent were buoyant so that total volumes for that operation were down just 4%. Federal buildings and other stimulus-linked low rise office applications sustained this relatively solid level of activity through the first half, although it is anticipated that this will thin out towards the close of the year.

Despite the fall off in volume, margins have nonetheless remained strong, and should remain relatively so through the remainder of the year. However this is a late cycle product and volumes globally are predicted to fall off through 2011 and the leverage impact is likely to have a pronounced effect on profits in the year ahead.

**Environmental & Renewables**

| Sales | | | % of Group Turnover | |
|---|---|---|---|---|
| H1 10 | H1 09 | % change | H1 10 | H1 09 |
| €83.4mn | €81.6mn | +2% | 15% | 15% |

| Currency | Price & Volume | Total |
|---|---|---|
| +2% | 0% | +2% |

In the first six months of the current year, sales in this segment were broadly flat year on year and the 2% increase was mainly currency translation related. Much of the market for the range of products in the division is derived from new build home construction in the UK. As this sector has been recovering, so too have sales in the Group's hot water system business, which grew by 9% over prior year.

Supporting this trend has also been an increase in solar-thermal sales in both the UK and Ireland. Although in its embryonic phase of market acceptance, the sales growth pattern in these markets has been encouraging. Equally positive has been the introductory phase of Thermomax® into North America, where the distribution channels are being developed. Countering this trend however, has been a further weakening of sales to Germany, which in prior years represented the backbone of this business in Europe. A resumption of any growth is only likely to coincide with the re-introduction of incentives in that region, which are likely to be constrained as part of Germany's ongoing austerity measures. Weak sales in Germany coupled with ongoing investment in product and market development have had a significantly negative effect on margins in the division as a whole.

Also, as previously reported, profits in this segment of the Group continue to be negatively affected by raw material related warranty issues relating back to 2002/2003. While provision has been made for future costs and losses, proceedings have been issued against Borealis, the supplier of the materials concerned, seeking full recovery of past and future losses. The claim is listed for hearing in May 2011.

Rainwater harvesting continues to make steady progress, and the fuel storage business declined in unit sales, but maintained strong margins.

## FINANCIAL REVIEW

### Trading profit

Trading profit was €35.7mn compared to €33.3mn in the corresponding period last year, an increase of 7%. Stripping the positive impact of the translation of trading profits from non-Euro currencies, at the average exchange rates for the first half of 2010 compared to the first half of 2009, of €1.0mn and the effect of the AIR-CELL Innovations acquisition, there was an underlying increase in trading profits of 0.6%.

The return on sales was 6.4% compared to 6.0% in the same period last year.

First half gross profit at €158.8mn represents a return of 28.4% on sales, compared to 27.2% in the same period last year (H2 2009: 27.7%). It is encouraging to see the gross margin, which peaked at 31.2% in 2006, now heading upwards again. However, raw materials will be a factor again in anticipated margins for the second half of 2010 as there have been increases in both steel and chemicals in quarter three and there may be a time lag in their recovery in the market place.

*Trading margins by product group*

| | **H1 2010** | **H1 2009** |
|---|---|---|
| Insulated Panels | 4.8% | 3.0% |
| Insulation Boards | 9.0% | 8.5% |
| Environmental & Renewables | 1.1% | 3.4% |
| Access Floors | 15.0% | 15.9% |
| Group | 6.4% | 6.0% |

### Finance costs

The net underlying finance charge for the period (excluding translation adjustments in respect of the Group's US private placement debt) was €5.0mn (2009: €5.3mn). While net debt has reduced, and the associated borrowing costs have remained low, the beneficial effect has been somewhat diluted by lower returns on surplus cash balances, plus the effect of non-utilisation fees on undrawn bank facilities.

As explained in the 2009 annual report, there are two non-cash adjustments that must also be reflected within finance costs, namely an FX loss (€19.0mn) on the re-translation of our US$200mn private placement debt, and the gain in the movement in the mark-to-market on the associated swap (€16.4mn). The net effect of these non-cash adjustments is a net finance charge of €2.6mn, whereas for the full year 2009 the corresponding figure was a credit of €4.9mn. Following the designation of the swap as a cashflow hedge in February this year, the level of volatility in this non-cash adjustment is expected to be significantly lower over the remaining life of the swap (maturing in 2015 and 2017).

**Earnings per share**

Basic earnings per share at 12.5 cent, is an increase of 1.6% compared to the first half of 2009. Adjusted EPS, based on earnings before amortisation and the non-cash finance cost of €2.6mn referred to above was 15.7c, an increase of 11.3% on last year.

**Dividends**

The Directors propose to pay an interim dividend in respect of 2010 of 4c per share (2009:nil). This will be payable to shareholders on the register at close of business on 3 September 2010 and will be paid on 24 September 2010. This interim dividend is covered 3.1 times.

**Funds Flow**

The table below summarises the Group's funds flow for the period:

| | ***30 June 2010 €'mn*** | ***30 June 2009 €'mn*** | ***31 December 2009 €'mn*** |
|---|---|---|---|
| EBITDA | 53.0 | 50.7 | 102.8 |
| Working capital decrease/(increase) | (12.1) | 40.8 | 99.0 |
| Interest/tax/others | (7.8) | 6.1 | (14.1) |
| Free cashflow | **33.1** | **97.6** | **187.7** |
| Acquisitions | 0.0 | 0.0 | (8.0) |
| Net capital expenditure | (4.4) | (30.3) | (45.9) |
| Dividends paid to minority | (0.3) | 0.0 | (0.3) |
| | **(4.7)** | **(30.3)** | **(54.2)** |
| **Cash flow movement** | **28.4** | **67.3** | **133.5** |
| Currency translation | 0.8 | 1.5 | 1.8 |
| **Decrease/(Increase) in net debt** | **29.2** | **68.8** | **135.3** |
| Net debt at start of period | (164.3) | (299.6) | (299.6) |
| **Net debt at end of period** | **(135.1)** | **(230.8)** | **(164.3)** |

Earnings before finance costs, tax, depreciation and amortisation (EBITDA) was €53.0mn (H1 2009: €50.7mn). In the period, the Group delivered free cash flow of €33.1mn, and reduced debt by €164.5mn in the eighteen month period to June 2010.

Net debt at the end of June was €135.1mn, a reduction of €29.2mn on net debt at the start of 2010, is analysed as follows:

| | 30 June 2010 €mn | 31 Dec. 2009 €mn |
|---|---|---|
| Cash at bank | 140.2 | 83.9 |
| Bank debt < 1 year | (51.3) | (30.5) |
| Private placement debt > 5 years | (151.4) | (151.4) |
| Bank debt 2-5 years | (68.8) | (61.6) |
| Contingent deferred consideration | (2.6) | (3.3) |
| Finance leases over/under 1 year | (1.2) | (1.4) |
| Total net debt | (135.1) | (164.3) |

The main borrowings are drawn down in the following currencies:

Euro: €151.4mn

US$: $81.4mn

The Group's core funding is provided by a private placing of US$200mn converted into €151mn at the time of the placing. Of this debt, €119mn (79%) matures in March 2015 and the balance in March 2017. The Group also has a five year committed banking facility of €330mn which was put in place in September 2008. At 30 June 2010 the Private Placement debt was drawn down in full and €64.5mn of the revolving banking facility was drawn. The Group also has in place a number of uncommitted bilateral working capital/overdraft facilities amounting to circa €65mn.

The covenants within the Group's core financing facilities require minimum Interest Cover of 4 times, maximum Debt:EBITDA of 3.5 times, and minimum net assets of €400.0mn. Actual performance against the covenants was as follows:

| | 30 June 2010 | 31 December 2009 | 30 June 2009 |
|---|---|---|---|
| **Interest Cover** | 10.5x | 9.4x | 9.5x |
| **Net Debt:EBITDA** | 1.28x | 1.6x | 1.64x |
| **Net Assets** | €648mn | €585mn | €576mn |

As can be seen from the table the Group was comfortably within its banking covenants at 30 June 2010.

Operational working capital at 30 June 2010 was €135.4mn (31 December 2009: €123.3mn) and represented 11.9% of the previous 12 months turnover (2009: 10.9%).

**Property held for sale**

At 30 June 2009, the Group classified properties with a total net book value of €19mn within current assets on the basis that they were for sale and with the anticipation that the sales would be completed within 2010. Since that time, two of the properties have been sold, the proceeds of which were €3.9mn against a net book value of €3.5mn. The remaining properties have been reclassified back to Property, Plant & Equipment, under the requirements of IFRS 5.

**Pension deficit**

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. A full actuarial review is due in 2010 and in the meantime, in conjunction with the Actuary, the Group estimates that the deficit has increased to €9.6mn since 31 December 2009. Details on the movement giving rise to the increase in the deficit, before the related deferred tax asset, is set out below:

| | €'mn |
|---|---|
| Opening net deficit | (5.1) |
| Translation | (0.4) |
| Contributions paid | 1.0 |
| Actuarial losses | (5.3) |
| Net finance (charge)/credit | 0.2 |
| Closing net deficit | (9.6) |

**Movement on reserves**

The bulk of the Group's non-Euro investments are Sterling and US$ denominated. The retranslation of these investments at each reporting date gives rise to translation gains or losses, depending on how Sterling and US$ has performed against the Euro. The currency gains and losses are taken directly to reserves in accordance with accounting rules through the Consolidated Statement of Comprehensive Income. For the current period, Sterling has strengthened from a rate of 0.89 at 1 January 2010, to a closing rate of 0.83 and the US$ from 1.43 to 1.26 in the period. This has given rise to overall translation gains of €43.0mn for the period (2009: €44.7mn).

**Financial performance indicators**

Some key financial performance indicators which measure performance and the financial position of the Group are set out in the table below:

| | 30 June 2010 | Year 2009 | 30 June 2009 |
|---|---|---|---|
| EBITDA interest cover (rolling 12 months)* | 10.0x | 9.4x | 10.8x |
| Net debt:EBITDA (rolling 12 months) | 1.28x | 1.6x | 1.64 |
| Net debt as % of total equity | 20.8% | 28.1% | 40.1% |
| Return on capital employed (rolling 12 months)** | 8.4% | 8.4% | 12.1% |
| Effective tax rate | 16.5% | 15.4% | 17.5% |
| Net assets | €648.5mn | €585.5mn | €576.2mn |
| Gross margins | 28.4% | 27.4% | 27.2% |
| Trading margins | 6.4% | 6.0% | 6.0% |

**Before non-trading items.*
***Before interest, tax and non-trading items.*

**Related party transactions**

There were no related party transactions, or changes in those related party transactions described in the Annual Report in respect of the year ended 31 December 2009, that would have a material impact on the financial position or performance of the Group in the first six months of the 2010 financial year.

## Capital expenditure

Capital Expenditure in the first six months amounted to €9.6mn, largely reflecting the absence of any capacity related investments and a continued restraint on all non-essential projects. Additionally, the Group did not engage in any acquisition activity during the period, but continues to appraise a number of ongoing opportunities.

## LOOKING AHEAD

At a general level, the improvements experienced in the second quarter have flowed through to the third, and are likely to underpin a robust sales performance across the Group in the second half. Although not significantly, the UK project pipeline has been trending positively, Western and Central Europe have continued to grow, and order books across the business are as firm as they've been for some time. Order intake continues to outpace 2009 albeit at a slower rate than in the first half.

Against this, the volatility around steel pricing for the fourth quarter, and currently rising chemical prices will present margin challenges through the second half as we endeavour to recover these upward movements from the market. Furthermore, the Group is cognisant of the recent cautionary macro indicators and commentary, which to date however, and with the exception of office construction sector, have not been evident in Kingspan's businesses or their activity pipelines.

In all, the Board is confident in the business achieving a solid outcome for the remainder of the year, and of the Group's longer term and growing global position in the field of low energy building technology.

**RESPONSIBILITY STATEMENT**

We confirm that, to the best of our knowledge and in accordance with Transparency (Directive 2004/109/EC) Regulations 2007 (TR) and the Transparency Rules of the Financial Regulator:

(a) the condensed set of financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting';

(b) the Interim Management Report and the Financial Review include a fair review of the information required by Regulation 8 paragraph 2 of the TR (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the Interim Management Report and the Financial Review include a fair review of the information required by Regulation 8 paragraph 3 of the TR (disclosure of related parties' transactions and changes therein).

By order of the Board

| | |
|---|---|
| Gene Murtagh | Dermot Mulvihill |
| Chief Executive Officer | Finance Director |
| 23 August 2010 | 23 August 2010 |

## INDEPENDENT REVIEW REPORT TO KINGSPAN GROUP PLC

### *Introduction*

We have been engaged by the Company to review a condensed set of financial statements in the Half-yearly Report for the six months ended 30 June 2010 which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement and the related explanatory notes that have been reviewed. We have read the other information contained in the Half-yearly Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review 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 conclusion we have formed.

### *Directors' Responsibilities*

The Half-yearly Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half-yearly Report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 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 International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this Half-yearly Report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union.

### *Our responsibility*

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half-yearly Report based on our review.

### *Scope of Review*

We conducted our review in accordance International Standards 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 for use in Ireland. A review of interim financial statements 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 performed 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 set of financial statements in the Half-yearly Report for the six months period ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Republic of Ireland's Financial Regulator.

GRANT THORNTON
Chartered Accountants and Registered Auditors
24-26 City Quay
Dublin 2
20 August 2010

**CONSOLIDATED INCOME STATEMENT**
**For the half year ended 30 June 2010**

| | Notes | 6 months ended 30 June 2010 (Unaudited) € '000 | 6 months ended 30 June 2009 (Unaudited) € '000 |
|---|---|---|---|
| **Revenue** | | **558,678** | 552,525 |
| Costs of sales | | **(399,861)** | (402,125) |
| **Gross Profit** | | **158,817** | 150,400 |
| Operating costs | | **(123,069)** | (117,139) |
| **Trading Profit** | | **35,748** | 33,261 |
| Intangible amortisation | | **(2,615)** | (2,944) |
| **Operating Profit** | | **33,133** | 30,317 |
| Finance cost | 5 | **(24,619)** | (6,924) |
| Finance income | 5 | **17,005** | 1,598 |
| **Profit for the period before tax** | | **25,519** | 24,991 |
| Income tax expense | 6 | **(4,211)** | (4,374) |
| **Net profit for the period** | | **21,308** | 20,617 |
| Attributable to owners of Kingspan Group plc | | **20,832** | 20,408 |
| Attributable to non-controlling interest | | **476** | 209 |
| | | **21,308** | 20,617 |
| **Earnings per share for the period** | | | |
| Basic | 9 | **12.5c** | 12.3c |
| Diluted | 9 | **12.2c** | 12.1c |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**For the half year ended 30 June 2010**

| | 6 months ended 30 June 2010 (Unaudited) € '000 | 6 months ended 30 June 2009 (Unaudited) € '000 |
|---|---|---|
| **Net profit for financial period** | **21,308** | 20,617 |
| **Other comprehensive income:** | | |
| Cash flow hedging - current year | **258** | (962) |
| Cash flow hedging - reclassification to profit and loss | **389** | (6,658) |
| Actuarial losses in defined benefit pension scheme | **(5,370)** | (6,435) |
| Currency translation | **43,025** | 44,678 |
| Income taxes relating to items charged or credited to equity | **1,504** | 1,802 |
| | **39,806** | 32,425 |
| **Total comprehensive income for the period** | **61,114** | 53,042 |
| Attributable to owners of Kingspan Group plc | **60,638** | 52,833 |
| Attributable to non-controlling interest | **476** | 209 |
| | **61,114** | 53,042 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**as at 30 June 2010**

| | Note | 6 months ended 30 June 2010 (Unaudited) € '000 | Year ended 31 December 2009 (Audited) € '000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | | **325,324** | 300,021 |
| Other intangible assets | | **8,536** | 10,305 |
| Property, plant and equipment | 10 | **424,401** | 399,989 |
| Long term financial assets | | **10** | 10 |
| Derivative financial assets | | **9,147** | - |
| Deferred tax assets | | **5,824** | 2,950 |
| | | **773,242** | 713,275 |
| **Current assets** | | | |
| Inventories | | **139,796** | 110,821 |
| Trade and other receivables | | **256,621** | 203,505 |
| Derivative financial assets | | **1,931** | - |
| Cash at bank | | **140,197** | 83,886 |
| | | **538,545** | 398,212 |
| Non-current assets classified as held for sale | | **-** | 19,010 |
| | | **538,545** | 417,222 |
| **Total assets** | | **1,311,787** | 1,130,497 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **261,038** | 191,071 |
| Provisions for liabilities | | **61,388** | 59,059 |
| Derivative financial instrument | | **-** | 917 |
| Contingent deferred consideration | | **264** | 698 |
| Interest bearing loans and borrowings | | **51,964** | 31,118 |
| Current income tax liabilities | | **33,319** | 32,914 |
| | | **407,973** | 315,777 |
| **Non-current liabilities** | | | |
| Retirement benefit obligations | | **9,559** | 5,092 |
| Interest bearing loans and borrowings | | **227,763** | 201,886 |
| Derivative financial instrument | | **-** | 6,042 |
| Deferred tax liabilities | | **15,631** | 13,556 |
| Contingent deferred consideration | | **2,355** | 2,609 |
| | | **255,308** | 229,185 |
| **Total liabilities** | | **663,281** | 544,962 |
| **NET ASSETS** | | **648,506** | 585,535 |
| **Equity** | | | |
| **Equity attributable to owners of Kingspan Group plc** | | | |
| Share capital | | **22,310** | 22,296 |
| Share premium account | | **37,026** | 36,486 |
| Other reserves | | **(135,070)** | (178,742) |
| Revaluation reserve | | **713** | 713 |
| Capital redemption reserve | | **723** | 723 |
| Retained earnings | | **717,899** | 699,373 |
| | | **643,601** | 580,849 |
| Non-controlling interest | | **4,905** | 4,686 |
| **TOTAL EQUITY** | | **648,506** | 585,535 |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

| | Share capital €'000 | Share Premium account €'000 | Other reserves €'000 | Capital Redemption & Revaluation reserves ** €'000 | Retained earnings €'000 | Total Attributable to shareholders €'000 | Non-controlling Interest €'000 | Total equity 30.06.10 €'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2010** | 22,296 | 36,486 | (178,742) | 1,436 | 699,373 | 580,849 | 4,686 | **585,535** |
| Shares issued | 14 | 341 | - | - | - | 355 | - | **355** |
| Employee share based compensation | - | - | - | - | 1,759 | 1,759 | - | **1,759** |
| Exercise of employee share options | - | 199 | - | - | (199) | - | - | - |
| **Transactions with owners** | 14 | 540 | - | - | 1,560 | 2,114 | - | **2,114** |
| Profit for the period | - | - | - | - | 20,832 | 20,832 | 476 | **21,308** |
| **Other comprehensive income:** | | | | | | | | |
| Cash flow hedging - in equity | | | | | | | | |
| - current period | - | - | 258 | - | - | 258 | - | **258** |
| - reclassification to profit and loss | - | - | 389 | - | - | 389 | - | **389** |
| Defined benefit pension scheme | - | - | - | - | (5,370) | (5,370) | - | **(5,370)** |
| Deferred tax on defined benefit pension scheme | - | - | - | - | 1,504 | 1,504 | - | **1,504** |
| Currency translation | - | - | 43,025 | - | - | 43,025 | - | **43,025** |
| **Total comprehensive income for the period** | - | - | 43,672 | - | 16,966 | 60,638 | 476 | **61,114** |
| **Other transactions with non-controlling interest:** | | | | | | | | |
| Currency translation | - | - | - | - | - | - | 3 | **3** |
| Dividend paid to non-controlling interest | - | - | - | - | - | - | (260) | **(260)** |
| **Balance at 30 June 2010** | 22,310 | 37,026 | (135,070) | 1,436 | 717,899 | 643,601 | 4,905 | **648,506** |

| | Share capital €'000 | Share Premium account €'000 | Other reserves €'000 | Capital Redemption & Revaluation reserves ** €'000 | Retained earnings €'000 | Total Attributable to shareholders €'000 | Non-controlling Interest €'000 | Total equity 30.06.09 €'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2009** | 22,265 | 35,751 | (194,036) | 1,436 | 651,841 | 517,257 | 1,825 | 519,082 |
| Shares issued | 10 | 178 | - | - | - | 188 | - | 188 |
| Employee share based compensation | - | - | - | - | 1,100 | 1,100 | - | 1,100 |
| **Transactions with owners** | 10 | 178 | - | - | 1,100 | 1,288 | - | 1,288 |
| Profit for the period | - | - | - | - | 20,408 | 20,408 | 209 | 20,617 |
| **Other comprehensive income:** | | | | | | | | |
| Cash flow hedging - in equity | | | | | | | | |
| - current period | - | - | (962) | - | - | (962) | - | (962) |
| - reclassification to profit and loss | - | - | (6,658) | - | - | (6,658) | - | (6,658) |
| Defined benefit pension scheme | - | - | - | - | (6,435) | (6,435) | - | (6,435) |
| Deferred tax on defined benefit pension scheme | - | - | - | - | 1,802 | 1,802 | - | 1,802 |
| Currency translation | - | - | 44,678 | - | - | 44,678 | - | 44,678 |
| **Total comprehensive income for the period** | - | - | 37,058 | - | 15,775 | 52,833 | 209 | 53,042 |
| **Other transactions with non-controlling interest:** | | | | | | | | |
| Movement in non-controlling interest | - | - | - | - | - | - | 2,783 | 2,783 |
| **Balance at 30 June 2009** | 22,275 | 35,929 | (156,978) | 1,436 | 668,716 | 571,378 | 4,817 | 576,196 |

**Capital Redemption and Revaluation reserves are €723,000 and €713,000 respectively.  There were no movements on these balances since 30 June 2009.

**CONSOLIDATED CASH FLOW STATEMENT**

**For the period ended 30 June 2010**

| | Note | **6 months ended 30 June 2010 (Unaudited) € '000** | 6 months ended 30 June 2009 (Unaudited) € '000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit for the period before tax | | **25,519** | 24,991 |
| Adjustments | 11 | **26,183** | 39,673 |
| Change in inventories | | **(22,638)** | 32,067 |
| Change in trade and other receivables | | **(44,679)** | 56,217 |
| Change in trade and other payables | | **58,619** | (41,075) |
| Pension contributions | | **(1,052)** | (1,434) |
| Cash generated from operations | | **41,952** | 110,439 |
| Taxes paid | | **(4,110)** | (4,495) |
| Net cash flow from operating activities | | **37,842** | 105,944 |
| | | | |
| **Investing activities** | | | |
| Additions to property, plant and equipment | | **(10,385)** | (31,192) |
| Additions to intangible assets | | **(95)** | - |
| Proceeds from disposals of property, plant and equipment | | **6,033** | 910 |
| Proceeds from sale of financial assets | | **-** | 200 |
| Payment of deferred consideration in respect of acquisitions | | **(940)** | (8,549) |
| Interest received | | **71** | 1,585 |
| Net cash flow from investing activities | | **(5,316)** | (37,046) |
| | | | |
| **Financing activities** | | | |
| Increase/(repayment) of bank loans | | **3,444** | (36,490) |
| Discharge of finance lease liability | | **(290)** | (297) |
| Proceeds from share issues | | **355** | 188 |
| Interest paid | | **(5,102)** | (10,201) |
| Dividends paid to non-controlling interests | | **(260)** | (98) |
| Net cash flow from financing activities | | **(1,853)** | (46,898) |
| | | | |
| Cash and cash equivalents at the beginning of the period | | **59,917** | 74,272 |
| | | | |
| Increase in cash and cash equivalents | | **30,673** | 22,000 |
| Translation adjustment | | **3,767** | 2,526 |
| | | | |
| Cash and cash equivalents at the end of the period | | **94,357** | 98,798 |

| | | | |
|---|---|---|---|
| Cash and cash equivalents at beginning of period were made up of: | | | |
| | Cash at bank | **83,886** | 75,254 |
| | Overdrafts | **(23,969)** | (982) |
| | | **59,917** | 74,272 |
| Cash and cash equivalents at end of period were made up of: | | | |
| | Cash at bank | **140,197** | 113,542 |
| | Overdrafts | **(45,840)** | (14,744) |
| | | **94,357** | 98,798 |

**NOTES TO THE GROUP CONDENSED FINANCIAL STATEMENTS**
**For the half year ended 30 June 2010**

## 1 Basis of preparation

The Condensed Interim Financial Statements (the Interim Financial Statements) have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 December 2009.

These Interim Financial Statements are for the six months ended 30 June 2010. They have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required in the annual financial statements in accordance with IFRS, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2009.

The interim results for the half year to 30 June 2010 and 30 June 2009 are unaudited. The comparative figures for the year ended 31 December 2009 represent an abbreviated version of the Group's full accounts for that year which have been filed with the Registrar of Companies and on which the auditors, Grant Thornton, have issued an unqualified audit report. Certain comparative figures have been reclassified under the 31 December 2009 column in order to provide a more appropriate presentation.

These interim results are available on the Group's website (www.kingspan.com).

## 2 Significant accounting policies

The adoption of the other new standards and interpretations (as set out in the 2009 annual report) that became effective for the Group's financial statements for the year ended 31 December 2010 did not have any significant impact on the interim financial statements.

## 3 Reporting currency

The Interim Financial Statements are expressed in Euro which is the presentation currency of the Group and the functional currency of the Company. Results and cash flows of foreign subsidiary undertakings have been translated into Euro at the average exchange rates, and the related balance sheets have been translated at the rates of exchange ruling at the balance sheet date.

Exchange rates of material entities used were as follows:

| | **Average Rate** | | | **Closing Rate** | | |
|---|---|---|---|---|---|---|
| Euro = | **30.06.10** | 30.06.09 | 31.12.09 | **30.06.10** | 30.06.09 | 31.12.09 |
| Pound Sterling | **0.870** | 0.896 | 0.892 | **0.830** | 0.850 | 0.890 |
| US Dollar | **1.329** | 1.334 | 1.395 | **1.2616** | 1.403 | 1.433 |
| Canadian Dollar | **1.376** | 1.607 | 1.587 | **1.34** | 1.620 | 1.510 |
| Australian Dollar | **1.490** | 1.880 | 1.776 | **1.48** | 1.750 | 1.600 |
| Czech Koruna | **25.760** | 27.180 | 26.478 | **26.00** | 26.000 | 26.000 |
| Polish Zloty | **4.000** | 4.480 | 4.337 | **4.15** | 4.500 | 4.100 |
| Hungarian Forint | **272.000** | 291 | 281.151 | **285** | 276 | 270 |

## 4 Segment reporting

In identifying the operating segments, management based their decision on the product supplied by each segment and the fact that each segment is managed separately and reported to the Chief Operating Decision Maker in this manner. These operating segments are monitored and strategic decisions are made on the basis of segment operating results.

The measurement policies the Group uses for reporting operating segments internally to the Chief Operating Decision Maker are the same measures as those used in the financial statements.

**Operating segments**
The Group operates in the following four business segments:

| | |
|---|---|
| Insulated Panels | Manufacture of insulated panels, structural framing and metal facades. |
| Insulation | 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. |

**Geographical segments**

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.

**Analysis by class of business**

| **Segment Revenue** | **Insulated Panels** | **Insulation** | **Environmental & Renewables** | **Access Floors** | **TOTAL** |
|---|---|---|---|---|---|
| | **€mn** | **€mn** | **€mn** | **€mn** | **€mn** |
| Total Revenue - H1 2010 | **287.0** | **119.9** | **83.4** | **68.4** | **558.7** |
| Total Revenue - H1 2009 | 284.0 | 106.9 | 81.6 | 80.0 | 552.5 |

Inter-segment revenue is not material and is thus not subject to separate disclosure in the above analysis.
Inter-segment transfers are priced using an appropriate transfer pricing methodology.

**Segment Result (profit before finance costs)**

| | **Insulated Panels** | **Insulation** | **Environmental & Renewables** | **Access Floors** | **TOTAL 30.06.10** | TOTAL 30.06.09 |
|---|---|---|---|---|---|---|
| | **€mn** | **€mn** | **€mn** | **€mn** | **€mn** | €mn |
| Trading Profit | 13.7 | 10.7 | 1.0 | 10.3 | **35.7** | 33.2 |
| Intangible Amortisation | (1.5) | (0.6) | (0.5) | 0.0 | **(2.6)** | (2.9) |
| Operating result - H1 2010 | **12.2** | **10.1** | **0.5** | **10.3** | **33.1** | |
| Operating result - H1 2009 | 6.5 | 8.7 | 2.4 | 12.7 | | 30.3 |
| Net finance cost | | | | | **(7.6)** | (5.3) |
| Result for the period before tax | | | | | **25.5** | 25.0 |
| Tax expense, net | | | | | **(4.2)** | (4.4) |
| Non-controlling interest | | | | | **(0.5)** | (0.2) |
| Net result for the period | | | | | **20.8** | 20.4 |

**Segment Assets and Liabilities**

| | **Insulated Panels** | **Insulation** | **Environmental & Renewables** | **Access Floors** | **TOTAL 30.06.10** | TOTAL 31.12.09 |
|---|---|---|---|---|---|---|
| | **€mn** | **€mn** | **€mn** | **€mn** | **€mn** | €mn |
| Assets - H1 2010 | **553.7** | **279.1** | **191.3** | **141.7** | **1,165.8** | |
| Assets – 2009 | 494.8 | 247.7 | 182.7 | 118.3 | | 1,043.5 |
| Cash and cash equivalents | | | | | **140.2** | 83.9 |
| Deferred tax asset | | | | | **5.8** | 3.0 |
| Total assets | | | | | **1,311.8** | 1,130.4 |
| Liabilities - H1 2010 | **(168.2)** | **(58.3)** | **(71.4)** | **(34.1)** | **(332.0)** | |
| Liabilities – 2009 | (123.0) | (48.8) | (65.4) | (24.8) | | (262.0) |
| Financial liabilities (current and non-current) | | | | | **(279.7)** | (233.0) |
| Contingent deferred consideration (current and non-current) | | | | | **(2.6)** | (3.3) |
| Income tax liabilities (current and deferred) | | | | | **(49.0)** | (46.5) |
| Total liabilities | | | | | **(663.3)** | **(544.8)** |

**Other Segment Information**

| | Insulated Panels | Insulation | Environmental & Renewables | Access Floors | TOTAL |
|---|---|---|---|---|---|
| | €mn | €mn | €mn | €mn | €mn |
| Capital Investment - H1 2010 | **5.3** | **3.3** | **0.4** | **0.6** | **9.6** |
| Capital Investment – 2009 | 12.0 | 24.5 | 9.4 | 0.9 | 46.8 |
| Depreciation included in segment result - H1 2010 | **(9.3)** | **(4.4)** | **(2.2)** | **(1.4)** | **(17.3)** |
| Depreciation included in segment result - H1 2009 | (8.5) | (5.1) | (2.4) | (1.5) | (17.5) |
| Amortisation included in segment result - H1 2010 | **(1.5)** | **(0.6)** | **(0.5)** | **-** | **(2.6)** |
| Amortisation included in segment result - H1 2009 | (2.1) | (0.4) | (0.4) | - | (2.9) |
| Non cash items included in segment result - H1 2010 | **0.1** | **0.1** | **(0.7)** | **-** | **(0.5)** |
| Non cash items included in segment result -H1 2009 | - | - | - | - | - |

**Analysis of Segmental Data by Geography**

| | Republic of Ireland | United Kingdom | Rest of Europe | Americas | Others | TOTAL |
|---|---|---|---|---|---|---|
| | €mn | €mn | €mn | €mn | €mn | €mn |
| **Income Statement Items** | | | | | | |
| Revenue - H1 2010 | **32.4** | **248.5** | **147.6** | **93.9** | **36.3** | **558.7** |
| Revenue - H1 2009 | 39.8 | 253.5 | 144.3 | 100.2 | 14.7 | 552.5 |
| **Balance Sheet Items** | | | | | | |
| Non current assets - H1 2010 | **70.2** | **350.5** | **144.0** | **163.8** | **29.8** | **758.3** |
| Non current assets – 2009 | 65.3 | 326.0 | 147.0 | 144.0 | 28.0 | 710.3 |
| **Other segmental information** | | | | | | |
| Capital Investment - H1 2010 | **1.7** | **2.8** | **2.1** | **2.8** | **0.2** | **9.6** |
| Capital Investment – 2009 | 3.6 | 12.9 | 16.5 | 5.0 | 8.8 | 46.8 |

**5 Net finance cost**

| | **6 months ended 30 June 2010 (Unaudited)** | 6 months ended 30 June 2009 (Unaudited) |
|---|---|---|
| | **€'000** | €'000 |
| Bank loans | **5,367** | 6,698 |
| Hire purchase and finance leases | **13** | 3 |
| Net defined benefit pension scheme charge/(credit) | **(218)** | 223 |
| Interest income | **(134)** | (1,598) |
| | **5,028** | 5,326 |
| Fair value movement on derivative financial instrument | **(16,436)** | 0 |
| Translation (gain)/loss on private placement debt | **19,022** | 0 |
| **Net finance cost** | **7,614** | 5,326 |
| Disclosed in the consolidated income statement as : | | |
| Finance cost | **(24,619)** | (6,924) |
| Finance income | **17,005** | 1,598 |
| | **(7,614)** | (5,326) |

There were no borrowing costs capitalised during the period (2009: NIL).

## 6 Taxation

Taxation provided for on profits is €4.2mn or 16.5% of the result for the period. This compares with an equivalent rate of 15.4% for the full year 2009. The taxation charge for the Interim Reporting period is accrued using an estimate of the applicable rate for the year as a whole and reflects the benefit of the satisfactory resolution of outstanding tax matters in overseas jurisdictions

## 7 Analysis of net debt

| | **6 months ended 30 June 2010 (Unaudited) €'000** | Year ended 31 December 2009 (Audited) €'000 |
|---|---|---|
| Cash at bank | **140,197** | 83,886 |
| Bank debt < 1 year | **(51,323)** | (30,482) |
| Private placement debt > 5 years | **(151,458)** | (151,458) |
| Bank debt 2 - 5 years | **(68,784)** | (61,564) |
| Contingent deferred consideration | **(2,619)** | (3,307) |
| Finance leases | **(1,091)** | (1,381) |
| | **(135,077)** | (164,306) |
| IAS39 adjustment | **4,007** | 4,922 |
| **Total net debt** | **(131,071)** | (159,384) |

## 8 Dividends

There was no Final Dividend on Ordinary Shares for the year ended 31 December 2009
The Directors are proposing an interim dividend of 4.0 cent per share in respect of 2010.

## 9 Earnings per share

| The calculations of earnings per share are based on the following: | **6 months ended 30 June 2010 (Unaudited) €'000** | 6 months ended 30 June 2009 (Unaudited) €'000 |
|---|---|---|
| Profit attributable to owners of Kingspan Group plc | **20,832** | 20,408 |

| | **Number of shares ('000) 6 months ended 30 June 2010** | **Number of shares ('000)** 6 months ended 30 June 2009 |
|---|---|---|
| Weighted average number of ordinary shares for the calculation of basic earnings per share | **166,327** | 166,054 |
| Dilutive effect of share options | **4,041** | 2,281 |
| Weighted average number of ordinary shares for the calculation of diluted earnings per share | **170,368** | 168,335 |

| | **€ cent** | **€ cent** |
|---|---|---|
| Basic earnings per share | **12.5** | 12.3 |
| Diluted earnings per share | **12.2** | 12.1 |

| 10 Property, plant & equipment | 6 months ended 30 June 2010 (Unaudited) €'000 | Year ended 31 December 2009 (Audited) €'000 |
|---|---|---|
| Opening net book value | **399,989** | 411,069 |
| Translation adjustment | **17,960** | 15,588 |
| Acquisitions of business entities (fair value adjustments) | **-** | (6,010) |
| Impairment | **-** | (6,783) |
| Reclassification from/(to) non-current assets | **19,010** | (19,010) |
| Additions in period | **9,593** | 43,236 |
| Disposals | **(4,888)** | (2,013) |
| Depreciation | **(17,263)** | (36,088) |
| Closing net book value | **424,401** | 399,989 |

The disposals generated a profit of €1.3mn which has been included within Operating Costs.

**11 Cash flow statement**

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

| | 6 months ended 30 June 2010 (Unaudited) €'000 | 6 months ended 30 June 2009 (Unaudited) €'000 |
|---|---|---|
| Depreciation of property, plant and equipment and amortisation of intangible assets | **19,878** | 20,412 |
| Employee equity-settled share options | **1,758** | 1,100 |
| Finance income | **(17,005)** | (1,598) |
| Finance cost | **24,619** | 6,924 |
| Non cash items | **(1,852)** | 12,882 |
| Profit on sale of property, plant and equipment | **(1,215)** | (47) |
| **Total** | **26,183** | 39,673 |

**12 Seasonality**

Activity in the global construction industry in characterised by cyclicality 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.

| 13 Reconciliation of net cash flow to movement in net debt | 6 months ended 30 June 2010 (Unaudited) | Year ended 31 December 2009 (Audited) |
|---|---|---|
| Increase/(decrease) in cash net of bank overdrafts | **30,673** | (16,093) |
| (Increase)/decrease in debt, lease finance and contingent deferred consideration | **(2,214)** | 151,252 |
| Change in net debt resulting from cash flows | **28,459** | 135,159 |
| Loans and lease finance acquired with subsidiaries | **-** | (388) |
| Contingent deferred consideration arising on acquisitions in the period | **-** | (1,235) |
| Translation movement - relating to US dollar loan | **(18,952)** | 11,881 |
| Translation movement - other | **769** | 1,780 |
| Derivative financial instrument | **18,037** | (6,959) |
| Net movement | **28,314** | 140,238 |
| Net debt at start of the period | **(159,384)** | (299,622) |
| Net debt at end of the period | **(131,071)** | (159,384) |

## 14 Acquisitions

There were no acquisitions in the period, and no fair value adjustments in respect of prior period acquisitions. This will be re-assessed in respect of the acquisition in December 2009 of AIRCELL Innovations Pty. and any adjustments to the provisional fair value calculations will be made within the permitted timeframe of IFRS 3, and reported in the 2010 Annual Report.

## 15 Significant events and transactions

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 reduction in overall net debt reflects cash generated in the period from operations, and reduced capital expenditure

- the positive currency translation movement of €43.0mn reflected in the Consolidated Statement of Comprehensive Income reflects primarily the strengthening of sterling (closing rate 0.83 for the period compared to 0.89 at 1 January 2010)

- the increase in the goodwill figure relates to a positive currency translation movement of €25.3mn

## 17 Statutory Accounts

The financial information presented in the Half-yearly report does not represent full statutory accounts. Full statutory accounts for the year ended 31 December 2009 prepared in accordance with IFRS, upon which the Auditors have given an unqualified audit report, have been filed with the Registrar of Companies.

## 18 Events after the Balance Sheet Date

There have been no material events subsequent to the end of the half-year period (30 June 2010) which would require disclosure in this report.

## 19 Board Approval

The Interim Report was approved by the Board of Directors of Kingspan Group plc on 23 August 2010.

## PRINCIPAL RISKS AND UNCERTAINTIES

Under the Transparency (Directive 2004/109/EC) Regulations 2007, Kingspan is required to give a description of the principal risks and uncertainties it faces.

As with any large group, Kingspan faces a number of risks and uncertainties, which are identified in the Business Risk Analysis section of its annual report. These risks and how Kingspan deals with them in order to mitigate their impact are set out on pages 22 to 25 of the 2009 Annual Report. While the Group has not identified any new risks since year end 2009, these remain and continue to pose uncertainties for the results for the remaining six months of the current year. Listed below are some of these risks, which while generally outside the Group's control, merit separate description.

**Market Conditions**

- Uncertainties remain as to the depth and duration of the global economic turmoil, which have resulted in a weakened demand for building products and a contraction of the construction market generally; while there are areas where Kingspan has seen an increase in demand, the sustainability of such increase remains under significant threat.

- By its nature the construction industry, into which the Group sells its products, is cyclical and the high-rise office market (which represents c. 15% of Group sales) cycle is slower in reaching its peaks and troughs than the construction cycle in general. While the timing and extent of the cycle is outside the Group's control, the consequence is that in those late cycle business segments in which the Group operates are likely to experience a further fall in sales and reduced operating margins.

**Competitive Pressures**

- In general, across all markets in which the Group operates, there is significant overcapacity as a result of the recession. Overcapacity has increased competition which consequently has put pressure on margins. Ongoing overcapacity has the potential to continue downward pressure on margins for the Group, and may result in Kingspan further reducing its capacity with subsequent potential impairment of intangible and tangible assets, and potentially incurring restructuring costs.

**Warranties**

- In respect of some of its products, Kingspan provides a warranty in respect of the products performance. While provisions are carried in respect of specific claims and specific circumstances, by their nature these are estimates and there is an ongoing risk as regards the adequacy of such provisions.

**Input Prices**

- Raw material prices, which for the Group consist mainly of steel and chemicals, have tended to be quite volatile over the past 2 years. There is a level of uncertainty over further raw material increases in both the amounts and timing thereof. The Group anticipates that it will be able to recover such increases in input costs through increased selling prices, however there remains a risk over the ability to recover and timing of such price increases in the current environment.