

CHIEF EXECUTIVE'S REVIEW

2016 was a very strong year for Kingspan, with record results and considerable progress on a range of strategic and innovation activities. Revenue grew by 12% to €3.1bn, resulting in EPS growth of 35% to 143.8 cent.

Financial Highlights:

- Revenue up 12% to €3.1bn, (pre-currency, up 16%).
- Trading profit up 33% to €340.9m, (pre-currency, up 41%).
- Acquisitions contributed 11% to sales growth and 7% to trading profit growth in the year.
- Group trading margin of 11%, an increase of 180bps.
- Basic EPS up 35% to 143.8 cent.
- Final dividend per share of 23.5 cent. Total dividend for the year up 34% to 33.5 cent.
- Year-end net debt of €427.9m (2015: €328.0m). Net debt to EBITDA of 1.06x (2015: 1.04x).
- Increase in ROCE by 210bps to 17.3% (2015: 15.2%).

UK
Friars Walk
—
Insulated Panels:
Benchmark - Karrier

Organic growth and margin expansion were key themes during the year, with progress particularly evident across the UK, Ireland, the Nordics and much of Western Europe. The leverage benefit from the revenue growth, coupled with a favourable raw material environment delivered a trading margin improvement from

9.2% in 2015 to 11.0% in 2016. As the year progressed, construction activity in Germany and parts of Eastern Europe weakened somewhat, in contrast to trends in the Netherlands and France which are now substantial sources of revenue for Kingspan. Our business in North America also tapered off marginally in the second

half, and order intake retreated somewhat which could impact first half sales revenue in 2017. The UK, notwithstanding the June 23rd referendum result, strengthened through the second half of 2016, and the order book would point towards a positive start to the current year.

Operational Highlights:

- Strong performance in the UK, clear recovery evident in much of Western Europe with the US more subdued in the second half.
- Insulated Panels in the UK had a strong year and the North American market cooled off somewhat towards year end. European sales were strong in the Netherlands and France, whilst more flat in Germany.
- Insulation Boards had another strong year in the UK with the US and European businesses making good gains.
- Environmental continued its recovery and posted strong margin expansion year on year.
- Access Floors activity remains a challenge in North America. The UK was positive and is unlikely to dip until the second half of 2017. Datacentre solutions continue to progress.
- Total capital investment in the year was €364m, of which €113m was capex, plus an acquisition spend of €251m.

STRATEGY

Our strategic agenda is focused on the four pillars of **Innovation, Globalisation, Penetration and Net Zero Energy**. 2016 once again delivered notable advancements in all four areas:

- **Product Innovation** and range expansion progressed across the Group, the most significant of which was the roll-out of QuadCore® across approximately one third of our Insulated Panel facilities worldwide, with a plan to cover the remainder over the coming two years. The next generation Kooltherm® 100 range was launched during the year and delivers another advance in the thermal performance of this product, cementing its position at the forefront of high performance insulation globally. Kingspan also took a quantum step forward in daylighting, with the establishment of our Light & Air division. This was achieved through two acquisitions, making us the first player to serve both the European and North American markets from local manufacturing bases.
- **Globalisation** of Kingspan remains central to our ongoing progress. During 2016, we further built our position in North America, established a manufacturing presence in Mexico, and commenced construction of new facilities in Australia, the UAE and Finland. Our trading presence in a number of these markets is still relatively embryonic and we see significant longer term upside for high performance insulation and building envelopes.
- **Penetration** growth and conversion from traditional insulation and building methods has been a core driver of our success to date.

As energy consumption, conservation, and its sources become increasingly centre-stage, so do the 'enablers'. Buildings consume approximately 40% of energy globally, and building design is therefore undergoing a comparable evolution to that already underway in the automotive world. As this pattern and trend deepens, so will the penetration of materials that facilitate this evolution. Kingspan's solutions are ideally positioned to play a key role in this dynamic.

- The pursuit of **Net Zero Energy** is at the heart of what we aim to achieve, both internally and externally. Our products and solutions greatly assist building designers, owners and occupiers to move in this direction and, within Kingspan itself, we are committed to achieving Net Zero Energy by 2020. Through saving, generating and procuring, we aim to use only renewable sources of power across the Group as a whole. This journey began in 2011 at 0% and in 2016 we achieved 57%, exceeding the 50% goal we had set for that period. We have several new initiatives either underway or being examined that will enable substantial advancements again in 2017 and beyond. We are a member of RE100, a group of international businesses committed to 100% renewable power, and we were selected as one of only 193 global companies on the Carbon Disclosure Project 'A List'.

Insulated Panels

MAINLAND EUROPE & MIDDLE EAST

Activity across this region reflected a general improvement over 2015, although was somewhat mixed by country. Germany, the Netherlands and France are all broadly similar sized end-markets for us with the latter two posting encouraging increases over prior year as they continued to recover from the lows of recent years. Germany was steady by comparison, but more sluggish in the second half. Hungary and south central Europe performed well, as did the Nordics, whilst Poland and the Czech Republic were a little weaker towards year-end.

Over the last couple of years activity in Turkey has been weak, and the focus of our team there and in the wider neighbouring region is on QuadCore® as a platform for growth in a market that is understandably unsteady at present.

UK

Sales and order intake in the United Kingdom were strong during 2016, a trend that continued robustly through the second half, despite the June referendum. General economic activity was solid and unwavering in the second half which translated into a positive performance for us, particularly when combined with growth in our wider product suite, including Benchmark®, in architectural applications. The business exited the year with an orderbook comfortably ahead of the same period in 2015.

AMERICAS

Insulated Panels penetration has advanced considerably in North America over the past five years and did so again in 2016.

That said, relative to other lower grade performance alternatives, it occupies a minor part of the market, with real scope to grow. Our business in the US was strong in the first half followed by a tougher second half, particularly with respect to order intake with a general pre-election lull and a degree of 'margin over volume' prioritisation by Kingspan. This could lead to a more subdued first half in the US. Conversely, Canada continues to perform well and the initial project pipeline activity in Mexico is encouraging.

AUSTRALASIA

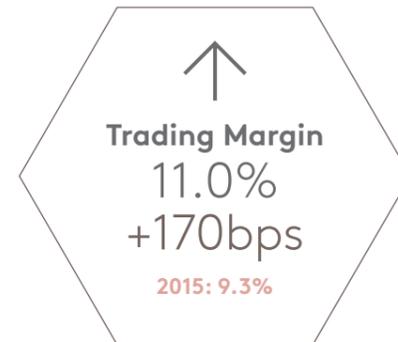
2016 was a year of progress for our business in Australasia, with strong growth in order intake in Australia particularly. New Zealand performed solidly and our bolstered team presence in South East Asia is delivering encouraging results. This wider region should, in time, contribute well to the Group.

IRELAND

As the economy and resultant construction market recovery continued, so did our business in Ireland, posting double-digit organic growth. We anticipate this trend to continue for the foreseeable future.

LIGHT & AIR

This product set has historically been reported as part of the broader Insulated Panels business. Now as we develop a standalone business, it will report as a separate division from 2017 onward. Revenue in 2016 was €75m, up from €11m a year earlier, due primarily to the acquired businesses in Germany, France and the US. Annualised run-rate revenue as we exited 2016 was in the order of €190m.



(1) Comprising underlying +5%, currency -3% and acquisitions +15%.

Glasgow
 Queen Elizabeth
 University Hospital
 —
 Insulation Boards: Kooltherm
 K15 Rainscreen Board



Australia
 Victorian Comprehensive
 Cancer Centre
 —
 Insulation Boards: Kooltherm
 K10 FM Soffit Board

Photograph: Peter Bennett



Insulation Boards

UK

Insulation Board and industrial insulation sales in the UK performed well during 2016. This was the result of targeted market share gains combined with robust growth in the penetration of Kooltherm®. The latter trend received a boost in the fourth quarter as we launched the next generation Kooltherm® 100 range. Additionally, as MDI supply was somewhat constrained in November, Kooltherm® became an upgrade substitute for many users. Overall, activity remained solid through year-end.

MAINLAND EUROPE

The performance of the business varied across the continent, but in general it was a positive year. The Netherlands, Germany and the Nordics performed particularly well, whilst Belgium and France were somewhat subdued. This was driven in the main by intensified competition from the relatively recently installed board capacity in that region.

AMERICAS

Revenue in North America was slightly ahead of prior year, although limited by current capacity constraints. An investment to double our XPS Insulation capacity in the North East US is underway and should begin supply around mid 2017. In addition to this, we are ramping up our sales team/front-end investment in generating Kooltherm® specification across the region. This strategy will be further complemented as we develop a PIR manufacturing presence, and a number of locations are currently under review for these greenfield projects. Ultimately, we aim to offer the most comprehensive range of high performance Insulation solutions for the Americas, which is currently dominated by mineral fibre.

AUSTRALASIA & MIDDLE EAST

Sales revenue grew marginally during 2016 in both regions. Australia is focused on growing Kooltherm® as the Melbourne plant start-up nears, a facility that will be the most advanced Insulation Board operation in Australasia. This will provide ample capacity for at least the next five years. In the Gulf region sales growth was less lively than a year earlier reflecting weaker activity in Saudi Arabia. With a view to the longer term, we are in the process of commencing a second ducting insulation line in Dubai which is currently being commissioned.

IRELAND

Activity and revenue growth in Ireland has been notably strong and is likely to remain so for the foreseeable future.



(1) Comprising underlying +7%, currency -5% and acquisitions +2%.

Environmental

The Environmental division has performed very strongly during 2016, with particular emphasis on geographic expansion and margin restoration. To those ends, we established a foothold in Australasia with the acquisition of Tankworks in Sydney, a rainwater harvesting business, which is now the platform for our wider Environmental offering in the region.

Margin across the division improved significantly from 5.1% in 2015 to 7.0% in 2016, boosted in particular by the UK, Poland and latterly Australia.

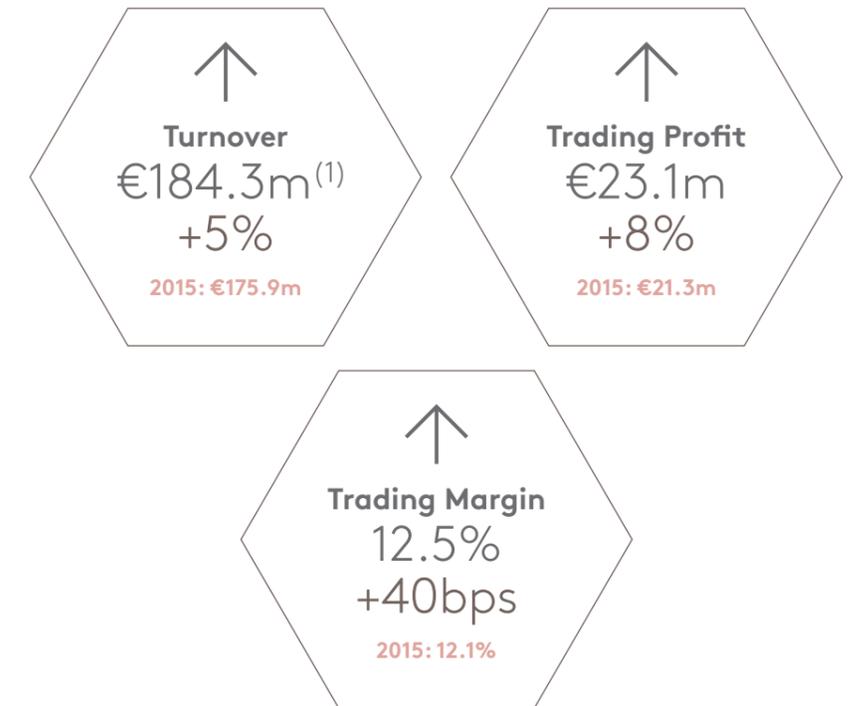


(1) Comprising underlying -1%, currency impact -10% and acquisitions +13%.

Access Floors

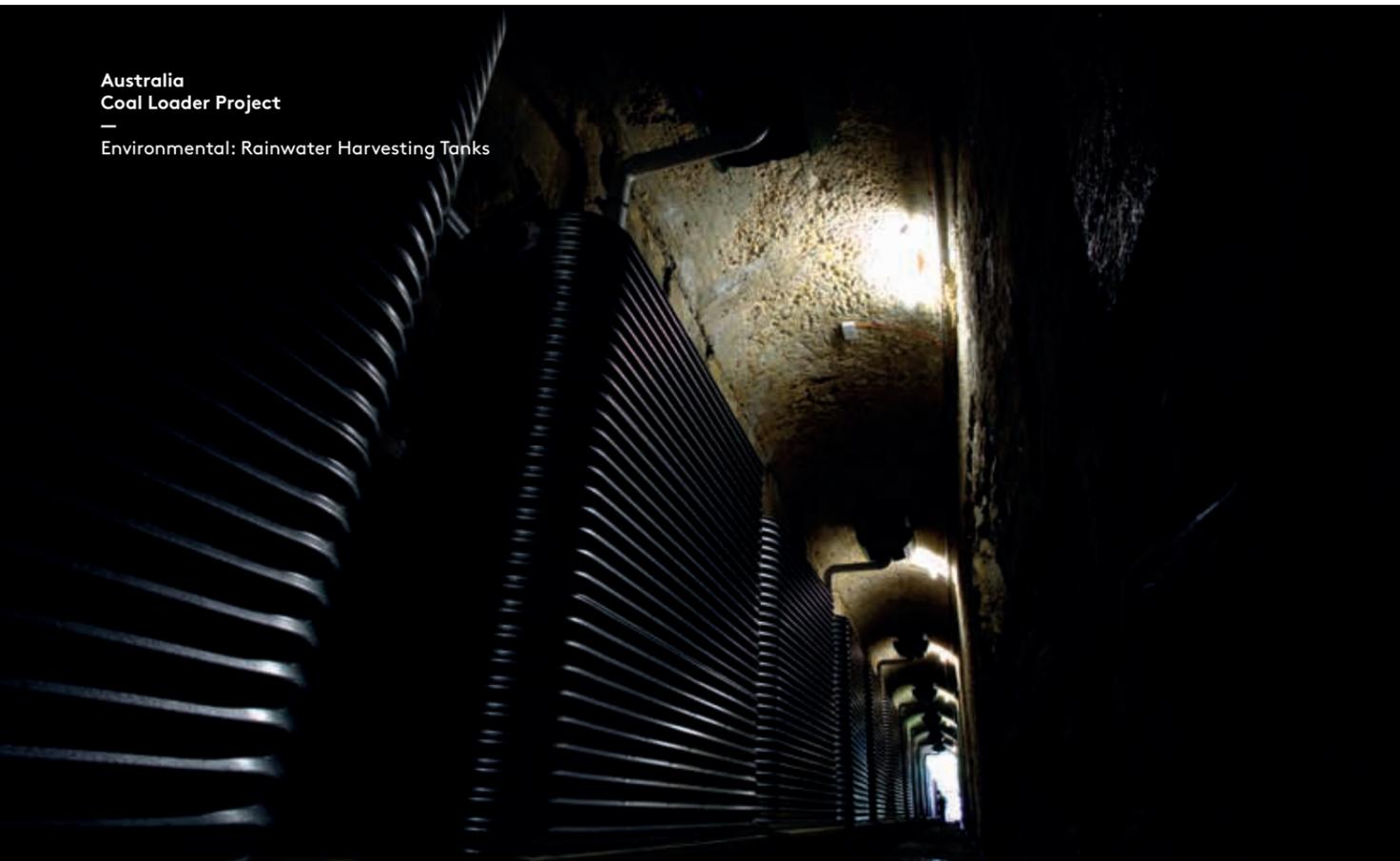
In North America, grade A office construction activity remains a challenge which directly impacts our Access Floor revenues in the region. This has resulted in a strategy to diversify the offering with more emphasis on cloud solutions for the datacentre market where we have made significant progress and insulated the business from the weakness of its traditional end-market. These cloud/data oriented products are now being offered more globally and add an attractive dimension to the European and Australasian businesses.

In the UK, office construction was strong during 2016, and is likely to remain so for the first half of 2017, with the pipeline dipping thereafter.



(1) Comprising underlying +10% and currency -5%.

Australia
Coal Loader Project
—
Environmental: Rainwater Harvesting Tanks



Hungary
FCI Kompozit
—
Insulated Panels: Xdek and TL wall panel



LOOKING AHEAD

The scene is set for a dynamic 2017 with the political and potentially economic sands shifting worldwide. Notwithstanding the potential concerns as to what this may lead to, Kingspan's increasing global and high performance product set positions the business well to capitalise on, and to move with, any emergent trends.

The Group's orderbook is solidly ahead of the same point in 2016 which is encouraging for revenue growth in the early part of the current year. The 2016 financial year reflected favourable input prices at untypically low levels. That tide has turned and it is our intention to pass through the significant industry inflation experienced in recent months. We expect further increases in our cost base as we move through the first half and the recovery effort will be ongoing.

Overall, Kingspan is well positioned at the centre of a global transition towards a lower energy and lower emissions future.

Gene M. Murtagh
Chief Executive Officer

17 February 2017