



## **Interim Management Statement**

**10<sup>th</sup> May 2012**

Kingspan Group plc, the leading international provider of low energy building solutions, is issuing this Interim Management Statement in advance of its Annual General Meeting which is being held today at 11.00 in Dublin.

### **BUSINESS PERFORMANCE**

The Group has recorded a solid performance in the first four months of 2012 in a subdued global construction market environment. Total Group sales of €473m were 8% ahead of prior year, of which Mainland Europe was up 9%, UK up 2% and North America up 10%. Overall sales growth at constant exchange rates was 5%. Trading margin grew in the period as a consequence of business mix, the benefit of restructuring initiatives undertaken in 2011 and a recovery of the slight lag in raw material inflation experienced in quarter four of 2011.

### **OUR MARKETS**

In general, the year opened with relatively more optimism regarding potential activity levels in some construction markets. This dissipated somewhat as we progressed through the first quarter with sentiment weaker now than at the beginning of the year. The UK market is solid generally, with overall volumes flat, reflecting the wide range of end uses for our products. We recorded contrasting performances in Mainland European markets. The market in Holland has been difficult, resulting in year on year volume declines in our business. Germany, in contrast, is buoyant as a market and Kingspan's growth there is underpinned further by market penetration. Our North American business recorded volume decreases in the period in line with the order book at last year end with the order book recovering steadily through the period. Australia, as an economy, is slowing but our business is progressing well, again owing to penetration growth of Kingspan products in both commercial and residential applications.

### **DIVISIONAL REVIEWS**

**Insulated Panels** sales revenues increased by 5% in the first four months versus the same period last year. Overall order intake was solid in the period, decreasing by 2% against very strong comparators a year earlier. By territory intake levels in the UK were ahead by 5%, Western Europe decreased by 2%, Central and Eastern Europe was down by 4%, North America decreased by 10% and Australia increased by 10%. The order book at the end of April 2012 was 5% ahead of the position at the end of April 2011.

**Insulation Boards** sales were up 16% to the end of April reflecting price growth and a positive business mix associated with the continuing growth in market penetration of Kooltherm®. This performance also includes an element of acquired turnover and therefore is likely to moderate significantly over the remainder of the year. There has been some volume attrition in PIR as the business focused on recovering raw material cost inflation as well as a market-wide decline in volume in Holland due to lower residential activity. Margin has improved due to business mix and the benefits of restructuring activity undertaken last year.

**Environmental** sales were modestly behind last year for the first four months. Sales of fuel storage products in the UK have been weak with lower public sector housing activity a key factor. Mainland Europe has had a good start although sales overall are in line with last year due to a contract in France coming to an end, as previously highlighted. On 1 May judgement was issued in respect of the Borealis case in which Kingspan was plaintiff and, disappointingly, our claim was unsuccessful. The 2011 financial statements made adequate provision for this outcome and, as such, there is no expected impact on current year or future earnings as a consequence of the judgement.

**Access Floors** sales revenues were down slightly on last year before the impact of the Tasman acquisition in Australia. US office construction activity remains weak which has been tempered somewhat by some improvement in the UK and solid datacentre activity globally. Quotation activity is up year on year which should deliver sales growth in 2013.

## **FINANCIAL POSITION**

Net debt at the end of April was approximately €185m, an increase of €14.5m on last year end, reflecting higher levels of working capital due to seasonal factors and the acquisition of Tasman Floors in Australia in January.

On the 27th April the Group successfully completed a €300m refinancing of its syndicated bank debt with a stronger international dimension than the outgoing syndicate. The new facility, which is currently undrawn, comprises seven international and one domestic bank and matures in April 2017. This, when combined with the Group's US private placement facilities, brings the average maturity of the Group's debt facilities to 5.4 years.

## **BOARD CHANGES**

The Board wishes to thank Danny Kitchen who retires today as a non-executive director. We are very grateful to Danny for his advice and insight during his time as a director.

## **OUTLOOK**

The construction environment in our core markets remains stable, albeit uncertain, and it is unlikely, that growth will occur in these markets this year. Market penetration for high performance insulation and building envelopes continues to build and is a key lever for growth in our business in this environment. Additionally, Kingspan's focus on research and development and proprietary technology coupled with geographic expansion should support the further development of the Group. Our performance in the year to date, together with a solid order book, is likely to deliver single digit sales growth in the first half combined with a steady improvement in overall trading margin.

Kingspan will issue its half year financial report for the period ended 30 June 2012 on Monday 20 August 2012.

For further information contact:

Gene Murtagh, Chief Executive Officer	Tel: +353 (0) 42 9698000
Geoff Doherty, Chief Financial Officer	Tel: +353 (0) 42 9698000
Ed Micheau, Murray Consultants	Tel: +353 (0) 1 4980300