Chief Executive’s Review

During 2018 Kingspan generated record revenues of almost €4.4bn, and EBITDA exceeded €500m for the first time. Trading profit reached €445m, ahead by 18% over prior year, and EPS was up by 16% at 184.0 cent per share. In all, it was a positive outcome and delivered in the face of unprecedented turbulence in our raw material supply chain. Total investment was €604m in the period, €472.3m of which was on acquisition and €131.3m on internal capital expenditure. Year-end net debt/EBITDA was 1.4x.

Financial Highlights:
→ Revenue up 19% to €4.4bn, (pre-currency, up 22%).
→ Trading profit up 18% to €445.2m, (pre-currency, up 20%).
→ Free cashflow up 55% to €308.4m.
→ Group trading margin of 10.2%, a decrease of 10bps.
→ Basic EPS up 16% to 184.0 cent.
→ Final dividend per share of 30.0 cent. Total dividend for the year up 15.5% to 42.0 cent.
→ Year-end net debt of €728.3m (2017: €63.9m). Net debt to EBITDA of 1.4x (2017: 1.05x).
→ ROCE of 16.8% (2017: 17.8%).

Operational Highlights:
→ Insulated Panels sales growth of 21%. Strong activity in the Americas, a positive performance in Continental Europe and a solid UK turnaround against a difficult backdrop. Good contribution from acquisitions in Europe and Latin America.
→ Insulation Board sales growth of 12% reflecting a positive outturn in the Iberian acquisition, ongoing advancement of Kooltherm® and solid underlying markets overall. New capacity planned for the Nordic region.
→ Water & Energy (formerly Environmental) sales growth of 15% with a new facility in France to service Europe and the Middle East.
→ Data & Flooring Technology (formerly Access Floors) sales growth of 3% with strong sales of data centre solutions offsetting more sluggish office activity.
→ Light & Air sales approaching €500m with improved margins in Europe offsetting softer US margin, strong order intake overall in the UK and a planned new facility in France to service Europe.
→ Ongoing conversion from traditional materials.

Business Review

Momentum in activity generally improved for us as the year evolved, and with the notable exception of the politically hamstrung UK, most of our major markets ended the year strongly with order banks well positioned for the start of 2019. The majority of Western Europe performed robustly, North America advanced well, as did Latin America. Conversely, the UK eased back considerably towards year-end although it is relatively stable for Kingspan despite the backdrop.

Business & Strategic Report

Strategy
Our strategic agenda is focused on the four pillars of Innovation, Globalisation, Penetration and Planet Passionate. 2018 once again delivered advancements in all four areas:
→ Product Innovation and range expansion is key to Kingspan. The rollout of QuadCore™ has been core to this agenda in recent years and in 2018 8% of global Insulated Panel sales contained this proprietary technology. 2019 will see its launch as a roof Insulation Board thereby creating a clear differentiator in this application. Development of Kooltherm® 200 continues and this application. Development of Kooltherm® 200 continues and the fibre-free ‘A Core’ project is progressing on plan and we expect to launch our solution during 2020. ICON™, our global innovation hub is well under construction at our home base of Kingscourt in Ireland and is scheduled to open around mid-year. It will focus on delivering the full spectrum of insulation and building envelope solutions that are ThermalSafe, FireSafe, SmokeSafe, WeatherSafe and FibreSafe.
→ Globalisation of Kingspan remains at the heart of our ongoing evolution. In late 2017 we further expanded our manufacturing footprint by investing in partnerships in Brazil and Colombia. These acquisitions firmly place Kingspan in a market leading position across Latin America, a new frontier for Kingspan, with a strong platform for further growth in the region.
→ Early in 2018 we acquired a presence in Southern Europe through the Synthesia Group, consisting of three operating businesses: Synthesia International, Poliuretanos and Huurre. Through its Huurre and Poliuretanos businesses, the Synthesia Group gives Kingspan a leading position in both Insulated Panels and Insulation Boards on the Iberian Peninsula.
We have made significant progress towards our target of a 30% reduction in our carbon footprint by 2030. This is achieved through various initiatives such as reducing energy consumption, improving insulation, and adopting sustainable building methods.

In July we invested in the Kingspan Jindal business in India opening the door to a longer term conversion opportunity in the region.

Penetration growth and conversion from traditional insulation and building methods have been core drivers of our success to date. As energy consumption, energy conservation, and energy sources become increasingly important challenges for the world, demand should rise for product technologies which address this urgent agenda. Buildings consume approximately 40% of global energy and Kingspan’s solutions are designed to dramatically curtail the environmental damage from building emissions.

We are committed to achieving 100% Net Zero Energy by 2030, and stand alone within our industry in having this goal. Our product technology provides designers, developers and owners the means with which to equally embrace a lower energy future. Circular economy is becoming crucial, and our products are reusable, recyclable and increasingly comprise recycled PET with a commitment to more than doubling this source within the coming five years.

We are developing initiatives to harvest recycled raw materials from both land and ocean.

Turnover
€2,823.1m
+21% (1)
2017: €2,328.5m

Trading Profit
€281.8m
+21%
2017: €253.3m

Trading Margin
10.0%
2017: 10.0%

Mainland Europe
The Continental European region performed well overall for our Insulated Panels businesses. France in particular had an excellent year, as did the Netherlands, Germany and Belgium delivered solid outcomes and market penetration in the Nordics advanced further as the region increasingly adopts advanced methods. Activity in Central Europe was mixed and the focus on reviving margins in this market resulted in a strong operating outcome, further bolstered by the addition of Balex to the portfolio. Early in the year we entered the Iberian market with the acquisition of Synthesia which in both the home and export markets delivered an excellent first year’s performance, and ahead of plan.

Americas
Volume, margin and profitability all improved considerably in North America during 2018 as penetration for Insulated Panels continued to grow, and as the steep cost inflation experienced earlier in the year was passed through to market. The temperature controlled environments segment performed well and the adoption of our insulated architectural facades range continued to outpace traditional construction methods across a wide variety of building applications. 2018 was also our first full year of operation in Latin America through the Kingspan Isoeste partnership in Brazil and PanelMET in Colombia. Both businesses made significant progress over the prior year and have begun to deliver broader technical and operational synergies. Across the Americas in total, the business exited the year with an order book well ahead of prior year.

UK
Sales volumes were strong towards the end of the year bringing the full year on-year growth and output broadly in line with 2017. This was achieved despite growing uncertainty and a construction market backdrop that weakened towards year-end. Whilst the project pipeline is in reasonable shape, the growing deficit in confidence has resulted in ongoing postponements. We expect this situation to prevail until the political and economic landscape is more certain, and will focus our efforts on accelerating QuadCore™ and Kingspan Façades growth to help compensate for an anticipated general contraction in building activity.

Asia Pacific & Middle East
Having experienced a challenging 2017, the business in Australasia regained momentum in 2018 with both the order book and specification pipeline well improved by year-end. This bodes positively for the first half of 2019. Meanwhile in Turkey and the Middle East, growth also resumed and a healthy project pipeline should provide a solid foundation from which to advance long-term in the region. During the year we also entered India through the Kingspan Jindal partnership which provides us with two manufacturing facilities in this relatively embryonic and exciting new frontier.

Ireland
Not surprisingly, construction activity in Ireland has expanded once again and at a more digestible pace than in the past. The non-residential segment which this business unit serves experienced a significant uplift in 2018 and we would anticipate this trend continuing into 2019.

(1) Comprising underlying +4%, currency -3% and acquisitions +18%
UK
The business had a strong start to 2018 which was largely fuelled by continuing penetration growth of Kooltherm® coupled with the selling price inflationary impact of rising raw material costs. Since then, and as indicated at half year, these prices have reversed somewhat, leading to corresponding deflation in the price of our PIR based products. This general trend, also experienced in other markets, has resulted in PIR regaining share from traditional materials. More broadly in the UK however, the political backdrop has meant that demand for building products has eased in recent months and is likely to weaken further if this uncertainty persists.

Mainland Europe
Having had a weak start to the year, the demand for advanced insulation in Mainland Europe improved significantly in the second half of the year. The scarcity of some raw materials had hampered growth earlier in the year. Activity in the Netherlands was particularly strong and our presence in the Nordics, which is dominated by traditional fibrous materials, continued to advance in anticipation of our upcoming Kooltherm® facility which we expect to commission in the fourth quarter of this year. Our first year with the Synthesia Insulation business in Spain, has been very satisfactory at a time of gradual recovery in the Iberian market. This business has been further bolstered by growth in exports as it delivers its technologies across a broad international base of end markets.

Americas
Again, following a slow start to 2018, our business in North America improved as the year progressed. The investment made in 2017 in a new XPS line in Winchester Virginia is now fully operational and as its capacity becomes increasingly utilised our focus will shift to assessing further locations to establish a future manufacturing presence. The specification pipeline for Kooltherm® has grown substantially, albeit from a small base. Whilst this is currently supported by supply from Europe it is our intention in the medium term to manufacture this technology locally in the USA.

Asia Pacific & Middle East
This region has again delivered strong growth for the division in 2018. The business is now providing solutions to a broader set of applications and is supported by both the new PIR line installed earlier in the year, and a new phenolic board plant. The latter will be aimed at servicing the increasing demand for advanced insulation in HVAC applications in the UAE and beyond.

Ireland
The revenue growth experienced during the first half continued through the remainder of the year, largely driven by Kooltherm® and strong PIR pricing, although the latter eased somewhat towards year-end. Raw material deflation has led to some price erosion of PIR which we anticipate will stabilise in the near-term.
Underlying sales revenue was relatively stable during 2018. Margins were affected by costs incurred on the exit from micro wind and solar thermal activities and also by acquisition expenses related to the Norwegian investment. The UK weakened across most product segments in the second half, Ireland performed well, as did much of Mainland Europe. Integration of the VPI acquisition in the Nordics is progressing and provides a new growth frontier in the waste water management category which we expect will feature prominently in the division’s future. In Australia, the rainwater harvesting business has performed very strongly in recent years, particularly in the residential segment in New South Wales. With this sector easing back, we expect demand for rainwater systems in that region to moderate but aim to compensate for this with a wider product offering and growth initiatives in other states.

**Light & Air**

Continental Europe, particularly Germany, performed well and has continued to do so into the early part of 2019. The Benelux was a little more subdued as the project pipeline was lower than in recent years, although this picture has improved into early 2019. Southern Europe grew marginally and the relocation of this business into a state-of-the-art manufacturing facility in Lyon, France will provide capacity for growth, and play a key role in supporting the substantially daylighting requirement across the Middle East.

In North America the specification bank for the high-end UniQuad® wall-lighting system has grown considerably during the year. Order intake outpaced dispatches during the year and this augurs well for 2019. In contrast to this, more generic roof-lighting systems have become increasingly competitive resulting in an element of margin pressure. This pattern is expected to improve during the current year and overtime the integrated sales effort with our insulated panels business is expected to deliver meaningful sales leverage.

**Water & Energy**

(Formerly Environmental)

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The re-naming of this business is a reflection of the evolution of the division’s product offering since it started life in Kingspan as Access Floors in isolation. The portfolio now includes a wide range of sub-structure technology and air management solutions for datacentres, as well as a much wider offering on floor finishes.

In the first half of the year, the performance of the business in the UK was in contrast to the general trend in office construction performing robustly through the second half. Whilst the requirement for access floors is expected to contract marginally through 2019, growth is anticipated in data solutions activity, a sector which has been a key growth area for the division in recent years. This is also likely to be the case in North America and Australia where we expect to deliver tangible progress in the year ahead. In addition, during 2018 our presence grew in Continental Europe through the business acquired in Belgium in late 2017.

**Data & Flooring Technology** (formerly Access Floors)

During the year we completed eight acquisitions with a consideration of almost €470m. These included the leading insulated panel and board businesses in Iberia, a strong player in the insulated panel business in Central and Eastern Europe and a partnership with the market leader in the insulated panel market in India.

Order intake and the order bank in many of our key markets are ahead of prior year, although some exceptions exist. As the competitive dynamics of the various raw materials in insulation have changed in recent months Kingspan’s proprietary non-fibrous cores have grown share and, in general, penetration of advanced insulation has improved following the supply turbulence earlier in 2018 which had temporarily upset this momentum.

Whilst these indicators bode well for our near-term future, we remain acutely mindful of the increasingly negative economic rhetoric, not alone in the UK, that could well impact the appetite for investment in construction later in the year. Setting aside this macro concern, and any unavoidable effect it may have on Kingspan, we remain resolutely focused on the delivery of our long-term strategy.

**Gene M Murtagh**
Chief Executive Officer
22 February 2019