Press Releases

Results for the six months ended 30 June 2008

27/08/2008

Summary Results

<table>
<thead>
<tr>
<th></th>
<th>H1 2008 €’mn</th>
<th>H1 2007 €’mn</th>
<th>% change at actual rates</th>
<th>% change at constant rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>849.4</td>
<td>908.4</td>
<td>-6.5%</td>
<td>+1.5%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>90.1</td>
<td>114.2</td>
<td>-21.1%</td>
<td>-16%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>10.6%</td>
<td>12.5%</td>
<td>-190bps</td>
<td>-120bps</td>
</tr>
<tr>
<td>Earnings per Share</td>
<td>41.4 cent</td>
<td>52.7 cent</td>
<td>-21.4%</td>
<td>-16.7%</td>
</tr>
<tr>
<td>Dividend per Share</td>
<td>8.00 cent</td>
<td>8.00 cent</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Net Debt</td>
<td>194.2</td>
<td>246.7</td>
<td>-21.3%</td>
<td></td>
</tr>
<tr>
<td>Interest Cover</td>
<td>18.0x</td>
<td>22.7x</td>
<td></td>
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</tr>
</tbody>
</table>

Operational Highlights:

- Strong growth of 27% in CEE revenue reflecting increased penetration, new product introductions, an expanded geographic presence, and rising prices
- UK and Ireland Insulated Panels produced better than expected results given the trading environment. Sales were down just 8%
- Insulation Boards declined slightly reflecting a robust Mainland European market but a weaker UK and Ireland residential environment
• Excellent performance in Access Floors in both North America and Europe where office construction remained strong in the period

• Significant general and headcount cost reductions in the most affected elements of the Group to help mitigate the impact of lower sales revenue

• Consolidation of operations in both the Environmental and Off-site divisions in response to poor residential completions

• Strong progress in the Group’s Renewables businesses as rising energy costs and the international push to lower emissions drive a shift towards non-fossil and sustainable energy sources.

Gene Murtagh, Chief Executive Officer, commented:

"The first half of 2008 has seen Kingspan deliver a comparatively robust operating performance against a difficult international backdrop where the headwinds of contracting markets, rising raw material costs, and unfavourable foreign exchange movements remain in place.

The rationale for high performance building solutions that reduce energy consumption and carbon emissions is now widely accepted. As evidenced by the recent acquisition of Metecno Inc. in the US, Kingspan continues to invest in the business, undertake cost initiatives and widen its geographical footprint to leave the group well-positioned for a rebound when the current cyclical weakness reverses."

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Interim Result Statement

Six months ended 30th June 2007

• Turnover -6.5% to €849.4mn
  o +1.5% on a constant currency basis;

• Operating Profit down -21% to €90.1mn
  o -16% on a constant currency basis
Basic Earnings 41.4c per share versus 52.7c in 2007;
Interim Dividend maintained at 8c per share;
Net Debt €194.2mn;
Interest Cover 18.0;
Total Investment of €61.4mn, including capex of €56.3mn.

The first half of 2008 has been a period of mixed fortunes for Kingspan, characterised by a strong Western and Central European performance, solid progress in North America, and a weakened UK and Ireland construction environment. Clearly, the Group's substantial presence in the latter markets has impacted on the results for the period, yet despite a particularly poor residential backdrop and unfavorable currency movements, the operating performance of Kingspan was comparatively robust, reinforced by deep cost reductions in a number of activities. The Group continued to invest throughout the period and remains fully committed to its current €250mn capital expenditure programme. This will not only fortify Kingspan's position in all of its markets, but when the present cyclical weakness reverses, the Group will be very well positioned for a medium-term rebound, with significantly broadened geographic exposure.

**Insulated Panels & Boards**

In this segment, turnover was €474.1mn, down 6.2% on the same period in 2007

**Insulated Panels**

Representing 40% of Group turnover in the period, sales were €337.6mn, a decline of 8% over prior year.

In the UK, volumes came under pressure, and were down circa 18% on prior year. This decline was particularly severe in the first quarter as it was for order intake, whereas quarter two's performance represented an improvement, although still trailing 2007, with the gap closing towards mid year. Rising material costs have been a major feature of the first half. Passing on these costs is an ongoing process. The lag effect in recovering cost has impacted on margins during the period. Increasing penetration and a positive mix compensated for some of the decline which contributed towards a robust outturn given the economic circumstances. Reflecting this shift, new dedicated Architectural Wall Panel capacity came on stream in quarter two.

In Ireland comparisons against last year are more disappointing, with volumes down over 20% as the retail and logistics construction segments in particular slowed significantly. An overhang in the building market and a severe lack of funding for speculative developments resulted in activity being dampened. It is a trend that is likely to remain for the foreseeable future, and costs in the business are being adjusted to reflect this.
In Mainland Europe, the performance of the businesses were excellent, with volumes in the Benelux up over 10% and in CEE up 16%. Order intake for the period was also strong, which provide some comfort for activity levels in the second half. With the exception of the Czech Republic and Slovakia, where sales were similar to 2007, significant growth was achieved in all other markets and the business has now extended into Russia, Serbia, Croatia, Denmark, France and Finland where the early signs have been encouraging. The Roof Panel capital project for the Czech Republic is now commencing production, and will be key in supporting further organic growth in the region.

Further afield, Australia and New Zealand have both felt the impact of a tightening economic environment. Turkey has been making some progress, and the Group has begun marketing into India, establishing a sales organisation there during quarter two. Canada continued to perform well against prior year, but due to site disruption beyond the Group’s control, the relocation project for the Ontario facility has been delayed by approximately nine months and is now anticipated to commence production in late 2009.

**Insulation Boards**

Representing 16% of Group sales in the period, turnover was €136.5mn, a decline of 2.5% over prior year.

Despite the clear deterioration in the new housing environment in Ireland, this business unit managed to hold a volume decline, including Northern Ireland, to around 5%. Improving standards, an increase in RMI, a reasonable performance in the non-residential sector and a strong Northern Ireland insulation market all contributed to this outcome. We expect a tightening in the business during the second half, in line with a continuing weak new residential backdrop. Medium term however, insulation standards are on the rise in Ireland, and the high performance niche Phenolic offering from Kingspan continues to gain traction and provides growing differentiation in the Irish market.

In Britain, volumes were down approximately 2% in the period, reflecting a reasonable first quarter, but a weaker quarter two as housing activity dropped off significantly in most regions. Again, however, penetration growth has shown no sign of abating, and Kingspan’s Phenolic insulation now has established a firm and growing position in the higher end of the insulation market. Residential activity accounts for 40% of this business unit, and the housing slowdown will certainly maintain pressure on volumes and margins during the second half, yet despite this, other sectors and the growing attractiveness of high performance insulation should deliver reasonably solid sales in the second half of the year.

Insulation Boards continued to show good progress in the continental markets, particularly in Germany and Central Europe, where volumes rose by 20%. In support of the Group’s longer term goals in the region, work is continuing on the establishment of new world class facilities in
both the Netherlands and Poland. This forms part of the Division's broadening geographic balance, but more importantly, places capacity firmly in the under-penetrated markets of the continent. This market remains dominated by traditional, low performance insulants, and has a rigid board penetration level still only in single digit percentages.

Environmental & Renewables

Representing 17% of Group sales in the period, turnover was €140.0mn, broadly flat over prior year.

Relative to 2007, fuel storage and effluent treatment products have performed well, and although the UK and Irish markets have been tougher, excellent cost control led to a solid outcome. The ongoing product warranty issue continued to lean on margins however, and formal legal action to recover past and future losses commenced during the second quarter. If they run their full course, proceedings may last into 2010.

The Group's Unvented Hot Water Cylinder business has been focused on the new build housing market of the UK, a strategy that contributed strongly to its growth in recent years. This pattern has clearly been interrupted in the last few months as homebuilders have significantly reduced their output. Tight cost control, and expansion of the business into RMI segments will help sustain it through this period, but margins will suffer due to topline pressure. Although it's some time away yet, this business is well positioned for what we expect will be a strong sectoral rebound given the longterm need for new housing in the UK.

The Group's Solar Hot Water activity has delivered a strong first half, and in doing so, has turned what was an underlying loss in 2007 into to a positive return sofar in 2008. This business is the Group's first step into building integrated renewables, a segment that will be focused on more intensely in the future. Kingspan views the combination of highly insulated building fabric and renewable energy sources as the most viable and marketable answer in the drive towards genuinely low carbon buildings. In recognition of this aspect, the Group has committed to growing its solar evacuated tubes capacity, the most efficient method of solar hot water generation, by 300% in 2009, rising to 500% by 2013. This investment is in addition to a site consolidation drive that will see six of the current Environmental & Renewables sites become one new facility, which began in phases from the second quarter this year. This move will yield greater process and operational efficiencies from early 2009.

Off-site & Structural

Representing 16% of Group turnover in this period, sales were €138.0mn, a decline of 18.5% over prior year.
In the first half of 2008, the Irish residential market has suffered a very considerable and widely reported slowdown. Volume estimates indicate that the level of housing starts has reduced by approximately 70% over the same period in 2007. Output from the Group’s manufacturing locations has also experienced a commensurate decline, which has heavily impacted the operating return in the period. Despite such a steep decline, the business has operated at only a slight loss, owing largely to the timely and deep reduction in its operating and overhead costs over the preceding year. The business now operates from one site, having ceased production at the other two. Over the coming twelve months, the Group anticipates residential activity to decline slightly from current levels, and remain at those levels for a further year or so.

Structural Products in Ireland are down over 25%, but as the product range expands, a number of the new façade offerings have had positive market introductions, and an encouraging specification bank is being built.

In the UK, the Off-site business produced a solid performance in the first six months, up 15% on 2007. Much of this was delivered in the early part of the year, with a noticeable drop-off towards the end of the half, which is anticipated to be the case for the remainder of the year also. As part of the ongoing consolidation process, one manufacturing location and sales offices have been closed, and activity is being concentrated at an existing site north of London. This is the geographic area in which the Group expects to invest in a centralised UK facility around 2010. Growing penetration, bolstered by a supportive legislative framework and an evolving product range leaves the Group satisfied that the medium to long term potential for this business is solid in the UK.

Structural products sales in the UK were also robust, up approximately 10% on prior year, and largely due to reasonable low rise construction, and a strong high rise market into which the Group’s floordeck product is supplied.

**Access Floors**

Representing 11% of Group turnover in the period, sales were €97.3mn, growth of 5.5% over prior year.

In the US, sales grew substantially as the office construction market remained strong, and conversion to modern flooring solutions continued. Coupled with this has been a strong data construction environment in the US, led by the leading internet organisations, which resulted in the positive trend in laminated flooring product sales for the period. Order intake was up in excess of 30% in the six months, which reflected an element of price increase commitments made in June. This trend has reversed considerably in the third quarter.

The pattern of trade in the UK has been very similar to that of North America, where office construction, particularly in London has been resilient, despite other aspects of the construction
environment weakening. This trend in office activity is likely to continue at least through the rest of 2008.

Both businesses produced strong margins again, which at a combined 16%, is well up on prior year. In the second half, however, rising steel costs, and a degree of fixed contract pricing will erode margins, most noticeably in North America.

Acquisitions

On 22 August 2008, the Group acquired Metecno Inc., the second largest Insulated Panel and profile producer in the US, for a total consideration of $111mn. Metecno operates out of 5 facilities across the US, and together with the Group’s existing Canadian presence, gives Kingspan unrivalled geographic reach and a market leading position in the North American Insulated Panel market. This is a key strategic move for the Group and provides exposure to a market that longer term will trend towards more efficient methods of construction. While composite panels have traditionally occupied only a very small position in that market, the combination of environmental and energy cost pressures, together with a market leading position, provide Kingspan with an excellent opportunity to grow penetration of its product range in the medium term.

Outlook

Near term, a contracting market, rising raw material costs, and a foreign exchange headwind all present challenges to the Group. As previously indicated to the market, this will result in lower earnings in the current year. The tightening cost control measures, continued investment in growth markets, and a broadening geographic base, together with the opportunity created by high energy prices, should provide Kingspan with a stronger, more balanced position from which to build the business in the future.

Whilst the global economic environment is changing, the challenges of dealing with our ecological environment are not. There now exist clear international targets for longer term carbon emission reductions, which are increasingly reflected in national building codes and a rising pattern of low energy construction. Compounding this is the exceptionally high, and upward trending cost of energy, which in itself drives the choice towards high performance insulation and micro renewable energy. The economic and ecological case has never been more compelling for low energy building solutions and Kingspan will continue to pursue a strategy of broadening its geographic exposure to this changing environment.