# KINGSPAN GROUP PLC

## PRELIMINARY RESULTS

## Year Ended 31 December 2009

# KINGSPAN GROUP PLC

# RESULTS FOR THE YEAR ENDED 31st DECEMBER 2009.

Kingspan Group Plc ("Kingspan"), the leading international manufacturer of an integrated range of energy conserving building solutions, today announces its preliminary results for the year ended 31 December 2009.

**Financial Performance:**

| | 2009 | 2008 | % Change |
|---|---|---|---|
| **Turnover** | **€1,125.5mn** | **€1,672.7mn** | **-33%** |
| **Operating profit** | **€62.7mn** | **€157.1mn*** | **-60%** |
| **Profit before tax** | **€56.7mn** | **€68.1mn** | **-17%** |
| **Basic earnings per share** | **28.7€cent** | **26.7€cent** | **+7%** |
| **Dividend per share for the year** | **nil** | **8.0€cent** | |
| **Interest cover (EBITDA/Net Interest)** | **9.4 times** | **14.6 times** | |
| **Gearing ratio (net debt as % shareholders funds)** | **28.1%** | **57.7%** | |

*** before non-trading items**

**Operational Performance:**

- Solid performance in 2009 from the overall Group, despite hostile economic conditions.
- Insulation Boards total sales volumes were down 23%, although growing sales and penetration in Western Europe.
- Insulated Panel sales volumes in the UK, Ireland and Western Europe were down 33%, with particular weakness in the speculative development segment.
- Insulated Panel sales volumes in North America were down 23%. Architectural façade products remained strong and the former Metecno business performed robustly in the circumstances.
- Central & Eastern Europe panel volumes were also weaker, down 25%. A substantial reorganisation of this unit was implemented, and will be completed in H1 2010.
- Access Floors sales volumes were down 31% globally, however, margins improved from 14% to 17.5%.
- Across the Group, fixed cost reductions in the year of €50mn brings the total since peak to €66mn. This process is largely complete.
- Total investment in the year was €48.1mn. The main projects were the completion of a new Kooltherm® phenolic insulation facility in the Netherlands, and the completion of a new solar thermal collector plant in Northern Ireland. The Group also entered the Australian thermal insulation market with the acquisition of AIR-CELL Innovations in December, complementing Kingspan's already growing Insulated Panel business in that region.
- Excellent progress was made in debt reduction, with net debt at year-end of €164.3mn, down from €299.6mn. Operating working capital was €99mn lower than a year earlier.

2009's performance by operating segment was as follows:

| **Segment Result (profit before finance costs)** | **Insulated Panels €'mn** | **Insulation Boards €'mn** | **Environmental & Renewables €'mn** | **Access Floors €'mn** | **Total €'mn** |
|---|---|---|---|---|---|
| Trading Profit | 26.3 | 13.5 | 1.8 | 25.5 | 67.1 |
| Intangible Amortisation | (2.8) | (0.7) | (0.8) | (0.1) | (4.4) |
| Operating result 2009 | 23.5 | 12.8 | 1.0 | 25.4 | 62.7 |
| Finance costs (net) | | | | | (6.0) |
| Results for the period before tax | | | | | 56.7 |
| Income Tax Expense | | | | | (8.7) |
| Net result for the year | | | | | 48.0 |

Gene Murtagh, Chief Executive of Kingspan commented:

"In 2009 we experienced a set of global challenges never encountered before by the business. In the circumstances, the Company delivered a robust and resilient performance having responded to the challenges by overhauling our cost structure and focusing on cash generation. Excellent progress has been made in debt reduction which positions the Company with one of the strongest balance sheets in the industry.

While the year ahead will present continued challenges, there is now tangible evidence of stability emerging with conditions becoming more predictable than in the recent past. Globally, energy conservation initiatives continue to gather pace which will play to the Group's strengths. Coupled with the strong actions taken to date, it leaves Kingspan in good stead as markets regain stability."

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Ed Micheau

*Chief Executive's Review*

In the immediate aftermath of the international financial crisis, the global economy was exceptionally weak, particularly in early 2009. These difficulties transpired to be a sign of things to come and as the year progressed, pressures in many sectors continued to mount, and were acutely evident in the construction environment. However, the closing quarter gave some reprieve, and tangible evidence of stability began to emerge.

In all, the current environment has been the toughest experienced by Kingspan in modern times. It has necessitated a shift in management priorities, which were effected without impacting the business' longer term positioning within the growing global theme of greater energy efficiency, lower emissions, and lower energy costs.

Widespread reorganisation and cost-out programmes led to an underlying reduction of €66mn in the Group's fixed cost base since peak. Over the past 18 months, more than ten plants were consolidated into larger more efficient operations, and the relentless focus on cash drove a reduction in net debt of over €135mn, leaving the balance sheet considerably stronger than a year earlier. The profit performance of the business naturally suffered with revenue falling 33% to €1.1bn, but EBITDA and operating profits of €102.8mn and €62.7mn respectively, were solid given the times.

**Insulated Panels**

| Sales | | | % of Group Turnover | |
|---|---|---|---|---|
| 2009 | 2008 | % change | 2009 | 2008 |
| €593.9mn | €862.1mn | -31% | 53% | 51% |

Sales volumes in the UK suffered heavily in the early part of the year, but broadly flattened out for the latter six months. In all, sales volumes were down 35%, and order intake was down 34% on prior year. This downward spiral eased towards year end and was reflected in improved order intake. A significant portion of the activity was both food and retail led, while speculative development, a key driver in the past, practically ceased. The result was a smaller average order size, and a shifting mix which in future will see a growing portion of sales in the higher value "Benchmark" architectural façade systems. This product suite, already marketed in North America, has now been tailored for the European markets. This higher value-added range will be launched by mid 2010 and we anticipate that the medium to longer term penetration growth potential is significant. Nearer term, the project pipeline has trended very marginally up in recent months, quotation levels are robust, and order intake in the first two months of 2010 is up 20% versus 2009. Volumes in the Benelux were down 14%, reflecting the relatively stable environment in the region, which appears to be continuing into 2010.

Ireland volumes, now representing 5% of this category's revenue, continued to reach new lows as the year drew to a close. Newbuild activity in this segment has fallen to levels not seen in Ireland for 30 years, as a direct result of the excess non-residential inventory resulting from the overbuild in 2007 and early 2008. The stranglehold caused by lack of general business lending will compound this trend for some time, and is evidenced by declining architects' workloads. Order intake levels in this sector were down 60% year on year, or down 73% since the peak of 2007. The fundamental overhaul of this business' cost base and work practices will be essential in ensuring its longer term recovery.

Across Central & Eastern Europe, sales volumes were down 25% in 2009, a pattern which also eased in the final quarter. The business' performance in Poland and Germany was relatively strong, with volumes in these markets down only slightly. Czech Republic, Hungary, the Baltics, and Romania were exceptionally weak as funds availability and confidence both took a knock. Coinciding with this weakness has been overinvestment in the industry's capacity levels, which is likely to continue exerting pressure on margins for the foreseeable future. In light of this, more new product introductions and a longer term move into the higher end insulated architectural façades will be key. In the meantime, the order book at year end stood 3% lower than a year earlier, although quarter one 2010 is expected to be somewhat down year on year due mainly to adverse weather conditions.

In Turkey and the Middle East, the operating performance of the business improved during the year, largely due to enhanced margins. Volumes were similar to a year earlier, and the run rate is likely to remain at similar levels for at least the first half of 2010.

In North America, non-residential construction tapered off sharply during the year, and underlying sales were down 23% on 2009. Volumes in Canada were more severely impacted, a situation that was exacerbated by the fall-off in developments in the oil producing regions. In the US, architectural sales were strong and notwithstanding the pressures on volume, it was a year of solid progress in building the team and the model for the longer term. In 2010, the focus will be on achieving higher levels of operational efficiency in the US facilities, fully commissioning the two new plants in Canada, and continuing to drive the brand through the distinctly different channels of Architectural, Commercial and Industrial, and Cold Storage segments. 2010 is also likely to see the ratification of what will essentially amount to the first ever US wide building energy code. The Department of Energy's Net Zero Energy programme will effectively establish an allowable base building energy performance that will ultimately culminate in grid neutral buildings by 2025. This legislative roadmap presents great opportunities for Kingspan's model.

Australia and New Zealand showed an improved performance in 2009 over prior year, and the current year should build upon that progress.

**Insulation Boards**

| Sales | | | % of Group Turnover | |
|---|---|---|---|---|
| 2009 | 2008 | % change | 2009 | 2008 |
| €215.3mn | €345.2mn | -38% | 19% | 21% |

In Britain, newbuild housing activity was lower than it has been for decades, and volumes were down 25%, a better outturn than for the general market activity. Growing penetration of rigid high performance insulation was further complemented by Kingspan's Kooltherm® phenolic insulation which continued to grow its underlying share of the market. From April 2010, building codes in the UK will be upgraded once again, and the targeted decreases in carbon emissions from new buildings will be in the order of 25%. The related increase in thermal insulation required will be a similar percentage, and will be implemented from mid 2011. As the codes become more stringent, the attractiveness of thinner and more thermally efficient rigid insulation like Kooltherm® becomes greater.

In Ireland (including Northern Ireland), the Insulation Boards business is primarily exposed to the residential market in both newbuild and, increasingly, RMI. Refurbishment activity provided a solid base for the business in 2009 given the collapse of the newbuild segment. This pattern is likely to prevail over the medium term, and much of the product strategy will be focused on the growing refurbishment segment.

Mainland Europe was comparatively stable during 2009, and volumes were down 7%. At present, the business' primary markets on the continent are the Netherlands, Belgium and Germany. The products marketed are rigid foam, produced in the UK, and Kooltherm®, produced in the Netherlands. This latter facility was commissioned in late 2009, and will predominately serve the German and Dutch markets. The product is being focused most specifically on the external wall insulation refurbishment opportunity in Germany, and in the future, across Central & Eastern Europe. The current incumbent in these markets is fibrous insulation, like stone and glasswool, which will be increasingly inefficient given its relative thickness and poor over-life performance. The penetration in Continental Europe of high performance rigid insulation is currently less than 5%, offering clear opportunities for this business to develop and grow.

Towards the end of the year, AIR-CELL Innovations in Australia was acquired by Kingspan. This business provides an excellent platform and network from which to build our presence across Australia and New Zealand, not only with its own range of insulations, but also with the broad range of products that Kingspan will bring to the venture.

**Environmental & Renewables**

| Sales | | | % of Group Turnover | |
|---|---|---|---|---|
| 2009 | 2008 | % change | 2009 | 2008 |
| €168.7mn | €266.7mn | -37% | 15% | 16% |

With approximately 75% of this division's sales coming from the UK and Ireland, this business bore the brunt of the recessionary slide in both markets.

This business' product range is extensive, and includes solar thermal hot water systems, heat pumps, rainwater harvesting, water storage, fuel storage and wastewater treatment systems. Many are destined for the residential segment, hence the current pressures. The pressures on the business will ease as the UK housing market, in particular, begins to recover, and evidence of this was already visible towards the end of 2009.

During the first quarter of 2010, a new entirely automated manufacturing facility for the production of solar thermal collectors is being commissioned in Northern Ireland. The plant will produce the highly effective solar thermal vacuum tubes more efficiently than any other comparable operation globally, and the current market focus is in Mainland Europe and North America, where our routes to market have developed rapidly in the past year.

On an underlying basis, this division returned a profit although as in other years, the figures are substantially impacted by the ongoing polyethylene raw material related warranty issues dating back to 2002/2003. Proceedings have been issued against the supplier of the material, Borealis, based on specialist legal and technical advice, in which the full recovery of past and future losses is being sought. A conclusion to the case is anticipated sometime in 2011.

**Access Floors**

| Sales | | | % of Group Turnover | |
|---|---|---|---|---|
| 2009 | 2008 | % change | 2009 | 2008 |
| €147.6mn | €198.7mn | -26% | 13% | 12% |

Given the late cycle nature of office construction, the weakness of the general economy wasn't particularly evident in this business during the first half of 2009. Underlying conditions were deteriorating however, and in the second half, the year on year volume decline accelerated in both North America and Europe. Overall, first half volumes were down 25% on prior year, and the second half down 36%.

We expect office construction starts will hit a low in 2010, driven largely by the excess capacity currently in the market. Vacancy rates in major US and European cities are at a five-year high, and development activity will therefore remain weak before any resumption of growth, possibly in late 2011 or 2012.

Despite the weakening completions, Kingspan's businesses performed exceptionally well during 2009, and margins were strong at 17.5%. Firm management of controllable costs was the largest contributor to this, a theme that will continue to run through the current year throughout the Group.

**Capital Expenditure and Acquisitions**

Total investment during the year was €48.1mn. This figure is significantly lower than that of recent years during which the Group substantially expanded its overall capacity, and it is above the run rate anticipated to maintain the business during the current year.

Investments of note in the year were the completion of the Kooltherm® insulation facility in the Netherlands, the completion of a new, relocated insulated panel plant in Toronto, Canada, and a new relocated solar thermal facility in Northern Ireland.

In December, the acquisition of AIR-CELL Innovations in Australia was also completed.

**Looking Ahead**

In the near term, it is likely that the overall building environment will be more predictable than in the recent past. The virtual collapse in activity experienced in late 2008 and 2009 should be replaced with a more stable, albeit notably lower base from which to build businesses once again.

The Group has and will continue to benefit from its overhauled cost structure, and its more streamlined operations which are the result of substantial internal consolidation over the past two years. This has been achieved without damage to the core tenets of Kingspan's competitive advantage being undermined. An increased focus on a number of new products which were brought to market during this period, in addition to the broader palette of Kingspan solutions, will continue to generate long term potential across a wider geography than at any time in the past.

Notwithstanding these opportunities, the current year will continue to pose challenges for Kingspan as some economies climb slowly out of recession, leaving behind a construction environment that has not yet fully caught up with the general contraction of last year. In some markets building activity is therefore still likely to have further to fall.

Globally, the energy conservation agenda continues to gain impetus, which will become more evident when further tangible national and international energy saving commitments are firmed up. Kingspan's strategy remains fully aligned with that global theme.

Gene Murtagh

1st March 2010

## Financial Review 2009

### Overview

2009 saw a fall in Group turnover of 33% and a decrease in operating profits (before non-trading items) of 60%. At a constant currency, sales were down 28% and operating profits were down 57%. The trend in sales has improved somewhat being down 35% in H1 2009 vs H1 2008 and 30% in H2. Overall from peak (H1 2007) to trough (H2 2009), Group sales suffered a decline of 42%. Given the Group's relatively high operational gearing in certain products, this fall-off in sales has had a disproportionate impact on operating profits, which was mitigated somewhat by a rapid response through fixed cost reductions and rationalisation of some manufacturing facilities.

The gross margin (gross profit as % of turnover) was 27.4% for the year, compared to 27.9% in 2008. There was a slight improvement in H2 over H1 (H1 27.2%, H2 27.4%) as raw material prices stabilised.

Fixed overheads were reduced by approximately €50mn in the year compared to 2008. This is a like-for-like comparison at constant currency, excluding the acquisition of the Panels business in the United States, and is a reduction of €66mn from the peak. There were rationalisation costs in the year of €6.5mn which are included in operating costs.

The weakness of Sterling against the Euro (average rate 2008: 0.796 v average rate 2009: 0.8917) has had a negative impact on the translation of results when compared with last year. The overall impact of all currency movements on Euro reported turnover was €71mn and operating profit was €4mn.

There was capital investment of €48.1mn in the year including the acquisition of AIR-CELL Innovations. Based in Perth in Australia, AIR-CELL is a market leading distributor of flexible reflective insulation foil products with inter-state presence across the Australian market. Other capital investment mainly related to the completion of projects from 2008 and maintenance capital.

Operating working capital at year end of €123.3mn was reduced by €99mn compared to 2008, due to increased focus and lower activity levels.

### Dividend

The Board is recommending that no final dividend in respect of 2009 be paid. Resumption of dividend payments will be considered by the Board in 2010 in light of debt reduction achieved in 2009, ongoing cash flow and operating performance reaching expectations.

### Results

### Income Statement

| | **2009 €'mn** | **2008 €'mn** |
|---|---|---|
| Sales Revenue | 1,125.5 | 1,672.7 |
| Gross Profit | 308.9 | 467.5 |
| Gross Profit % | 27.4% | 27.9% |
| Operating Costs | (241.8) | (305.8) |
| **Trading Profit** | **67.1** | **161.7** |
| Amortisation | (4.4) | (4.6) |
| Non Trading items | 0.0 | (75.1) |
| | | |
| **Operating Result** | **62.7** | **82.0** |

Segment Reporting

Following on from the restructuring of the businesses and the requirements of IFRS 8, the segmental reporting of the results has been changed. From 1 January 2009 the following four business segments are reported on:

| | |
|---|---|
| Insulated Panels | manufacture of insulated panels, structural framing and metal façades; |
| 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. |

Up to December 2008 Insulated Panels and Insulation Boards were reported on as one combined segment. In addition, Offsite & Structural was reported as a segment in its own right. Following the restructuring of this business unit, the part of Offsite & Structural that relates to timber framing and engineered timber systems has been transferred to Insulation Boards and the rest of the business (relating to metal framing, façades and structural products) has been transferred to Insulated Panels.

Note 2 of the supplementary information in the attached accounts gives further analysis of the segments and the rest of this report deals with the results analysed under the new segments and corresponding comparisons.

## Turnover

Turnover for the year ended 31 December 2009 was €1,125.5mn, a drop of 33% on 2008. The acquisition of Metecno Inc. in August 2008 generated incremental turnover in 2009 of €41.3mn. In 2009, the decline in the value of Sterling against the Euro continued and the average rate in 2009 was 0.8917 versus an average rate in 2008 of 0.796. Approximately 45% of Group turnover was in the Sterling area and this, combined with movements in average exchange rates for other operating currencies, resulted in an adverse translation impact on turnover of €71mn. Stripping out the impact of the adverse effect of movement in translation and the incremental impact of the acquisition of Metecno Inc., underlying turnover was down by 31%. This reduction results from an overall volume decline of approximately 25% and price/product mix decline of 6%.

| **Analysis by Class of Activity** | **Year ended 31.12.09 €'mn** | **Year ended 31.12.08 €'mn** | **% Change 2009-2008** | **% Change @ constant rates** |
|---|---|---|---|---|
| Insulated Panels | 593.9 | 862.1 | *-31%* | *-27%* |
| Insulation Boards | 215.3 | 345.2 | *-38%* | *-33%* |
| Environmental & Renewables | 168.7 | 266.7 | *-37%* | *-29%* |
| Access Floors | 147.6 | 198.7 | *-26%* | *-25%* |
| | **1,125.5** | **1,672.7** | **-33%** | **-28%** |

| **Analysis by Geographic Market** | **Year ended 31.12.09 €'mn** | **Year ended 31.12.08 €'mn** | **% Change 2009-2008** | **% Change @ constant rates** |
|---|---|---|---|---|
| Ireland | 78.1 | 173.8 | *-55%* | *-55%* |
| Britain & NI | 503.3 | 826.6 | *-39%* | *-32%* |
| Mainland Europe | 310.9 | 453.1 | *-31%* | *-28%* |
| Americas | 192.7 | 177.1 | *+9%* | *+5%* |
| Other | 40.5 | 42.1 | *-4%* | *+2%* |
| | **1,125.5** | **1,672.7** | **-33%** | **-28%** |

Insulated Panels in the UK, Irish and Western European markets:

| Currency | Volume | Price & Mix | Total |
|---|---|---|---|
| -4% | -33% | -3% | -40% |

- Sales were down 40% for the year. Volume, down 33% overall, was 37% lower in the first half and 27% in the second half.
- Order intake was down 40% in the first half, down 18% in the second half and down 32% for the full year.

Insulated Panels in Central & Eastern European markets:

| Currency | Volume | Price & Mix | Total |
|---|---|---|---|
| -5% | -25% | -3% | -33% |

- Sales were down 33% for the year. Volume was down 28% in the first half and down 21% in the second half, down 25% overall
- Order intake was down 28% year-on-year being down 40% in the first half but down 11% in the second half.

Insulated Panels in the North American markets:

| Currency | Volume | Acquisitions | Total |
|---|---|---|---|
| +5% | -23% | +62% | +44% |

- Metecno Inc. was acquired by the Group in August 2008. Turnover for the year 2009 was $111.2mn (€79.7mn), down 25% on the same period in 2008.
- In Canada sales were down approximately 23% year on year.

Insulation Boards:

| Currency | Volume | Price & Mix | Total |
|---|---|---|---|
| -6% | -23% | +4% | -25% |

Engineered Timber Systems:

| Currency | Price/Mix/Volume | Total |
|---|---|---|
| -3% | -69% | -72% |

- Insulation sales volumes were down 23% for the year, down 32% in the first half, and down 13% in the second half. This decline in volumes was offset by increased value of sales of 4%.
- Sales of Off-site/Engineered Timber Systems were down 72% versus 2008 (down 69% on constant currency).

Environmental & Renewables:

| Currency | Price & Volume | Disposals | Total |
|---|---|---|---|
| -8% | -21% | -8% | -37% |

- Sales were down 37% of which price/volume was down 21% year on year, being down 23% in the first half and 18% in the second half.

Access Floors:

| Currency | Volume | Price & Mix | Total |
|---|---|---|---|
| -1% | -31% | +6% | -26% |

- Sales were down 26% in the year. 31% of this reduction was represented by volume, being down 25% in the first half and down 36% in the second half.
- Order intake, declined by 25% in the North American market and by 44% in the European markets compared to 2008.

With the exception of Access Floors, which is mainly into a late cycle market, the downward trend in order intake and sales showed a significant abatement in the second half of the year, continuing into 2010.

**Trading Profit**

Trading profit, before amortisation and non-trading items, was €67.1mn compared to €161.7mn in 2008, a decline of 59%. There was a negative impact of the translation of trading profits from non-Euro currencies at the average exchange rates of €4mn. Stripping out the translation impact the decline in operating profit was 57%.

The return on sales in 2009 was 5.6% compared to 9.4% in 2008.

Cost of sales comprises variable costs i.e. raw material and direct labour plus other production overheads which are fixed or semi-fixed. Variable costs as a percentage of sales reduced by approximately 1% compared to last year. While production overheads were reduced by €28mn, as a percentage of sales they increased by approximately 1.5%. As a result the gross profit at €308.9mn representing a return of 27.4% on sales, compares to 27.9% last year.

Operating costs (including amortisation) at €246.2mn are down by €64.2mn compared to 2008. Excluding the effect of the acquisition of Metecno on 2009 overheads and the effect of exchange rate movements between the two periods, the net overhead reduction in the year was €50mn.

| | **Actual Overheads €'mn** | | **Overhead Reduction €'mn** |
|---|---|---|---|
| | **Half 1** | **Half 2** | |
| 2007 | 145 | 149 | |
| 2008 | 149 | 133 | |
| 2009 | 118 | 114 | |
| Reduction H1 09 vs H1 08 | | | ***31*** |
| Reduction H2 09 vs H2 08 | | | ***19*** |
| H2 08 vs H2 07 | | | ***16*** |
| | | | ***66*** |

*Trading margin by product group*
(excluding amortisation/rationalisation costs*/non-trading items)

| | **2008** | **2009** |
|---|---|---|
| Insulated Panels | 12.9% | 5.3% |
| Insulation Boards | 5.9% | 6.4% |
| Environmental & Renewables | 1.0% | 1.7% |
| Access Floors | 14.0% | 17.5% |
| **Group** | **9.7%** | **6.5%*** |

* Rationalisation costs of €6.5mn in 2009 have been added back to the profits in the relevant division.

The table above shows the trading margin for the product groups.

Insulated Panels margin decreased to 5.3% (2008: 12.9%). Raw materials purchased in quarter four 2008, acquired at higher prices and carried through in inventory into 2009, had a negative impact on margins, particularly in the first half of the year. There were also specific issues in Canada where the Group is still manufacturing on an inefficient line pending the move to an upgraded manufacturing process. This new plant will be fully commissioned in Quarter 1 2010. In the United States incremental costs were incurred as the process of product, market and management development got underway. In Central Europe overcapacity in the industry resulted in pressure on margins. In addition, all business units suffered from the loss of leverage on fixed costs resulting from the decline in volumes.

Insulation Boards margin increased to 6.4% (2008: 5.9%). The incorporation of Engineered Timber Systems into this business from Off-Site & Structural depressed the margin, particularly in 2008. The underlying profitability of the Division continues to remain robust and should not be materially affected by Engineered Timber Systems in the future.

The margin in Environmental & Renewables at 1.7% is up from 1.0% last year. Efficiencies have been coming through in the Environmental part of this Division since the consolidation of sites in Ireland was completed last year and further consolidation was completed in Britain in 2009. Costs continue to be incurred in relation to the warranty issues arising from faulty raw material supplied to the division in the past, which at €6mn is a somewhat higher charge than last year. In the Renewables business, sales have been disappointing in the year, particularly in mainland Europe, which had accounted for approximately 75% of this units' turnover. At the same time the Group has significantly increased resources in respect of new geographical market development and product development. The investment in a new manufacturing facility, which will be fully commissioned in Quarter 1 2010 will result in significant unit cost savings.

Access Floors delivered an operating margin of 17.5% (2008: 14%). The gross margin has held up strongly, despite steel price volatility in the first half of 2009. The mix of product also had a positive impact on sales pricing and related margins. There are challenges to come, given the position of these products in the construction cycle and indicated by the negative trends in sales volumes, quotations and order book, that will put pressure on the margins here in the medium term.

*Non-Trading Items (including goodwill impairment)*

Included in non-trading items in 2008 was goodwill impairment of €43.6mn. Further analysis of the carrying cost of goodwill on the balance sheet was carried out in 2009 and this review resulted in no further impairment charges. There were rationalization costs incurred in 2009 of €6.5mn included in operating overheads.

As a result of site rationalisation, production properties surplus to requirements with a book value of €19.0mn have been transferred in the Balance Sheet from "Property" to "Assets held for resale". None of these properties, which are still believed to have a disposal value in excess of book value, were disposed of during the year. Since year end the sale of one of these properties has been agreed, at a price slightly in excess of its book value.

**Net Finance Costs**
The net finance costs in the year were €5.9mn. This comprises interest paid or payable of €12.7mn and interest received of €1.8mn giving a net interest charge of €10.9mn.

In addition there was a translation gain on the private placement debt of €11.8mn and the fair value movement on the related cross currency interest rate swaps resulted in a loss of €6.9m. These two non-cash adjustments, a net credit of €4.9mn, have been credited off the net interest charge of €10.9mn.

The circumstances of this credit to the profit and loss account are set out below;

The Group had a private placement of US$158mn fixed interest 10-year bullet repayment loan notes maturing on 29 March 2015 and US$42mn fixed interest 12-year bullet repayment loan notes maturing on 29 March 2017. The Group, being Euro denominated and with mostly Euro cash flows wished to economically hedge the risk and therefore entered into US dollar fixed/Euro fixed cross currency interest rate swaps for the full amount of the private placement with semi-annual interest payments with a weighted average interest rate of 4.15%. The maturity date of these cross currency interest rate swaps is identical to the maturity date of the private placement debt.

These cross currency interest rate swaps had not been designated under the IAS39 hedge accounting rules. Consequently the change in fair value of the cross currency interest rate swaps is recognised in the Income Statement (€6.9mn above) and the translation gain on the private placement debt is also recognised in the Income Statement in accordance with IAS21 (€11.8mn above).

On 26 February 2010, these cross currency interest rate swaps were designated under IAS 39 hedge accounting rules and as such any further changes in the fair value of the swaps or in the translation of the debt itself will be adjusted directly through reserves, thus removing any of the volatility from reported earnings.

**Taxation**
Taxation provided for on profits is €8.7mn or a composite rate of 15.4% of profit before taxation. This compares with an equivalent rate of 14.6% in 2008. This increase is the result of a different spread of profits across jurisdictions with relatively higher tax rates.

**Earnings Per Share**
Basic earnings per share at 28.7 €cent compares with 26.7 €cent last year, an increase of 7%. This includes the net credit of €4.9mn in relation to the cross currency swaps and revaluation of the US$ loan described above. In the absence of this credit the underlying earnings per share in the year was 25.7 €cent, a fall of 4% on 2008.

The Group's shares traded in a range of €2.02 to €7.00 during 2009 and at year end the share price was €6.00.

**Funds Flow**
The table below summarises the Group’s funds flow for 2009 and 2008:

| | *2009* €'mn | *2008* €'mn |
|---|---|---|
| Operating profit | 62.7 | 82.0 |
| Depreciation | 35.8 | 40.6 |
| Amortisation | 4.3 | 4.6 |
| Working capital decrease/(increase) | 105.4 | 43.6 |
| Pension contributions | (2.9) | (2.6) |
| Interest | (12.9) | (12.7) |
| Taxation paid | (10.1) | (18.1) |
| Others | 5.4 | 60.3 |
| **Free cash** | **187.7** | **197.7** |
| Acquisitions | (8.0) | (92.6) |
| Net capital expenditure | (45.9) | (97.5) |
| Dividends paid | (0.3) | (42.3) |
| Share buy-back | 0.0 | (32.6) |
| | **(54.2)** | **(265.0)** |
| **Cash flow movement** | **133.5** | **(67.3)** |
| Debt translation | 1.8 | (7.3) |
| **Decrease/(Increase) in net debt** | **135.3** | **(74.6)** |
| Net debt at start of year | (299.6) | (225.0) |
| **Net debt at end of year** | **(164.3)** | **(299.6)** |

Earnings before finance costs, tax, deprecation, amortisation (EBITDA) and before Non- Trading Items was €102.8mn (2008: €202.3mn). In 2009, the Group delivered free cash flow of €187.7mn. This included a positive contribution of €105.4mn from a working capital reduction. This was used to fund investment of €8.0mn in acquisitions and net capital expenditure of €45.9mn.

Net debt, including amounts outstanding in respect of acquisitions, at the end of year was €164.3mn, a decrease of €135.3mn on 2008.

| | **31 Dec 2009 €mn** | **31 Dec 2008 €mn** |
|---|---|---|
| Cash and cash equivalents | 83.9 | 75.3 |
| Bank debt < 1 year | (31.9) | (16.8) |
| Private placement debt > 5 years | (151.4) | (151.4) |
| Bank Debt 2-5 years | (61.6) | (194.0) |
| Contingent deferred consideration | (3.3) | (12.7) |
| Total Net debt | (164.3) | (299.6) |

Operational working capital at the year end was €123.3mn (2008: €222.3mn), a reduction of €99mn and represented 11.0% of turnover (2008:13.3%). Approximately €58mn of this reduction was due to the fall off in the level of activity and the balance resulted from improved management of the components of working capital. There can be expected to be some increase in the general level of working capital requirements during 2010 but the target remains to manage this on average at about 15% of sales.

**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:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| EBITDA interest cover | 9.4x | 14.6x | 22.8x |
| Net debt:EBITDA | 1.6x | 1.48x | 0.79x |
| Effective tax rate | 15.4% | 14.6%* | 16.4% |
| Net debt as % of total equity | 28.1% | 57.7% | 33.4% |
| Return on capital employed | 8.4% | 19.2% | 26.4% |
| Return on Equity | 8.6% | 7.6% | 30.7% |
| Gross margin | 27.4% | 27.9% | 30.2% |
| Trading margin | 6.5% | 9.7% | 12.9% |

*yoy rate is 14.6%, including non-trading costs the rate in 2008 was 35.4%

There are three principle financial covenants relating to the funding facilities: EBITDA/net interest cover of not lower than 4 times; Net Debt/EBITDA no higher than 3.5 times; Net Assets greater than €400mn. These covenants are tested at June and December each year. At 31 December 2009 the Group was comfortably within these covenants with interest cover of 9.4, Net Debt/EBITDA of 1.6 and Net Assets of €585.5mn

**Financial Risk Management**
***Funding and Liquidity***
The Group's core funding is provided by a private placing of $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 year end the Private Placement debt was drawn down in full and €56.8mn of the banking facility was drawn. The Group also has in place a number of uncommitted bilateral working capital/overdraft facilities amounting to circa €65mn at year end.

**Foreign Exchange Risk**
There are three types of foreign exchange risks to which the Group is exposed:

*1. Transactional* - where a business unit has input costs or sales in currency other than its local currency; *2. Translational* - where profits are earned in a currency other than Euro, which is the reporting currency for the Group, and 3. *Balance Sheet* - where the Group has investments in non-Euro currency, not offset by borrowings in the same currency. The first two affect the earnings of the Group and the latter goes directly to reserves and affects the net assets position.

*Transactional* - transaction exposures are internally hedged as far as possible, and to the extent that they are not material residual exposures are hedged on a rolling 12 month basis. Based on current cash flow projections for the existing businesses to 31 December 2010, it is estimated that the Group will have surplus sterling of approximately £44mn which will be required to be converted to Euro during the year. At the current date £26mn, or 60% of the surplus, has been sold forward at an average rate of 0.8840 compared to the average rate in 2009 of 0.7950. The Group will also need to sell the equivalent of US$12mn in Sterling for US Dollar and at the current date this amount was substantially hedged at an average rate of 1.58 compared to the average rate in 2009 of 1.66.

*Translational* - it is Group policy not to hedge translational exposure, which is effectively a non-cash transaction in the accounts. There was a negative impact on non-Euro profits of circa €4mn due to adverse movements in average rates used for translation in 2009 versus 2008.

*Balance Sheet* – as the bulk of the Group's non-Euro investments are Sterling denominated, the translation of these investments into Euro has given rise to an exchange gain of €22mn which has been taken directly to reserves, thereby increasing the Group net assets. This annual translation adjustment can be positive or negative depending on the movement between the opening and closing currency exchange rates.

**Interest Rates**
The Private Placement loan notes, which represent 73% of the drawn down facilities, are fixed out to maturity in Euro at a weighted average interest rate of 4.15%. €14mn of further USD borrowings have been fixed at 1.675% bringing the total fixed debt to 79%. The remainder of the drawn down facilities are subject to floating rates.

**Customer Credit risk**
At the year end, the Group was carrying a receivables book of €181mn expressed net of provisions for default in payment. Of these receivables approximately 55% were covered by credit insurance or other forms of collateral such as letters of credit and bank guarantees.

**Pension Deficit**

The Group has three legacy defined benefit pension schemes in the UK, two of which were merged during the year. These schemes have been closed and the liability relates only to past service. Details on the movement during 2009 on the scheme deficit is set out below:

| | **€'mn** |
|---|---|
| Opening net deficit | (3.7) |
| Translation | (0.32) |
| Contributions paid | 2.9 |
| Actuarial gains/(losses) | (3.9) |
| Net finance (charge)/credit | (0.08) |
| Closing deficit | 5.1 |

**Summary**

The Group goes into 2010 with a strong balance sheet, with a streamlined business and a business model very much intact. There is capacity in the Group to service turnover of a figure in the order of €2bn without any significant capital investment. Given the operational leverage in the business, in the short term any incremental increase in sales should be relatively profitable. The Group continues to invest selectively in product, process and market development and will be ready to capitalise on any up-tick in markets and any opportunities that arise.

## CONSOLIDATED INCOME STATEMENT
## for the year ended 31 December 2009

| | **Total** | Total |
|---|---|---|
| | **2009** | 2008 |
| | **€ '000** | € '000 |
| **Revenue** | **1,125,523** | 1,672,714 |
| Costs of sales | **(816,610)** | (1,205,239) |
| **Gross Profit** | **308,913** | 467,475 |
| Operating costs | **(241,858)** | (305,739) |
| **Trading Profit** | **67,055** | 161,736 |
| Intangible amortisation | **(4,396)** | (4,615) |
| Non trading items | **-** | (75,077) |
| **Operating Result** | **62,659** | 82,044 |
| Net finance cost | **(5,980)** | (13,910) |
| **Result for the year before tax** | **56,679** | 68,134 |
| Income tax expense | **(8,712)** | (24,151) |
| **Net result for the year** | **47,967** | 43,983 |
| Attributable to shareholders of Kingspan Group plc | **47,658** | 44,990 |
| Attributable to minority interest | **309** | (1,007) |
| | **47,967** | 43,983 |
| **Earnings per share for the year** | | |
| Basic | **28.7** | 26.7 |
| Diluted | **28.3** | 26.5 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**as at 31 December 2009**

| | 2009 | 2008 |
|---|---|---|
| | **€ '000** | € '000 |
| **Net result for financial period** | **47,967** | 43,983 |
| **Other comprehensive income:** | | |
| Cash flow hedging - current year | **(389)** | 6,658 |
| Cash flow hedging - reclassification to profit and loss | **(6,658)** | (1,702) |
| Actuarial losses in defined benefit pension scheme | **(3,951)** | (1,640) |
| Currency translation | **22,681** | (131,712) |
| Income taxes relating to items charged or credited to equity | **1,106** | 452 |
| Minority interest movement | **2,212** | (110) |
| **Total comprehensive income for the year** | **62,968** | (84,071) |
| Attributable to shareholders of Kingspan Group plc | **60,107** | (82,666) |
| Attributable to minority interest | **2,861** | (1,405) |
| | **62,968** | (84,071) |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**as at 31 December 2009**

| | 2009 | 2008 |
|---|---|---|
| | **€ '000** | € '000 |
| **Assets** | | |
| **Non-current assets** | | |
| Goodwill | **300,021** | 279,777 |
| Other intangible assets | **10,305** | 13,168 |
| Property, plant and equipment | **399,989** | 411,068 |
| Long term financial assets | **10** | 210 |
| Deferred tax assets | **2,950** | 1,228 |
| | **713,275** | 705,451 |
| **Current assets** | | |
| Inventories | **110,821** | 159,116 |
| Trade and other receivables | **203,505** | 299,189 |
| Cash and cash equivalents | **83,886** | 75,254 |
| Assets held for sale | **19,010** | - |
| | **417,222** | 533,559 |
| **Total assets** | **1,130,497** | 1,239,010 |
| | | |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade and other liabilities | **191,071** | 236,029 |
| Provisions for liabilities and charges | **59,059** | 56,467 |
| Derivative financial instrument | **917** | - |
| Contingent deferred consideration | **698** | 4,980 |
| Interest bearing loans and borrowings | **31,863** | 16,857 |
| Current income tax liabilities | **32,914** | 34,314 |
| | **316,522** | 348,647 |
| **Non-current liabilities** | | |
| Retirement benefit obligations | **3,666** | 3,738 |
| Interest bearing loans and borrowings | **201,141** | 345,249 |
| Derivative financial instrument | **6,042** | - |
| Deferred tax liabilities | **14,982** | 14,504 |
| Contingent deferred consideration | **2,609** | 7,790 |
| | **228,440** | 371,281 |
| **Total liabilities** | **544,962** | 719,928 |
| **NET ASSETS** | **585,535** | 519,082 |
| **Equity** | | |
| **Equity attributable to shareholders of Kingspan Group plc** | | |
| Share capital | **22,296** | 22,265 |
| Share premium account | **36,486** | 35,751 |
| Other reserves | **(178,742)** | (194,036) |
| Revaluation reserve | **713** | 713 |
| Capital redemption reserve | **723** | 723 |
| Retained earnings | **699,373** | 651,841 |
| | **580,849** | 517,257 |
| Minority interest | **4,686** | 1,825 |
| **TOTAL EQUITY** | **585,535** | 519,082 |

**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 | Minority Interest €'000 | Total equity 31.12.09 €'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2009** | 22,265 | 35,751 | (194,036) | 1,436 | 651,841 | 517,257 | 1,825 | **519,082** |
| Shares issued | 31 | 654 | - | - | - | 685 | - | **685** |
| Employee share based compensation | - | - | - | - | 2,800 | 2,800 | - | **2,800** |
| Exercise of employee share based compensation | - | 81 | - | - | (81) | - | - | **-** |
| **Transactions with shareholders** | 31 | 735 | - | - | 2,719 | 3,485 | - | **3,485** |
| Profit for the year | - | - | - | - | 47,658 | 47,658 | 309 | **47,967** |
| **Other comprehensive income:** | | | | | | | | |
| Cash flow hedging - in equity | | | | | | | | |
| - current year | - | - | (389) | - | - | (389) | - | **(389)** |
| -reclassification to profit and loss | - | - | (6,658) | - | - | (6,658) | - | **(6,658)** |
| Defined benefit pension scheme | - | - | - | - | (3,951) | (3,951) | - | **(3,951)** |
| Tax on defined benefit pension scheme | - | - | - | - | 1,106 | 1,106 | - | **1,106** |
| Currency translation | - | - | 22,341 | - | - | 22,341 | 340 | **22,681** |
| Movement in Minority Interest | - | - | - | - | - | - | 2,212 | **2,212** |
| **Total comprehensive income for the year** | - | - | 15,294 | - | 44,813 | 60,107 | 2,861 | **62,968** |
| **Balance at 31 December 2009** | 22,296 | 36,486 | (178,742) | 1,436 | 699,373 | 580,849 | 4,686 | **585,535** |

| | Share capital €'000 | Share Premium account €'000 | Other reserves €'000 | Capital Redemption & Revaluation reserves ** €'000 | Retained earnings €'000 | Total Attributable to shareholders €'000 | Minority Interest €'000 | Total equity 31.12.08 €'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2008** | 22,146 | 31,917 | (67,568) | 1,436 | 681,755 | 669,686 | 3,230 | 672,916 |
| Shares issued | 119 | 2,574 | - | - | - | 2,693 | - | 2,693 |
| Employee share based compensation | - | - | - | - | 2,372 | 2,372 | - | 2,372 |
| Exercise of employee share based compensation | - | 1,260 | - | - | (1,260) | - | - | - |
| Share buyback | - | - | - | - | (32,565) | (32,565) | - | (32,565) |
| Dividends | - | - | - | - | (42,262) | (42,262) | - | (42,262) |
| **Transactions with shareholders** | 119 | 3,834 | - | - | (73,716) | (69,763) | - | (69,763) |
| Profit for the year | - | - | - | - | 44,990 | 44,990 | (1,007) | 43,983 |
| **Other comprehensive income:** | | | | | | | | |
| Cash flow hedging - in equity | | | | | | | | |
| - current year | - | - | 6,658 | - | - | 6,658 | - | 6,658 |
| -reclassification to profit and loss | - | - | (1,702) | - | - | (1,702) | - | (1,702) |
| Defined benefit pension scheme | - | - | - | - | (1,640) | (1,640) | - | (1,640) |
| Tax on defined benefit pension scheme | - | - | - | - | 452 | 452 | - | 452 |
| Currency translation | - | - | (131,424) | - | - | (131,424) | (288) | (131,712) |
| Movement in Minority Interest | - | - | - | - | - | - | (110) | (110) |
| **Total comprehensive income for the year** | - | - | (126,468) | - | 43,802 | (82,666) | (1,405) | (84,071) |
| **Balance at 31 December 2008** | 22,265 | 35,751 | (194,036) | 1,436 | 651,841 | 517,257 | 1,825 | 519,082 |

**Capital Redemption and Revaluation reserves are €723,000 and €713,000 respectively. There were no movements on these balances since 31 December 2008.

**CONSOLIDATED CASH FLOW STATEMENT**
**for the year ended 31 December 2009**

| | | | 2009 | 2008 |
|---|---|---|---|---|
| | | | € '000 | € '000 |
| **Operating activities** | | | | |
| Result for the year before tax | | | **56,679** | 68,134 |
| Adjustments | | | **50,967** | 107,692 |
| Change in inventories | | | **50,723** | (4,218) |
| Change in trade and other receivables | | | **108,398** | 52,018 |
| Change in trade and other payables | | | **(53,958)** | 4,715 |
| Pension contributions | | | **(2,927)** | (2,611) |
| Cash generated from operations | | | **209,882** | 225,730 |
| Taxes paid | | | **(10,119)** | (18,121) |
| Net cash flow from operating activities | | | **199,763** | 207,609 |
| **Investing activities** | | | | |
| Additions to property, plant and equipment | | | **(48,592)** | (100,044) |
| Proceeds from disposals of property, plant and equipment | | | **2,715** | 2,470 |
| Proceeds from financial assets | | | **200** | - |
| Purchase of subsidiary undertakings | | | **(6,566)** | (87,700) |
| Net cash acquired with acquisitions | | | **(183)** | 3,184 |
| Payment of deferred consideration in respect of acquisitions | | | **(11,196)** | (2,521) |
| Interest received | | | **1,840** | 1,587 |
| Net cash flow from investing activities | | | **(61,782)** | (183,024) |
| **Financing activities** | | | | |
| Repayment of bank loans | | | **(139,093)** | 84,577 |
| Discharge of finance lease liability | | | **(574)** | (1,350) |
| Proceeds from share issues | | | **685** | 2,693 |
| Buyback of own shares | | | **-** | (32,565) |
| Interest paid | | | **(14,752)** | (14,255) |
| Dividends paid to minorities | | | **(340)** | (71) |
| Dividends paid | | | **-** | (42,262) |
| Net cash flow from financing activities | | | **(154,074)** | (3,233) |
| Cash and cash equivalents at the beginning of the year | | | **74,272** | 62,938 |
| Net increase in cash and cash equivalents | | | **(16,093)** | 21,352 |
| Translation adjustment | | | **1,738** | (10,018) |
| Cash and cash equivalents at the end of the year | | | **59,917** | 74,272 |
| Cash and cash equivalents at the beginning of the year | | | | |
| | | Cash and cash equivalents, beginning of year | **75,254** | 66,626 |
| | | Overdrafts | **(982)** | (3,688) |
| | | | **74,272** | 62,938 |
| Cash and cash equivalents at the end of the year | | | | |
| | | Cash and cash equivalents, end of the year | **83,886** | 75,254 |
| | | Overdrafts | **(23,969)** | (982) |
| | | | **59,917** | 74,272 |

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

| | **2009** | 2008 |
|---|---|---|
| | **€ '000** | € '000 |
| Depreciation, amortisation and impairment charges of fixed and intangible assets | **40,178** | 88,876 |
| Employee equity-settled share options | **2,800** | 2,372 |
| Net finance costs | **5,980** | 13,910 |
| Non cash items | **2,711** | 2,705 |
| (Profit)/loss on sale of tangible assets | **(702)** | (171) |
| **Total** | **50,967** | 107,692 |

**Reconciliation of net cash flow to movement in net debt**

| | **2009** | 2008 |
|---|---|---|
| | **€ '000** | € '000 |
| (Decrease)/increase in cash and bank overdrafts | **(16,093)** | 21,352 |
| Decrease/ (increase) in debt, lease finance and contingent deferred consideration | **151,252** | (80,706) |
| Change in net debt resulting from cash flows | **135,159** | (59,354) |
| Loans and lease finance acquired with subsidiaries | **(388)** | (2,684) |
| Contingent deferred consideration arising on acquisitions in the period | **(1,235)** | (5,356) |
| New finance leases | **-** | - |
| Translation movement - relating to private placement | **11,881** | - |
| Translation movement - other | **1,780** | (7,259) |
| Derivative financial instrument | **(6,959)** | - |
| Net movement | **140,238** | (74,653) |
| Net debt at start of the year | **(299,622)** | (224,969) |
| Net debt at end of the year | **(159,384)** | (299,622) |

## SUPPLEMENTARY INFORMATION

### 1 Reporting currency

The Consolidated 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 actual 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:

| | Actual Rate | | Closing Rate | |
|---|---|---|---|---|
| Euro = | **2009** | 2008 | **2009** | 2008 |
| Pound Sterling | **0.892** | 0.796 | **0.890** | 0.951 |
| US Dollar | **1.395** | 1.471 | **1.433** | 1.381 |
| Canadian Dollar | **1.587** | 1.560 | **1.510** | 1.750 |
| Australian Dollar | **1.776** | 1.743 | **1.600** | 2.050 |
| Czech Koruna | **26.478** | 24.990 | **26.000** | 26.550 |
| Polish Zloty | **4.337** | 3.523 | **4.100** | 4.120 |
| Hungarian Forint | **281.151** | 252.430 | **270.00** | 265.00 |

### 2 Segment reporting

In identifying the operating segments, management generally follows the Groups product lines, which represent the main products provided by the Group. Each of these operating segments is managed separately as each requires different technologies and other resources as well as marketing approaches.

Reported segments and their results are now based on internal management reporting information that is regularly reviewed by the chief operating decision maker.

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

The requirements of IFRS 8 are applied retrospectively and comparative figures restated.

**Business segments**
The Group operates in the following four business 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. |

**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.

Below is an extract from the note that will be included in the annual report.

**Analysis by class of business**

| Segment Revenue | Insulated Panels | Insulation Boards | Environmental & Renewables | Access Floors | TOTAL |
|---|---|---|---|---|---|
| | €mn | €mn | €mn | €mn | €mn |
| Total Revenue – 2009 | **593.9** | **215.3** | **168.7** | **147.6** | **1,125.5** |
| Total Revenue – 2008 | 862.1 | 345.2 | 266.7 | 198.7 | 1,672.7 |

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 Boards | Environmental & Renewables | Access Floors | TOTAL 2009 | TOTAL 2008 |
|---|---|---|---|---|---|---|
| | €mn | €mn | €mn | €mn | €mn | €mn |
| Trading Profit | 26.3 | 13.5 | 1.8 | 25.5 | **67.1** | 161.7 |
| Intangible Amortisation | (2.8) | (0.7) | (0.8) | (0.1) | **(4.4)** | (4.6) |
| Non Trading Items | - | - | - | - | - | (31.5) |
| Goodwill & Intangibles Impairment | - | - | - | - | - | (43.6) |
| Operating result – 2009 | **23.5** | **12.8** | **1.0** | **25.4** | **62.7** | |
| Operating result – 2008 | 88.8 | (31.0) | (3.6) | 27.8 | | 82.0 |
| Net finance cost | | | | | **(6.0)** | (13.9) |
| Result for the year before tax | | | | | **56.7** | 68.1 |
| Tax expense, net | | | | | **(8.7)** | (24.2) |
| Minority interest | | | | | **(0.3)** | 1.0 |
| Net result for the year | | | | | **47.7** | 45.0 |

**Segment Assets and Liabilities**

| | Insulated Panels | Insulation Boards | Environmental & Renewables | Access Floors | TOTAL 2009 | TOTAL 2008 |
|---|---|---|---|---|---|---|
| | €mn | €mn | €mn | €mn | €mn | €mn |
| Assets – 2009 | **494.9** | **247.7** | **182.7** | **118.2** | **1,043.5** | |
| Assets – 2008 | 591.4 | 251.4 | 183.1 | 136.4 | | 1,162.3 |
| Liabilities – 2009 | **(123.0)** | **(48.8)** | **(65.4)** | **(24.8)** | **(262.0)** | |
| Liabilities – 2008 | (156.8) | (73.3) | (40.0) | (26.0) | | (296.1) |
| Total assets less total liabilities | | | | | **781.5** | 866.2 |
| Cash and cash equivalents | | | | | **83.8** | 75.3 |
| Deferred tax asset | | | | | **3.0** | 1.2 |
| Interest bearing loans and borrowings (current and non-current) | | | | | **(233.0)** | (362.1) |
| Deferred consideration (current and non-current) | | | | | **(3.3)** | (12.8) |
| Income tax liabilities (current and deferred) | | | | | **(46.5)** | (48.8) |
| *Total Equity as reported in Group Balance Sheet* | | | | | **585.5** | 519.0 |

**Other Segment Information**

| | Insulated Panels | Insulation Boards | Environmental & Renewables | Access Floors | TOTAL |
|---|---|---|---|---|---|
| | €mn | €mn | €mn | €mn | €mn |
| Capital Investment – 2009 | **12.0** | **24.5** | **9.4** | **0.9** | **46.8** |
| Capital Investment – 2008 | 162.6 | (38.0) | 9.4 | 3.6 | 137.6 |
| Depreciation included in segment result - 2009 | **(19.3)** | **(8.4)** | **(5.2)** | **(2.9)** | **(35.8)** |
| Depreciation included in segment result - 2008 | (20.2) | (11.2) | (6.2) | (3.0) | (40.6) |
| Amortisation & impairment included in segment result - 2009 | **(2.8)** | **(0.7)** | **(0.8)** | **(0.1)** | **(4.4)** |
| Amortisation & impairment included in segment result - 2008 | (6.7) | (40.8) | (0.6) | (0.1) | (48.2) |
| Non cash items included in segment result - 2009 | **(2.8)** | **2.9** | **0.6** | **0.0** | **0.7** |
| Non cash items included in segment result - 2008 | (0.4) | - | 0.6 | - | 0.2 |

**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 – 2009 | **78.1** | **503.3** | **310.9** | **192.7** | **40.5** | **1,125.5** |
| Revenue – 2008 | 173.8 | 826.6 | 453.1 | 177.1 | 42.1 | 1,672.7 |
| **Balance Sheet Items** | | | | | | |
| Assets – 2009 | **117.9** | **468.0** | **223.2** | **197.4** | **37.0** | **1,043.5** |
| Assets – 2008 | 128.1 | 549.8 | 246.6 | 218.4 | 19.5 | 1,162.3 |
| **Other segmental information** | | | | | | |
| Capital Investment – 2009 | **3.6** | **12.9** | **16.5** | **5.0** | **8.8** | **46.8** |
| Capital Investment – 2008 | (22.2) | 30.3 | 46.0 | 76.9 | 6.6 | 137.6 |

2008 Capital investment figures include goodwill impairment.

## 3 Net finance cost

| | 2009 | 2008 |
|---|---|---|
| | €'000 | €'000 |
| Bank loans | **12,641** | 15,796 |
| Hire purchase and finance leases | **6** | 37 |
| Net defined benefit pension scheme | **103** | (367) |
| Interest income | **(1,848)** | (1,556) |
| | **10,902** | 13,910 |
| Fair value movement on derivative financial instrument | **6,959** | - |
| Translation gain on private placement debt | **(11,881)** | - |
| **Net finance cost** | **5,980** | 13,910 |

## 4 Analysis of net debt

| | 2009 | 2008 |
|---|---|---|
| | €'000 | €'000 |
| Cash and cash equivalents | **83,886** | 75,254 |
| Bank debt < 1 year | **(31,863)** | (16,857) |
| Private placement debt > 5 years | **(151,458)** | (151,458) |
| Bank debt 2 - 5 years | **(61,564)** | (193,791) |
| Contingent deferred consideration | **(3,307)** | (12,770) |
| | **(164,306)** | (299,622) |
| Net gains on hedged dollar funding | **4,922** | - |
| **Total net debt** | **(159,384)** | (299,622) |

## 5 Dividends

Dividends on Ordinary Shares are recognised in the Group's financial statements on a cash paid basis under IFRS.

There was no Final Dividend on Ordinary Shares for the year ended 31 December 2008
There was no Interim Dividend on Ordinary Shares for the year ended 31 December 2009

There is no Final Dividend on Ordinary Shares being proposed for the year ended 31 December 2009.

| **DIVIDENDS** | | **2009** | 2008 |
|---|---|---|---|
| | | **€'000** | €'000 |
| **Ordinary dividends** | | | |
| Paid: | 2008 Final dividend nil (2007: 17.0c per share) | - | 28,984 |
| | 2009 Interim dividend nil (2008: 8.00c per share) | - | 13,278 |
| | | - | 42,262 |

## 6 Earnings per share

| | **2009** | 2008 |
|---|---|---|
| | **€'000** | €'000 |
| The calculations of earnings per share are based on the following: | | |
| Profit attributable to ordinary shareholders | **47,658** | 44,990 |

| | **Number of shares ('000) 2009** | Number of shares ('000) 2008 |
|---|---|---|
| Weighted average number of ordinary shares for the calculation of basic earnings per share | **166,116** | 168,318 |
| Dilutive effect of share options | **2,326** | 1,238 |
| Weighted average number of ordinary shares for the calculation of diluted earnings per share | **168,442** | 169,556 |

| | **2009** | 2008 |
|---|---|---|
| | **€ cent** | € cent |
| Basic earnings per share | **28.7** | 26.7 |
| Diluted earnings per share | **28.3** | 26.5 |

## 7 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Commission, which comprise standards and interpretations approved by International Accounting Standards Board (IASB) and International Accounting Standards and Standing Interpretations Committee interpretations approved by the predecessor International Accounting Standards Committee that have been subsequently authorised by IASB and remain in effect.

These financial statements, which are presented in euro, have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and the measurement of fair value share options and derivative instruments. The carrying value of recognised assets and liabilities that are hedged are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The accounting policies have been applied consistently by all the Groups' subsidiaries.
The financial period-ends of the Group's subsidiaries are coterminous.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. In addition it requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, relate primarily to the accounting for defined benefit pension schemes, share-based payments, receivable provisions, guarantees & warranties, tangible assets, intangible assets, goodwill impairment and acquisition deferred consideration.

## 8 Distribution of Preliminary Statement of Annual Results

These results are available on the Group's website at www.kingspan.com. A printed copy is available to view at the Company's registered office.