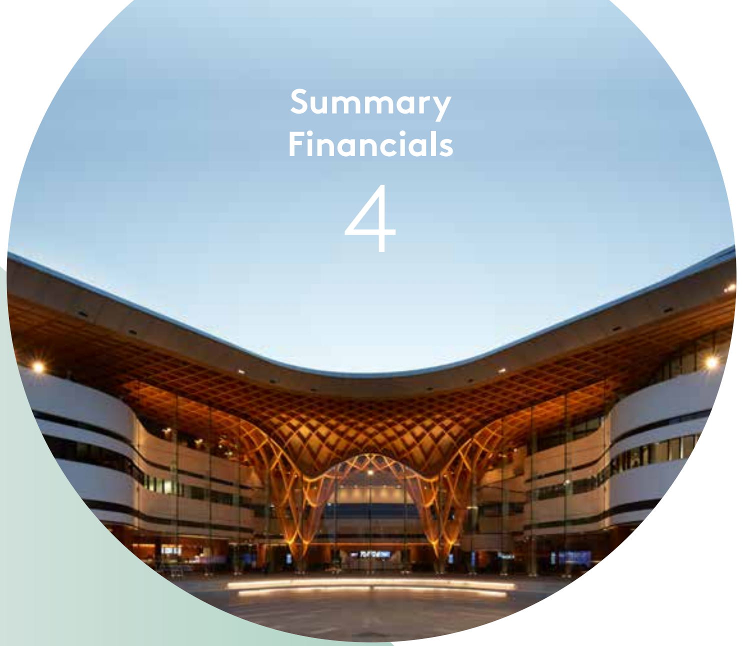
Kingspan Group plc
Annual Report & Financial Statements 2017



Images on this page:
Bunjil Place, Australia
Salesforce Tower, USA
Apple Campus 2, USA

111

Manufacturing facilities globally, including 26 in North America.

Kingspan is the global leader in high performance insulation and building envelope solutions.

Fire Testing & Research

Kingspan takes the issue of fire safety extremely seriously. We have been researching and testing the performance of our products for decades to find suitable solutions for even the most demanding projects. We have conducted more than 1,800 external fire tests to national and international standards for compliance across global regulatory regimes. Only those that can achieve rigorous standards are recommended for use in sensitive applications.

→ More on page 37

Latin America

During 2017 Kingspan expanded its manufacturing footprint with investments in Brazil and Colombia. These acquisitions firmly place Kingspan in a market leading position across Latin America, an exciting new frontier for Kingspan. Together with our existing business in Mexico, they provide a strong platform for further growth in the region.

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12,000+

Employees across more than 70 countries worldwide.

Fire Test Certification

During our research the importance of system testing rather than material testing has been proven numerous times. Large-scale system testing underpins the fire safety credentials of Kingspan's high performance closed cell rigid insulation products and systems, including: BS 8414; LPS 1181; FM 4880, 4470 and 4924; RE130; EN 1364-4 and EN 1365-1; LEPIR 2; SP Fire 105; UL 723.

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UAE
Louvre Abu Dhabi
—
Insulation Boards: Kingspan Thermaroof TR27 LPC/FM
—
Fire Rating: Class 1 FM standards 4450: 1989 and 4470: 2010

Louvre, Abu Dhabi

In November 2017, Louvre Abu Dhabi opened after 10 years of construction. Situated just 500 metres from the Saadiyat Island coast, U.A.E., Louvre Abu Dhabi is the latest project to benefit from Kingspan Insulation's range of high performance roofing products.

Appointed architects Jean Nouvel designed a museum that combined regional traditions with modern architecture, with the aim of bringing a universal museum to life.

Similar to its sister, Musée du Louvre, the roof of Louvre Abu Dhabi is the feature most recognisable by its visitors. Its 180 metre aluminium and stainless steel dome is composed of 7,850 pieces in the shape of stars. The specifications placed a heavy emphasis on quality assurance and a guarantee for the roofing system. Kingspan Insulation LLC was able to provide both, as Kingspan Thermaroof TR27 LPC/FM is manufactured to the highest standards under a management system certified to ISO: 9001:2008.

Kingspan Locations

Africa
Egypt
Morocco

Asia
India
Indonesia
Pakistan
Singapore
Thailand
Vietnam

Australasia
Australia
New Zealand

Europe
Austria
Azerbaijan
Belgium
Bosnia
Bulgaria
Croatia
Czech Republic
Denmark
Estonia
Finland
France
Germany
Hungary
Ireland
Italy
Kazakhstan
Latvia
Lithuania
Netherlands
Northern Ireland
Norway
Poland
Romania
Russia
Serbia
Slovakia
Slovenia
Spain
Sweden
Switzerland
United Kingdom
Ukraine

Middle East
Iran
Iraq
Qatar
Saudi Arabia
Turkey
UAE

Americas
Brazil
Canada
Colombia
Mexico
USA

Summary Financials

€3.7bn

Revenue up 18%

—

2016: €3.1bn

€441.7m

EBITDA[1] up 9.3%

—

2016: €404.1m

€377.5m

Trading Profit[2] up 10.7%

—

2016: €340.9m

10.3%

Trading Margin down 70bps

—

2016: 11.0%

€285.9m

Profit After Tax up 12%

—

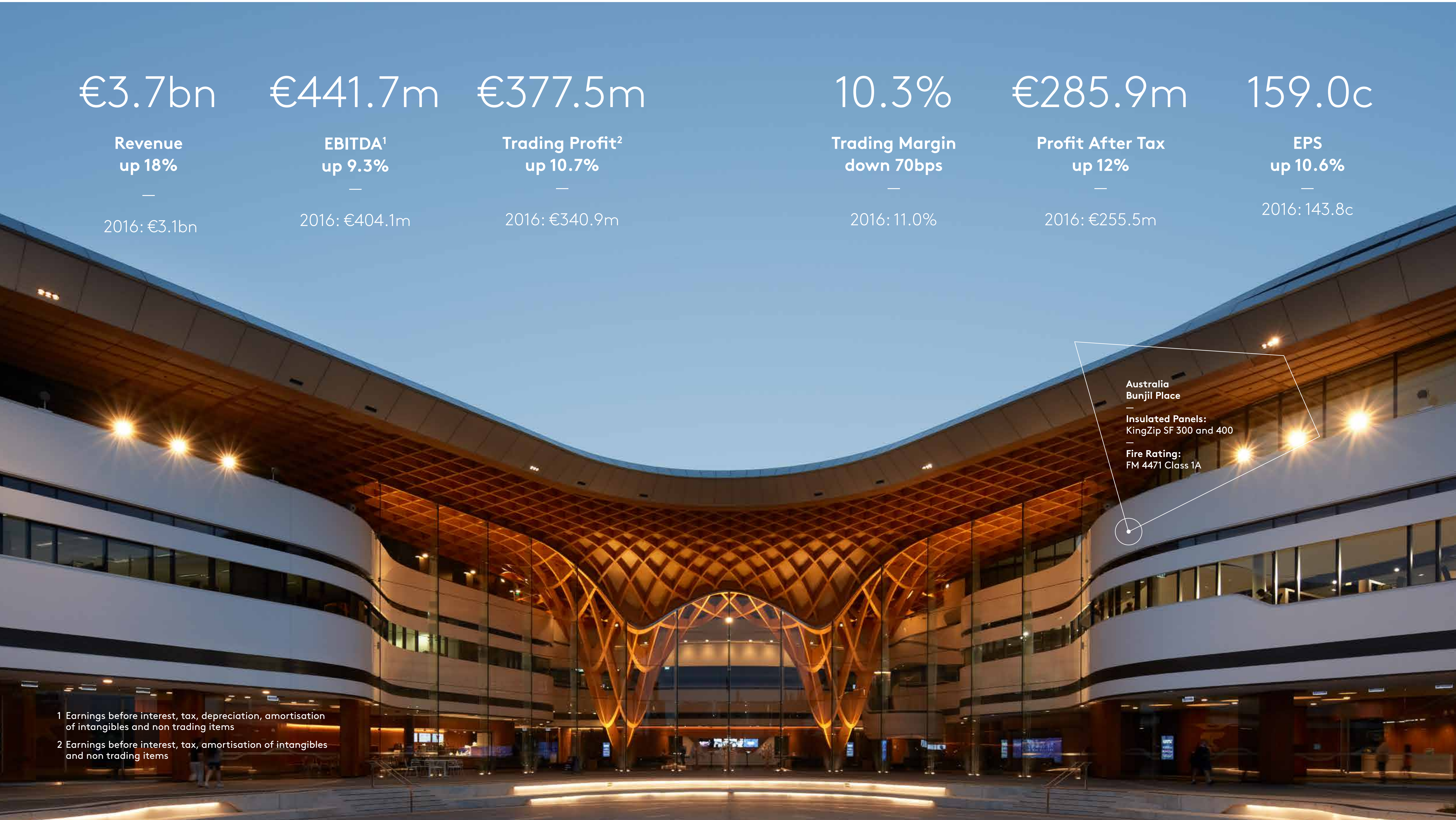
2016: €255.5m

159.0c

EPS up 10.6%

—

2016: 143.8c



1 Earnings before interest, tax, depreciation, amortisation of intangibles and non trading items

2 Earnings before interest, tax, amortisation of intangibles and non trading items

Business & Strategic Report

Chairman's Statement

2017 was another year of strong growth for Kingspan despite the headwinds of increased raw material prices, global chemical shortages and economic uncertainty in the UK. Kingspan achieved record revenues of €3.7bn, up 18% on prior year, and trading profit of €377.5m, up 11% on prior year, the seventh consecutive year of double-digit profit growth.

Canada
Grandview Heights
—
Light & Air: UniQuad - Unitized Translucent Wall System
—
Fire Rating: ASTM D1929, ASTM D2843, ASTM D635 and ASTM E84

Notable highlights during the year included the expansion into new markets in South America with the acquisition of market leading positions in Brazil and Colombia, as well as the entry into agreements towards the end of the year to further extend our footprint in Europe through the proposed acquisition of the Synthesia Group in Spain and Balex Metal in Poland.

At the same time Kingspan has bolstered its penetration of our existing markets through its continued industry leading focus on innovation and new product development. These developments range from new daylighting and datacentre product suites to continuous improvement of the thermal and fire performance properties of our insulation materials. In fact Kingspan have carried out over 1,800 external fire tests to national and international standards for compliance across global regulatory regimes.

I would also draw attention to the excellent progress made in reducing our carbon emissions and attaining our goal of becoming a Net Zero Energy business by 2020. In 2017 renewable energy accounted for 69% of our total usage, and we successfully retained our position on the CDP 'A List' of 120 global leaders recognised for their efforts to cut emissions.

Management and employees

Meeting with the Group's ever-expanding team of over 12,000 employees is one of the Board's more pleasurable responsibilities. During the year the Board visited seven of our manufacturing sites, in Europe and Australia, and we were delighted to meet the local teams, and see firsthand the tremendous work they are doing.

On behalf of the Board, I want to congratulate Kingspan's management and employees around the globe for their achievements and the vital contribution they have made to our success in 2017.

Dividend
The Board is recommending a final dividend of 26.0 cent per share, which if approved at the Annual General Meeting, will give a total dividend for the year of 37.0 cent, an increase of 10% on prior year. This will be the eighth consecutive year of growth in the shareholders' dividend, in line with the Group's continued progression.

If approved, the final dividend will be paid (subject to Irish withholding tax rules) on 27 April 2018 to shareholders on the register at close of business on 23 March 2018.

Governance and Board changes
The Board continues to manage and monitor governance and risk across the business, details of which are set out in the Governance section of this annual report. We also maintain an open dialogue with our major shareholders on the Company's governance as well as on its strategic and financial performance, as detailed in the Financial Review and the Report of the Remuneration Committee in this annual report.

Following the year-end, we were delighted to welcome Dr Jost Massenberg as a non-executive director on the Board, and we look forward to benefiting from his more than 30 years experience in European steel and manufacturing industries. There were no retirements from the Board during the year.

Looking ahead
I am confident that management's strategy of building our leadership position through higher performing technologies and expansion into new geographies leaves Kingspan well positioned to face the challenges that may lie ahead, and will continue to deliver improved shareholder returns in the future.

Eugene Murtagh
Chairman

23 February 2018

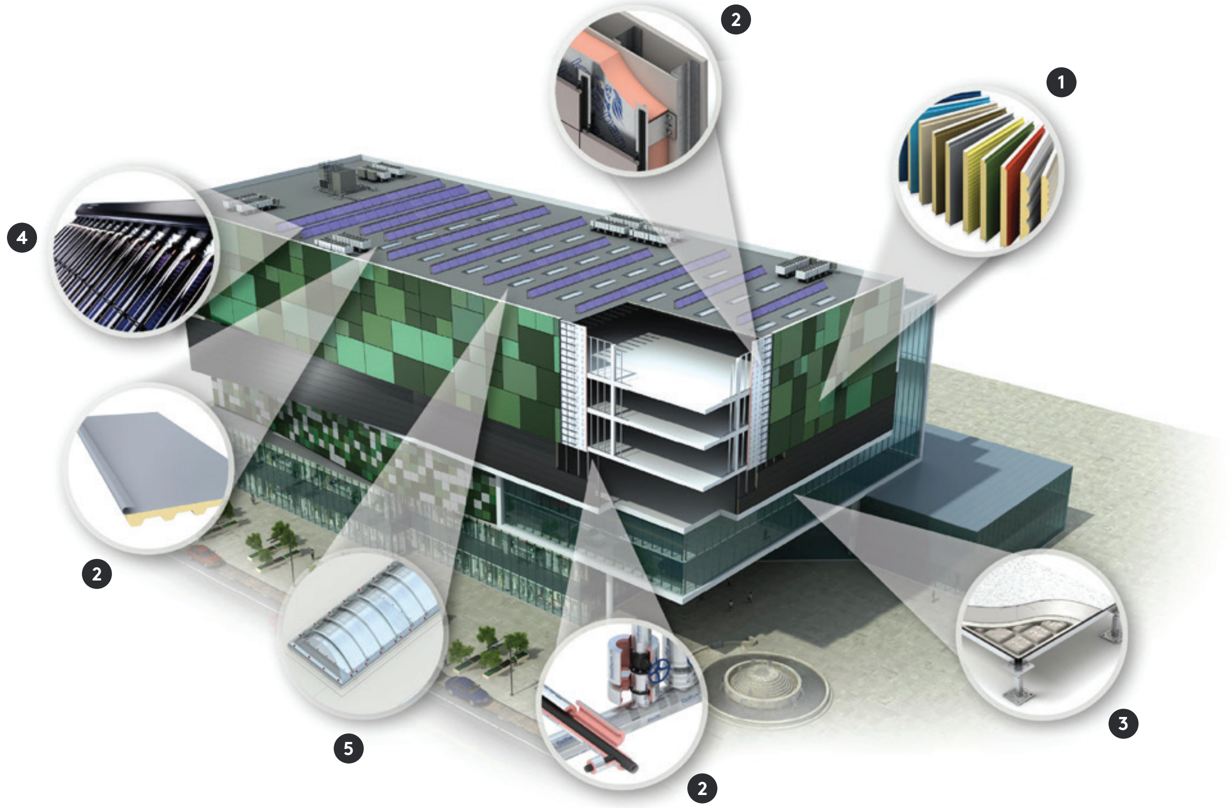
Business Model & Strategy

Who We Are

Kingspan is the global leader in high performance insulation and building envelopes. Kingspan differentiates itself through its relentless development of innovative and patent-protected proprietary technology.

Kingspan helps its customers to build in an energy efficient manner that reduces running costs and also meets environmental regulations and greenhouse gas emissions targets. Improving building performance, construction methods and ultimately people's lives, is what drives Kingspan forward around the world.

Founded in Kingscourt, Co Cavan in Ireland in 1965, the Group has expanded into a global business operating in over 70 countries, employing more than 12,000 people.



Kingspan manufactures a suite of complementary building envelope solutions for both the new build and refurbishment markets.

The Group manages its business through 5 operating divisions:

1. Insulated Panels
A global leader in the design, development and manufacture of products and solutions for advanced building envelopes. Providing thermally efficient and airtight insulated panel building envelopes, integrated solar PV and smart lighting systems, and world-class customer and technical support in sustainable building design and realisation. All of our products and systems are backed by extensive testing and guarantees, and by 50 years of experience.

2. Insulation Boards
Manufacturing insulation boards, pipe insulation and engineered timber systems. A wide product range suitable for a variety of applications in the domestic, non-domestic, new-build and refurbishment sectors.

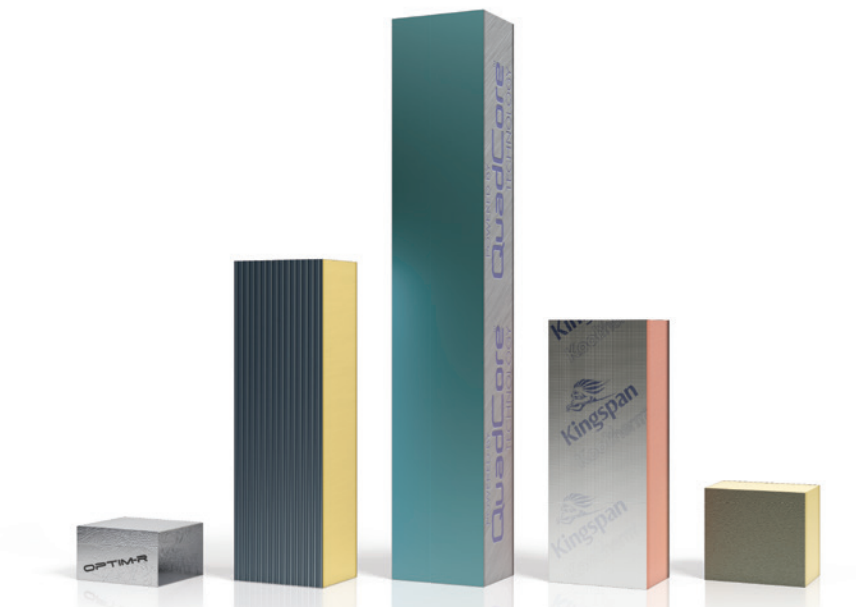
3. Access Floors
The world's largest supplier of raised access flooring, providing the most cost effective way of creating flexible space and convenient distribution of building services in a range of high-end architectural finishes.

Our wide range of custom manufactured data centre airflow systems, including structural ceilings, airflow panels and containment, work together to maximise datacentre performance.

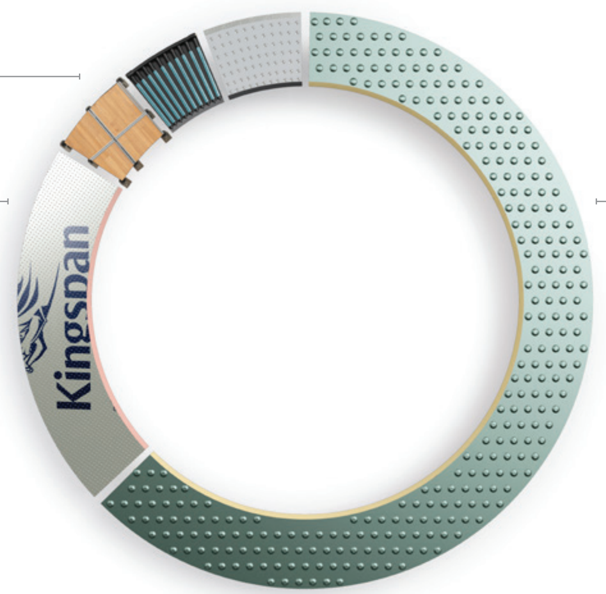
4. Environmental
Providing trusted market-leading solutions for rainwater harvesting and wastewater management, renewable energy technologies and hot water systems, environmental fuel storage and smart monitoring for all types of building projects.

5. Light & Air
Established in 2016, Kingspan Light & Air is now established as a global leader providing a full suite of daylighting and energy efficient lighting, as well as natural ventilation and smoke management solutions, which complement Kingspan's existing building envelope technologies.

GEOGRAPHY



PRODUCTS



Business Model & Strategy

Strategic Pillars

Strategic Goals

- → To be the leader in high performance insulation globally with proprietary and differentiating technologies.
- → To be the world's leading provider of low energy building envelopes – Insulate & Generate.
- → To achieve greater geographic balance, primarily focusing on the Americas, Continental Europe and appropriate developing markets.
- → To deliver 20% Return on Investment.

Innovation

—

Differentiation from competitors driven by superior innovation:

The ongoing roll-out of QuadCore™ during the year, which is now available from approximately half of our Insulated Panel facilities worldwide.

The Kooltherm® 100 Series was launched towards the end of 2016, and work has already begun on a Kooltherm®200 Series.

The digitalisation of Kingspan, designed to transform how we do business and how our specifiers and customers interact with us over the next three to five years.

We have conducted more than 1,800 external fire tests to national and international standards for compliance across global regulatory regimes.

Penetration

—

Increased penetration of Kingspan's product suite underpinned by regulatory changes and environmental awareness:

Continued penetration growth and conversion from traditional insulation and building methods has been a core driver of our success.

Ongoing revisions to key EU legislation including the Energy Performance of Buildings Directive (EPBD) continue to drive industry to take action.

Globalisation

—

The continued evolution of Kingspan's geographic footprint as we build market leading positions globally:

During 2017 we further expanded our manufacturing footprint by investing in partnerships in Brazil and Colombia. We now have six manufacturing facilities and market leading positions across Latin America.

Agreement to acquire a presence in Southern Europe through the Synthesia Group, consisting of three operating businesses; Synthesia International, Poliuretanos and Huurre.

Further advanced our position in Central Europe through the planned acquisition of Balex Metal, a Polish manufacturer of Insulated Panels and Insulation Boards.

Net Zero Energy

—

A set of initiatives across our global business targeting the adoption of 100% renewable power:

In 2017 we achieved 69% Net Zero Energy, a significant increase on the 57% achieved a year earlier, and we remain on target to achieve 100% by 2020.

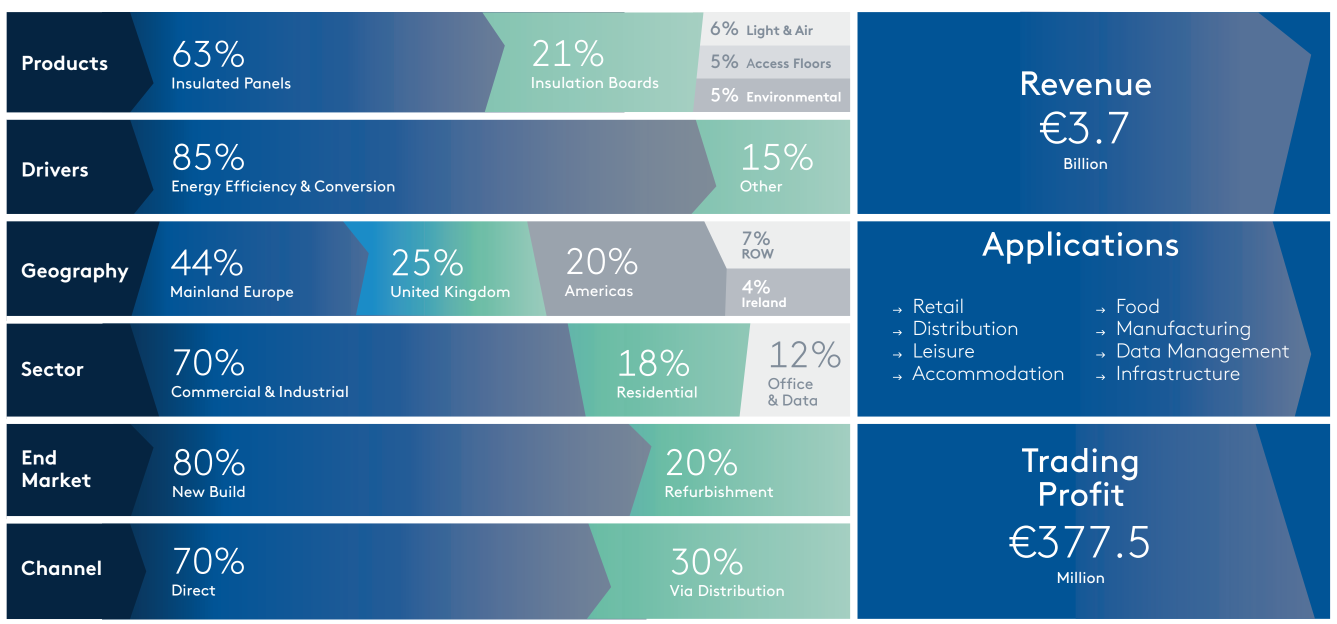
For the third year running, Kingspan retained its position on the 2017 CDP 'A List', one of only 120 companies globally to achieve this.

A wide range of projects designed to improve the energy efficiency of our operations were implemented on many sites, including the implementation of Energy Management Standard ISO 50001.

7.3% of our total energy use was generated from renewable sources on our own manufacturing sites.

How we operate	How we create value	The value created	
111 **Global manufacturing facilities** – 12,000+ **Employees** – **Management controls** – **Quality systems** – **Responsible supply chain partnerships**	→ Product innovation and differentiation → Excellent customer service → Energy efficient sustainable building envelope solutions → We operate our businesses to the highest standards → We acquire excellent newbusinesses → We recycle capital to provide the best return → We maintain financial discipline → We balance our portfolio of businesses across product and geography	**EBITDA** €441.7m – **Trading profit** €377.5m – **EPS** 159.0 cent – **Free cash** €198.5m	**ROCE** 17.8% – **Dividend** 37.0 cent – **Income taxes** €61.6m – **Interest** €16.8m

2017 IN A NUTSHELL



Above are based on internal estimates, and are directional rather than precise. Profit is EBITA.

Business & Strategic Report

Chief Executive's Review

2017 was a significant year for Kingspan which, despite its challenges, was a record period for the Group. Revenue rose by 18.0% to €3.7bn, and trading profit grew by 10.7% to €377.5m. The resultant increase in EPS was 10.6% to 159.0 cent per share. In addition to volume growth, price inflation also contributed to sales as we pushed to recover unprecedented raw material cost increases.

Financial Highlights:

- **Revenue up 18% to €3.7bn, (pre-currency, up 20%).**
- **Trading profit up 11% to €377.5m, (pre-currency, up 14%).**
- **Acquisitions contributed 9% to sales growth and 8% to trading profit growth in the year.**
- **Group trading margin of 10.3%, a decrease of 70bps.**
- **Basic EPS up 11% to 159.0 cent.**
- **Final dividend per share of 26.0 cent. Total dividend for the year up 10% to 37.0 cent.**
- **Year-end net debt of €463.9m (2016: €427.9m). Net debt to EBITDA of 1.05x (2016: 1.06x).**
- **Strong ROCE of 17.8% (2016:17.3%).**

Operational Highlights:

- Insulated Panel sales growth of 17%. A positive performance in Continental Europe, and a solid outcome in North America both drove this number despite the sharp slowdown in the UK towards year-end.
- Insulation Board sales growth of 12% owing to significant price inflation and the structural shift to Kooltherm® in the UK, Ireland and Mainland Europe.
- Light & Air sales of €205m marking a strong first full year of trading for this division and the development of a unique US and European footprint.
- A strong year for Environmental with ongoing improvement in profitability. Access Floors had a solid year, albeit with a weakening UK backdrop.
- The recovery of raw material inflation was a key theme during 2017. Supply eased somewhat toward year-end, although prices remain high into the current period.
- A record committed acquisition spend of €614m, of which €174m was completed during 2017. Key developments completed or pending include market entry into Brazil, Colombia and Southern Europe as well as an extension of our presence in Western and Central Europe.

Business Review

Activity across our Mainland European markets was somewhat mixed, led in particular by strong performances in France, Benelux and the Nordics as penetration of high performance insulation continues to increase in these regions. Germany, in contrast, was deeply competitive during the year as capacity increases weighed on market prices. The UK performed resiliently for much of the year. However, growing economic and political uncertainty made itself increasingly evident in market activity, with order intake weakening sharply towards year-end, largely in the non-residential segment. North American revenue was modestly ahead and Latin America grew meaningfully through our new ventures in Brazil and Colombia. Chemical cost increases were at levels not experienced before, which when combined with supply tightness led to a period of balancing margin and growth priorities and the need for significant price increases for our own solutions. In all, we successfully recovered the input increases, although in the process conceded some market share to alternative products which over time we expect to regain. Presently, we are experiencing improved raw material supply albeit with prices remaining high.

2017 was also a year of record acquisition activity for Kingspan. In total, between completions and signed contracts we committed almost €614m, €174m of which was incurred during the year with a further €440m currently awaiting regulatory approval. A centrepiece of these developments has been our increased exposure to exciting new frontiers including Latin America and Southern Europe, as well as adding significantly to our insulation technology via the Synthesia business. In addition to these acquisitions we also invested a net amount of €85.6m in capital expenditure with a strong emphasis on the organic global roll-out of our Insulated Panels and Insulation Boards businesses.

We continue to make progress on our internal and ongoing environmental agenda and reached a Net Zero Energy level of 69%, which brings us a sizeable step closer to our 2020 target of achieving 100% across the globe.

Strategy

Our strategic agenda is focused on the four pillars of Innovation, Globalisation, Penetration and Net Zero Energy. 2017 once again delivered notable advancements in all four areas:

- Product **Innovation** and range expansion progressed across the Group, the most significant of which is the ongoing roll-out of QuadCore™ now available from approximately half of our Insulated Panel facilities worldwide. 4% of our Insulated Panel volume sold globally contained this unique formulation. The Kooltherm® 100 Series was launched in 2016 and has made significant progress. Work has already begun on a 200 Series. These technologies are distinct in how they can address the ever-increasing fire performance demands of insulation systems, without having to compromise on the weight, moisture and thermal deficiencies of traditional fibrous insulation. Kingspan's products are among the most independently fire tested insulation systems in the world, having carried out more than 1,800 external fire tests to national and international standards for compliance across global regulatory regimes.

USA
Salesforce Tower
—
Access Floors: Dragon Black Porcelain/Teak Plank Wood, Hybrid Panels
—
Fire Rating: Porcelain: non-combustible in accordance with ASTM E136;
Class A flame spread rating in accordance with ASTM E84. Teak: combustible

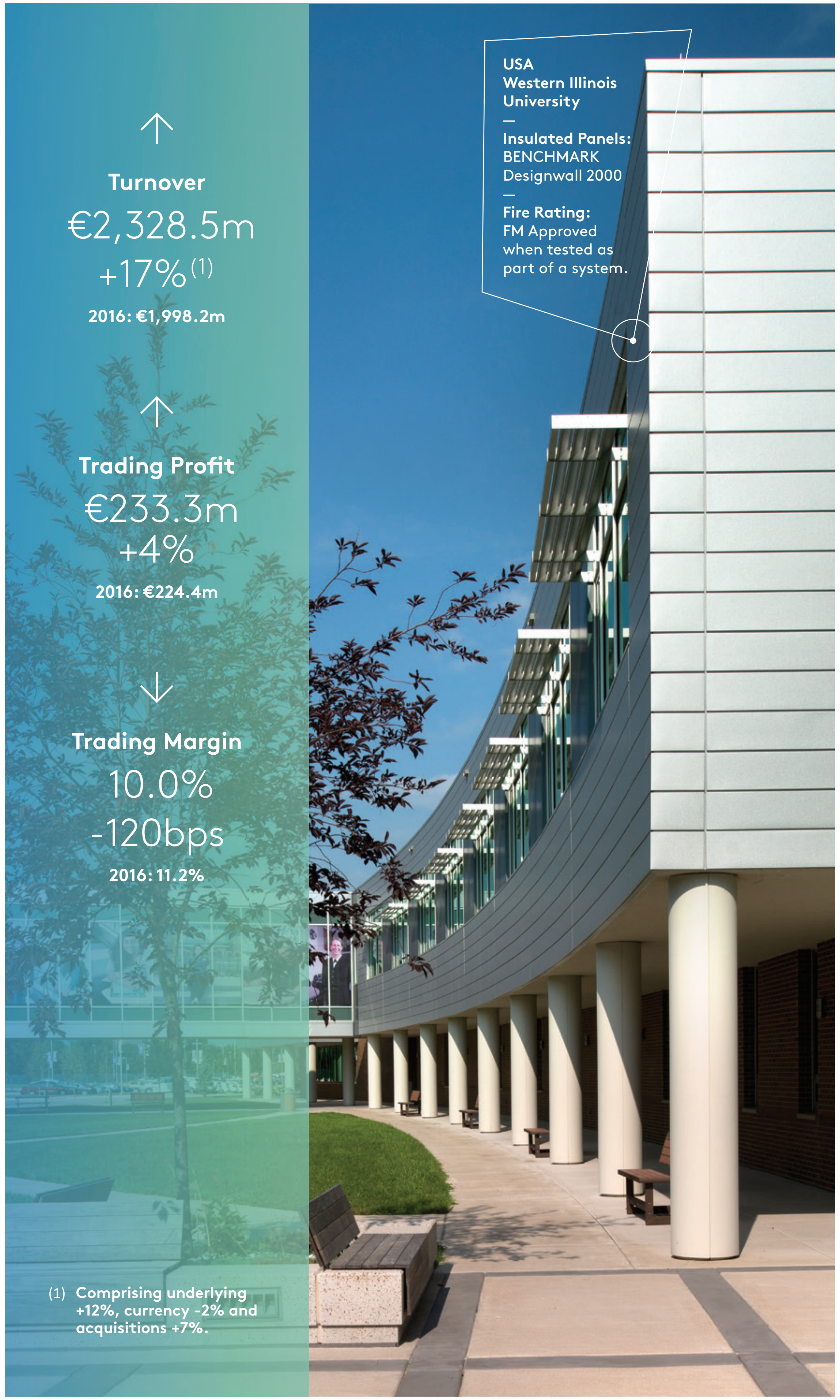
- Digitalising Kingspan is fast becoming a centrepiece of our innovation strategy, as part of which we recently invested in Invicara Pte Ltd, a Business Information Modelling (BIM) company. This and the many other initiatives underway are all designed to transform how we do business and how our specifiers and customers interact with us over the next three to five years.
- **Globalisation** of Kingspan remains central to our ongoing progress. During 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.
- Towards year-end we also announced agreements to acquire 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 and strengthens our emerging Insulated Panels presence in Central and South America. It also provides an excellent technology platform for blended chemical systems similar to those used throughout the wider Kingspan Group.
- We also advanced our position in Central Europe through the planned acquisition of Balex Metal, a Polish manufacturer of insulated panels and insulation boards. Balex has a strong market presence locally and in regional export markets. It complements our existing presence in the region and brings two well invested panel/board manufacturing facilities.
- **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 important challenges for businesses, so do products that can enable them to manage their environmental footprint more effectively. 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.
- In 2017 we achieved 69%, a significant increase on the 57% achieved a year earlier, and we remain on target to achieve 100% by 2020. Progress in 2017 was achieved through numerous initiatives implemented as part of our three step strategy – 'Save More', 'Generate More' and 'Buy More'. Particular highlights have included the use of our own energy saving solutions including insulation, LED lighting and day-lighting systems, alongside our renewable energy generation solutions. These efforts have led to our recognition on CDP's global 'A List', an achievement we were delighted to obtain for the third year running.
- We recognise the central importance of addressing the built environment as part of wider efforts to mitigate greenhouse gas emissions. This effort will not only be reliant on solutions for new buildings, but also on the ability to accelerate the renovation rate of the existing building stock. The ongoing revisions to key EU legislation including the Energy Performance of Buildings Directive (EPBD) is a signal to industry to take action.

↑ **Turnover**
€2,328.5m
+17%(1)
2016: €1,998.2m

↑ **Trading Profit**
€233.3m
+4%
2016: €224.4m

↓ **Trading Margin**
10.0%
-120bps
2016: 11.2%

(1) **Comprising underlying +12%, currency -2% and acquisitions +7%.**



Insulated Panels

Mainland Europe
2017 was a generally positive year for our Insulated Panels businesses across Continental Europe, setting aside the inflationary challenges faced. Volumes in Germany were flat over the period, and weaker towards year-end as we gave up some market share in pursuit of raw material recovery. France had a particularly strong year for the Joris Ide brand and our business in the Netherlands performed well through most of the year. It was also a year of significant progress in the Nordics where the penetration rate for high performance insulation solutions is relatively low, and further growth will be facilitated by our new QuadCore™ insulated panel line which was commissioned in Finland during the year. Volumes in much of Central Europe were healthy although it was one of our more difficult markets from which to recover chemical cost inflation.

Americas
Order intake by volume in the US grew by low double digits in 2017, compensating somewhat for weaker activity in Canada, the latter owing itself to lower volume in the western region and Alberta as well as intensified competition in cold storage applications. Sales of architectural solutions were positive once again, particularly Dri-Design® which has now been launched in other markets across the world and will be produced in both the UK and Continental Europe. 2017 marked a step-change to our position in Latin America where we now have a manufacturing presence in Mexico, Colombia and four facilities across Brazil. Early indications from these partnerships in South America have been most encouraging.

UK
The year started well for Insulated Panels in the UK and then tapered off considerably towards year-end as a decreasing number of large scale non-residential projects came to the market. That said, large scale online distribution centres featured prominently through 2017 and are likely to do so during the current year. Dri-Design® has started well in the UK and its project pipeline in the medium and high rise segments is encouraging as this segment undergoes a shift in the type of external façades used. Encouraging also was the success of QuadCore™ which reached penetration of 15% in its second full year in the UK, and is targeted to reach a run-rate of greater than 40% by the end of 2018. We anticipate this underlying progress to continue which will somewhat protect the business in the UK as it heads into a more difficult phase with general confidence ebbing, and inward investment waning as the government wades its way through its Brexit quagmire. Once certainty is restored, whenever that may be, demand should recover.

Asia Pacific & Middle East
This region experienced many challenges in 2017, not least the predictable weakness experienced in Turkey. The project pipeline is very healthy, particularly so in the aviation sector where in 2018 and 2019 a number of sizeable projects are expected to come to market. Australia was impacted by capacity expansions by competitors, the pressures from which should ease over-time as the penetration drive towards high performance continues. The New Zealand market continues to deliver well for Kingspan.

Ireland
The market in Ireland has progressed well in recent years as the economy recovers and growth in building resumes although the non-residential sector was broadly flat year on year. Tangible progress is being made on QuadCore™ and Dri-Design® specifications, both of which will be key dimensions of the Irish business in the future.

Insulation Boards

—

UK
2017 was an outstanding year for the Insulation Boards division with overall revenue ahead by 12%. This pattern was reflected similarly in the UK where the combination of price inflation, single digit volume growth and a sharp shift in mix towards Kooltherm® all combined to deliver a record year. The increase in Kooltherm® was partly facilitated by the tightness in supply of PIR board and also by the increasing demand for high fire performing solutions. Kooltherm® has the advantage of achieving this without compromising on thermal and space optimisation that traditional insulations tend to suffer from. We expect this trend to continue which should drive further growth in the new generation Kooltherm® 100 Series.

Mainland Europe
Our business continued to progress well across Continental Europe, despite the raw material pressures endured. Kooltherm® again stood out and growth was particularly evident in the Netherlands, Belgium, Germany and in the Nordics. Available capacity is tight and as a result we plan to build a greenfield facility in the Nordics over the course of this year and next which will support further penetration growth in that region as well as freeing up capacity to further our share in Western Europe.

Americas
During the year our new XPS insulation facility was commissioned in Winchester VA which doubles our capacity for this type of insulation board in North America. The plant only came properly on stream late in the year and, as a result, revenue was only marginally up over prior year. 2018 should see a resumption of growth as we enter new applications with an extended product range through the recent investment. A key strand of this strategy will encompass exploring end-market synergies that can be achieved using our Insulated Panel infrastructure as an additional channel for XPS board.

Asia Pacific & Middle East
The market for rigid insulation in the Middle East is relatively embryonic and, as such, has low levels of penetration. Ducting applications are the exception to this and Kingspan's position in this segment has advanced notably in recent years. Our building insulation range also received a boost with the addition of a new manufacturing line in 2017. This in combination with Kooltherm®, leaves us well positioned for growth over the medium term.

A new Kooltherm® facility was commissioned during the year in Melbourne which now provides the means to better service the Australasian region, which was heretofore supplied from Ireland. This market has become highly competitive in recent times as a result of a number of PIR capacity additions in the region.

Ireland
2017 was a positive year for Kooltherm® in Ireland as the conversion towards higher performance insulation continued to advance. As well as the growth in the residential segment, the conversion was also facilitated somewhat by a market shortage of PIR board during the year. This has alleviated in more recent weeks.

↑

Turnover
€769.4m
+12% (1)
2016: €688.1m

↑

Trading Profit
€91.2m
+16%
2016: €78.5m

↑

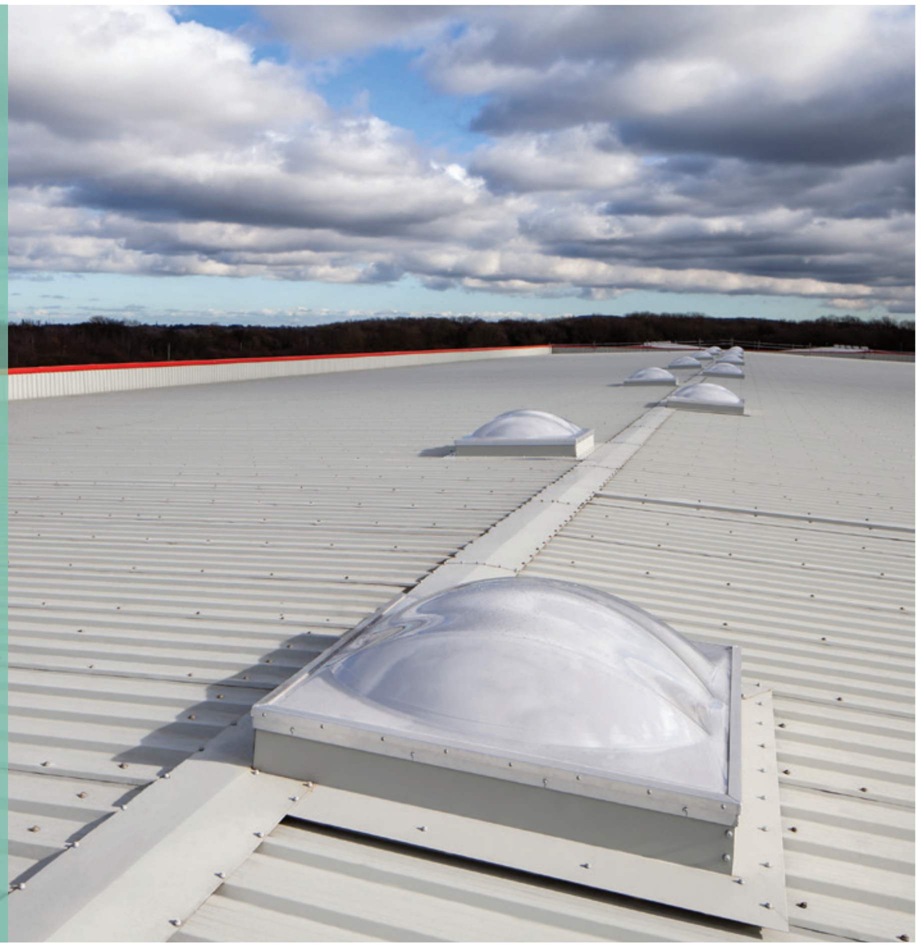
Trading Margin
11.9%
+50bps
2016: 11.4%

(1) **Comprising underlying +15% and currency -3%**

Turnover
€204.7m
+170%[1]
2016: €75.9m

Trading Profit
€14.8m
+311%
2016: €3.6m

Trading Margin
7.2%
+250bps
2016: 4.7%



(1) Comprising underlying +1% , currency -1% and acquisitions +170%

Light & Air

—

2017 was a milestone year for this newly formed division as it further extended its global presence through the addition of CPI Daylighting in North America and Brakel in Europe. Revenue in 2017 reached €204.7m and with the most recent acquisition the 2018 run-rate should be closer to €300m. Trading margin was 7.2%, as planned, and this year we expect it to exceed 8%.

At an organic level Western Europe performed strongly, particularly in Germany and France. Brakel will significantly complement our presence in Western Europe, not only from its product range, but also through its Slovakian manufacturing base which is capable of servicing much of the wider division. Together with the extensive site consolidation taking place in our French business to a 30,000m² facility near Lyon, the production infrastructure will, by the end of 2018, have taken a meaningful step forward in Europe. The underlying sales performance in North America was less positive as we gave up share in western US early in the year. This pattern had been reversed by year-end and will benefit further from site consolidation in 2018 as well as the range expansion provided by the UniQuad® product set at CPI.

UK
Hambleton Group
—
Light & Air: Day-Lite Kapture polycarbonate
—
Fire Rating: European class B-s1-d0 to EN13501

Turnover
€179.8m
+11%[1]
2016: €162.0m

Trading Profit
€16.2m
+43%
2016: €11.3m

Trading Margin
9.0%
+200bps
2016: 7.0%

(1) Comprising underlying +2%, currency -5% and acquisitions +14%

Environmental

—

The 2017 outturn at the Environmental division was strong, representing significant progress from a year earlier and continuing the pattern of recent years whereby global expansion and trading margin restoration were key themes.

To that end, revenue reached €179.8m and the trading margin was 9.0%. Much of this performance was driven by the contribution from Australia where the water storage business has performed excellently since acquired a couple of years back, and from the UK where the more traditional product range and service activities performed well. The Australasian business also benefitted from the addition of the Rhino rainwater business during 2017.

In contrast, the renewables businesses of solar and wind both had a more challenging trading period and this pattern is likely to prevail for the foreseeable future in Europe and the UK.

UK
Baltimore Tower
—
Environmental: Kingspan Range Tribune Xe

Access Floors

—

The UK continued to perform well for much of the year as we supplied contracts awarded earlier in the year, and even some from 2016. The result was satisfactory growth in what increasingly developed into a tougher trading environment in the UK as confidence levels dipped and order intake followed suit. The impact of this trend will be lower sales volume in 2018. The recently acquired small platform in Belgium provides the division with its first step into Western Europe, and access in particular to the German market. In North America we continued to expand the product offering with the primary focus on pre-finished concrete access floors and the data segment product set. These are both key growth opportunities for the business, not alone in North America, but also in Australia which shares similar market characteristics.

Acquisitions
During the year we committed to investment of almost €614m on ten acquisitions of which eight were completed in the year, including the acquisition of majority stakes in the leading insulated panel businesses in Brazil and Colombia and three acquisitions in our Light & Air division.

The acquisitions of Synthesia and Balex, detailed earlier in this report, are both subject to regulatory clearance and are expected to complete by the first half of 2018.

Looking Ahead
2018 got off to a relatively slow start, although the healthy nature of our orderbook in most regions should see that improve through the first quarter. One notable exception to this is the UK, where a sharp deterioration in order placement has been experienced in low rise non-residential projects. This has been evident in our Insulated Panels business where despite the overall project pipeline being stable, postponements have resulted in UK order intake value being down over 15% on prior year. Insulation Board sales in the UK are holding up reasonably well.

More positively, other end markets remain in solid shape overall and the structural conversion to QuadCore™ and Kooltherm® both made significant headway last year, a trend that encouragingly has continued into the current year. This, together with the evolving new frontiers we are currently investing in and the associated acquisitions expected to come on stream during the first half, should provide a counterbalance to the weakening near term UK building environment.

Gene M. Murtagh
Chief Executive Officer

23 February 2018

Turnover
€185.7m
+1%(1)
2016: €184.3m

Trading Profit
€22.0m
-5%
2016: €23.1m

Trading Margin
11.8%
-70bps
2016: 12.5%

(1) **Comprising underlying +4%, currency -4% and acquisitions +1%**

USA
Salesforce Tower
—
Access Floors: Dragon Black Porcelain/Teak Plank Wood, Hybrid Panels
—
Fire Rating: Porcelain: non-combustible in accordance with ASTM E136; Class A flame spread rating in accordance with ASTM E84. Teak: combustible

Business & Strategic Report

Financial Review

The Financial Review provides an overview of the Group's financial performance for the year ended 31 December 2017 and of the Group's financial position at that date.

UK
Dalmunach Distillery
—
Insulated Panels: Wall: KS1000 MR (Micro Rib). Roof: KS1000 RW
—
Fire Rating: When tested as part of a system all products are LPCB and FM Approved

Overview of results

Group revenue increased by 18% to €3.67bn (2016: €3.11bn) and trading profit increased by 10.7% to €377.5m (2016: €340.9m) with a decrease of 70 basis points in the Group's trading profit margin to 10.3% (2016: 11.0%). Basic EPS for the year was 159.0 cent (2016: 143.8 cent), representing an increase of 10.6%.

The Group's underlying sales and trading profit growth by division are set out below:

Sales	Underlying	Currency	Acquisition	Total
Insulated Panels	+12%	-2%	+7%	+17%
Insulation Boards	+15%	-3%	-	+12%
Light & Air	+1%	-1%	+170%	+170%
Environmental	+2%	-5%	+14%	+11%
Access Floors	+4%	-4%	+1%	+1%
Group	+11%	-2%	+9%	+18%

The Group's trading profit measure is earnings before interest, tax, amortisation of intangibles and non trading items:

Trading Profit	Underlying	Currency	Acquisition	Total
Insulated Panels	-1%	-2%	+7%	+4%
Insulation Boards	+20%	-4%	-	+16%
Light & Air	+75%	-1%	+237%	+311%
Environmental	+35%	-5%	+13%	+43%
Access Floors	-1%	-4%	-	-5%
Group	+6%	-3%	+8%	+11%

The key drivers of sales and trading profit performance in each division are set out in the Business Review.

Finance costs (net)

Finance costs for the year increased by €1.6m to €15.9m (2016: €14.3m). A net non-cash credit of €0.6m (2016: charge €0.1m) was recorded in respect of swaps on the Group's USD private placement notes. The Group's net interest expense on borrowings (bank and loan notes) was €16.1m (2016: €14.1m). This increase reflects higher average gross and net debt levels in 2017, due to acquisition spend, offset by favourable financing initiatives undertaken over the course of 2016 and 2017. The interest expense is driven extensively by gross debt balances with cash yields negligible in the current environment.

Taxation

The tax charge for the year was €60.6m (2016: €58.5m) which represents an effective tax rate of 17.5% (2016: 18.6%). The decrease in the effective rate reflects, primarily, the change in the geographical mix of earnings year on year and reductions in certain territorial tax rates.

Divisional reporting

The Group established a new division, Kingspan Light & Air, encompassing the Group's daylighting and natural ventilation activities effective from 1 January 2017. In 2016, this activity was reported within the Insulated Panels division with full systematic separation and divisional management effective from the 2017 financial year.

Dividends

The Board has proposed a final dividend of 26.0 cent per ordinary share payable on 27 April 2018 to shareholders registered on the record date of 23 March 2018. When combined with the interim dividend of 11.0 cent per share, the total dividend for the year increased to 37.0 cent (2016: 33.5 cent), an increase of 10.4%.

Retirement benefits

The primary method of pension provision for current employees is by way of defined contribution arrangements. The Group has two legacy defined benefit schemes in the UK which are closed to new members and to future accrual. In addition, the Group assumed a number of smaller defined benefit pension liabilities in Mainland Europe through acquisitions completed in recent years. The net pension liability in respect of all defined benefit schemes was €13.6m (2016: €14.1m) as at 31 December 2017.

Intangible assets and goodwill

Intangible assets and goodwill increased during the year by €104.0m to €1,186.0m (2016: €1,082.0m). Intangible assets and goodwill of €173.8m were recorded in the year relating to acquisitions and additions completed by the Group, offset by annual amortisation of €15.7m and a decrease due to year-end exchange rates used to translate intangible assets and goodwill other than those denominated in Euro.

Key performance indicators - financial

The Group has a set of financial key performance indicators (KPIs) which are set out in the table overleaf. These KPIs are used to measure the financial and operational performance of the Group and are used to track progress continually and also in achieving medium and long term targets.

Key performance indicators	2017	2016
Basic EPS growth	11%	35%
Sales growth	18%	12%
Trading margin	10.3%	11.0%
Free cashflow (€m)	198.5	206.6
Return on capital employed	17.8%	17.3%
Net debt/EBITDA	1.05x	1.06x

(a) Basic EPS growth. The growth in EPS is accounted for by the 11% increase in trading profit, generating a 12% increase in profit after tax.

(b) Sales growth of 18% (2016: 12%) was driven by a 9% contribution from acquisitions, an 11% increase in underlying sales and a 2% decrease due to the effect of currency translation. A key contributor to underlying sales growth in the year was price growth necessitated by raw material inflation recovery.

(c) Trading margin by division is set out below:

	2017	2016
Insulated Panels	10.0%	11.2%
Insulation Boards	11.9%	11.4%
Light & Air	7.2%	4.7%
Environmental	9.0%	7.0%
Access Floors	11.8%	12.5%

The Insulated Panels division trading margin reflects, primarily, the impact of higher raw material prices year on year and the associated lag in recovery. The trading margin improvement in the Insulation Boards division reflects a positive Kooltherm® mix driven by constrained availability of other rigid insulants due to raw material shortages. The increase in the Environmental trading margin reflects a tighter product set, a widening of the geographical base, growth in rainwater harvesting activity in Australia and an improvement in the UK. The improved trading margin in Light & Air reflects the higher level of activity year on year together with structural improvements to the cost base. The decrease in trading margin in Access Floors reflects a subdued sales performance during the year and the geographic market mix of sales year on year.

(d) Free cashflow is an important indicator and it reflects the amount of internally generated capital available for re-investment in the business or for distribution to shareholders.

Free cashflow	2017	2016
	€m	€m
EBITDA*	441.7	404.1
Non-cash items	9.4	12.4
Movement in working capital	(85.3)	(53.1)
Pension contributions	(0.9)	(2.9)
Movement in provisions	(2.4)	13.7
Net capital expenditure	(85.6)	(103.1)
Net interest paid	(16.8)	(14.2)
Income taxes paid	(61.6)	(50.3)
Free cashflow	198.5	206.6

*Earnings before finance costs, income taxes, depreciation, amortisation and non trading items.

Working capital at year-end was €477.8m (2016: €382.7m) and represents 13.0% (2016: 12.3%) of annual turnover. This metric is closely managed and monitored throughout the year and is subject to a certain amount of seasonal variability associated with trading patterns and the timing of significant purchases of steel and chemicals. The increase year on year reflects, primarily, the working capital investment associated with year on year sales growth and the working capital in acquired businesses.

(e) Return on capital employed, calculated as operating profit divided by total equity plus net debt, was 17.8% in 2017 (2016: 17.3%). The creation of shareholder value through the delivery of long term returns well in excess of the Group's cost of capital is a core principle of Kingspan's financial strategy. The increase in profitability together with the deployment of further capital has maintained returns on capital during the year.

(f) Net debt to EBITDA measures the ratio of net debt to earnings and at 1.05x (2016:1.06x) is comfortably less than the Group's banking covenant of 3.5x in both 2017 and 2016.

Key performance indicators – non-financial

The Group monitors a number of non-financial key performance indicators to measure progress on critical aspects of the Group's strategy:

(a) Net Zero Energy - The Group's Net Zero Energy agenda is a set of initiatives across the business globally targeting the adoption of 100% renewable energy in aggregate across our manufacturing facilities globally by 2020. In 2017 we achieved 69%, a significant increase on the 57% achieved a year earlier, and we remain on target to achieve our 2020 target.

(b) Carbon Disclosure Project - The Group maintains an ongoing commitment to carbon reporting and reducing our impact on the environment. For the sixth

consecutive year the Group participated in the Carbon Disclosure Project (CDP) and we are one of only 120 companies to make the global 'A List'.

(c) New Product Development– The ongoing development of the Group's high performance insulation and building envelope proposition is the bedrock of the Group's continuing success. During 2017, the Insulated Panels division further extended its QuadCore™ technology following an intensive R&D effort and the initial launch in 2015.

The Insulation Boards division made further progress in advancing its next generation Kooltherm® 100 range and in Access Floors the exposed concrete finish product progressed well in 2017.

Acquisitions and capital expenditure

During 2017, Kingspan committed to an investment of €613.9m on ten acquisitions. Of the total investment, €173.9m was incurred in cash on completion during the year for eight of these acquisitions with a further aggregate amount of €440m payable in respect of two of the acquisitions, which are expected to complete in the first half of 2018.

On 15 December 2017, the Group announced the proposed acquisition of the Synthesia Group ("Synthesia"). Synthesia gives Kingspan a leading position in both Insulated Panels and Insulation Boards on the Iberian Peninsula and strengthens its presence in Central and South America. The acquisition is conditional on regulatory clearance and is expected to complete in the first half of 2018.

On 15 December 2017, the Group also announced the proposed acquisition of Balex Metal sp.z.o.o. ("Balex"), a Polish based manufacturer of Insulated Panels and Insulation Boards. The acquisition is conditional on regulatory clearance, and is expected to complete in the first half of 2018.

On 24 November 2017 the Group acquired Brakel Group, a Dutch based operation in the Light & Air sector with annual revenues in the year to 31 December 2016 of €68m. The consideration paid in cash on completion was €73.3m.

On 27 September 2017 the Group acquired 51% of Isoeste Construtivos Isotermicos S.A. ("Isoeste"). The amount payable in cash on completion was €41.8m and a further maximum amount of €33.2m may become payable contingent on the future earnings performance of the business.

On 2 August 2017 the Group acquired 100% of CPI Daylighting Inc. ("CPI"), a US based daylight business. The amount payable in cash on completion was €38.6m.

In addition, the Group made five smaller acquisitions during the year in the Insulated Panels, Environmental, Light & Air and Access Floors divisions for an aggregate cash consideration of €20.2m.

Capital structure and Group financing

The Group funds itself through a combination of equity and debt. Debt is funded through syndicated and bilateral bank facilities and private placement loan notes. The primary bank debt facility is a €500m revolving credit facility, which was undrawn at year-end and which matures in June 2022. As at 31 December 2017, the Group's committed bilateral bank facilities were €50m, none of which was drawn. Private placement loan note funding net of related derivatives totals €633.2m. The weighted average maturity of the notes is 6.5 years, including a new private placement of €175m completed on 8 December 2017. This was drawn on 31 January 2018.

The Group had significant available undrawn facilities and cash balances which, in aggregate, were c.€901m at 31 December 2017 and provide appropriate headroom for ongoing operational requirements and development funding. €440m of this headroom is expected to be utilised to complete the Synthesia and Balex acquisitions detailed above.

Net debt

Net debt increased by €36.0m during 2017 to €463.9m (2016: €427.9m). This is analysed in the table below:

Movement in net debt	2017	2016
	€m	€m
Free cashflow	198.5	206.6
Acquisitions	(168.2)	(254.4)
Share issues	0.2	3.2
Repurchase of shares	(1.5)	(1.3)
Dividends paid	(61.7)	(48.4)
Cashflow movement	(32.7)	(94.3)
Exchange movements on translation	(3.3)	(5.6)
Increase in net debt	(36.0)	(99.9)
Net debt at start of year	(427.9)	(328.0)
Net debt at end of year	(463.9)	(427.9)

Key financial covenants

The majority of Group borrowings are subject to primary financial covenants calculated in accordance with lenders' facility agreements:

- A maximum net debt to EBITDA ratio of 3.5 times; and
- A minimum EBITDA to net interest coverage of 4 times.

The performance against these covenants in the current and comparative year is set out below:

		2017	2016
	Covenant	Times	Times
Net debt/EBITDA	Maximum 3.5	1.05	1.06
EBITDA/Net interest	Minimum 4.0	27.8	28.3

Investor relations

Kingspan is committed to interacting with the international financial community to ensure a full understanding of the Group's strategic plans and its performance against these plans. During the year, the executive management and investor team presented at four capital market conferences and conducted 337 institutional one-on-one and group meetings.

Share price and market capitalisation

The Company's shares traded in the range of €25.80 to €37.00 during the year. The share price at 31 December 2017 was €36.41 (31 December 2016: €25.80) giving a market capitalisation at that date of €6.5bn (2016: €4.6bn). Total shareholder return for 2017 was 42.7%.

Financial risk management

The Group operates a centralised treasury function governed by a treasury policy approved by the Group Board. This policy primarily covers foreign exchange risk, credit risk, liquidity risk and interest rate risk. The principal objective of the policy is to minimise financial risk at reasonable cost. Adherence to the policy is monitored by the CFO and the Internal Audit function. The Group does not engage in speculative trading of derivatives or related financial instruments.

Geoff Doherty
Chief Financial Officer

23 February 2018

Business & Strategic Report

Risk & Risk Management

As a leading building supplies manufacturer in a highly competitive international environment, Kingspan is exposed to a variety of risks and uncertainties which are monitored and controlled by the Group's internal risk management framework.

Overall responsibility for risk management lies with the Board who ensures that risk awareness is set at an appropriate level.

To ensure that risk awareness is set at an appropriate level, the Audit Committee assists the Board by taking delegated responsibility for the risk identification and assessment in addition to reviewing the Group's risk management and internal control systems and making recommendations to the Board thereon.

The chairman of the Audit Committee reports to the Board at each Board meeting on its activities, both in regard to audit matters and risk management. The activities of the Audit Committee are set out in detail in the Report of the Audit Committee on page 73.

The Board monitors the Group's risk management systems through this consultation with the Audit Committee but also through the Group's divisional monthly management meetings, where at least two executive directors are present. The risks and trends are the focus of each division's monthly management meeting, where their performance is also assessed against budget, forecast and prior year. In addition, key performance indicators are used to benchmark operational performance for all manufacturing sites.

In addition to this ongoing assessment of risk within the divisions, the Audit Committee oversees an annual risk assessment for the Group whereby each divisional management team is formally asked to prepare a risk assessment for their businesses. This assessment involves evaluating group-wide risks, as put forward by the Board, and also presenting additional risks that are specific to their business.

While it is acknowledged that the Group faces a variety of risks, the Board, through the processes set out above, has identified the principal risks and uncertainties that could potentially impact upon the Group's short to medium term strategic goals and these are as follows:

Risk and impact	Actions to mitigate
Volatility in the macro environment	
Kingspan products are targeted at both the residential and non-residential (including retail, commercial, public sector and high rise offices) construction sectors. As a result, demand is dependent on activity levels which may vary by geographic market and is subject to the usual drivers of construction activity (i.e. general economic conditions and volatility, Brexit, political uncertainty in some regions, interest rates, business/consumer confidence levels, unemployment and population growth). While construction markets are inherently cyclical, changing building and environmental regulations continue to act as an underlying positive structural trend for demand for many of the Group's products.	The exposure to the cyclicality of any one construction market is partially mitigated by the Group's diversification, both geographically and by product. As set out in the Business Model & Strategy, the Group has mitigated this risk through diversification as follows: › Sales outside of traditional markets, predominantly the UK and Ireland, have increased from 30% in 2007 to 71% in 2017; › Launch of new products and continual improvements to existing product lines; and › Acquisitions made during the year extend the geographic reach of the Group. The full details of these diversifications are set out in the Business Model & Strategy on pages 10 to 13.
Failure to innovate	
Failing to successfully manage and compete with new product innovations, changing market trends and consumer tastes could have an adverse effect on Kingspan's market share, the future growth of the business and the margins achieved on the existing product line.	Innovation is one of Kingspan's four pillars to increasing shareholder value and therefore plays a key role within the Group. There is a continual review of each division's product portfolios at both the executive and local management level to ensure that they target current and future opportunities for profitable growth. This risk is further mitigated by continuing innovation and compelling marketing programmes. Kingspan also has a deep understanding of changing consumer and industry dynamics in its key markets, enabling management to respond appropriately to issues which may impact business performance.

Risk and impact	Actions to mitigate
Product failure	
A key risk to Kingspan's business is the potential for functional failure of our product which could lead to health, safety and security issues for both our people and our customers. **The Kingspan brand is well established and is a key element of the Group's overall marketing and positioning strategy. In the event of a product failure, the Kingspan brand and/or reputation could be damaged and if so, this could lead to a loss of market share.**	Dedicated structures and processes are in place to manage and monitor product quality controls throughout the business: › The majority of new products go through a certification process which is undertaken by a recognised and reputable authority (for example, in the UK it is the Building Research Establishment, BRE) including rigorous fire testing before it is brought to market. › Our businesses employ quality control specialists and operate strict policies to ensure consistently high standards are maintained in relation to the sourcing and handling of raw materials. › Quality audits are undertaken at our manufacturing sites. › Documented and tested product recall procedures are embedded in all our businesses and are regularly reviewed. › Effective training is delivered to our staff. › We proactively monitor the regulatory and legislative environment.
Business interruption (including IT continuity)	
Kingspan's performance is dependent on the availability and quality of its physical infrastructure, its raw material supply chain and its information technology. The safe and continued operation of such systems and infrastructure is threatened by natural and man-made perils and is affected by the level of investment available to improve them. **Any significant or prolonged restriction to its physical infrastructure, the necessary raw materials or its IT systems and infrastructure could have an adverse effect on Kingspan's business performance.**	Kingspan insists on industry leading operational processes and procedures to ensure effective management of each facility. The Group invests significantly in a rigorous programme of preventative maintenance on all key manufacturing lines to mitigate the risk of production line stoppages. The impact of production line stoppages is also mitigated by having business continuity plans in place to allow for the transfer of significant volume from any one of our 62 plants in the Insulated Panels division or 19 plants in the Insulation Boards division to another in the event of a shutdown. In addition, and as part of our consequential loss insurance, Kingspan is subject to regular reviews of all manufacturing sites by external risk management experts, with these reviews being aimed at improving Kingspan's risk profile. In an effort to reduce Kingspan's exposure to raw material supply chain issues, Kingspan builds strong relationships with a wide range of raw material suppliers to limit the reliance on any one supplier or even a small number of suppliers. Kingspan's IT infrastructure is constantly reviewed and updated to meet the needs of the Group. Procedures have been established for the protection of this infrastructure and all other IT related assets. These include the development of IT specific business continuity plans, IT disaster recovery plans and back-up delivery systems, to reduce business disruption in the event of a major technology failure.
Credit risks and credit control	
As part of the overall service package, Kingspan provides credit to customers and as a result there is an associated risk that the customer may not be able to pay outstanding balances. **At the year-end, the Group was carrying a receivables book of €625.8m expressed net of provision for default in payment. This represents a net risk of 17% of sales.** **Of these net receivables, approximately 76% were covered by credit insurance or other forms of collateral such as letter of credit and bank guarantees.**	Each business unit has established procedures and credit control functions around managing its receivables and takes action when necessary. Trade receivables are primarily managed through strong credit control functions backed up by credit insurance to the extent that it is available. All major outstanding and overdue balances together with significant potential exposures are reviewed regularly and concerns are discussed at monthly meetings at which the Group's executive directors are present. Control systems are in place to ensure that credit authorisation requests are supported with appropriate and sufficient documentation and are approved at appropriate levels in the organisation.
Employee development & retention	
The success of Kingspan is built upon effective management teams committed to achieving a superior performance in each division. Failure to attract, retain or develop these teams could have an impact on business performance.	Kingspan, and each of its divisions, is committed to ensuring that the necessary procedures are in place to attract, develop and retain the skill levels needed to achieve the Group's strategic goals. These procedures include strong recruitment processes, succession planning, remuneration reviews, including both long and short term incentive plans, and career development plans.
Fraud and cybercrime	
Kingspan is potentially exposed to fraudulent activity, with particular focus on the Group's online banking systems, online payment procedures and unauthorised access to internal systems.	The security processes around the Group's IT and banking systems are subject to review by divisional management and internal audit. These systems are continually reviewed with updates and improvements implemented as required. Relevant IT and security policy documents and related alerts are circulated by Group management to all divisions to ensure a consistent and effective approach is taken across the Group.
Acquisition and integration of new businesses	
Acquisitive growth is an important element of Kingspan's development strategy. A failure to execute and properly integrate significant acquisitions and capitalise on the potential synergies they bring may adversely affect the Group.	All potential acquisitions are rigorously assessed and evaluated, both internally and by external advisors, to ensure any potential acquisition meets Kingspan's strategic and financial criteria. This process is underpinned by extensive integration procedures and the close monitoring of performance post acquisition by both divisional and Group management. Kingspan also has a strong track record of successfully integrating acquisitions and therefore management have extensive knowledge in this area which it utilises for each acquisition.

Business &
Strategic Report

Corporate Social Responsibility

Kingspan's vision

To be a global leader in sustainable business and establish a leading position in providing ethical, renewable and affordable best practice solutions for the construction sector. We know that the built economy has an important part to play in combatting climate change and we pledge to take the lead. Our commitment to sustainability is instilled at every level of the Group and at every step in the manufacturing process.

Environment

Social

Governance

Corporate Social Responsibility

Environment

Our Operations

Aims

- → Sustainability at the heart of everything we do.
- → Net Zero Energy.
- → Minimise harmful emissions, waste and water usage.

In 2011, Kingspan Group embarked on its own initiative, committing to ensure that all of its facilities worldwide are Net Zero Energy on an aggregate basis by the year 2020.

With over 12,000 employees and 111 manufacturing sites operating across the world, the scale of the challenge is daunting. The Group's rapid growth also adds complexity:

- → Increasing demand for products leads to an increase in manufacturing energy demand.
- → Growth through acquisitions adds new facilities at different levels of development and energy efficiency.
- → Employees need to be engaged in the work through cultural change.

Despite these obstacles, in 2016 the Group over-achieved on its 50% target by 7% while in 2017 the NZE % currently stands at 69%.

Net Zero Energy

69% ↑ up 12%

2016: 57%

OUR JOURNEY TO DATE

	Energy Costs: Light and heat costs as a % of turnover	Renewable Energy Usage: Renewable energy used (GWh)	Energy Intensity: kWh per € turnover	On-site Energy Generation: Renewable energy generated on-site (GWh)	Carbon Intensity: CO2 tonnes per €m of turnover	Renewable Electricity Usage: Renewable electricity used (GWh)
2017	**0.79**	**328**	**0.13**	**34.5**	**0.012**	**176.2**
2016	0.88	243	0.14	32.2	0.014	164.4
2015	0.99	126	0.14	24.1	0.034	102.3
2014	1.11	88	0.16	17.3	0.040	80.3
2013	1.14	60	0.18	14.5	0.049	58.0
2012	1.29	27	0.19	6.6	0.053	27.4

Our Operations

—

Our global Net Zero Energy team is responsible for delivering our ambitious 2020 goal, working together to implement new initiatives and identify areas for improvement through our three-step strategy – Save More – Generate More – Buy More.

Save More
Improving the energy efficiency of our operations remains the highest priority across the Group. A wide range of projects were implemented on many sites during 2017 including the following;

- → LED lighting installations including daylight dimming and occupancy sensing;
- → Optimised daylighting solutions including roof and wall lights;
- → Heat recovery systems;
- → Compressed air system improvements;
- → Insulation to reduce heat loss;
- → Destratification fans to improve heat distribution;
- → Low energy process equipment installation;
- → Power factor correction systems.

A key part of the "Save More" strategy has been employee awareness and training. Implementation of Energy Management Standard ISO 50001 in several of our manufacturing sites has also been effective in driving energy efficiency improvements and increased use of sub-metering has facilitated accurate targeting of energy saving opportunities. Our efforts to make further improvements will continue in 2018 and we are already working on some significant opportunities that have the capability of delivering over 100,000kWh per annum savings with one opportunity capable of delivering over 1GWh saving per annum.

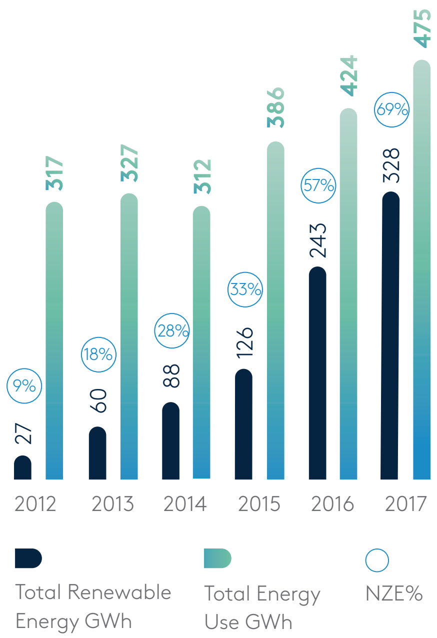
Generate More
A particular highlight of our "Generate More" strategy is that 7.3% of our total energy use was generated from renewable sources on our own manufacturing sites. The technologies in use include:

- → Solar PV;
- → Solar thermal;
- → Biomass heat;
- → Biomass CHP (electricity);
- → Small scale wind;
- → Anaerobic digestion.

Particular highlights during 2017 were the first full year of generation of the roof mounted solar PV system at our Sherburn site that delivered over 4GWh renewable electricity in 2017 – it's believed to be one of the 5 largest solar PV arrays in the UK. 2017 also saw the first full year of operation of a biomass heat facility at our Pembridge site delivering 1.6GWh renewable heat. A major biomass CHP facility came online at our Portadown site at the end of 2017. The facility is anticipated to generate 4GWh per annum renewable electricity for use on site. We were granted planning permission for up to 1.5MW wind turbine at our Holywell site and anticipate that the machine will be generating over 1.5GWh per annum electricity from the 4th quarter of 2018.

Buy More
The purchase of renewable energy from the grid is an important part of our strategy. Our preferred option is to purchase certified renewable energy (both electricity and gas) direct from our suppliers but where this is not possible we have made purchases of Guarantees of Origin (GOs) in Europe, Renewable Energy Certificates (RECs) in North America and International Renewable Energy Certificates (iRECs) in other regions as necessary.

PROGRESS TO NET ZERO ENERGY



Accreditation

—

RE100
Kingspan is a gold member of the RE100. RE100 is a collaborative, global initiative of influential businesses committed to 100% renewable electricity, working to increase demand for, and delivery of renewable electricity. The private sector accounts for around half of the world's electricity consumption. Switching this demand to renewables will accelerate the transformation of the global energy market and aid the transition to a low carbon economy. RE100 is an initiative of The Climate Group in partnership with CDP, as part of the We Mean Business coalition.

CDP Climate List
For the third year running, Kingspan was recognised as a global leader for corporate action on climate change and was awarded a position on the CDP Climate 'A List', the international not-for-profit organisation measuring the environmental impact of thousands of companies across the globe.

Carbon Trust Standard
Our operations in the UK have been awarded the Carbon Trust Standard in recognition of our various initiatives to manage and reduce carbon emissions. The Carbon Trust Standard is designed to provide a robust, objective analysis of a company's carbon performance over a number of years. Organisations must be able to display both annual reductions in energy usage over a period of three years, and prove that they have the necessary management procedures, plans and targets to continue to achieve further year-on-year carbon reductions in the future.

Waste

—

Waste reduction brings benefits through reducing environmental impact and costs. Kingspan is fully committed to reducing the amount of waste sent to landfill and is continuously looking at new and innovative ways to reduce the generation of waste and where it is generated to reuse and recycle wherever possible.

In some instances where waste cannot be reused or recycled it is sent to Energy from Waste power production plants in order to avoid landfill.

Water

—

Although water is a small proportion of inputs into our operations, we aim to manage the resource in the most responsible manner possible. In general, water is mainly used for general sanitation purposes and Kingspan continues to aim to maximise water conservation through the use of rainwater harvesting and other water saving initiatives such as sensoring systems and water flow regulators.

Our Access Floors manufacturing site in Red Lion US is one of the largest consumers of water in the Group and in 2017 the conservation of water amounted to 1.2 million gallons (which is 67% of total usage) through water recycling.

" This is our third year making the CDP 'A List' and we're proud to be one of only two Irish companies to have achieved this challenging standard. Progress towards our goal of operating at Net Zero Energy by 2020 has been key to delivering our reduced environmental impact. Our achievements to date clearly demonstrate the business case behind saving energy, reducing carbon emissions and generating renewable energy on our own sites – often using our own products and solutions. The building sector contributes around 30% of global annual greenhouse gas emissions, which means it has a crucial role to play in helping countries hit the targets set in last year's Paris Agreement."

Gene M. Murtagh, CEO

Corporate Social Responsibility

Environment

Our Products

Aims

- → Continue to produce best in class products and building solutions.
- → Ensure sustainability is considered in all aspects of our product lifecycle.

Kingspan started over 50 years ago with a simple mission to always work to make building better. Our Insulated Panels feature the most advanced, high performance insulation cores, offering superior thermal performance in any climate.

Approximately 30% of global greenhouse gas emissions are attributable to buildings. Every year, Kingspan insulation systems significantly reduce energy usage, carbon emissions and building operational costs in over 70 countries across the globe.

In 2017 Kingspan Insulated Panel and Insulation Board products, in use in the built environment, saved 176.1 million MWh of energy, 34.87 million tonnes of CO_2 and €4.9bn of costs.*

What We Deliver
At Kingspan, our vision is to be a global leader in sustainable business, and establish a leading position in providing sustainable, renewable and affordable solutions for the construction sector. Kingspan is committed to producing products that consume less energy and emit less carbon and therefore reduce the impact buildings have on our environment.

In 2017 the total energy saved* by our insulation systems is equivalent to:

100m
Over one hundred million barrels of oil

61
The annual output of sixty-one power stations

19m
Taking nineteen million cars off the road

4.3
Up to 4.3 times the annual electricity consumption of Greater London

*These figures relate to sales of Insulated Panels and Insulation Boards between 1993 and 2017.

Fire Testing and Research

—

Kingspan takes the issue of fire safety extremely seriously. We have been researching and testing the performance of our products for decades to find suitable solutions for even the most demanding projects.

We have conducted more than 1,800 external fire tests to national and international standards for compliance across global regulatory regimes. Only those that can achieve rigorous standards are recommended for use in sensitive applications.

Fire Test Certification
During our research, the importance of system testing rather than material testing has been proven numerous times. Large-scale system testing underpins the fire safety credentials of Kingspan's high performance closed cell rigid insulation products and systems, including BS 8414; LPS 1181 and 1208; FM 4470, 4471, 4880, 4881, 4882 and 4924; EN 1364, 1365 & 1366: ISO 13784; LEPIR II; SP Fire 105 & NFPA 285.

Products & systems
QuadCore™ Technology is a high performance closed-cell rigid insulation solution offering a unique combination of fire performance certification when used as a core in our insulated panel systems including FM 4882 (the FM Global insurance standard for smoke sensitive occupancies), providing enhanced 'reaction to fire' and 'fire resistance' performance.

The Kooltherm® range of insulation boards and KoolDuct pre-insulated ductwork are manufactured with a phenolic insulation core, which has been proven through a rigorous program of testing to offer superior fire and smoke performance to other commonly used rigid thermoset insulants.

Some products from the Therma range of PIR flat and tapered roofing products have achieved FM 4470 certification.

Tests
Kingspan Insurer Certified insulated panels and premium performance rigid thermoset phenolic insulation boards and products can achieve high levels of reaction to fire performance in tests specified for regulatory purposes, large scale tests developed by the insurance industry and large scale tests developed by other organisations including ISO, British Standards Institute (BSI), ASTM and the National Fire Protection Agency (NFPA).

Kingspan has numerous façade systems that have successfully passed large scale façade tests around the globe including NFPA 285, LEPIR II, SP Fire 105 and BR135 to BS 8414. We therefore have systems that are suitable for high-rise buildings. Going forward we believe that large scale system testing is the most appropriate fire performance benchmark to ensure safe building envelopes.

Case Studies
Independently researched real fire case studies have proven the performance of Insurer Certified insulated panel systems and Therma roofing boards across the world. We have been building up a comprehensive library of real fire case studies over the years.

For fire performance and test results for the full Kingspan range, please refer to the relevant Kingspan literature, which is available on our websites and outlined in our various fire brochures.

Fire Performance/Outputs
Fire Performance Certification of products and systems incorporating Kingspan's high performance closed cell rigid insulation cores.

- → Approval to large scale insurance industry fire certification standards including the Loss Prevention Certification Board (LPS) and FM Approvals (FM);
- → up to 60 minutes fire insulation and integrity (EI60) according to EN 1364 Parts 2 & 3 and ASTM E119;
- → up to FR60 according to UK Insurance Industry Standard LPS 1208;
- → up to 180 minutes fire integrity and heat radiation (E180 and EW180) according to EN 1364 Part 2.

Kingspan Kooltherm® and KoolDuct products can achieve:

- → a Euroclass rating as good as B-s1,d0;
- → Class 0 to UK building regulations when tested to BS 476 Pt 6 & Part 7.

Kooltherm® can achieve:

- → a Flame Spread Index (FSI) of 5 and a Smoke Developed Index (SDI) of 0 when tested to ASTM E 84;
- → Ignitability Index, Spread of Flame Index and Heat Evolved Index of 0, as well as a Smoke Developed Index of 0-1 according to AS 1530 Part 3;
- → Class 1 Fire Rating to Factory Mutual Class Number 4880: 2005 (Kooltherm® K10 FM Soffit Board).

KoolDuct is the only premium performance pre-insulated ductwork in the world to be UL Listed as a Class 1 Air Duct, to Standard for Safety UL 181.

Case Studies

Sustainable Buildings

—

Access Floors

Project:
350 Mission Street,
San Francisco, California

Location:
San Francisco, California, USA

Products:
Access Floors –ConCore® 1250 and 2500 Panels in Wood, Multi-piece Porcelain & Carpet finishes

Fire Rating:
Porcelain: non-combustible in accordance with ASTM E136; Class A flame spread rating in accordance with ASTM E84.
Teak: combustible

350 Mission Street represents the new headquarters of cloud computing giant Salesforce. At 492,000 square feet, 350 Mission Street is San Francisco's first LEED Platinum high-rise, and a focus on sustainability was the driving factor behind every decision made on the project. Installing an underfloor air distribution system beneath a Tate raised access floor was one of a combination of strategies that will help lower energy costs at 350 Mission Street by about one third. Underfloor air distribution allowed for 100% filtered outside air to be brought into the building and distributed in an energy efficient method, and running power and cable through the plenum allowed for the creation of a greater floor-to-ceiling height which increased overhead space for employees and allowed for larger windows for improved daylighting.

The developer, Kilroy Realty, describes the goal of the project as the creation of a "high-performance work environment" in every aspect from employee performance to optimised environmental standards. One of the key factors in achieving these goals was the utilisation of underfloor service distribution.

Sustainable Buildings

—

Insulated Panels

Project:
Project T Distribution Centre

Location:
Kettering, UK

Products:
Insulated Panel – Trapezoidal Wall & Roof Panel

Fabrications – Flashings

Daylighting – Kingspan Day-Lite Trapezoidal

Fire Rating:
When tested as part of a system all roof and wall panels are LPCB and FM Approved.

Sustainable Cities

—

Environmental

Project:
Flood Monitoring collaboration

Location:
Dublin, Ireland

Products:
Flood and Water Level Monitoring

Dublin City University Water Institute and Kingspan, with support from Dublin City Council, have joined forces to develop an affordable smart sensor network for water level monitoring which will help provide solutions to the wide-scale flooding witnessed across the country in recent years.

The low-cost sensors developed by Kingspan have been deployed at a number of locations on the River Dodder, with the data being analysed by DCU Water Institute. The ground-breaking technology has real time capability and an app that can be easily downloaded and accessed by end users. When river waters rise to a certain level, sensors send out a warning alert, via SMS, to a local business owner, farmer or householder in a vulnerable area.

The affordability of the sensor means that it is scalable and can be used as part of a nationwide network of sensors which can be widely deployed to measure water levels in a series of locations to predict floods and heightened water levels that may occur after bouts of heavy rainfall.

Data collected from the sensors can provide vital information in relation to the behaviour of our rivers, how they flow and how these flows are affected by rainfall. Past heavy rainfall events can be analysed to reveal the effect on water levels at various points in the catchment. When used as a predictive tool, this data can allow authorities and individuals to react pre-emptively, rather than reactively, to predicted heavy rainfall.

The project involved a distribution centre, constructed on a remediated brownfield site in Kettering close to the M1 motorway and major road networks. Spanning 1.1 million square feet, with an additional 3-level mezzanine, it was vital that the facility was not only completed as quickly as possible to allow the occupier to move in, but that it was built to last. To ensure the high quality and durability required, the complete building envelope comprised a bespoke, fully-integrated Kingspan building envelope system including roof and wall panels, specialist fabrications, daylighting and rooftop solar PV. This holistic approach, with a clear focus on using sustainable materials, has helped to ensure the project was delivered on time and achieved its target BREEAM (BRE Environmental Assessment Method) rating of 'Very Good'.

The insulated panel systems installed on the project are manufactured to meet the BRE Green Guide to Specification designation of 'long-life' with a sustainability rating of A+; requiring little maintenance and offering full recyclability at the end of their life. The use of Kingspan Insulated Panels' products contributed directly towards credits within the materials section of the BREEAM methodology. Their performance also counts towards the overall energy performance of the building.

Kingspan Day-Lite Solutions and Rooftop Solar PV were incorporated into the roof system, making the most of the vast surface area. These elements helped the project meet its pledge to include 10% daylight into the warehouse space and to meet at least 10% of the energy demand with renewable energy generation. The 1,680 module solar array of 437kWp of Kingspan Rooftop Solar PV panels will supply electricity straight to the building for immediate use. The expected annual generation is 387,182 kWh.

The project is an example of what can be achieved by taking a holistic approach to constructing industrial buildings.

Corporate Social Responsibility

Social

Our People

Aims

- Safe and healthy workplace for all employees.
- Develop our employees in order to achieve their full potential.
- Be an equal opportunity employer and respect the human rights of all employees.

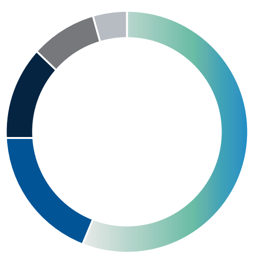
Health & Safety
Kingspan has a strong reputation for health and safety in the workplace and takes seriously its responsibility for staff welfare. Every facility within the Group adopts a suite of good health and safety management systems designed to protect employees and visitors to its sites from injury and ill-health.

In 2017 our largest Insulated Panel manufacturing facility in Holywell, North Wales received the Royal Society for the Prevention of Accidents (ROSPA) President's Award for the first time, having achieved ten consecutive ROSPA gold awards. ROSPA honours organisations that have proved their ongoing commitment to raising health and safety standards in the workplace.

Equal Opportunities, Employee Rights & Diversity
Kingspan is committed to providing equal opportunities from recruitment and appointment, training and development to appraisal and promotion opportunities for a wide range of people, free from discrimination or harassment, and in which all decisions are based on work criteria and individual performance. We see diversity and inclusiveness as an essential part of our productivity, creativity and innovation.

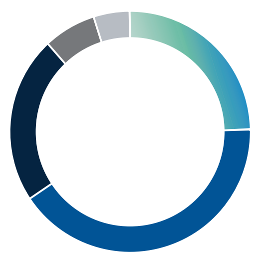
Talent
Attracting, developing and retaining talent plays a significant role in driving and delivering our growth strategy. This commitment has been strengthened by establishing a people and leadership team to co-ordinate our approach to graduate recruitment and development and leadership programmes across the Group. In addition, a Talent Forum takes place annually with the executive leadership team to identify talent and succession gaps for critical and senior roles over the next 12 months and beyond.

EMPLOYEE NUMBERS BY DIVISION



- 56% Insulated Panels
- 19% Insulation Boards
- 12% Light & Air
- 9% Environmental
- 4% Access Floors

EMPLOYEE NUMBERS BY GEOGRAPHY



- 42% Mainland Europe
- 24% UK
- 22% Americas
- 7% Rest of the World
- 5% Republic of Ireland

Leadership Development
An assessment of leadership potential was conducted in 2017 which highlighted the strengths and development priorities for existing and new talent across the Group. This led to a number of Group supported leadership programmes to assist those identified to drive and enhance their individual and collective performance.

A new Global Leadership Development programme was successfully set up in 2017 in partnership with IMD Switzerland. Thirty executive leaders across the Group participated in this intensive two module programme with a week on the IMD campus in Lausanne followed by a second module held in the Kingspan Stadium in Belfast, Northern Ireland. A new programme for emerging leaders in Kingspan Group will be launched in 2018 known as PEAK – Programme for Executive Acceleration in Kingspan.

Graduate Programme
Following the success of the newly launched "Yours to Shape" graduate programme in 2017, a second cohort of recently recruited graduates to our global businesses commenced a 12 month development programme in October 2017. This programme follows key components of the previous programme including modules on personal effectiveness, innovation, key functional activities and site visits culminating in project presentations to the Group Chief Executive and members of the leadership team in September 2018.

View graduate success stories at **www.kingspan.com/group/careers/graduates**

Corporate Social Responsibility

Social

Our Communities

Aims

- Actively engage with and make positive contributions to the communities we belong to.
- Support a broad range of charitable causes.

Kingspan recognises our role in ensuring our companies are rooted in the communities in which we operate. We do this in a number of ways: through community funding, through community volunteering, and through partnerships with schools and colleges.

Our business have supported a wide variety of local projects from hurricane relief in Louisiana USA to adopting a lion in Budapest Zoo, and our employees have fundraised for many charities from a football match in aid of Macmillan Cancer to a Christmas jumper day in Dubai. Below are the stories from just some of the many projects Kingspan and its employees have supported.

Kingscourt lung transplant hero in NY marathon
David Crosby lives close to Kingspan's headquarters in Kingscourt, and tells an inspiring story of running the 2017 New York City marathon that is truly remarkable. 20 months after undergoing a double lung transplant, David demonstrated the success of his operation by completing the gruelling course, using his challenge to raise awareness of organ donation and Idiopathic Pulmonary Fibrosis (IPF), which he was diagnosed with in 2015.

David sadly lost three siblings to lung disease when he was young, so the marathon adventure was made all the more emotional by the fact that he was joined on the course by his mother Kathleen and wife Katie. In all a team of 14 (mostly from Kingscourt) completed the 26.2 mile course, including Professor David Healy, Consultant Cardiothoracic surgeon on the Mater Hospital's transplant team.

"It was such an amazing and emotional experience," says David.

"17 miles into the race my legs were starting to act up and I wasn't sure if I would make it. One of the lads I was running with gave me notes that my 3 children had written for me, and I read them as I started to run again. That helped me forget the pain and with the support of the crowd there was no chance I wasn't going to finish."

The group completed the marathon to raise funds for Cystic Fibrosis Ireland and to benefit the Lung Transplant Unit at the Mater Hospital where David underwent his treatment. Although a former county footballer David never saw himself running a marathon, but is now contemplating whether he might become the first lung transplant recipient to complete the "Big 6" major marathons. Just Tokyo, Boston, London, Berlin and Chicago to go!

Kingspan supported David and his team in the NY marathon, and helped him raise over €60,000 in fundraising.

"The group completed the marathon to raise funds for Cystic Fibrosis Ireland and to benefit the Lung Transplant Unit at the Mater Hospital where David underwent his treatment."

Back to the classroom for Kingspan volunteers
Preparing children for the world of work and giving them the confidence to fulfil their dreams is the goal of the Junior Achievement Ireland (JAI) programme. JAI works with companies all over Ireland to find volunteers who will go into primary and secondary schools and act as role models providing guidance to children about what they need to succeed in the workplace.

Last year over 63,000 students in 526 schools benefited from JAI courses. JAI places strong emphasis on the STEM subjects (Science, Technology, Engineering and Maths), particularly working to improve the participation of girls in these subjects.

Across counties Cavan and Monaghan, 13 Kingspan volunteers worked with 13 different schools in the school year of 2016/17 to help deliver JAI programmes. The programme is a win-win for both parties, with the Kingspan volunteers enjoying the opportunity to share their knowledge with the next generation and help support education in the local community.

"Having a local company like Kingspan engaged with the programme is a huge benefit to us, and with its heritage in engineering and manufacturing excellence it's exactly the sort of business we want to have involved" says Patricia Friel, JAI Development Officer.

"Karen was very interesting to listen to and made learning enjoyable. She let us build rockets and helped us learn about how to make them go further. She also got us to think about the jobs we would like to have in the future".

1st year student,
Coláiste Dún an Rí

Kingspan has supported the JAI programme since 2003.

Water tanks provide clean water in Ugandan schools
In rural Uganda access to clean and safe drinking water is not always easy. How can primary school children be expected to learn and thrive when the water source at their school may lead to sickness and spread disease? That's where the work of the Cotton On Foundation has made a difference, installing giant water tanks to capture and store rainwater safely in seven schools attended by over 5,000 children. The safe water project has also provided tanks for a health centre that services 500-600 patients per month.

With over 90% of child deaths being caused by diarrheal diseases directly linked to contaminated water and lack of sanitation, the work of the Foundation has made a real change in the Lwengo and Rakai Districts of Southern Uganda.

The Foundation now has plans to install tanks to help over 4,000 children in three additional communities in 2018, all as part of its wider goal to create 20,000 quality educational places by 2020.

"Some of the children in the schools we service would have to walk three or four miles for clean water. Now they can just step out of school and fill up their bucket."

Tim Diamond, General Manager
Cotton On, Uganda

The water tanks for these projects were supplied by Rhino Water Tanks, part of the Kingspan Environmental business in Australia.

Corporate Social Responsibility

Governance

Our Policies

Aims
- → Comply with all local laws in the countries we operate in.
- → Ensure supply chain accountability.

Modern Slavery
Slavery and human trafficking are abhorrent crimes and we all have a responsibility to ensure that they do not continue. At Kingspan we pride ourselves on conducting our business ethically and responsibly. The Modern Slavery Act 2015 became UK legislation and required all large UK companies and businesses who supply goods or services in the UK to publish a slavery and human trafficking statement each financial year on their website.

Kingspan is fully committed to ensuring that modern slavery is not taking place in our business or any of our supply chains. We adopted and published our policy statement at the end of 2016 and all our businesses are responsible for ensuring supplier compliance with the legislation.

Supply Chain Engagement
Kingspan engages with its supply chain to minimise the environmental impact of its raw materials, using its purchasing power to bring about lasting and positive change. Kingspan has developed an ethical and procurement strategy for procuring materials and services in a sustainable way, and we seek to build and maintain long term relationships with key suppliers and contractors to ensure that they are aligned to the same standards. Many of our suppliers are accredited to ISO 9001, ISO 14001 and OHSAS 18001, which cover quality, environmental and health and safety management systems.

Customer Experience Programme
Everything that our customers experience with Kingspan matters to us. Whether it's the performance of our product solutions, the responsiveness of our service teams or the efficiency of our deliveries, we strive to provide a positive experience to all our customers.

To help us achieve our strategic goal we have introduced four key commitment areas into our businesses on which we are focusing as part of our customer excellence programme:

- → Deliver a memorable customer experience.
- → Develop the employee experience, so our teams never want to work for anyone else.
- → Measure what our customers and employees actually experience.
- → Continue to innovate.

Directors' Report

Chairman's Introduction

On behalf of the Board, I am pleased to present the Directors' Report to the shareholders of Kingspan Group plc.

Kingspan has implemented a strong governance framework which supports the effective and prudent management of the business, and helps drive the long-term success of the Group.

During the year the Board committees have continued to work effectively. The reports of the Audit and Remuneration Committees are set out in this Annual Report, and provide details of each committee's membership and activities during the year.

The Audit Committee has focused in particular on the management and control of risks throughout the business, and on the Group's financial reporting particularly in the context of acquisitions made during the year. At the same time, the Remuneration Committee has ensured that the executive directors' pay is properly aligned with the Group's performance, shareholders' interests and the long-term success of the Group. The Nominations Committee has continued to assess the mix of the skills and experience on the Board.

The Board as a whole has reviewed the Annual Report and Financial Statements, and is pleased to confirm that they consider the report and financial statements, taken as a whole, are fair, balanced and understandable.

This report describes how Kingspan has applied the principles of good governance of the UK Corporate Governance Code (April 2016), and the Irish Corporate Governance Annex, throughout 2017.

Eugene Murtagh
Chairman

Directors' Report

The Board

The Board provides entrepreneurial leadership and sets the governance framework for the Group.

Chairman

Eugene Murtagh
(Age 75)
Ireland

Eugene Murtagh is the non-executive Chairman of the Group.

Key skills & experience: He founded the Kingspan business in 1965 and, as CEO until 2005, he led its growth and development to become an international market leader. He has an unrivalled understanding of the Group, its business and ethos, and brings to the Board his leadership and governance skills.

Committees: Nominations (20 years, chair).

Chief Executive Officer

Gene M. Murtagh
(Age 46)
Ireland

Gene Murtagh is the Group Chief Executive Officer. He was appointed to the Board in November 1999.

Key skills & experience: He was previously the Chief Operating Officer from 2003 to 2005. Prior to that he was Managing Director of the Group's Insulated Panel business and of the Environmental business. He joined the Group in 1993, and has a deep knowledge of all of the Group's businesses and the wider construction materials industry.

Committees: Nominations (10½ years).

Executives

Geoff Doherty
(Age 46)
Ireland

Geoff Doherty is the Group Chief Financial Officer. He joined the Group, and was appointed to the Board, in January 2011.

Key skills & experience: Prior to joining Kingspan he was the Chief Financial Officer of Greencore Group plc and Chief Executive of its property and agribusiness activities. He is a qualified chartered accountant, with extensive experience of capital markets and financial management in an international manufacturing environment.

Russell Shiels
(Age 56)
United States of America

Russell Shiels is President of the Group's Insulated Panels business in the Americas and the Group's global Access Floors business. He joined the Board in December 1996.

Key skills & experience: He has experience in many of the Group's key businesses, and was previously Managing Director of the Group's Building Components and Raised Access Floors businesses in the UK. He brings to the Board his particular knowledge of the North American building envelope market, as well as his understanding of the office and datacentre market globally.

Peter Wilson
(Age 61)
United Kingdom

Peter Wilson is Managing Director of the Group's global Insulation Boards business. He was appointed to the Board in February 2003.

Key skills & experience: He has been with the Group since 1981, and has led the Insulation Boards division since 2001. He brings to the Board over 30 years' knowledge and experience of the global insulation industry.

Gilbert McCarthy
(Age 46)
Ireland

Gilbert McCarthy is Managing Director of the Group's Insulated Panels businesses in the UK, Ireland, Western Europe, Middle East and Australasia. He was appointed to the Board in September 2011.

Key skills & experience: He joined the Group in 1998, and has held a number of senior management positions including Managing Director of the Off-site division and general manager of the Insulation Boards business. He brings to the Board his extensive knowledge of the building envelope industry, in particular in Western Europe and Australasia.

Non-Executives

Helen Kirkpatrick M.B.E.
(Age 59)
United Kingdom
Independent

Helen Kirkpatrick joined the board in June 2007.

Key skills & experience: Helen is a Fellow of Chartered Accountants in Ireland and a member of the Chartered Institute of Marketing. She was formerly a non-executive director of the International Fund for Ireland, Enterprise Equity Venture Capital Group, Crumlin Together Ltd, NI-CO Ltd, and Wireless Group plc. She brings her considerable financial and business acumen to the Board and its committees.

Committees: Remuneration (9 years, chair), Nominations (9 years), Senior Independent Director.

External appointments: Non-executive director of Dale Farm Co-operative Limited, a member of the Audit Committee of Queen's University Belfast, a non-executive director of the Irish Football Association and chairman of Neueda Group.

Qualifications: B.A., F.C.A.

Linda Hickey
(Age 56)
Ireland
Independent

Linda Hickey was appointed to the Board in June 2013.

Key skills & experience: She is a registered stockbroker and the Head of Corporate Broking at Goodbody Capital Markets, where she has worked since 2004. Previously she worked at NCB Stockbrokers and Merrill Lynch. She brings to the Board her considerable knowledge and experience in capital markets and corporate governance.

Committees: Audit (4½ years), Remuneration (2½ years).

External appointments: Member of the board of the Irish Blood Transfusion Service.

Qualifications: B.B.S.

Michael Cawley
(Age 63)
Ireland
Independent

Michael Cawley was appointed to the Board in May 2014.

Key skills & experience: He is a chartered accountant, and was formerly Chief Operating Officer & Deputy Chief Executive of Ryanair. Prior to joining Ryanair he had experience in a number of different distribution and manufacturing industries, including as Finance Director of the Gowan Group, one of Ireland's largest private companies. He brings his extensive international financial and business experience to the Board and to the Audit Committee.

Committees: Audit (3½ years, chair), Remuneration (3½ years).

External appointments: Chairman of Fáilte Ireland, Chairman of Hostelworld Group plc, and Non-executive director of Paddy Power Betfair plc, Ryanair Holdings plc and Gowan Group Ltd.

Qualifications: B. Comm., F.C.A.

John Cronin
(Age 58)
Ireland
Independent

John Cronin was appointed to the Board in May 2014.

Key skills & experience: He is a qualified solicitor, and partner and former chairman of McCann FitzGerald. He has more than 25 years' experience in banking, structured finance and capital markets matters. He is a member of the International Bar Association, and is Vice President of the British Irish Chamber of Commerce. He brings valuable legal, corporate governance and capital markets experience to the Board.

Committees: Audit (2½ years), Nominations (3½ years).

External appointments: None.

Qualifications: B.A. (Mod) Legal Science, Solicitor in Ireland and England & Wales.

Bruce McLennan
(Age 53)
Australia
Independent

Bruce McLennan was appointed to the Board in June 2015.

Key skills & experience: He is Managing Director and Co-Head of Advisory at Gresham Advisory Partners Limited. He is also a Member of the Australian Institute of Company Directors, Australian Society of Certified Practising Accountants, and a Fellow of the Securities Institute of Australia. He brings to the Board over 30 years' experience in investment banking, and a broad knowledge of international capital markets and strategic and corporate planning.

Committees: Nominations (½ year), Remuneration (½ year).

External appointments: Member of the Australian Takeovers Panel.

Qualifications: B.Bus, M. Comm.

Dr Jost Massenberg
(Age 61)
Germany
Independent

Dr Jost Massenberg was appointed to the Board in February 2018.

Key skills & experience: He was Chief Executive Officer of Benteler Distribution International GmbH, and was formerly the Chief Sales Officer and a member of the executive board of ThyssenKrupp Steel Europe AG. He brings to the Board his 30 years' experience in European steel and major manufacturing businesses.

Committees: None.

External appointments: Chairman of VTG Aktiengesellschaft, and a non-executive director in a number of large private companies.

Qualifications: PhD Business Admin.

Company Secretary

Lorcan Dowd
(Age 49)
Ireland

Lorcan Dowd was appointed Group Company Secretary in July 2005.

Key skills & experience: He qualified as a solicitor in 1992. Before joining Kingspan he was Director of Corporate Legal Services in PwC in Belfast, having previously worked as a solicitor in private practice.

Directors' Report

Report of the Directors

The directors of Kingspan Group plc ("Kingspan") have pleasure in presenting their report with the audited financial statements for the year ended 31 December 2017.

Principal Activities
Kingspan is the global leader in high performance insulation and building envelope solutions. Kingspan Group plc is a holding company for the Group's subsidiaries and other entities. The Group's principal activities comprise the manufacture and distribution of the following product suites as part of the complete "Building Envelope":

- insulated panels;
- structural framing;
- architectural façades;
- rigid insulation boards;
- building services insulation;
- engineered timber systems;
- raised access floors;
- datacentre storage solutions;
- energy storage solutions;
- rainwater and wastewater solutions;
- renewable energy systems;
- natural daylighting;
- ventilation and smoke management solutions.

Kingspan is comprised of five (2016: four) key business divisions which are Insulated Panels, Insulation Boards, Environmental, Access Floors and Light & Air.

With effect from 2017 Kingspan established a new division, Kingspan Light & Air, comprising Kingspan's existing daylighting and natural ventilation products together with the complementary Essmann and Bristolite businesses which were acquired during 2016 and the CPI and Brakel businesses acquired during 2017. This division is now established as a global leader offering a full suite of energy efficient lighting and natural ventilation and smoke management solutions, which perfectly complement Kingspan's other building envelope technologies.

Results and Dividends
Group turnover for the year ended 31 December 2017 was €3.67bn (2016: €3.11bn), trading profit was €377.5m (2016: €340.9m), profit after tax was €285.9m (2016: €255.5m), and earnings per share were 159.0 cent (2016: 143.8 cent). The Consolidated Income Statement is set out on page 83 and a detailed review of the Group's performance from a financial and operational perspective is contained within the Business & Strategic Report on pages 6 to 43.

An interim dividend of 11.0 cent per share was paid to shareholders on 6 October 2017 (2016: 10.0 cent). The directors are recommending a final dividend of 26.0 cent per share for the year ended 31 December 2017 (2016: 23.5 cent), giving a total dividend for the year of 37.0 cent (2016: 33.5 cent). The final dividend if approved at the Annual General Meeting will be paid on 27 April 2018 to shareholders on the register at close of business on 23 March 2018.

The Group's key financial performance indicators are set out in the Financial Review on pages 26 to 27, and the financial statements for the year ended 31 December 2017 are set out in detail on pages 78 to 130. Other non-financial performance indicators relating to the environment, waste management and employee health and safety are referred to in the Corporate Social Responsibility section on pages 32 to 43.

Business Review
The Business and Strategic Report, including the Chief Executive's Review and the Financial Review, sets out management's review of the Group's business during 2017 on pages 14 to 29. The key points include:

- Revenue up 18% to €3.7bn.
- Trading profit up 11% to €377.5m.
- Acquisitions contributed 9% to sales growth and 8% to trading profit growth in the year.
- Group trading margin of 10.3%, a decrease of 70bps.
- Basic EPS up 11% to 159.0 cent.
- Year-end net debt of €463.9m (2016: €427.9m), and net debt to EBITDA of 1.05x (2016: 1.06x).
- Strong ROCE of 17.8% (2016: 17.3%)
- Insulated Panel sales growth of 17%. A positive performance in Continental Europe, and a solid outcome in North America both drove this number despite the sharp slowdown in the UK towards year-end.
- Insulation Board sales growth of 12% owing to significant price inflation and the structural shift to Kooltherm® in the UK, Ireland and Mainland Europe.
- Light & Air sales of €205m marking a strong first full year of trading for this division and the development of a unique US and European footprint.
- A strong year for Environmental with ongoing improvement in profitability. Access Floors had a solid year, albeit with a weakening UK backdrop.
- The recovery of raw material inflation was a key theme during 2017. Supply eased somewhat toward year-end, although prices remain high into the current period.
- A record committed acquisition spend of €614m, of which €174m was completed during 2017. Key developments completed or pending include market entry into Brazil, Colombia, and Southern Europe as well as an extension of our presence in Western and Central Europe.

The Business and Strategic Report on pages 12 and 13 sets out the "four pillars" of Kingspan's strategy, which are:

- **Innovation**
  Differentiation from competitors driven by superior innovation;
- **Penetration**
  Increased penetration of Kingspan's product suite underpinned by regulatory changes and environmental awareness;
- **Globalisation**
  The continued evolution of Kingspan's geographic footprint as we build market leading positions globally;
- **Net Zero Energy**
  A set of initiatives across our global business targeting the adoption of 100% renewable power.

REVENUE €M

2017	3,668.1
2016	3,108.5

TRADING PROFIT €M

2017	377.5
2016	340.9

EPS (CENTS)

2017	159.0
2016	143.8

USA
Exelon Headquarters
—

Access Floors: ConCore 1500 panels with CasalGrande Rasato Antracite porcelain tiles

Fire Rating: Non-combustible in accordance with ASTM E136; Class A flame spread rating in accordance with ASTM E84

Throughout 2017, Kingspan made significant progress in pursuit of this strategy with the result that Kingspan has continued to deliver year on year growth. This strategy will remain the focus of the execution of Kingspan's strategic plan for the foreseeable future.

Principal Risks and Uncertainties
Kingspan is required under Section 327(1)(b) of the Companies Act 2014 and Regulation of the 5(4)(c) (ii) of the Transparency (Directive 2004/109/EC) Regulations 2007 to give a description of the principal risks and uncertainties facing the Group. These risks and the actions taken by Kingspan to mitigate them are detailed on pages 30 to 31 of the Risk and Risk Management Report. The principal risks are:

- Volatility in the macro environment;
- Failure to innovate;
- Product failure;
- Business interruption (including IT continuity);
- Credit risks and credit control;
- Employee development and retention;
- Fraud and cybercrime;
- Acquisition and integration of new businesses.

Key Performance Indicators
The directors are pleased to report on the very positive performance during 2017 against all of its key performance indicators. A detailed commentary incorporating key performance indicators is contained within the Financial Review on pages 24 to 29. A number of the key performance indicators have been included in more detail on pages 129 to 130 'Alternative Performance Measures'. The key performance indicators for Kingspan upon which particular emphasis is placed upon are:

Financial
- Basic EPS growth;
- Sales growth;
- Trading margin;
- Free cash flow;
- Return on capital employed;
- Net debt/EBITDA.

Non-financial
- Net Zero Energy;
- Carbon Disclosure Project;
- New Product Development.

Innovation
Kingspan places considerable emphasis on innovation and development of existing and new products and on the improvement of the production process, focused primarily on differentiation and extending competitive advantage. In the year ended 31 December 2017, the Group's research and development expenditure amounted to €27.1m (2016: €24.2m). Research and development expenditure is generally written off in the year in which it is incurred. During 2017 Kingspan's continuing investment in research and development involved more than 200 projects. These key products included:

- QuadCore™ 2nd generation;
- QuadCore™ roof insulation board;
- PowerPanel® generation 2;
- Kooltherm® 200 series;
- Prismatic daylighting developments;
- Integrated stone and concrete floor finishes; and
- Data centre containment solutions.

Corporate Governance
The directors are committed to achieving the highest standards of corporate governance. A statement describing how Kingspan has applied the principles of good governance set out in the UK Corporate Governance Code (April 2016) and the Irish Corporate Governance Annex is included in the Governance section of this Annual Report on pages 56 to 62. The Corporate Governance Statement is treated as forming part of this Report.

Code of Conduct
Kingspan is committed to acting responsibly in its business and maintaining high standards of ethics and integrity in all of its dealings with its stakeholders, be they investors, customers, suppliers, its people or the community it operates in. Kingspan has a Code of Conduct which sets the standard by which all employees across the Group are expected to conduct themselves. The Code sets out the fundamental principles which all directors, officers and employees of Kingspan are required to adhere to in meeting those standards.

Corporate Social Responsibility
Kingspan recognises the importance of conducting its business in a socially responsible manner. The Corporate Social Responsibility section in this Annual Report on pages 32 to 43 gives details of some of the projects that are on-going across the Group, with further details available on the Group's website www.kingspan.com

Sustainability
Our goal is to be a global leader in sustainable business and establish a leading position in providing ethical, renewable and affordable best practice solutions for the construction sector. We know that the built economy has an important part to play in combatting climate change, and we have pledged to lead by example. Our commitment to sustainability is instilled at every level of the Group and at every step in the manufacturing process. Our goal is that by 2020 all of Kingspan's needs will be met by renewable energy.

Accounting Records
The directors are responsible for ensuring that accounting records, as outlined in Sections 281 to 285 of the Companies Act 2014, are kept by the Group. The directors have provided appropriate systems and resources, including the appointment of suitably qualified accounting personnel, to maintain adequate accounting records throughout the Group, in order to ensure that the requirements of Sections 281 to 285 are complied with. The accounting records of the Company are maintained at the principal executive offices located at Dublin Road, Kingscourt, Co. Cavan, A82 XY31, Ireland.

SHAREHOLDING ANALYSIS AS AT 31 DECEMBER 2017:

Shareholding range	Number of accounts	% of total	Number of shares held	% of total
1–1,000	2,864	59.6	1,260,799	0.7
1,001–10,000	1,398	29.1	4,328,780	2.4
10,001–100,000	378	7.9	12,827,719	7.1
100,001–1,000,000	128	2.7	39,169,986	21.6
Over 1,000,000	35	0.7	123,755,031	68.2
	4,803	100	181,342,315	100

DETAILS OF PERSONS WITH A SIGNIFICANT HOLDING OF SECURITIES IN THE COMPANY ARE DISCLOSED BELOW:

Notification Date	Shareholder	Shares held	%
15/01/2018	Eugene Murtagh	29,018,000	16.17%
14/07/2017	Allianz Global Investors GmbH	10,788,987	6.02%
13/09/2017	Ameriprise Financial Inc	10,732,515	5.993%
20/02/2018	Blackrock, Inc.	9,048,480	5.04%
11/05/2015	Generation Investment Management LLP	8,690,245	4.93%
26/09/2017	FMR LLC	5,406,937	3.01%

The European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006

Structure of the Company's share capital

At 31 December 2017, the Company had an authorised share capital comprised of 250,000,000 (2016: 220,000,000) ordinary shares of €0.13 each and the Company's total issued share capital comprised 181,342,315 (2016: 180,051,534) ordinary shares, of which the Company held 2,019,750 (2016: 1,969,826) ordinary shares in treasury. During the year the Company funded the purchase by the employee benefit trust of 49,924 ordinary shares at €29.23 each, which are accounted for as treasury shares and which will be held pending vesting of the executive directors' deferred share awards.

Further information required by Regulation 21 of the above Regulations as at 31 December 2017 is set out in the Shareholder Information section of this annual report.

Directors and Secretary

The directors and secretary of the Company at the date of this report are as shown in this Annual Report on pages 46 and 47. During 2017, there were no director appointments or resignations.

Directors' & Secretary's Interests in Shares

Details of the directors' and secretary's share options at the end of the financial year are set out in the report of the Remuneration Committee. As at 22 February 2018, there have been no changes in the directors' and secretary's interests in shares since 31 December 2017.

The beneficial interests of the directors and secretary and their spouses and minor children in the shares of the Company at the end of the financial year are as follows:

	31-Dec-17	31-Dec-16
Eugene Murtagh	29,018,000	30,018,000
Gene M. Murtagh	1,128,999	1,128,999
Geoff Doherty	240,350	254,979
Russell Shiels	300,000	300,000
Peter Wilson	389,376	366,876
Gilbert McCarthy	247,637	247,637
Helen Kirkpatrick	26,000	26,000
Linda Hickey	5,000	5,000
Michael Cawley	30,600	30,600
John Cronin	8,000	8,000
Bruce McLennan	10,000	10,000
Lorcan Dowd	4,961	4,617
	31,408,923	32,400,708

UK
Energy from Waste Facility Plymouth
—

Insulated Panels: Wall: KS 1000 MR (Micro Rib), BENCHMARK Louvre.

Fire Rating: When tested as part of a system all products are LPCB and FM Approved

Falkland Islands
Goose Green
—

Environmental: KW6 wind turbines installation

Conflicts of Interest
None of the directors have any direct or indirect interest in any contract or arrangement subsisting at the date hereof which is significant in relation to the business of the Company or any of its subsidiaries nor in the share capital of the Company or any of its subsidiaries.

Financial Instruments
In the normal course of business, the Group has exposure to a variety of financial risks, including foreign currency risk, interest rate risk, liquidity risk, and credit risk. The Company's financial risk objectives and policies are set out in Note 19 of the financial statements.

Political Donations
Neither the Company nor any of its subsidiaries have made any political donations in the year which would be required to be disclosed under the Electoral Act 1997.

Subsidiary Companies
The Group operates from 111 manufacturing sites and has operations in over 70 countries worldwide.

The Company's principal subsidiary undertakings at 31 December 2017, country of incorporation and nature of business are listed on pages 133 to 135 of this annual report.

The Company does not have any branches outside of Ireland.

Outlook
The Board fully endorses the outlook ("Looking Ahead") expressed in the Chief Executive's Review on page 22.

Significant Events Since Year End
There have been no significant events since the year-end.

Going Concern
The directors have reviewed budgets and projected cash flows for a period of not less than 12 months from the date of this Annual Report, and considered its net debt position and capital commitments, available committed banking facilities and other relevant information including the economic conditions currently affecting the building environment generally and the Group's Strategic Plan. On the basis of this review the directors have concluded that there are no material uncertainties that would cast significant doubt over the Company's and the Group's ability to continue as a going concern. For this reason, the directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

Viability Statement
In accordance with provision C.2.2 of the 2016 UK Corporate Governance Code, the directors are required to assess the prospects of the Company, explain the period over which we have done so and state whether we have a reasonable expectation that the Company will be able to continue in operation and meet liabilities as they fall due over this period of assessment.

The directors have assessed the prospects of the Group over the three-year period to February 2021.

The directors concluded that three years was an appropriate period for the assessment, having had regard to:

- the Group's rolling Strategic Plan which extends to 2021;
- the Group's long-term funding commitments some of which fall to be repaid during the period;
- the inherent short-cycle nature of the construction market including the Group's order bank and project pipeline; and
- the potential impact of macro-economic events and political uncertainty in some regions such as the UK and Middle East.

It is recognised that such future assessments are subject to a level of uncertainty that increases with time, and therefore future outcomes cannot be guaranteed or predicted with certainty.

The Group Strategic Plan is approved by the Board, building upon the several divisional management plans as well as the Group's strategic goals. It is based on a number of cautious assumptions concerning macro growth and stability in our key markets, and continued access to capital to support the Group's ongoing investments. The strategic plan is subject to stress testing which involves flexing a number of the main assumptions underlying the forecast in severe but reasonable scenarios. Such assumptions are rigorously tested by management and the directors. It is reviewed and updated annually and was considered and approved by the Board at its meeting in October 2017.

In making this assessment, the directors have considered the resilience of the Group, taking account of its current position and the principal risks facing the business as outlined in the Risk & Risk Management Report on pages 30 and 31, and the Group's ability to manage those risks. The risks have been identified using a top-down and bottom-up approach, and their potential impact was assessed having regard to the effectiveness of controls in place to manage each risk. In assessing the prospects of the Group such potential impacts have been considered as have the mitigating factors in place.

Based on this assessment the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Directors' Responsibility Statement
Each of the directors whose names and functions are set out in the Board section of this Annual Report confirm their responsibility for preparing the Annual Report and the consolidated and company financial statements in accordance with applicable Irish law and regulations.

Company law in Ireland requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The directors have elected to prepare the company financial statements in accordance with IFRSs as adopted by the EU and as applied by the Companies Act 2014. The financial statements are required by law to give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company, and the Group as a whole, will continue in business.

The directors are responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act 2014 and Article 4 of the IAS Regulation.

They are responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Financial Regulator, the directors confirm that to the best of their knowledge:

- the Group financial statements and the Company financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

They are also satisfied in compliance with provision C.1.1 of the UK Corporate Governance Code (April 2016):

- that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, business model and strategy.

Directors' Compliance Statement
The directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations in accordance with Section 225(2)(a) of the Companies Act 2014 (the "Act") (described below as the "Relevant Obligations").

In accordance with Section 225 (2)(b) of the Act, the directors confirm that they have:

i. drawn up a Compliance Policy Statement setting out the Company's policies (that are, in the opinion of the directors, appropriate to the Company) in respect of the compliance by the Company with its Relevant Obligations;
ii. put in place appropriate arrangements or structures that, in the opinion of the directors, provide a reasonable assurance of compliance in all material respects with the Company's Relevant Obligations; and
iii. during the financial year to which this report relates, conducted a review of the arrangements or structures that the directors have put in place to ensure material compliance with the Company's Relevant Obligations.

Audit Information
Each of the directors have taken all the steps that they should or ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's statutory auditors are aware of that information. So far as the directors are aware, there is no relevant information of which the Group's statutory auditors are unaware.

Auditor
In accordance with Section 383(2) of the Companies Act 2014 the Company's auditors, KPMG, Chartered Accountants, will continue in office. A resolution authorising the directors to determine their remuneration will be proposed at the Annual General Meeting.

On behalf of the board

Gene M. Murtagh,
Chief Executive Officer

Geoff Doherty,
Chief Financial Officer

23 February 2018

Directors' Report

Corporate Governance Statement

Kingspan is committed to operating best practice standards of good governance, accountability and transparency. This tone is set by the Group Board of Directors and communicated throughout the Group regardless of division or geographical location.

This statement outlines how Kingspan has applied the principles and complied with the provisions set out in the UK Corporate Governance Code (April 2016) ('the Code') and the Irish Corporate Governance Annex ('the Annex').

The full text of the Code and the Annex can be obtained from the following websites respectively:

www.frc.org.uk
www.ise.ie

Statement of Compliance

The directors confirm that the Company has throughout the accounting period ended 31 December 2017 complied with the provisions of the UK Corporate Governance Code (April 2016) and the Irish Corporate Governance Annex.

The Board

The Board of Kingspan Group plc is responsible for the leadership, strategic direction and the long term success of the Group. It sets the Group's strategic aims, establishes the Group's values and standards, and monitors compliance within a framework of effective controls.

The Board is comprised of 12 directors, following the appointment of Dr Jost Massenberg, five of whom are executive directors and seven, inclusive of the Chairman, are non-executive directors. Further details on the members of the Board, including short biographies, can be found in the section entitled "The Board" on pages 46 and 47. Each of the executive directors has a combination of general business skills and experience in the construction materials market. The non-executive directors represent a diverse business background complementing the executive directors' skills.

All of the directors bring an objective judgement to bear on issues of strategy, resources and standards of performance both on an individual and collective basis. The directors believe that the Board includes an appropriate balance of skills, experience, independence and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively and to address any challenges as they arise.

The schedule of matters reserved for Board discussion includes the following:

- Adopting the Group's rolling 5 year strategic plan and the annual budget;
- Approving all major capital expenditure, investments, material contracts, acquisitions and disposals of businesses and other assets;
- Reviewing management's corporate and financial performance;
- Overall review of the Group's internal controls;
- Appointment of executive and non-executive directors and succession planning;
- On recommendation of the Remuneration Committee determining the remuneration for executive directors, secretary and non-executive directors; and
- Approving the Group's long term debt facilities and capital structure.

The Board met formally nine times during the year, as well as informally on an ad-hoc basis as and when required. Attendance at Board and committee meetings is set out in the table overleaf. The Board has delegated responsibility for management of the Group to the Chief Executive and his executive management team.

ATTENDANCE AT BOARD AND COMMITTEEE MEETINGS
during the year ended 31 December 2017

	Board		Audit		Nominations		Remuneration	
	A	B	A	B	A	B	A	B
Eugene Murtagh	9	9			1	1		
Gene M. Murtagh	9	9			1	1		
Geoff Doherty	9	9						
Russell Shiels	9	9						
Peter Wilson	9	9						
Gilbert McCarthy	9	8						
Helen Kirkpatrick	9	9			1	1	6	6
Linda Hickey	9	8	4	4			6	6
Michael Cawley	9	9	4	4			6	6
John Cronin	9	9	4	4	1	1		
Bruce McLennan	9	9			1	1	3	3

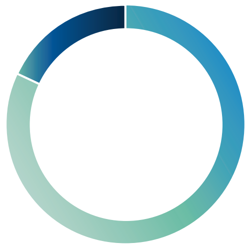
Column A – indicates the number of meetings held during the period the director was a member of the Board and/or Committee.
Column B – indicates the number of meetings attended during the period the director was a member of the Board and/or Committee.

Board Balance and Independence

The Board is comprised of 12 directors and its current size and structure is functioning efficiently. The balance of executive and non-executive directors facilitates constructive and effective challenge and debate. Whilst it is intended to progressively refresh the independent non-executive directors on the Board having regard to their mix of skills, experience and diversity, it is not at present intended to change the size of the Board. The Nomination Committee has reviewed the size and performance of the Board during the year and this process occurs once annually.

The Board continues to ensure that each of the non-executive directors, excluding the Chairman, remain impartial and independent in order to meet the challenges of the role. Throughout 2017, half of the Board, excluding the Chairman, comprised independent non-executive Directors. Helen Kirkpatrick is nominated as the senior independent director of the Company to provide a sounding board for the Chairman and to serve as an intermediary for the other directors when necessary.

GENDER BREAKDOWN OF BOARD

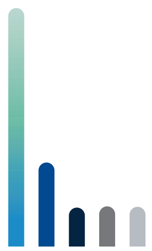


83% Male
17% Female

BREAKDOWN OF INDEPENDENCE (excl Chairman)

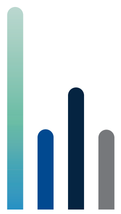
55% Independent
45% Non-Independent

GEOGRAPHIC BREAKDOWN BY RESIDENCY



59% Ireland
17% UK
8% USA
8% Australia
8% Germany

TENURE ON THE BOARD



41% Over 9 years
17% Between 6 and 9 years
25% Between 3 and 6 years
17% Less than 3 years

In accordance with the Code, the following matters were considered in determining the independence of the Board:

- have they been an employee of the Group within the last five years;
- have they had a material business relationship with the Group;
- have they received additional remuneration apart from a Director's fee;
- have they close ties with any of the company's advisers, directors or senior employees;
- do they represent a significant shareholder or have significant links with other directors through their involvement in other companies or bodies; or
- have they served on the board for more than nine years from the date of their first election.

The directors consider that there is a strong independent representation on the Board. The Board considers that Helen Kirkpatrick, Linda Hickey, Michael Cawley, John Cronin, Bruce McLennan and Jost Massenberg are independent, having regard to the criteria above.

In determining the independence of Helen Kirkpatrick, the Board had due regard to her length of service as a non-executive director on the Board. However, having considered the circumstances, the Board formed the view that she has always expressed a strongly independent voice at the Board and its committee meetings, including the Remuneration Committee of which she is chairman, and that she has always exercised her judgement as a non-executive director and as the Senior Independent Director independent of any other relationships within the Board. Her independence and her sound judgement have also been recognised in her other external appointments.

In determining the independence of Linda Hickey, the Board had due regard to her position as a senior executive at Goodbody stockbrokers, one of the Company's corporate brokers. Having regard to the fact that the level of fees and expenses paid to Goodbody stockbrokers in respect of their role as the Company's corporate brokers is less than €50,000 per annum, the Board concluded that there was no material relationship, financial or otherwise, which might either directly or indirectly influence her judgement.

When considering John Cronin's independence, the Board had due regard to his position as a partner at McCann FitzGerald, one of the Company's legal advisers. Mr Cronin is not engaged directly in the provision of legal advice to the Company and appropriate arrangements have been put in place within McCann FitzGerald to ensure that no conflict of interest could arise. The total fees paid to McCann FitzGerald during the year (details of which are set out in Note 33) account for less than 1% of McCann's FitzGerald's annual revenues. In these circumstances the Board concluded that there was no material relationship, financial or otherwise, which might either directly or indirectly influence his judgement.

The Board therefore concluded that neither Ms Kirkpatrick's, Ms Hickey's nor Mr Cronin's independence was affected and considers that between them they bring valuable financial, capital markets, governance and legal risk experience to the Board.

Appointments to the Board

All appointments to the Board are made on the recommendation of the Nominations Committee. In addition, the Nominations Committee reviews the various committees and makes recommendations to the Board on the appointment of the chairman and the membership of each. This is a formal, rigorous and transparent procedure. The standard terms of appointment of non-executive directors are available, on request, from the Company Secretary. Further details of the activities of the Nominations Committee during the year are set out elsewhere in this section.

Information and Professional Development

The Group Chairman is responsible for ensuring that all directors are supplied with appropriate and timely information for Board and committee meetings. Such information is always provided to the Board in a timely manner which gives the directors the opportunity to probe and question the executives when deemed relevant. Kingspan ensures that the directors obtain all professional advice required in order to further their duties as a director either through the directors seeking professional advice at the expense of the Company or through independent professional advisors being available for consultation with the Board and attending Board and committee meetings where required. All directors have access to the advice and services of the Company Secretary. The Group has arranged appropriate insurance cover in respect of legal action against its directors.

The Company has procedures whereby directors (including non-executive directors) receive formal induction and familiarisation with Kingspan's business operations and systems on appointment. They are brought to the businesses manufacturing sites as part of the induction procedure with in-depth explanations of the processes involved at the site. All directors receive continuing training relating to the discharge of their duties as directors, including legislative changes and developments in accounting, governance and other standards as appropriate. During the year, the Board visited seven of the Group's manufacturing facilities and also met with key executives within the Group, which gave the Board valuable insight into the manufacturing processes, the local markets and the management strategy.

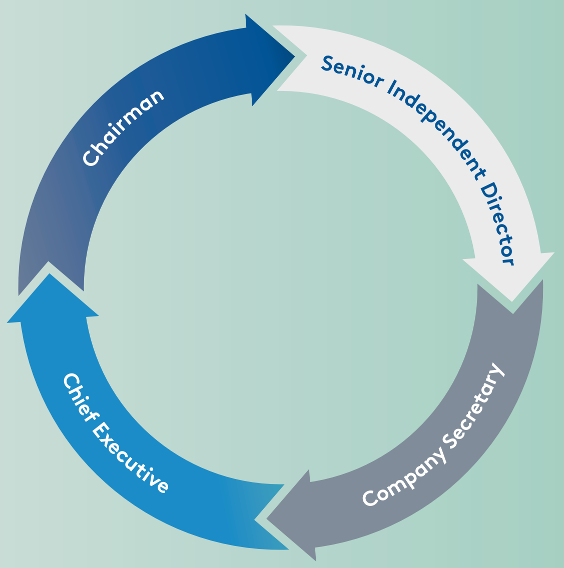
Performance Evaluation

Kingspan has in place formal procedures for the evaluation of its Board, committees and individual directors. The purpose of this formal evaluation is to ensure that the Board of Directors (on a collective and individual basis) is performing effectively and to ensure stakeholder confidence in the Board.

The Chairman reviews annually the performance of the Board of Directors, the conduct of Board meetings and committee meetings, and the general corporate governance of the Group. An externally facilitated review of the Board's performance was most recently carried out in 2015, and the Board reviews carried out in 2016 and 2017 followed up on its themes and monitored progress against its agreed action points.

A further externally facilitated evaluation of the Board is now being undertaken following the 2017 year-end, and this process and its outcomes will be reported on in next year's annual report.

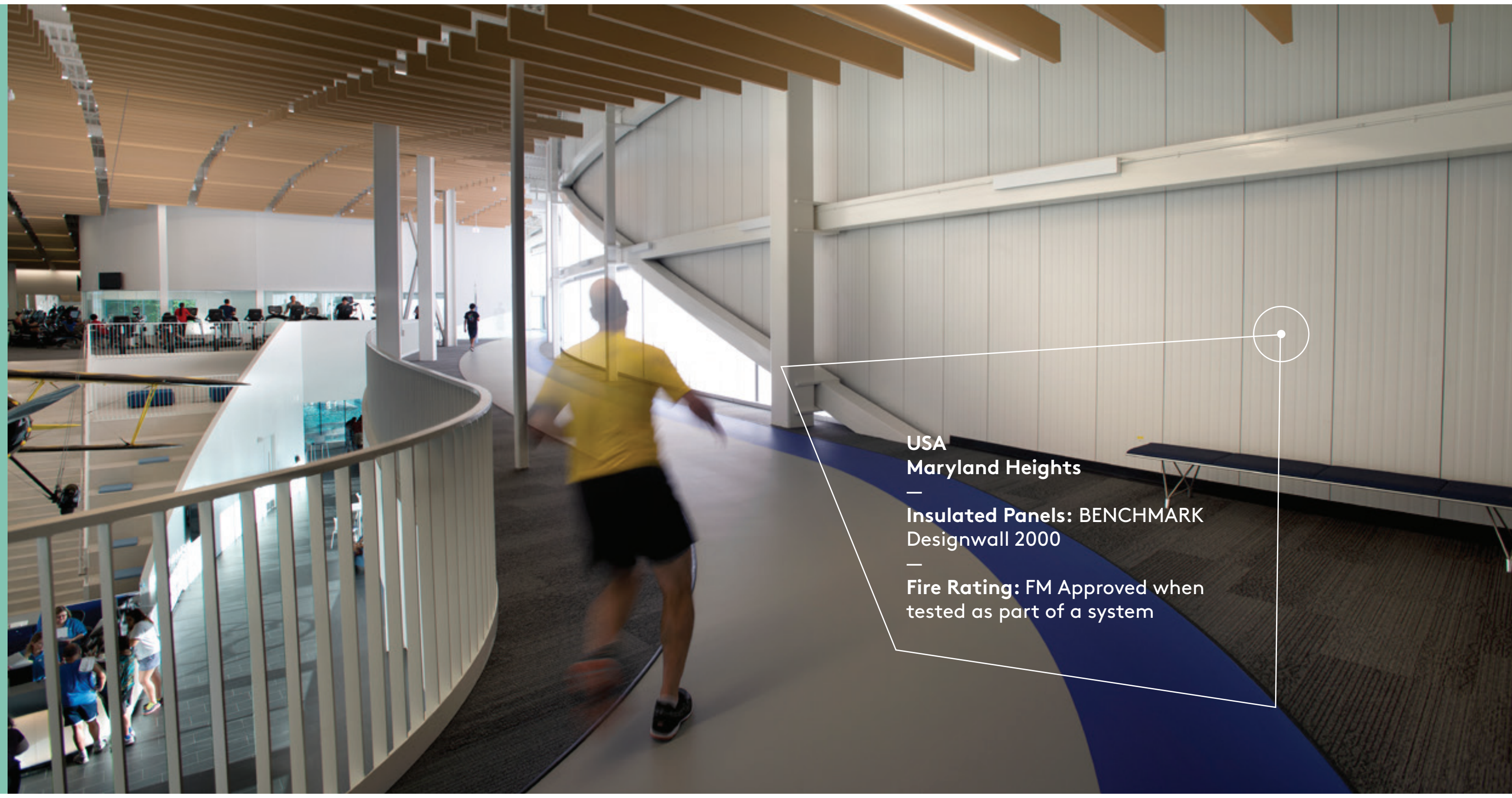
The Chairman's primary responsibility is to lead the Board. He is responsible for setting the Board's agenda and for the efficient and effective working of the Board. He ensures that all members of the Board, including in particular the non-executive directors, have an opportunity to contribute effectively and openly. He is also responsible for ensuring that there is appropriate and timely communication with shareholders.



The Senior Independent Director of the Company is available to shareholders who have concerns that cannot be addressed through the Chairman, Chief Executive or Chief Financial Officer. She also leads an annual meeting with the non-executive directors to appraise the workings of the Board.

The Board has delegated executive responsibility for running the Group to the Chief Executive and the executive management team. The Chief Executive is responsible for the strategic direction and the overall performance of the Group, and is accountable to the Board for all authority so delegated.

All directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed. He is also responsible for advising the Board, through the Chairman, on all governance matters.



In addition, the non-executive directors, led by the senior independent director, meet annually without the Chairman present to conduct a review of the Board and appraise the Chairman's performance.

As part of the performance evaluation process the Chairman meets at least once annually with the non-executive directors without the executive directors being present to review the performance of the Board, the conduct of Board and committee meetings, and the general corporate governance of the Group.

Re-Election of Directors and Succession Planning

All directors, in accordance with the provisions of the UK Corporate Governance Code, are subject to annual re-election by the shareholders at the Company's Annual General Meeting. Kingspan is committed to refreshing and strengthening the independent representation on the Board on an on-going basis.

Kingspan also has in place a People and Leadership Development Program. This allows the Group to ensure that the key senior talent throughout the Group are gaining the appropriate experience, skillsets and development opportunities in order to ensure that we have the best people in the right roles and a strong pipeline of executive talent throughout the Group.

Board Committees

The Board has established the following committees: Audit, Nominations and Remuneration committees. All committees of the Board have written terms of reference setting out their authorities and duties and these terms are available on the Group's website www.kingspan.com.

Attendance at meetings held is set out in the table on page 57.

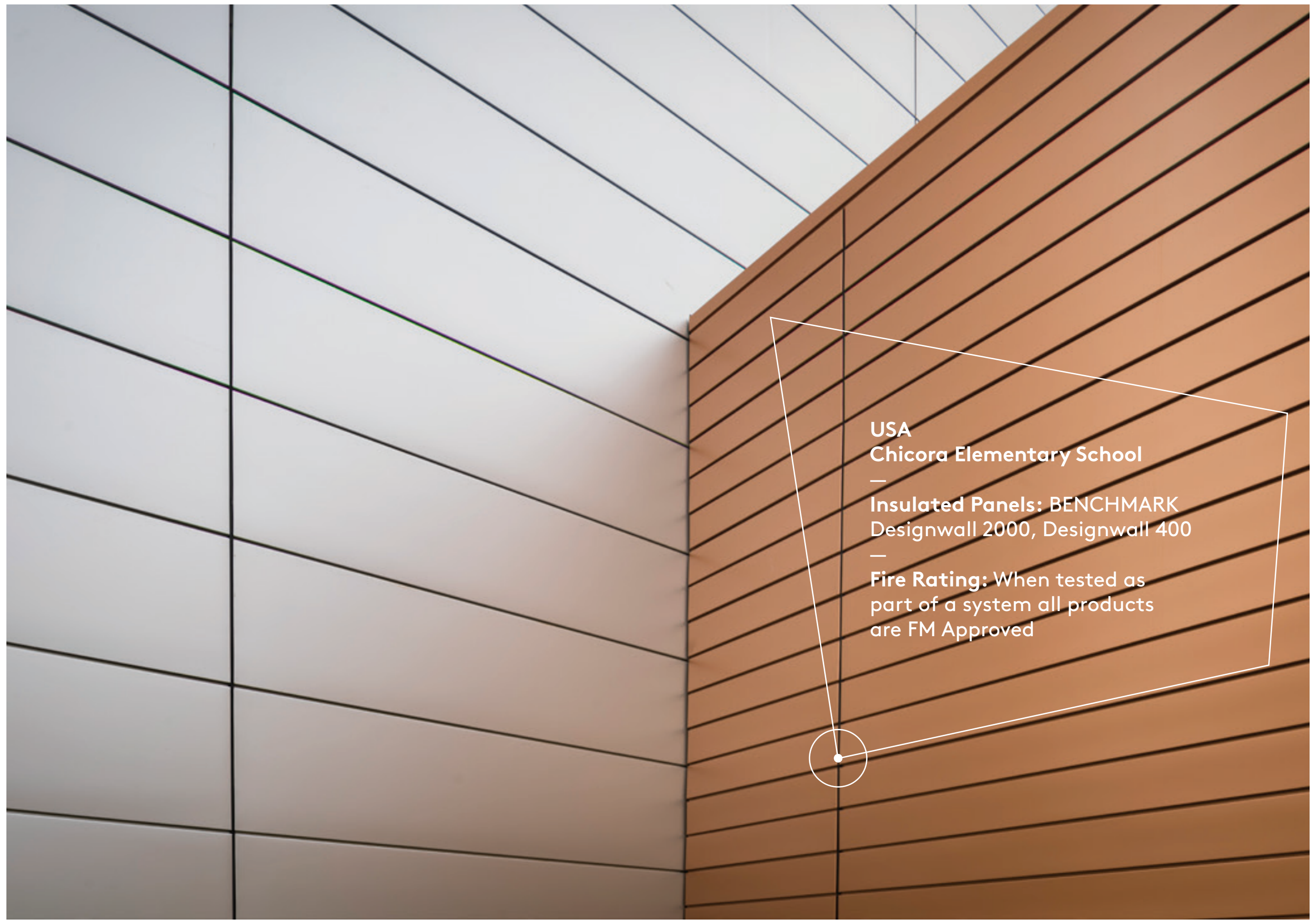
The members of each committee, the date of their first appointment to the committee and brief details of these committees are set out as follows:

Audit Committee

The Board has established an Audit Committee to monitor the integrity of the Company's financial statements, and the effectiveness of the Group's internal financial controls.

Audit Committee
Michael Cawley (Chair) Appointed 2014, Independent
Linda Hickey Appointed 2013, Independent
John Cronin Appointed 2015, Independent

The members of the Audit Committee bring considerable financial, accounting and commercial experience to the committee's work, and in particular the Board considers that the chairman of the Audit Committee, Michael Cawley B.Comm., F.C.A., has appropriate recent and relevant financial experience. The Board is satisfied that the combined qualifications and experience of the members give the committee collectively the financial expertise necessary to discharge its responsibilities. The report of the Audit Committee is set out on pages 72 to 77, which describes how the Company has applied the principles of Section C of the UK Corporate Governance Code (April 2016) and the Irish Corporate Governance Annex.



USA
Chicora Elementary School
—
Insulated Panels: BENCHMARK Designwall 2000, Designwall 400
—
Fire Rating: When tested as part of a system all products are FM Approved

Nominations Committee

The Nominations Committee assists the Board in ensuring that the composition of the Board and its committees is appropriate for the needs of the Group.

Nominations Committee
Eugene Murtagh (Chair) Appointed 1998
Gene Murtagh Appointed 2007
Helen Kirkpatrick Appointed 2009, Independent
John Cronin Appointed 2014, Independent
Bruce McLennan Appointed 2017, Independent

The committee considers the Board's membership, identifies additional skills or experience which might benefit the Board's performance and recommends appointments to or, where necessary, removals from, the Board. In considering appointments to the Board, it is the policy of the committee to have regard to diversity, encompassing gender, nationality, age and skillset, when setting the key criteria for the appointment. The Nominations Committee met once in 2017, to consider strengthening and refreshing the non-executive director representation on the Board, to approve the annual re-election of directors at the Company's Annual General Meeting, and to set the terms of reference for the externally facilitated evaluation of the Board.

Remuneration Committee

The Remuneration Committee has responsibility for setting remuneration for all executive directors and for the Chairman, including pension contributions, share options and any compensation payments. The committee also monitors the level and structure of remuneration for senior management.

Remuneration Committee
Helen Kirkpatrick (Chair) Appointed 2009, Independent
Michael Cawley Appointed 2014, Independent
Linda Hickey Appointed 2015, Independent
Bruce McLennan Appointed 2017, Independent

The Report of the Remuneration Committee is set out in this Annual Report on pages 63 to 71, which describes how the Company has applied the principles of Section D of the UK Corporate Governance Code (April 2016) and the Irish Corporate Governance Annex.

Communication with Shareholders

Kingspan places great emphasis on maintaining regular and responsible dialogue with shareholders. This is achieved through meetings with institutional investors, presentations to brokers and analysts, and making relevant information available on the Group's website (www.kingspan.com) in a timely fashion. Twice a year, following publication of the annual and half-year results, the Chief Executive Officer and the Chief Financial Officer meet with institutional investors during a formal results roadshow.

In addition, Kingspan is committed to interacting with the international financial community to ensure a full understanding of the Group's strategic plans and its performance against these plans. During the year the executive management and investor relations team presented at four capital market conferences and conducted 337 institutional one-on-one and group meetings.

All shareholders can sign up to obtain all regulatory news and alerts via the Kingspan website (www.kingspan.com), and depending upon shareholder preference, a copy of the Annual Report can be obtained in hard copy or can be obtained from the Group website.

The Company encourages communication with all shareholders, and welcomes their participation at Annual General Meetings. Further information regarding this year's Annual General Meeting is set out in the Shareholder Information Section in this Annual Report. Last year, in advance of the AGM, the Company reached out to the holders of over 75% of shares to engage with them and seek their feedback on the AGM resolutions and governance matters in general. All shareholders who attend the Company's Annual General Meeting are given the opportunity to question the Chairman and other members of the Board, including the chairmen of the committees, on any aspect of the Group's business. Following the Annual General Meeting, at which a significant minority of votes were cast against the new Performance Share Plan, the Company again reached out to our major shareholders and leading shareholder proxy agents to understand the reasons behind the results, in accordance with the principles of Section E of the UK Corporate Governance Code (April 2016). Further details of these engagements are set out in the Report of the Remuneration Committee.

Key Shareholder Engagements 2018
February Full year Results 2017
March Annual Report 2017
April Trading Update
April Annual General Meeting 2018
August Half-year results 2018
November Trading Update

Shareholders' Meetings and Rights

The Company operates under the Companies Act 2014 (the 'Act'). This Act provides for two types of shareholder meetings: the Annual General Meeting ('AGM') with all other meetings being called Extraordinary General Meetings ('EGM').

The Company must hold an AGM each year in addition to any other shareholder meeting in that year. The ordinary business of an AGM is to receive and consider the Company's Annual Report and statutory financial statements, to review the affairs of the Group, to elect directors, to declare dividends, to appoint or reappoint auditors and to fix the remuneration of auditors and directors.

The Chairman of the Board of Directors shall preside as chairman of every general meeting and in his absence, one of the directors present will act in the capacity of chairman

The quorum for a general meeting shall be not less than three members present in person or by proxy and entitled to vote. At any general meeting, a resolution put to the vote of the meeting shall be decided by a show of hands unless a poll is duly demanded. All ordinary shares rank pari passu and carry equal voting rights. Every member present in person or by proxy shall upon a show of hands have one vote, and every member present in person or by proxy shall upon a poll have one vote for each share of which they are the holder. In the case of an equality of votes the Chairman shall, both on a show of hands and at a poll, have a casting vote.

Further details of shareholders rights with regards the general meetings are set out on page 132 within the Shareholder Information section of this Annual Report.

Internal Control and Risk Management Systems

The Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Group. This process has been in place for the year under review and up to the date of approval of the financial statements and it is regularly reviewed by the Board in compliance with 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' issued by the Financial Reporting Council.

The Board has delegated responsibility to the Audit Committee to monitor and review the Group's risk management and internal control processes, including the financial, operational and compliance controls, through detailed discussions with management and the executive directors, the review and approval of the internal audit reports, which focus on the areas of greatest risk to the Group, and the external audit reports, as part of both the year-end audit and the half year review process, all of which are designed to highlight the key areas of control weakness in the Group. Further details of the work conducted by the Audit Committee in this regard is contained in the Report of the Audit Committee set out on pages 72 to 77.

The main features of the Group's internal control and risk management systems that relate specifically to the Group's financial reporting processes are:

→ Annual budgets and strategic plans are approved annually by the Board and compared to actual performance and forecasts on a monthly basis;
→ Sufficiently sized finance teams with appropriate level of experience and qualifications throughout the Group;
→ Formal Group Accounting Manual in place which clearly sets out the Group financial policies in addition to the formal controls;
→ Formal IT and Treasury policies and controls in place;
→ Centralised Tax and Treasury functions;
→ Sales are submitted and reviewed on a weekly basis whilst full reporting packs are submitted and reviewed on a monthly basis; and
→ Internal audit function review financial controls and report results/findings on a quarterly basis to the Audit Committee.

In addition, the main features of the Group's internal control and risk management systems that relate specifically to the Group's consolidation process are:

→ The review of reporting packages for each entity as part of the year-end audit process;
→ The reconciliation of reporting packages to monthly management packs as part of the audit process and as part of management review;
→ The validation of consolidation journals as part of the management review process and as an integral component of the year-end audit process;
→ The review and analysis of results by the Chief Financial Officer and the Auditors with the management of each division;
→ Consideration by the Audit Committee of the outcomes from the annual risk assessment of the business; and
→ The review of internal and external audit management letters by the Chief Financial Officer, Head of Internal Audit and the Audit Committee; and the follow up of any critical management letter points to ensure issues highlighted are addressed.

Further information on the risks faced by the Group and how they are managed are set out in the Risks & Risk Management section of this Annual Report on pages 30 and 31.

Directors' Report

Report of the Remuneration Committee

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2017.

This report details how the Remuneration Committee has fulfilled its responsibilities under its Terms of Reference and under the UK Corporate Governance Code (April 2016). The report sets out Kingspan's remuneration policy, how the policy will be applied in 2018, gives details of the remuneration outcomes for 2017, and describes the workings of the Remuneration Committee during the year. This Remuneration Report as a whole will be subject to an advisory vote at our Annual General Meeting on 20 April 2018.

The primary objective of the Remuneration Committee is to create a remuneration structure for executive directors which:

a. supports the delivery of the Group strategy and creates value for shareholders over the longer term;
b. rewards individuals by reference to their divisional responsibilities and overall corporate performance in both the short and longer term; and
c. is capable of attracting and retaining key individuals necessary for business success.

Overall 2017 was another good year for Kingspan. Whilst all of our businesses experienced external raw material, currency and macro-economic challenges, the impact on the different businesses was mixed with some business units impacted more than others. At the same time, integration of our recently acquired businesses progressed well as they delivered a solid contribution to the Group results. In the event, basic earnings per share was up 10.6% over prior year, whilst the total shareholder return in the year was 42.7%. This excellent performance resulted in varying levels of annual bonus payouts being earned by each of the executive directors in respect of the year ended 31 December 2017, which are detailed later in this Report. In the three-year performance period from 2015 to 2017 Kingspan once again achieved top quartile TSR performance amongst its peer group for the seventh cycle in a row. Further details on the vesting of the 2015 PSP Awards are also set out later in this Report.

During the year the Company engaged with our major shareholders in relation to the 2017 Annual General Meeting shareholder vote approving our new 2017 Performance Share Plan. Some of our shareholders had expressed concern about the threshold vesting level. Having listened carefully to our shareholders' feedback, the Remuneration Committee has decided to reduce to 25% the number of awards that would vest on achieving threshold performance targets for all grants in 2018 and in subsequent years under the policy. Further detail is set out later in this report. Also during 2017, the committee was pleased to appoint Korn Ferry Hay Group as its independent remuneration consultants, following a procurement process which is detailed in this report.

The tables below show the mix between the executive directors' fixed and variable performance related pay, and also between short-term and long-term remuneration for 2017.

Helen Kirkpatrick
Chairman,
Remuneration Committee

EXECUTIVE DIRECTORS' REMUNERATION MIX
Fixed v Variable

48% Fixed remuneration: Salary, Pension and Benefits

52% Variable remuneration: Annual Bonus and Long-term Incentives

EXECUTIVE DIRECTORS' VARIABLE REMUNERATION
Long Term v Short Term

56% Variable Short term remuneration: Annual Bonus including deferred share awards

44% Variable Long term remuneration: PSP Awards

Executive Directors' Remuneration Policy
In setting the executive directors' remuneration package the Remuneration Committee seeks to ensure that:

- the Group will attract, motivate and retain individuals of the highest calibre;
- executives are rewarded in a fair and balanced way for their contribution to the Group's performance;
- executives receive a level of remuneration that is appropriate to their scale of responsibility and individual performance;
- the overall approach to remuneration has regard to the sectors and geographies in which we operate; and
- risk is properly considered in setting remuneration policy and determining remuneration packages.

The Remuneration Committee seeks to align the interests of executive directors with those of shareholders through a mix of short and long term performance based incentives and by encouraging share ownership, whilst taking into consideration the market norms and practices of other quoted Irish and international industry peer companies of similar size and scope in setting the base and fixed elements of the package.

The key elements of the executive directors' remuneration policy are set out below:

Fixed Remuneration
Provides a fair fixed element of pay commensurate for the role ensuring no over reliance on variable pay.

Base salary - attracts and retains skilled and experienced individuals

How it operates	Maximum opportunity
Base salaries are reviewed annually by the Remuneration Committee in the last quarter of each year. Factors taken into account by the committee include the Group's overall performance, the executive directors' role and personal performance, movements in pay generally across the Group and competitive market practice taking into account companies of a similar size and complexity to Kingspan. Where applicable, changes in salary are effective from 1 January. Increases will generally be in line with increases across the Group, but may be higher or lower in certain circumstances to reflect changes in remit, roles and responsibilities, or to allow newly appointed executives to move progressively towards market norms.	No prescribed maximum base salary or maximum annual increase.

Pension scheme and other allowances - attracts and retains skilled and experienced individuals

How it operates	Maximum opportunity
The Group operates a defined contribution pension scheme for executive directors. Pension contributions are calculated on base salary only. Contributions are determined on an individual basis and take into account a number of factors including age, length of service, and number of years to retirement. Where local legislation imposes a cap on pension contributions, the Group may agree to make a non-pensionable annual payment to the executive, subject to all applicable employee and employer payroll taxes.	No prescribed maximum pension contribution/annual payment. Contributions will depend on individual circumstances.

Benefits - provides market competitive benefits for recruitment and retention purposes, as well as supporting the personal health and well-being of the executive

How it operates	Maximum opportunity
In addition to their base salaries, executive directors' benefits include life and health insurance and the use by the executive directors of company cars (or a taxable car allowance) in line with typical market practice.	No prescribed maximum level, as benefits depend on individual director circumstances.

Variable Remuneration
The Remuneration Committee seeks to ensure that overall remuneration reflects Group performance and individual contribution. Accordingly, the committee seeks to align an appropriate portion of the executive directors' remuneration with the achievement of annual and longer term performance targets.

Performance related bonus – drives and rewards achievement of annual short-term performance targets, with deferred share awards aligning management interests with shareholders and the longer term performance of the Group.

How it operates	Maximum opportunity
Executive directors receive an annual performance related bonus based on the attainment of financial targets set prior to the start of each year by the committee. Bonuses are paid on a sliding scale if the targets are met. Maximum bonus is only achieved if ambitious incremental growth targets are achieved. Any performance related bonus achieved in excess of 100% of base salary is satisfied by the issue of share awards, which are deferred for two years.	The maximum annual performance related bonus is up to 150% of base salary.

Performance share plan – drives and rewards execution of the longer term business strategy, aligns the interests of executive directors and senior managers with those of the Group's shareholders and recognises and rewards value creation over the longer term.

How it operates	Maximum opportunity
Executive directors are entitled to participate in the Group's Performance Share Plan (PSP). Under the terms of the PSP, performance shares are awarded to the executive directors and the senior management team. The performance shares will vest after three years only if the Group's underlying performance has improved during the three-year performance period, and if certain performance criteria are achieved over the performance period.	200% of base salary.

The Remuneration Committee believes that the above policy sets an appropriate balance between short-term and long-term performance based remuneration (including the deferred share awards) and reflects the Group's objective to drive long-term shareholder value through its strategic pillars of innovation, penetration, globalisation, and Net Zero Energy.

Implementation of Remuneration Policy for 2018
Salary, benefits and pension: These will be made in accordance with the policy detailed above. Benefits will be in line with those received in 2017.

Annual bonus: The maximum opportunity for all the executive directors will be 150% of salary with any bonus earned in excess of 100% of salary being deferred into shares in the Company for two years. For 2018, the Remuneration Committee has selected the following performance measures:

- CEO & CFO: Group EPS growth targets over prior year.
- Divisional MDs: 40% of their total bonus opportunity is based on the achievement of divisional profit growth targets, and 60% of their total bonus opportunity is based on the achievement of Group EPS growth targets over prior year.

Performance share awards: For 2018, the following PSP Awards will be granted:

CEO: An award over shares with a market value of 175% of base salary. Other executive directors: 150% of base salary.

The Remuneration Committee has selected the following performance measures:

- Half of the award is based on the achievement of Group earnings per share (EPS) growth targets.
- Half of the award is based on the achievement of total shareholder return (TSR) compared to the selected peer group applicable to the 2017 PSP awards.
- Awards will vest on a sliding scale, with 25% of the award vesting on achievement of threshold performance rising in a straight line to 100% vesting for maximum performance.

Remuneration Outcomes for 2017
Base salary: The salaries for 2017 for each of the executive directors were set by the Remuneration Committee towards the end of 2016.

Having regard to the significant increase in the scale and profitability of the Group and as a result the Chief Executive's role and responsibilities over recent years, the committee agreed to progressively increase the base salary of the Chief Executive towards market norms for similar sized companies. The Chief Executive's base salary for 2017 was €770,000 an increase on the prior year of 10% reflecting not only the increase in his role and responsibilities but also his experience and exceptional performance in the year. Increases for the other executive directors are generally in line with increases in the business as a whole. Overall, total salaries for the executive directors increased by 5.3% in 2017. Full details of the executive directors' salaries in 2017 are set out in the table below.

As part of its review of salaries the committee engaged independent consultants, Mercer, to carry out a benchmarking exercise on the executive directors' salary levels and total remuneration packages using both Irish and internationally operating companies of a comparable size and listed on the same exchange as Kingspan. The committee is strongly of the view that changes in salaries should be phased steadily over time rather than take place in large jumps. It is very sensitive to the levels of pay within the whole workforce and considers levels of increase very carefully before awarding them.

DIRECTORS' REMUNERATION FOR YEAR ENDED 31 DECEMBER 2017
(Remuneration is reported in the currency received by the individual)

Executive directors	Gene Murtagh €'000		Geoff Doherty €'000		Russell Shiels $'000		Peter Wilson £'000		Gilbert McCarthy €'000		Total(1) €'000	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Fixed Pay												
- Salary and fees	**770**	698	**530**	514	**541**	525	**358**	341	**480**	466	**2,667**	2,568
- Pension contributions (2)	**140**	140	**128**	129	**189**	186	**150**	147	**96**	93	**703**	708
- Benefits (3)	**31**	30	**32**	31	**64**	74	**13**	12	**34**	30	**167**	172
Performance Pay (4)												
- Cash element	**599**	698	**413**	514	**168**	467	**326**	341	**149**	466	**1,683**	2,516
- Deferred shares	**-**	349	**-**	257	**-**	263	**-**	171	**-**	233	**-**	1,284
Total executive pay	**1,540**	1,915	**1,103**	1,445	**962**	1,515	**847**	1,012	**759**	1,288	**5,220**	7,248
Charge to Consolidated Income Statement for share options and awards(5)											**2,153**	1,915
Non-executive directors (6)												
Eugene Murtagh											**191**	191
Helen Kirkpatrick											**85**	85
Linda Hickey											**75**	75
Michael Cawley											**85**	85
John Cronin											**75**	75
Bruce McLennan											**75**	70
Total non-executive pay											**586**	581
Total directors' remuneration											**7,959**	9,744

(1) Russell Shiels' remuneration has been converted to Euro at the following average rate USD: 1.1294 (2016: 1.1104).
(1) Peter Wilson's remuneration has been converted to Euro at the following average rate GBP: 0.87642 (2016: 0.81929).
(2) The Group operates a defined contribution pension scheme for executive directors. Certain executives have elected to receive part of their prospective pension entitlement as a non-pensionable cash allowance in lieu of the pension benefit foregone, subject to all applicable employee and employer payroll taxes.
(3) Benefits principally relate to health insurance premiums and company cars/car allowances. In the case of Russell Shiels the cost of life insurance and permanent health benefit is also included.
(4) Performance pay is earned for meeting clearly defined EPS growth and divisional profit targets. Details of the bonus plan and targets are set out on page 67 of the Remuneration Report.
(5) The charge to the Consolidated Income Statement represents the current year cost of the unvested PSP Awards granted to the executive directors. Details of the valuation methodology are set out in Note 3 to the Financial Statements.
(6) Non-executive directors receive a base fee of €75,000 per annum, plus an additional fee of between €7,500 and €10,000 for chairmanship of Board committees. They do not receive any pension benefit, or any performance or share based remuneration.

Performance related bonus: The targets for 2017 were set prior to the start of the year, and comprise a combination of stretching Group EPS targets and divisional profit growth targets. In 2017 all executive directors were eligible for a maximum performance related bonus opportunity of up to 150% of base salary.

The Chief Executive's and the Chief Financial Officer's annual performance related bonuses were based on Group EPS growth targets over prior year, with the maximum annual performance related bonus being payable on the achievement of 30% Group EPS growth over prior year. The Remuneration Committee considers this to be a stretching target, aligned with shareholder interests. For each of the Divisional MDs, up to 40% of their annual performance related bonus opportunity was based on achieving stretching divisional profit targets, and a further 60% of the Divisional MDs' annual performance related bonus opportunity was payable on the achievement of Group EPS growth over prior year, with maximum annual performance related bonus being payable on the achievement of 115% of their divisional profit target in each case, and 30% Group EPS growth over prior year. Again, the committee considers these to be appropriately stretching targets, aligned with shareholder interests.

The Remuneration Committee reviewed the Group EPS growth and divisional performance during the year, and considered the extent to which the 2017 annual performance bonus targets had been achieved by each of the executive directors. Whilst the Group delivered excellent results for the year (trading profit up 10.7% on prior year) and strong EPS growth (up 10.6% on prior year) the maximum Group EPS target was not achieved, and the varying divisional performances resulted in different levels of bonus payouts being earned by each of the executive directors. If any performance related bonus had been achieved in excess of 100% of base salary it would have been satisfied by the issue of deferred share awards, but as no director achieved a bonus in excess of 100% of base salary, no deferred share awards were made. The table below sets out the performance against targets for each of the executive directors in respect of the year ended 31 December 2017. The Board believes that disclosure of the Divisional MD's specific bonus targets would be inappropriate as the targets are commercially sensitive business information not otherwise available to competitors.

2017 ANNUAL PERFORMANCE RELATED BONUS

	Maximum opportunity*	Performance measure	Threshold target	Target for maximum vesting of cash element	Target for maximum vesting of deferred share element	Performance achieved	Bonus outcome*
Chief Executive	150%	EPS	136.6 cent	165.3 cent	186.9 cent	159.0 cent	78%
Chief Financial Officer	150%	EPS	136.6 cent	165.3 cent	186.9 cent	159.0 cent	78%
Russell Shiels	60%	Divisional profit		15% profit growth		93%	0%
	90%	EPS	136.6 cent	165.3 cent	186.9 cent	159.0 cent	31%
Peter Wilson	60%	Divisional profit		15% profit growth		120%	60%
	90%	EPS	136.6 cent	165.3 cent	186.9 cent	159.0 cent	31%
Gilbert McCarthy	60%	Divisional profit		15% profit growth		92%	0%
	90%	EPS	136.6 cent	165.3 cent	186.9 cent	159.0 cent	31%

* as a percentage of base salary.

Vesting of the 2015 Performance Share Plan awards: The Remuneration Committee reviewed the extent to which the vesting targets in respect of the PSP Awards granted in 2015 had been met by reference to EPS and TSR targets over the three year performance period to 31 December 2017. For the 2015 PSP Awards, each of the executive directors had received an award over shares with a market value of 100% of base salary with the Chief Executive receiving an additional 25% Exceptional TSR Performance Award. The following performance targets applied:

→ Half of the award vesting (on a sliding scale) based on the achievement of average EPS growth of between CPI plus 5% p.a. and CPI plus 10% p.a.

→ Half of the award vesting (on a sliding scale) based on the achievement of TSR compared with a selected peer group of between the median and the 75th percentile point.

→ The Exceptional TSR Performance Award granted to the Chief Executive only vests (on a sliding scale) if the Group's TSR ranking is between the 75th and the 100th percentile point compared with the selected peer group.

The committee determined that total EPS growth during the period was 154%, which significantly exceeded the target for maximum vesting of CPI plus 10% p.a. The committee also noted that Kingspan had achieved top quartile performance in its peer group for the seventh cycle in a row, ranking in the 93rd percentile in respect of the performance period.

The committee therefore concluded that the PSP vesting conditions in respect of the 2015 PSP Awards had been satisfied in full and that the conditions attached to the Exceptional Performance Award for the Chief Executive were partly satisfied.

The table below sets out the targets set at the time of the granting of the 2015 PSP Awards, and the performance achieved in respect thereof.

PERFORMANCE TARGETS

2015 - 2017 PSP Awards

Percentage of award	Performance measure	Threshold target	Maximum target	Performance achieved	PSP vesting
50%	EPS	CPI + 5%	CPI + 10%	CPI + 36.5%	50%
50%	TSR	50th percentile	75th percentile	93rd percentile	50%
25%	Exceptional TSR	76th percentile	100th percentile	93rd percentile	18%

The TSR peer group for the 2015 and 2016 PSP awards comprised the following companies:

Armstrong World Industries Inc	Boral Ltd
Compagnie de Saint Gobain	COEMAC SA
CRH Plc	Geberit AG
Grafton Group Plc	NCI Building Systems Inc
Owens Corning	Rockwool Intl. A/S
SIG Plc	Travis Perkins Plc
Uponor Corp	USG Corporation
Wienerberger AG	

Grant of 2017 Performance Share Plan awards: Following the approval by shareholders of the new Performance Share Plan at the Company's Annual General Meeting in April 2017 the Remuneration Committee granted PSP Awards to the executive directors with a three year performance period from 2017 to 2019. The Chief Executive received an award over shares with a market value equal to 175% of salary and the other executive directors 150% of salary. The EPS condition for half of the 2017 PSP Awards, as determined by the committee, is the achievement of annual EPS growth of between CPI plus 5% p.a. and CPI plus 10% p.a. The TSR condition for the other half of the awards is based on TSR performance of between the median and the 75th percentile point compared to a selected peer group.

The TSR peer group was reviewed and amended for awards in 2017 and thereafter and is set out as follows:

Armstrong World Industries Inc	Owens Corning
Boral Ltd	Rockwool Intl. A/S
CRH Plc	SIG Plc
Geberit AG	Sika
Grafton Group Plc	Travis Perkins Plc
Lafarge Holcim	USG Corporation
NCI Building Systems Inc	Wienerberger AG

Details of all extant share awards granted to the executive directors and secretary under the new 2017 and the legacy 2008 Performance Share Plans are set out in the table overleaf.

Non-executive directors: The non-executive directors each receive a fee which is approved by the Board following advice from the independent professional advisors. The Chairman's fee is €191,000. The basic non-executive director fee is €75,000. An additional fee of €7,500 is paid for chairing the Remuneration Committee, and a fee of €10,000 for chairmanship of the Audit Committee and for the Senior Independent Director, to reflect the additional role and responsibilities (only one additional fee is paid if a director has dual roles). Non-executive director fee levels are reviewed annually, and there was no change to the level of fees paid to the non-executive directors in 2017.

Governance

Composition: The Remuneration Committee comprises four independent non-executive directors, Helen Kirkpatrick (chairman), Michael Cawley, Linda Hickey and Bruce McLennan. The Company Secretary acts as the secretary to the committee.

Responsibilities: The responsibilities of the Remuneration Committee are summarised in the Corporate Governance Report, and its terms of reference are available on the Company's website: www.kingspan.com

Meetings: The Remuneration Committee met 6 times during the year. Each meeting was attended by all the members of the committee, and an overview of the workings of the committee is set out later in this report. The Chief Executive does not normally attend meetings but provides input where relevant to the committee chair prior to the meeting. The Chief Executive, Chief Financial Officer and any other members of the management team may be asked to attend meetings where their input is helpful to the matter being discussed by the committee. No individual is present at a meeting when the terms of his own remuneration are discussed. The committee's independent advisers may also be asked to attend.

Service contracts: Each of the executive directors has a service contract with the Company which provides for 12 months notice of termination by the Company (or, at the discretion of the Company, payment for all or part thereof). The service contracts do not include any provision for compensation for loss of office, other than the notice period provisions set out above.

Each of the non-executive directors has a letter of appointment with the Company which recognises that their appointments can be terminated on one month's notice and are subject to annual re-election by the shareholders at the Company's Annual General Meeting.

PERFORMANCE SHARE PLAN

Director		At 31 Dec 2016	Granted during year	Vested during year	Exercised or lapsed during year	At 31 Dec 2017	Option price €	Earliest exercise date	Latest expiry date
Gene M. Murtagh									
	Unvested	**145,794**	43,120	(55,121)	-	**133,793**	0.13	24/02/2018	05/05/2024
	Vested	**417,203**	-	55,121	(330,844)[1]	**141,480**	0.13	26/02/2016	25/02/2021
		562,997	43,120	-	(330,844)	**275,273**	0.13		
Geoff Doherty									
	Unvested	**88,717**	25,440	(34,028)	-	**80,129**	-	24/02/2018	05/05/2024
	Vested	**-**	-	34,028	(34,028)[2]	**-**	0.13	-	-
		88,717	25,440	-	(34,028)	**80,129**	0.13		
Russell Shiels									
	Unvested	**74,773**	24,227	(24,732)	-	**74,268**	0.13	24/02/2018	05/05/2024
	Vested	**-**	-	24,732	(24,732)[3]	**-**	0.13	-	-
		74,773	24,227	**-**	**(24,732)**	**74,268**	0.13		
Peter Wilson									
	Unvested	**74,895**	23,040	(26,660)	-	**71,275**	0.13	24/02/2018	05/05/2024
	Vested	**68,292**	-	26,660	(94,952)[4]	**-**	0.13	-	-
		143,187	23,040	-	**(94,952)**	**71,275**	0.13		
Gilbert McCarthy									
	Unvested	**75,293**	23,040	(26,042)	-	**72,291**	0.13	24/02/2018	05/05/2024
	Vested	**159,584**	-	26,042	(68,000)[5]	**117,626**	0.13	28/02/2015	25/02/2021
		234,877	23,040	-	**(68,000)**	**189,917**	0.13		
Company Secretary									
Lorcan Dowd									
	Unvested	**15,438**	4,752	(6,250)	-	**13,940**	0.13	24/02/2018	05/05/2024
	Vested	**35,480**	-	6,250	(14,000)[6]	**27,730**	0.13	28/02/2015	25/02/2021
		50,918	4,752	-	(14,000)	**41,670**	0.13		

1. Exercised (143,018) on 21/02/2017. Market value on day of exercise €29.00.
   Exercised (187,826) on 13/10/2017. Market value on day of exercise €36.00.
2. Exercised on 07/06/2017. Market value on day of exercise €30.78.
3. Exercised on 01/03/2017. Market value on day of exercise €29.62.
4. Exercised (68,292) on 28/02/2017. Market value on day of exercise €28.97.
   Exercised (26,660) on 02/10/2017. Market value on day of exercise €35.80.
5. Exercised (35,000) on 27/02/2017. Market value on day of exercise €28.85.
   Exercised (33,000) on 28/09/2017. Market value on day of exercise €35.61.
6. Exercised on 02/05/2017. Market value on day of exercise €32.27.

DEFERRED SHARE AWARDS

Director		At 31 Dec 2016	Granted during year*	Vested & transferred during year	At 31 Dec 2017	Earliest transfer date	Latest transfer date
Gene M. Murtagh							
	Unvested	**13,321**	11,899	-	**25,220**	31/03/2018	31/03/2019
		13,321	11,899	-	**25,220**		
Geoff Doherty							
	Unvested	**10,279**	8,765	-	**19,044**	31/03/2018	31/03/2019
		10,279	8,765	-	**19,044**		
Russell Shiels							
	Unvested	**9,798**	8,349	-	**18,147**	31/03/2018	31/03/2019
		9,798	8,349	-	**18,147**		
Peter Wilson							
	Unvested	**8,923**	6,839	-	**15,762**	31/03/2018	31/03/2019
		8,923	6,839	-	**15,762**		
Gilbert McCarthy							
	Unvested	**8,286**	7,939	-	**16,225**	31/03/2018	31/03/2019
		8,286	7,939	-	**16,225**		

* Granted in respect of 2016 performance related bonus.

The non-executive directors do not have service contracts and do not participate in any bonus or long-term incentive schemes. The non-executive directors do not receive any pension or other benefits, and there is no provision for compensation for loss of office other than payment of accrued fees and expenses.

Clawback & malus policy: The Remuneration Committee recognises that there could potentially be circumstances in which performance related pay (either annual performance related bonuses and/or PSP Awards) is paid out based on misstated results or where there has been inappropriate conduct resulting in material damage to Kingspan. Whilst the Group has robust management and financial controls in place to minimise any such risk, the committee has put in place formal clawback and malus arrangements for the protection of the Company and its investors. The clawback of performance related pay (comprising the annual performance related bonus including deferred share awards, and the PSP Awards) and malus (where awards are reduced including to nil before they have vested) would apply in certain circumstances including:

→ a material misstatement of the Group's financial results;
→ a material breach of an executive's contract of employment;
→ any wilful misconduct, recklessness, and/or fraud resulting in serious damage to the financial condition or business reputation of Kingspan.

Payment of the annual performance related bonus is made in March of the following year, after the audited financial statements have been approved, and any deferred share awards vest after a further period of two years. The committee considers such periods are appropriate deferral periods in a manufacturing environment.

Minimum shareholding requirements: The Remuneration Committee recognises that share ownership is important in aligning the interests of management with those of shareholders. The committee has adopted a policy whereby executive directors are required to build up and retain, within five years of appointment, a minimum holding in Kingspan shares (or fully vested share options) with equivalent market value to 100% of base salary. The executive directors in practice hold significantly in excess of this requirement and the committee considers that in the circumstances it is not necessary at this time to increase the minimum shareholding requirement. The current shareholdings of the executive directors as a multiple of 2017 salary (based on share price as at 31 Dec 2017) are shown in the table below.

	No. shares held	Multiple of salary
Gene M. Murtagh	1,128,999	53.4 x times
Geoff Doherty	240,350	16.5 x times
Russell Shiels	300,000	24.2 x times
Peter Wilson	389,376	35.2 x times
Gilbert McCarthy	247,637	18.8 x times

Former directors: There were no pension payments, payments for loss of office or other remuneration paid to any former directors during the relevant financial year.

External advisors: The Remuneration Committee obtained advice from independent remuneration consultants, Mercer, in relation to comparator benchmarking in respect of the 2017 salary review, and also in relation to the drafting of the new 2017 Performance Share Plan and the selection of an appropriate TSR comparator peer group in respect thereof. Korn Ferry Hay Group advised the committee in relation to the 2018 salary review, and in relation to developments in remuneration governance and practice and the EU Shareholders Rights Directive.

Remuneration Committee Activities	Feb	May	July	Oct	Dec
Salary and fees					
Engage independent consultants			•		
Review of overall remuneration policy				•	•
Review executives' salary, role and responsibilities for 2018				•	•
Review non-executives' fees for 2018				•	•
Performance pay					
Assess Group and individual performance against targets for 2016	•				
Confirm percentage of performance bonus achieved for 2016	•				
Agree Group and individual performance targets for 2018					•
PSP Awards					
Assess performance of 2014/2016 PSP Awards against targets	•				
Determine percentage of 2014/2016 PSP Awards which vest	•				
Finalise terms of new 2017 PSP scheme for proposal to AGM	•				
Agree targets and level for grants of PSPs Awards for 2017	•	•			
Governance					
Review and approve Remuneration Report for Annual Report 2016	•				
Consider shareholder votes and feedback from AGM 2017		•			
Engage with shareholders on AGM feedback concerning the new PSP scheme			•	•	•
Update on remuneration trends generally			•		•
Carry out procurement process to appoint remuneration consultants		•	•		•
Review of consultants' performance and independence				•	

During the year, the committee carried out a procurement process for the appointment of independent expert advisers to the committee, and invited proposals from a number of leading international remuneration consultants. Three of these were shortlisted to present their proposals to the committee, and their proposals were assessed against a number of criteria. As a result of this process the committee was pleased to appoint Korn Ferry Hay Group as its independent remuneration consultants with effect from 13 July 2017. The committee nonetheless acknowledges Mercer's long association with Kingspan, and thanks it for its advice and service to the committee during that time.

Both Mercer and Korn Ferry Hay Group are members of the Remuneration Consultants Group and signatories to its Code of Conduct, and all advice is provided in accordance with this code. During 2017 Mercer also provided administration services to Kingspan's All Employee Approved Profit Sharing Scheme, and Korn Ferry Hay Group carried out a leadership development assessment for senior members of the Kingspan Group, but neither had any other connection with the Group during the year. In light of this the committee is satisfied that the advice obtained was objective and independent.

Say on pay: Kingspan, as an Irish incorporated company, is not subject to the UK disclosure requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 that apply to UK incorporated and listed companies. However, in accordance with Kingspan's commitment to best corporate governance practices and shareholder engagement, the Remuneration Committee has incorporated many of the disclosure requirements in this report, and the Board, on the recommendation of the committee, will put this report of the committee to an advisory vote at the forthcoming Annual General Meeting of the Company.

	Total votes	For	%	Against	%
Advisory vote on 2016 Directors' Remuneration Report	133,417,068	129,297,752	96.91	4,119,316	3.09
Adoption of the 2017 Performance Share Plan	126,428,962	94,149,532	74.47	32,279,430	25.53

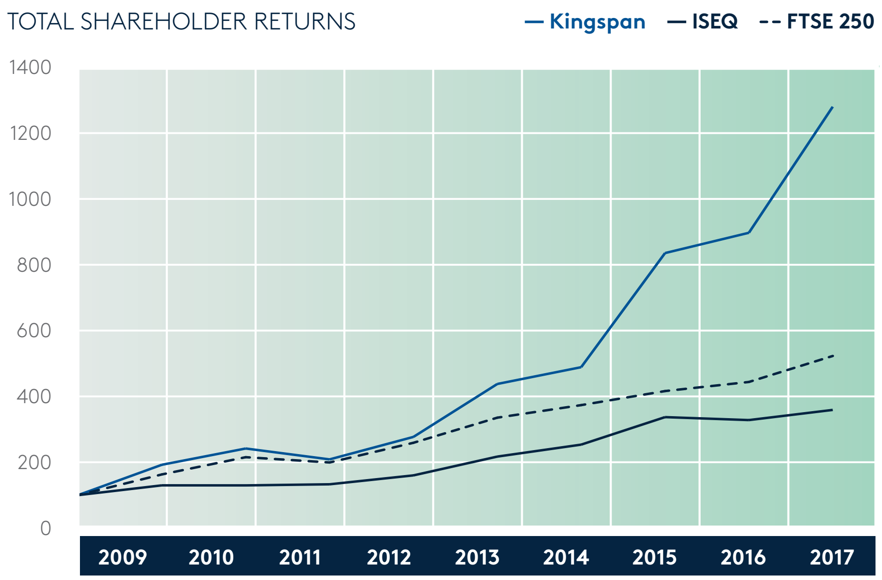
The table above shows the voting outcome at Kingspan's 2017 Annual General Meeting relating to the 2016 Directors' Remuneration Report, and to the new 2017 Performance Share Plan.

The Company engaged widely with its major shareholders prior to the vote on the new Performance Share Plan (PSP) at our 2017 Annual General Meeting. Whilst the Company was pleased that the new PSP was approved by almost 75% of the votes cast, there was a significant minority of votes cast against the plan.

The committee believed that the terms of the new PSP were well-designed to drive the Company's long-term performance. When finalising the terms of the new PSP and considering what was in the best interests of the Company and its shareholders, the committee had felt that it should largely roll-forward the terms of the previous PSP rules, but with updates where appropriate to reflect current best practice. The roll-forward terms included continuation of the 50% of maximum vesting level for achieving threshold performance which the committee considered had worked well previously in incentivising and rewarding the more than 300 members of the senior management team who participate in the plan. The committee understands that it was this threshold vesting level which was the main concern of shareholders who voted against the new plan.

Since the 2017 AGM vote the committee reached out to the holders of over 50% of our shares. Taking on board the concerns raised, the committee has decided to reduce to 25% the number of PSP awards that vest on achievement of threshold performance targets for all grants in 2018 and subsequent years under the policy.

Performance Graph
This graph shows the Company's TSR performance against the performance of the ISEQ and the FTSE 250 Indices over the nine-year period to 31 December 2017.



Directors' Report

Report of the Audit Committee

As Chairman of the Audit Committee, I am pleased to present the report of the committee for the year ended 31 December 2017.

This report details how the Audit Committee has met its responsibilities under its Terms of Reference, the Irish Companies Act 2014 and the UK Corporate Governance Code (April 2016) in the last twelve months.

The Audit Committee focused particularly on the appropriateness of the Group's financial statements. The committee has satisfied itself, and has advised the Board accordingly, that the 2017 Annual Report and financial statements are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy. The significant issues that the committee considered in relation to the financial statements and how these issues were addressed are set out in this Report.

The Audit Committee notes the requirements under section 225 of the Companies Act 2014 and has ensured that the directors are aware of their responsibilities and comply fully with this provision.

One of the Audit Committee's key responsibilities is to review the Group's risk management and internal controls systems, including in particular internal financial controls. During the year, the committee carried out a robust assessment of the principal risks facing the Group and monitored the risk management and internal control system on an on-going basis. Further details in regard to these matters are also set out in this Report on page 74.

The committee also reviewed the effectiveness of both the external audit process and the internal audit function as part of the continuous improvement of financial reporting and risk management across the Group.

Michael Cawley
Chairman, Audit Committee

Role and Responsibilities
The Board has established an Audit Committee to monitor the integrity of the Group's financial statements and the effectiveness of the Group's internal financial controls. The committee's role and responsibilities are set out in the committee's terms of reference which are available from the Company and are displayed on the Group's website (www.kingspan.com). The Terms of Reference are reviewed annually and amended where appropriate. During the year the committee worked with management, the external auditors, internal audit, and other members of the senior management team in fulfilling these responsibilities. The Audit Committee report deals with the key areas in which the Audit Committee plays an active role and has responsibility.

These areas are as follows:

- → Financial Reporting and related primary areas of judgement;
- → The External Audit process;
- → The Group's Internal Audit function;
- → Risk Management and internal controls; and
- → Whistleblowing procedures.

Committee Membership
As at 31 December 2017, the Audit Committee comprised three independent non-executive directors who are Michael Cawley (Chairman), Linda Hickey and John Cronin. The biographies of each can be found on page 47.

The Board considers that the committee as a whole has an appropriate and experienced blend of commercial, financial and industry expertise to enable it to fulfil its duties, and that the committee chairman, Michael Cawley B.Comm., F.C.A., has appropriate recent and relevant financial experience.

Meetings
The committee met four times during the year ended 31 December 2017 and attendance at the meetings is noted below. The activities of the Audit Committee in each meeting are noted on the page below.

Committee Member	Attended	Eligible	Joined Committee
Michael Cawley (Chairman)	4	4	2014
Linda Hickey	4	4	2013
John Cronin	4	4	2015

Audit Committee activities	Feb	June	Aug	Dec
Financial reporting				
Review and approve preliminary & half-year results	●		●	
Consider key audit and accounting issues and judgements	●		●	
Approve going concern and viability statements	●			
Consider accounting policies and the impact of new accounting standards	●		●	
Review management letter from auditors	●			
Review any related party matters and intended disclosures	●			
Review Annual Report and confirm if fair, balanced and understandable	●			
External auditors				
Plan for year-end audit & half year review		●		●
Approval of audit engagement letter and audit fees				●
Confirm auditor independence, materiality of fees, and non-audit services	●		●	
Internal audit and risk management controls				
Review of internal audit reports and monitor progress on open actions	●	●	●	●
Approve internal audit plan and resources, taking account of risk management	●	●	●	●
Review of financial, IT and general controls	●	●	●	●
Monitor Group whistleblowing procedures	●	●	●	●
Assessment of the principal risks and effectiveness of internal control systems				●
Governance				
Assurances as to corporate governance and Corporate Governance Code compliance				●
Accounting standards update			●	
Corporate governance update			●	●
Evaluation of external and internal audit functions		●		
Directors' Compliance Statement policy and procedures				●
Policy on the engagement of external auditors				●
General Data Protection Regulation legislation			●	●

Each committee meeting was attended by the Group Chief Financial Officer, the Group Financial Controller and the Head of Internal Audit. The external auditor also attended these meetings as required. The Company Secretary is the secretary of the Audit Committee.

The chairman of the Audit Committee also met with both the Head of Internal Audit and the external audit lead partner outside of committee meetings as required throughout the year.

Committee Evaluation

As outlined on pages 59 and 60 within the Corporate Governance Statement, the performance of the Board also includes a review of the committees. Any recommendations raised in relation to the Audit Committee are acted upon in a formal and structured manner. No issues were identified for the year ending 31 December 2017.

Financial Reporting

The committee is responsible for monitoring the integrity of the Group's financial statements and reviewing the financial reporting judgements contained therein. The financial statements are prepared by a finance team with the appropriate qualifications and expertise.

The committee confirmed to the Board that the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

In respect of the year to 31 December 2017, the committee reviewed:

- the Group's Trading Updates issued in May and November 2017;
- the Group's Half-year Report for the six months to 30 June 2017; and
- the Preliminary Announcement and Annual Report for the year ended 31 December 2017.

In carrying out these reviews, the committee:

- reviewed the appropriateness of Group accounting policies and monitored changes to and compliance with accounting standards on an on-going basis;
- discussed with management and the external auditor the critical accounting policies and judgements that had been applied;
- compared the results with management accounts and budgets, and reviewed reconciliations between these and the final results;
- discussed a report from the external auditor identifying the significant accounting and judgemental issues that arose in the course of the audit;
- considered the management representation letter requested by the auditor for any non-standard issues;
- monitored action taken by management as a result of any recommendations made by the external auditor;
- discussed with management future accounting developments which are likely to affect the financial statements;
- reviewed the budgets and strategic plans of the Group in order to ensure that all forward looking statements made within the Annual Report reflect the actual position of the Group; and
- considered key areas in which estimates and judgement had been applied in preparation of the financial statements including, but not limited to, a review of fair values on acquisition, the carrying amount of goodwill, intangible assets and property, plant and equipment, litigation and warranty provisions, recoverability of trade receivables, valuation of inventory, hedge accounting treatments, treasury matters and tax matters.

The primary areas of judgement considered by the committee in relation to the Group's 2017 financial statements, and how they were addressed by the committee are set out overleaf.

Each of these areas received particular focus from the external auditor, who provided detailed analysis and assessment of the matter in their report to the committee.

In addition, the Internal Audit team review the businesses covered in their annual Internal Audit Plan, as agreed by the committee, and report their findings to the Audit Committee throughout the year. These internal audit reviews are focused on areas of judgement such as warranty provisions, trade receivables and inventory and provide the committee with information on the adequacy and appropriateness of provisions in these areas.

Belgium
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Insulation Boards: Kooltherm® K15 resol foam insulation board
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Fire Rating: B-s1,d0

Primary areas of judgement	Committee activity
Consideration of impairment of goodwill	The committee considered the annual impairment assessment of goodwill prepared by management for each Cash Generating Unit ("CGU") using a discounted cash flow analysis based on the strategic plans approved by the Board, including a sensitivity analysis on key assumptions. The primary judgement areas were the achievability of the long-term business plans and the key macroeconomic and business specific assumptions. In considering the matter, the committee discussed with management the judgements made and the sensitivities performed. Further detail of the methodology is set out in Note 10 to the financial statements. KPMG also provided the Committee with their evaluation of the impairment review process. Kingspan completed 8 acquisitions during the financial year. The allocation of goodwill to CGUs is not yet complete for all acquisitions but the methodology of the assessments of such items of goodwill was presented to the Committee and the results were deemed appropriate.
Adequacy of warranty provision	The committee reviewed the judgements applied by management in assessing both specific and risk based warranty provisions at 31 December 2017. The committee reviewed and discussed with management the monthly reports presented to the Board which set out, for each of the Group's divisions, warranty provision and warranty costs and analyse these costs as a percentage of divisional sales. A retrospective review of warranty provisions at 31 December 2016 was also carried out in order to note any indication of management bias within the provisions and none was noted. The Committee was satisfied that such judgements were appropriate and the risk had been adequately addressed.
Recoverability of trade receivables and adequacy of provision	The committee reviewed the judgements applied by management in determining the bad debt provision at 31 December 2017. The committee reviewed and discussed with management the monthly Board report which sets out aged analysis of gross debtor balances and associated bad debt provision and reviewed security (including credit insurance) that is in place. A retrospective review of bad debt provisions at 31 December 2016 was also carried out in order to note any indication of management bias within the provision and none was noted. The Committee was satisfied that such judgements were appropriate and the risk had been adequately addressed.
Valuation of inventory and adequacy of inventory provision	The committee reviewed the valuation and provisioning for inventory at 31 December 2017. The main area of judgement was the level of provisioning required for slow moving and obsolete inventory. The committee reviewed and discussed with management the monthly board report which sets out, for each of the Group's divisions, gross inventory balances and associated obsolescence provision including an analysis by inventory, category and ageing. A retrospective review of the inventory provision at 31 December 2016 was also carried out in order to note any indication of management bias within the provisions and none was noted. The Committee was satisfied that such judgements were appropriate and the risk had been adequately addressed.
Taxation	Provisioning for potential current tax liabilities and the level of deferred tax asset recognition in relation to accumulated tax losses is underpinned by a range of judgements. The committee addresses these issues through a range of reporting from senior management and a process of challenging the appropriateness of management's views including the degree to which these are supported by professional advice from external legal and other advisory firms. The Group's accounting manual sets out detailed policies that prescribe the methodology to be used by management in calculating the above provisions. Each division formally confirms compliance with these policies on an annual basis. The Committee was satisfied that such judgements were appropriate and the risk had been adequately addressed.
Accounting for acquisitions	Total acquisition consideration in 2017 amounted to €207.1m, including deferred contingent consideration. The committee discussed with management and the external auditor the accounting treatment for newly acquired businesses, and the related judgements made by management, and were satisfied that the treatment in the Group's financial statements was appropriate.

External Auditor

The Audit Committee has responsibility for overseeing the Group's relationship with the external auditor including reviewing the quality and effectiveness of their performance, their external audit plan and process, their independence from the Group, their appointment and their audit fee proposals.

Performance and audit plan

Following the completion of the 2016 year-end audit, the committee carried out a review of the effectiveness of the external auditor and the audit process. This review involved discussions with both Group management and internal audit and feedback provided by divisional management. The committee continues to monitor the performance and objectivity of the external auditors and takes this into consideration when making its recommendations to the Board on the remuneration, the terms of engagement and the re-appointment, or otherwise, of the external auditors.

Prior to commencement of the 2017 year-end audit and half-year review, the committee approved the external auditor's work plan and resources and agreed with the auditor's various key areas of focus, including accounting for acquisitions, impairments, warranty provisions, as well as a particular focus on certain higher risk jurisdictions.

During the year the committee met with the external auditor without management being present. This meeting provided the opportunity for direct dialogue and feedback between the committee and the auditor, where they discussed inter alia some of the key audit management letter points.

EU Audit Reform

Directive 2014/56/EU and Regulation EU No. 537/2014EU is effective for the year ended 31 December 2017. Under this legislation, Kingspan Group plc is considered a Public Interest Entity ("PIE"). The key new requirements under this legislation are:

- a requirement that the PIE changes its statutory auditor every ten years (following rotation, the statutory audit firm cannot be reappointed for four years);
- a requirement that certain procedures are followed for the selection of the new statutory auditor; and
- restrictions on the entitlement of the statutory auditing firm to provide certain non-audit services.

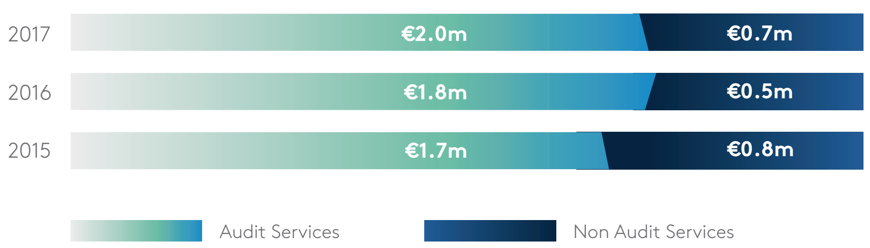
Kingspan Group plc is in full compliance with the EU Audit Reform. With regards audit firm rotation, at the very latest, KPMG will be in situ for the final time for the year ending 31 December 2020 and thereafter a formal tender process will commence.

Independence and objectivity

The committee is responsible for ensuring that the external auditor is objective and independent. KPMG has been the Group's auditor since 2011, following a formal tender process in which a number of leading global firms submitted written tenders and presentations. This was the last formal tender process carried out by the Group. The lead audit partner is rotated every five years. In 2016, David Meagher succeeded Roger Gillespie as lead audit partner.

The committee received confirmation from the auditor that they are independent of the Group under the requirements of the Financial Reporting Council's Ethical Standards for Auditors. The auditor also confirmed that they were not aware of any relationships between the Group and the firm or between the firm and any persons in financial reporting oversight roles in the Group that may affect its independence.

AUDIT V NON AUDIT SERVICES REMUNERATION



Non-audit services

In order to further ensure independence, the committee has a policy on the provision of non-audit services by the external auditor that seeks to ensure that the services provided by the external auditor are not, or are not perceived to be, in conflict with auditor independence. By obtaining an account of all relationships between the external auditor and the Group, and by reviewing the economic importance of the Group to the external auditor by monitoring the audit fees as a percentage of total income generated from the relationship with the Group, the committee ensured that the independence of the external audit was not compromised. During 2016 the committee reviewed and updated its policy on the engagement of external auditors and the provision of non-audit services in order to bring it into full compliance with the EU audit reform legislation. An analysis of fees paid to the external auditor, including the non-audit fees, is set out in Note 6 and detailed below.

Internal Audit

The committee reviewed and agreed the annual internal audit plan, which the committee believes is appropriate to the scope and nature of the Group. The internal audit plan is risk based, with all divisions audited every year, and all new businesses audited within 12 months of acquisition.

The committee reviewed reports from the Head of Internal Audit at its quarterly meetings. These reports enable the committee to monitor the progress of the internal audit plan, to discuss key findings and the plan to address them in addition to status updates of previous key findings.

The committee is responsible for reviewing the effectiveness of the internal audit function and does so based upon discussion with Group management, the Group's external auditor and feedback provided by divisional management. The committee was satisfied that the internal audit function is working effectively, improves risk management throughout the Group and that the internal audit function team is sufficiently resourced in addition to having the adequate level of experience and expertise.

Risk Management and Internal Controls

The Audit Committee has been delegated, from the Board, the responsibility for monitoring the effectiveness of the Group's system of risk management and internal control.

The Audit Committee monitors the Group's risk management and internal control processes through detailed discussions with management and executive directors, the review and approval of the internal audit reports, which focus on the areas of greatest risk to the Group, and the external audit reports, as part of both the year-end audit and the half year review process, all of which highlight the key areas of control weakness in the Group. All weaknesses identified by either internal or external audit are discussed by the committee with Group management and an implementation plan for the targeted improvements to these systems is put in place. The implementation plan is reviewed by the Internal Audit function and then reported back to the Audit Committee.

As part of its standing schedule of business, the committee carried out an annual risk assessment of the business to formally identify the key risks facing the Group. Full details of this risk assessment and the key risks identified are set out in the Risk & Risk Management section of this Annual Report on pages 30 and 31.

These processes, which are used by the Audit Committee to monitor the effectiveness of the Group's system of risk management and internal control, were in place throughout the accounting period and remain in place up to the date of approval of this Annual Report.

The main features of the Group's internal control and risk management systems that specifically relate to the Group's financial reporting and accounts consolidation process are set out in the Corporate Governance Report on page 62.

Whistleblowing Procedures

The Group has a Code of Conduct, full details of which are available on the Group's website (www.kingspan.com).

Based on the standards set out in this Code of Conduct, the Group employs a comprehensive, confidential and independent whistleblowing phone service to allow all employees to raise their concerns about their working environment and business practices. This service then allows management and employees to work together to address any instances of fraud, abuse and other misconduct in the workplace.

Any instances of fraud, abuse or misconduct reported on the whistleblowing phone service are reported to the Head of Internal Audit and the Company Secretary, who then evaluate each incident for onward communication to the committee. This onwards communication consists of the full details of the incident, key control failures, any financial loss and actions for improvement.

During the year, the committee reviewed the Group's whistleblowing process and was satisfied with the design and operating effectiveness of the process.

Financial Statements
2017
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Notes to the Financial Statements

Other Information

Independent Auditor's Report to the Members of Kingspan Group plc

OPINION AND CONCLUSIONS ARISING FROM OUR AUDIT

1 Opinion: our opinion on the financial statements is unmodified

We have audited the financial statements of Kingspan Group plc ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Statement of Cash Flows and the related notes, including the accounting policies in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014 (the "Act").

In our opinion:

→ the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2017 and of its profit for the year then ended;
→ the Company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017;
→ the Group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
→ the Company financial statements have been properly prepared in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 2014; and
→ the Group financial statements and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor by the directors on 17 June 2011. The period of total uninterrupted engagement is the 7 financial years ended 31 December 2017. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority ("IAASA") as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, and which were unchanged for the Group from our report on the 31 December 2016 financial statements, were as set out below:

GROUP AUDIT MATTERS

Acquisition accounting (total consideration of €207.1 million (2016: €262.4 million))

Refer to page 75 (Report of the Audit Committee), page 92 (accounting policy) and Note 22 to the financial statements.

The key audit matter
The Group completed a number of acquisitions during the year, as set out in Note 22. The acquired businesses comprise a number of components in multiple jurisdictions and accounting for the completed transactions involves estimating the fair value at acquisition date of the assets and liabilities of each component, including the identification and valuation, where appropriate, of intangible assets. Significant judgement is involved in relation to the assumptions used in this valuation process. There is a risk that these assumptions are inappropriate.

How the matter was addressed in our audit
Our audit procedures in this area included, among others, an inspection of the legal agreements underpinning each transaction. We examined the information contained in due diligence reports and business case submissions proposing the acquisitions to the board and, where commissioned by the Group, third party valuations of intangible assets. We considered the assumptions used in determining contingent consideration and the fair value of the Group's option to acquire minority shares in the acquired entities. We assessed the accounting entries used to record each acquisition, the acquisition date assets and liabilities of each of the acquired entities, and, where the fair value assessment exercise had been completed by management, the fair value adjustments made thereto.

We also challenged the Group's critical assumptions in relation to the identification and valuation of intangible assets by assessing whether all intangible assets had been appropriately identified; by considering the appropriateness of the methodology used to value the intangible assets; by comparing the key assumptions used to external data, where available; and by assessing the arithmetic accuracy of calculations underpinning the values.

We considered whether the resulting goodwill balances appeared reasonable. We also assessed whether the disclosures as set out in Note 22 were in compliance with IFRS 3.

Based on evidence obtained, we concluded that the key assumptions used when accounting for acquisitions were appropriate.

Warranty provisions €101.0 million (2016: €100.9 million)

Refer to page 75 (Report of the Audit Committee), page 96 (accounting policy) and Note 20 to the financial statements.

The key audit matter
The Group's business involves the sale of products under warranty, some of which use new technology and applications. Accordingly, the Group has recorded significant warranty provisions which are inherently judgemental in nature. These provisions are required in order for the Group to record an appropriate estimate of the ultimate costs of repairing and replacing product that is ascertained to be faulty.

How the matter was addressed in our audit
Our audit procedures included, among others, assessing management's approach to identifying, recording and monitoring potential claims; consideration of the nature and basis of the provision and the range of potential outcomes; correspondence in relation to specific claims; progress on individual significant claims; and relevant settlement history of claims and utilisation of related provisions. We considered the rollout of new technology and products and challenged the Group's assumptions in relation to potential failure rates, considering past failure rates and related settlements where necessary. We substantively tested material movements in the provision and considered the accounting for movements in the provision balances and the related disclosures for compliance with IAS 37.

Based on evidence obtained, we concluded that management's process for identifying and quantifying warranty provisions was appropriate and that the resulting provision was reasonable.

Goodwill €1,095.7 million (2016: €990.1 million)

Refer to page 75 (Report of the Audit Committee), page 93 (accounting policy) and Note 10 to the financial statements.

The key audit matter
There is a risk in respect of the recoverability of the Group's goodwill if future cash flows are not sufficient to recover the carrying value of the Group's goodwill; this could occur if demand is weak or due to the nature of the cost base in certain markets. We focus on this area due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability.

How the matter was addressed in our audit
Our audit procedures in this area included, among others, assessing the Group's impairment models for each CGU and evaluating the assumptions used by the Group in the model, specifically the cash flow projections, perpetuity rates and discount rates. We compared the Group's assumptions, where possible, to externally derived data and performed our own assessment in

relation to key model inputs, such as projected economic growth, competition, cost inflation and discount rates. We examined the sensitivity analysis performed by Group management and performed our own sensitivity analysis in relation to the key assumptions. We compared the sum of the discounted cash flows to the Group's market capitalisation. We also assessed whether the disclosures in relation to the key assumptions and in respect of the sensitivity of the outcome of the impairment assessment to changes in those key assumptions were appropriate.

Based on evidence obtained, we concluded that the key assumptions used by management were appropriate, and supported management's conclusion that no impairment of goodwill was required.

COMPANY AUDIT MATTER

Investment in subsidiaries €1,180.7 million (2016: €1,173.3 million)

Refer to Note 13 to the financial statements.

The key audit matter
The investments in subsidiary undertakings are carried in the Company's financial statements at cost less impairment. Impairments are determined by reference to the subsidiary undertakings' fair value.

How the matter was addressed in our audit
In this area our audit procedures included, among others, assessing the carrying value of subsidiaries for any objective indicators of impairment.

Based on the results of our testing, we concur with management's assessment that no impairment is required.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at €17.5 million (2016: €14.0 million).

This has been calculated using a benchmark of Group profit before taxation (of which it represents 5% (2016: 5%)), which we have determined, in our professional judgement, to be one of the principal benchmarks within the financial statements relevant to members of the Company in assessing financial performance.

Materiality for the Company financial statements as a whole was set at €13.4m (2016: €13.2m), determined with reference to a benchmark of Company's total assets of which it represents 1% (2016: 1%).

We report to the Audit Committee all corrected and uncorrected misstatements we identified through our audit in excess of €350,000 (2016: €300,000), in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

The structure of the Group's finance function is such that certain transactions and balances are accounted for by the central Group finance team, with the remainder accounted for in the Group's reporting components. We performed comprehensive audit procedures, including those in relation to the significant risks set out above, on those transactions and balances accounted for at Group. The Group audit team carried out the audit of the Company financial statements.

In respect of components, based on our assessment of the financial significance of each of the Group's 209 components, we determined that there were:

→ 59 'full scope components' where audits of the financial information of those components were performed;
→ 18 'specific scope components' where audit procedures over specified financial statement captions were performed, due to the risk of potential misstatement of the Group financial statements caused by errors in those captions; and
→ 132 components where the audit procedures comprised analytical review procedures to ensure that our initial assessment that there were no significant risks of misstatement of the Group financial statements in those components was appropriate.

The coverage we obtained was as follows:

	Full scope components %	Specific scope components %	Other components %
Profit before tax	86	13	1
Revenue	74	16	10
Total assets	80	12	8

The audits undertaken for Group reporting purposes at the key reporting components were all performed to component materiality levels. These component materiality levels were set individually for each component and ranged from €1,000,000 to €4,500,000. Detailed audit instructions were sent to the component auditors in all of these identified locations. These instructions covered the significant audit areas to be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported to the Group audit team.

Senior members of the Group audit team were directly responsible for the audit of 33 full scope components and 8 specific scope components. In respect of the 26 full scope components and 10 specific scope components carried out by other component auditors (all KPMG member firms), senior members of the Group audit team:

→ participated in planning calls to ensure that the audit instructions were understood;
→ for certain locations, including some of the acquired entities, visited the component;
→ reviewed the audit workpapers in respect of significant audit risk areas; and
→ participated in closing conference calls, during which the results of the audit were discussed by local management, the local audit team, Group management and the Group audit team.

Based on the above procedures, the Group audit team was satisfied with the coverage obtained and the audit work performed in respect of each component.

4 We have nothing to report on going concern

We are required to report to you if:

→ we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
→ the related statement under the Listing Rules set out on page 54 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5 We have nothing to report on the other information in the annual report

The directors are responsible for the other information presented in the annual report together with the financial statements. The other information comprises the information included in the Directors' Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on that work, we report that

→ we have not identified material misstatements in the Directors' Report or other accompanying information;
→ in our opinion, the information given in the Directors' Report is consistent with the financial statements;
→ in our opinion, the Directors' Report has been prepared in accordance with the Companies Act 2014.

DISCLOSURES OF PRINCIPAL RISKS AND LONGER-TERM VIABILITY

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

→ the directors' Statement of Risk and Risk Management on pages 30 and 31, concerning the disclosures of principal risks, describing these risks and explaining how they are being managed and mitigated;
→ the directors' confirmation within the report of the Audit Committee on page 72 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; and
→ the directors' explanation in the Directors' Report of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a

reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

OTHER CORPORATE GOVERNANCE DISCLOSURES

We are required to address the following items and report to you in the following circumstances:

→ *Fair, balanced and understandable* (set out on pages 54 to 55): if we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
→ *Report of the Audit Committee* (set out on pages 72 to 77): if the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee;
→ *Statement of compliance with UK Corporate Governance Code* (set out on pages 56): if the directors' statement does not properly disclose a departure from provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

→ In addition, as required by the Act, we report, in relation to information given in the Corporate Governance Statement on pages 56 to 62, that:

→ based on the work undertaken for our audit, in our opinion, the description of the main features of internal control and risk management systems in relation to the financial reporting process for preparing the Group financial statements, and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/25/EC) Regulations 2006 and specified by the Act for our consideration, are consistent with the financial statements and have been prepared in accordance with the Act; and
→ based on our knowledge and understanding of the Company and its environment obtained in the course of our audit, we have not identified any material misstatements in that information.

We also report that, based on work undertaken for our audit, all of the other information required by the Act is contained in the Corporate Governance Statement.

6 Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the Company's statement of financial position is in agreement with the accounting records.

7 We have nothing to report on other matters on which we are required to report by exception

The Act requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made.

The Listing Rules of the Irish Stock Exchange require us to review:

→ the directors' statement, set out on page 54, in relation to going concern and longer-term viability;
→ the part of the Corporate Governance Statement on page 56 relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex specified for our review; and
→ certain elements of disclosures in the report to shareholders by the Board of Directors' remuneration committee.

8 Respective responsibilities

DIRECTORS' RESPONSIBILITIES

As explained more fully in their statement set out on pages 54 and 55, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for our report, or for the opinions we have formed.

David Meagher
for and on behalf of

KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

23 February 2018

Consolidated Income Statement for the year ended 31 December 2017

	Note	2017 €m	2016 €m
REVENUE	2	**3,668.1**	3,108.5
Cost of sales		**(2,615.4)**	(2,168.3)
GROSS PROFIT		**1,052.7**	940.2
Operating costs, excluding intangible amortisation		**(675.2)**	(599.3)
TRADING PROFIT	2	**377.5**	340.9
Intangible amortisation		**(15.7)**	(12.6)
Non trading items	4	**0.6**	-
OPERATING PROFIT		**362.4**	328.3
Finance expense	5	**(16.4)**	(14.4)
Finance income	5	**0.5**	0.1
PROFIT FOR THE YEAR BEFORE INCOME TAX	6	**346.5**	314.0
Income tax expense	8	**(60.6)**	(58.5)
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**285.9**	255.5
Attributable to owners of Kingspan Group plc		**284.3**	255.4
Attributable to non-controlling interests	28	**1.6**	0.1
		285.9	255.5
EARNINGS PER SHARE FOR THE YEAR			
Basic	9	**159.0c**	143.8c
Diluted	9	**157.3c**	141.6c

Gene M. Murtagh
Chief Executive Officer

Geoff Doherty
Chief Financial Officer

23 February 2018

Consolidated Statement of Comprehensive Income for the year ended 31 December 2017

	Note	2017 €m	2016 €m
Profit for the year		**285.9**	255.5
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(85.2)**	(43.8)
Effective portion of changes in fair value of cash flow hedges		**(2.1)**	(0.7)
Income taxes relating to changes in fair value of cash flow hedges	21	**-**	0.1
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on defined benefit pension schemes	32	**1.0**	(2.9)
Income taxes relating to actuarial gains/(losses) on defined benefit pension schemes	21	**(0.2)**	0.6
Total other comprehensive income		**(86.5)**	(46.7)
Total comprehensive income for the year		**199.4**	208.8
Attributable to owners of Kingspan Group plc		**201.0**	208.2
Attributable to non-controlling interests	28	**(1.6)**	0.6
		199.4	208.8

Consolidated Statement of Financial Position as at 31 December 2017

	Note	2017 €m	2016 €m
ASSETS			
NON-CURRENT ASSETS			
Goodwill	10	**1,095.7**	990.1
Other intangible assets	11	**90.3**	91.9
Property, plant and equipment	12	**703.3**	665.5
Derivative financial instruments	19	**22.2**	40.6
Retirement benefit assets	32	**7.9**	6.7
Deferred tax assets	21	**16.5**	12.0
		1,935.9	1,806.8
CURRENT ASSETS			
Inventories	14	**447.1**	365.5
Trade and other receivables	15	**675.9**	601.9
Derivative financial instruments	19	**0.1**	8.4
Cash and cash equivalents		**176.6**	222.0
		1,299.7	1,197.8
TOTAL ASSETS		**3,235.6**	3,004.6
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	**645.2**	585.2
Provisions for liabilities	20	**52.3**	55.5
Derivative financial instruments	19	**0.1**	-
Deferred contingent consideration	18	**6.4**	6.8
Interest bearing loans and borrowings	17	**1.2**	41.1
Current income tax liabilities		**80.9**	77.1
		786.1	765.7
NON-CURRENT LIABILITIES			
Retirement benefit obligations	32	**21.5**	20.8
Provisions for liabilities	20	**48.7**	45.4
Interest bearing loans and borrowings	17	**661.5**	657.3
Deferred tax liabilities	21	**38.7**	37.8
Deferred contingent consideration	18	**111.1**	6.1
		881.5	767.4
TOTAL LIABILITIES		**1,667.6**	1,533.1
NET ASSETS		**1,568.0**	1,471.5
EQUITY			
Share capital	23	**23.6**	23.4
Share premium	24	**95.6**	95.6
Capital redemption reserve		**0.7**	0.7
Treasury shares	25	**(14.0)**	(12.5)
Other reserves		**(220.5)**	(58.9)
Retained earnings		**1,642.7**	1,406.6
EQUITY ATTRIBUTABLE TO OWNERS OF KINGSPAN GROUP PLC		**1,528.1**	1,454.9
NON-CONTROLLING INTEREST	28	**39.9**	16.6
TOTAL EQUITY		**1,568.0**	1,471.5

Gene M. Murtagh
Chief Executive Officer

Geoff Doherty
Chief Financial Officer

23 February 2018

Consolidated Statement of Changes in Equity for the year ended 31 December 2017

	Share Capital €m	Share Premium €m	Capital Redemption Reserve €m	Treasury Shares €m	Translation Reserve €m	Cash Flow Hedging Reserve €m	Share Based Payment Reserve €m	Revaluation Reserve €m	Put Option Liability Reserve €m	Retained Earnings €m	Total Attributable to Owners of the Parent €m	Non-Controlling Interest €m	Total Equity €m
Balance at 1 January 2017	23.4	95.6	0.7	(12.5)	(95.2)	2.3	33.3	0.7	-	1,406.6	1,454.9	16.6	**1,471.5**
Transactions with owners recognised directly in equity													
Employee share based compensation	0.2	-	-	-	-	-	10.7	-	-	-	10.9	-	**10.9**
Tax on employee share based compensation	-	-	-	-	-	-	0.8	-	-	3.1	3.9	-	**3.9**
Exercise or lapsing of share options	-	-	-	-	-	-	(9.6)	-	-	9.6	-	-	**-**
Repurchase of shares	-	-	-	(1.5)	-	-	-	-	-	-	(1.5)	-	**(1.5)**
Dividends	-	-	-	-	-	-	-	-	-	(61.7)	(61.7)	-	**(61.7)**
Transactions with non-controlling interests:													
Arising on acquisition	-	-	-	-	-	-	-	-	(79.1)	-	(79.1)	24.9	**(54.2)**
Fair value movement	-	-	-	-	-	-	-	-	(0.3)	-	(0.3)	-	**(0.3)**
Transactions with owners	0.2	-	-	(1.5)	-	-	1.9	-	(79.4)	(49.0)	(127.8)	24.9	**(102.9)**
Total comprehensive income for the year													
Profit for the year	-	-	-	-	-	-	-	-	-	284.3	284.3	1.6	**285.9**
Other comprehensive income:													
Items that may be reclassified subsequently to profit or loss													
Cash flow hedging in equity													
- current year	-	-	-	-	-	(2.1)	-	-	-	-	(2.1)	-	**(2.1)**
- tax impact	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Exchange differences on translating foreign operations	-	-	-	-	(82.0)	-	-	-	-	-	(82.0)	(3.2)	**(85.2)**
Items that will not be reclassified subsequently to profit or loss													
Actuarial losses of defined benefit pension scheme	-	-	-	-	-	-	-	-	-	1.0	1.0	-	**1.0**
Income taxes relating to actuarial losses on defined benefit pension scheme	-	-	-	-	-	-	-	-	-	(0.2)	(0.2)	-	**(0.2)**
Total comprehensive income for the year	-	-	-	-	(82.0)	(2.1)	-	-	-	285.1	201.0	(1.6)	**199.4**
Balance at 31 December 2017	23.6	95.6	0.7	(14.0)	(177.2)	0.2	35.2	0.7	(79.4)	1,642.7	1,528.1	39.9	**1,568.0**

Consolidated Statement of Changes in Equity for the year ended 31 December 2016

	Share Capital	Share Premium	Capital Redemption Reserve	Treasury Shares	Translation Reserve	Cash Flow Hedging Reserve	Share Based Payment Reserve	Revaluation Reserve	Retained Earnings	Total Attributable to Owners of the Parent	Non-Controlling Interest	Total Equity
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Balance at 1 January 2016	23.3	92.5	0.7	(11.3)	(50.9)	2.9	29.6	0.7	1,194.9	1,282.4	11.4	**1,293.8**
Transactions with owners recognised directly in equity												
Employee share based compensation	0.1	3.1	-	-	-	-	10.4	-	-	13.6	-	**13.6**
Tax on employee share based compensation	-	-	-	-	-	-	(0.3)	-	1.7	1.4	-	**1.4**
Exercise or lapsing of share options	-	-	-	-	-	-	(6.4)	-	6.4	-	-	**-**
Repurchase of shares	-	-	-	(1.3)	-	-	-	-	-	(1.3)	-	**(1.3)**
Transfer of shares	-	-	-	0.1	-	-	-	-	-	0.1	-	**0.1**
Dividends	-	-	-	-	-	-	-	-	(48.0)	(48.0)	-	**(48.0)**
Transactions with non-controlling interests:												
Arising on acquisition	-	-	-	-	-	-	-	-	-	-	3.5	**3.5**
Change of ownership interest	-	-	-	-	-	-	-	-	(1.5)	(1.5)	1.5	**-**
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(0.4)	**(0.4)**
Transactions with owners	0.1	3.1	-	(1.2)	-	-	3.7	-	(41.4)	(35.7)	4.6	**(31.1)**
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	-	255.4	255.4	0.1	**255.5**
Other comprehensive income:												
Items that may be reclassified subsequently to profit or loss												
Cash flow hedging in equity												
- current year	-	-	-	-	-	(0.7)	-	-	-	(0.7)	-	**(0.7)**
- tax impact	-	-	-	-	-	0.1	-	-	-	0.1	-	**0.1**
Exchange differences on translating foreign operations	-	-	-	-	(44.3)	-	-	-	-	(44.3)	0.5	**(43.8)**
Items that will not be reclassified subsequently to profit or loss												
Actuarial losses of defined benefit pension scheme	-	-	-	-	-	-	-	-	(2.9)	(2.9)	-	**(2.9)**
Income taxes relating to actuarial losses on defined benefit pension scheme	-	-	-	-	-	-	-	-	0.6	0.6	-	**0.6**
Total comprehensive income for the year	-	-	-	-	(44.3)	(0.6)	-	-	253.1	208.2	0.6	**208.8**
Balance at 31 December 2016	23.4	95.6	0.7	(12.5)	(95.2)	2.3	33.3	0.7	1,406.6	1,454.9	16.6	**1,471.5**

Consolidated Statement of Cash Flows for the year ended 31 December 2017

	Note	2017 €m	2016 €m
OPERATING ACTIVITIES			
Cash generated from operations	30	**362.5**	374.2
Income tax paid		**(61.6)**	(50.3)
Interest paid		**(17.3)**	(14.3)
Net cash flow from operating activities		**283.6**	309.6
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(85.0)**	(113.3)
Additions to intangible assets		**(4.8)**	-
Proceeds from disposals of property, plant and equipment		**4.2**	10.2
Proceeds from disposals of trade and assets		**5.7**	-
Purchase of subsidiary undertakings	22	**(173.9)**	(251.4)
Payment of deferred contingent consideration in respect of acquisitions	18	**-**	(3.0)
Interest received		**0.5**	0.1
Net cash flow from investing activities		**(253.3)**	(357.4)
FINANCING ACTIVITIES			
Drawdown of loans	29	**30.4**	220.0
Repayment of loans	29	**(41.8)**	(99.4)
Settlement of derivative financial instrument	29	**8.0**	-
Increase in lease finance	29	**0.8**	1.8
Proceeds from share issues		**0.2**	3.2
Repurchase of shares	25	**(1.5)**	(1.3)
Dividends paid to non-controlling interest	28	**-**	(0.4)
Dividends paid	27	**(61.7)**	(48.0)
Net cash flow from financing activities		**(65.6)**	75.9
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	29	**(35.3)**	28.1
Effect of movement in exchange rates on cash held		**(10.1)**	(18.1)
Cash and cash equivalents at the beginning of the year		**222.0**	212.0
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**176.6**	222.0

Company Statement of Financial Position as at 31 December 2017

	Note	2017 €m	2016 €m
ASSETS			
NON-CURRENT ASSETS			
Investments in subsidiaries	13	**1,180.7**	1,173.3
CURRENT ASSETS			
Intercompany receivables		**167.9**	144.6
Cash and cash equivalents		**0.1**	-
TOTAL ASSETS		**1,348.7**	1,317.9
LIABILITIES			
CURRENT LIABILITIES			
Payables		**(0.2)**	(0.1)
TOTAL LIABILITIES		**(0.2)**	(0.1)
NET ASSETS		**1,348.5**	1,317.8
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF KINGSPAN GROUP PLC			
Share capital	23	**23.6**	23.4
Share premium	24	**95.6**	95.6
Capital redemption reserve		**0.7**	0.7
Treasury shares	25	**(14.0)**	(12.5)
Retained earnings	26	**1,242.6**	1,210.6
TOTAL EQUITY		**1,348.5**	1,317.8

Gene M. Murtagh
Chief Executive Officer

Geoff Doherty
Chief Financial Officer

23 February 2018

Company Statement of Changes in Equity for the year ended 31 December 2017

	Share Capital €m	Share Premium €m	Capital Redemption Reserves €m	Treasury Shares €m	Retained Earnings €m	Shareholders' Equity €m
Balance at 1 January 2017	23.4	95.6	0.7	(12.5)	1,210.6	**1,317.8**
Shares issued	0.2	-	-	-	-	**0.2**
Repurchase of shares	-	-	-	(1.5)	-	**(1.5)**
Employee share based compensation	-	-	-	-	10.7	**10.7**
Dividends paid	-	-	-	-	(61.7)	**(61.7)**
Transactions with owners	0.2	-	-	(1.5)	(51.0)	**(52.3)**
Profit for the year	-	-	-	-	83.0	**83.0**
Balance at 31 December 2017	23.6	95.6	0.7	(14.0)	1,242.6	**1,348.5**

	Share Capital €m	Share Premium €m	Capital Redemption Reserves €m	Treasury Shares €m	Retained Earnings €m	Shareholders' Equity €m
Balance at 1 January 2016	23.3	92.5	0.7	(11.3)	1,243.3	**1,348.5**
Shares issued	0.1	3.1	-	-	-	**3.2**
Repurchase of shares	-	-	-	(1.3)	-	**(1.3)**
Transfer of shares	-	-	-	0.1	-	**0.1**
Employee share based compensation	-	-	-	-	10.4	**10.4**
Dividends	-	-	-	-	(48.0)	**(48.0)**
Transactions with owners	0.1	3.1	-	(1.2)	(37.6)	**(35.6)**
Profit for the year	-	-	-	-	4.9	**4.9**
Balance at 31 December 2016	23.4	95.6	0.7	(12.5)	1,210.6	**1,317.8**

Company Statement of Cash Flows for the year ended 31 December 2017

	2017 €m	2016 €m
OPERATING ACTIVITIES		
Profit for the year before tax	**83.0**	4.9
Net cash flow from operating activities	**83.0**	4.9
FINANCING ACTIVITIES		
Change in receivables	**(19.9)**	41.2
Repurchase of shares	**(1.5)**	(1.3)
Proceeds from share issues	**0.2**	3.2
Dividends paid	**(61.7)**	(48.0)
Net cash flow from financing activities	**(82.9)**	(4.9)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**-**	-
Net increase in cash and cash equivalents	**0.1**	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	**0.1**	-

Notes to the Financial Statements for the year ended 31 December 2017

1 STATEMENT OF ACCOUNTING POLICIES

General information

Kingspan Group plc is a public limited company registered and domiciled in Ireland, with its registered office at Dublin Road, Kingscourt, Co Cavan.

The Group's principal activities comprise the manufacture of insulated panels, rigid insulation boards, architectural facades, raised access floors, daylighting and ventilation systems and environmental solutions. The Group's Principal Subsidiary Undertakings are set out on page 133.

Statement of compliance

The consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU and those parts of the Companies Acts 2014, applicable to companies reporting under IFRS and Article 4 of the IAS Regulation.

The Company has availed of the exemption in Section 304 of the Companies Act 2014 and has not presented the Company Income Statement, which forms part of the Group's financial statements, to its members and the Registrar of Companies.

Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by:

→ measurement at fair value of share based payments at initial date of award;
→ certain derivative financial instruments and deferred contingent consideration recognised and measured at fair value; and
→ recognition of the defined benefit liability as plan assets less the present value of the defined benefit obligation.

The accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise stated.

These consolidated financial statements have been prepared in Euro. The Euro is the presentation currency of the Group and the functional currency of the Company.

The Group uses a number of Alternative Performance Measures (APMs) throughout these financial statements to give assistance to investors in evaluating the performance of the underlying business and to give a better understanding of how management review and monitor the business on an ongoing basis. These APMs have been defined and explained in more detail on page 129.

Comparative information has been represented where necessary, to present the financial statements on a consistent basis.

Changes in Accounting Policies and Disclosures

The Group adopted *Annual Improvements to IFRSs 2012 to 2014 Cycle* for the first time in the previous financial year with no significant impact on the Group's result for the year or financial position.

There are a number of new standards, amendments to standards and interpretations that are not yet effective and have not been applied in preparing these consolidated financial statements. On an overall basis these new standards, amendments to standards and interpretations are not expected to have a material impact on the Group's financial statements. Some additional comments are provided below with respect to those standards which are likely to be particularly relevant for the Group. The intention is to provide further clarity on the impact of these new standards in the next reporting period including the quantification of the expected impact of IFRS 16.

IFRS 15 *Revenue from contracts with customers* will replace IAS 18, IAS 11 and other related interpretations with effect from 1 January 2018. The standard deals with revenue recognition and establishes principles for reporting of the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. From a review of this standard, it is not expected to have a significant impact on the Group's financial statements.

IFRS 9 *Financial Instruments* will replace IAS 39. The standard specifies requirements for the recognition, measurement, impairment and de-recognition of financial instruments and general hedge accounting. From a review of this standard, it is not expected to have a significant impact on the Group's financial statements.

IFRS 16 *Leases* will replace IAS 17. The changes under IFRS 16 will predominantly affect lessees. The main impact on lessees is that the majority of leases will be recognised in the balance sheet as the distinction between finance leases and operating leases is removed. From a review of this standard, it is not expected to have a significant impact on the Group's financial statements.

The new standards, amendments to standards and interpretations are as follows:

	Effective Date – periods beginning on or after
IFRS 15: *Revenue from contracts with customers*	1 January 2018
IFRS 9 *Financial Instruments (2009 and subsequent amendments in 2010 and 2013)*	1 January 2018
Clarification to IFRS 15: *Revenue from contracts with customers*	1 January 2018
Amendments to IFRS 2: *Classification and measurement of share based payment transactions*	1 January 2018*
IFRS 16: *Leases*	1 January 2019

* Not EU endorsed

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Basis of consolidation

The Group consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings.

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are included in the Group financial statements from the date on which control over the entity is obtained and cease to be consolidated from the date on which control is transferred out of the Group.

Transactions eliminated on consolidation
Intragroup transactions and balances, and any unrealised gains arising from such transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment.

Segment reporting

The Group's accounting policy for identifying segments is based on internal management reporting information that is routinely reviewed by the Board of Directors, which is the Chief Operating Decision Maker (CODM) for the Group. The measurement policies used for the segment reporting under IFRS 8 are the same as those used in the consolidated financial statements. Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, finance income and expenses and tax assets and liabilities.

The Group has determined that it has five operating segments: Insulated Panels, Insulation Boards, Environmental, Access Floors and Light & Air.

Revenue recognition

Revenue represents the fair value of goods supplied to external customers net of trade discounts, rebates and value added tax/sales tax. Revenue is recognised when the significant risks and rewards of ownership have passed to the customer, it is probable that economic benefits will flow to the Group and the amount of revenue can be measured reliably, which usually arises on delivery of the goods.

Research and Development

Expenditure on research and development is recognised as an expense in the period in which it is incurred. An asset is recognised only when all the conditions set out in IAS 38 *Intangible Assets* are met.

Business Combinations

Business combinations are accounted for using the acquisition method as at the date of acquisition.

In accordance with IFRS 3 *Business Combinations*, the fair value of consideration paid for a business combination is measured as the aggregate of the fair values at the date of exchange of assets given and liabilities incurred or assumed in exchange for control. The assets, liabilities and contingent liabilities of the acquired entity are measured at fair value as at the acquisition date. When the initial accounting for a business combination is determined, it is done so on a provisional basis with any adjustments to these provisional values made within 12 months of the acquisition date and are effective as at the acquisition date.

To the extent that deferred consideration is payable as part of the acquisition cost and is payable after one year from the acquisition date, the deferred consideration is discounted at an appropriate interest rate and, accordingly, carried at net present value (amortised cost) in the Group Statement of Financial Position. The discount component is then unwound as an interest charge in the Consolidated Income Statement over the life of the obligation.

Where a business combination agreement provides for an adjustment to the cost of a business acquired contingent on future events, other than put options held by non-controlling interests, the Group accrues the fair value of the additional consideration payable as a liability at acquisition date. This amount is reassessed at each subsequent reporting date with any adjustments recognised in the Income Statement.

If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is re-measured at the acquisition date through the Income Statement.

Transaction costs are expensed to the Income Statement as incurred.

Put options held by non-controlling interest shares

Any contingent consideration is measured at fair value at the date of acquisition. Where a put option is held by a non-controlling interest ("NCI") in a subsidiary undertaking whereby that party can require the Group to acquire the NCI's shareholding in the subsidiary at a future date but the NCI retain present access to the results of the subsidiary, the Group applies the present access method of accounting to this arrangement. The Group recognises a contingent consideration liability at fair value, being the Group's estimate of the amount required to settle that liability and a corresponding reserve in equity. Any subsequent remeasurements required due to changes in fair value of the put liability estimation are recognised in the Put Option Reserve in equity.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arises on business combinations and represents the difference between the fair value of the consideration and the fair value of the Group's share of the identifiable net assets of a subsidiary at the date of acquisition.

The Group measures goodwill at the acquisition date as:

→ the fair value of the consideration transferred; plus
→ the recognised amount of any non-controlling interests in the acquiree; plus
→ if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
→ the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. The cash-generating units represent the lowest level within the Group which generate largely independent cash inflows and these units are not larger than the operating segments (before aggregation) determined in accordance with IFRS 8 *Operating Segments*.

Goodwill is tested for impairment at the same level as the goodwill is monitored by management for internal reporting purposes, which is at the individual cash-generating unit level.

Goodwill is subject to impairment testing on an annual basis and at any time during the year if an indicator of impairment is considered to exist. The goodwill impairment tests are undertaken at a consistent time each year. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the Income Statement. Impairment losses arising in respect of goodwill are not reversed following recognition.

On disposal of a subsidiary, the attributable amount of goodwill, not previously written off, is included in the calculation of the profit or loss on disposal.

Intangible Assets (other than goodwill)

Intangible assets separately acquired are capitalised at cost. Intangible assets acquired as part of a business combination are capitalised at fair value as at the date of acquisition.

Following initial recognition, intangible assets, which have finite useful lives, are carried at cost or initial fair value less accumulated amortisation and accumulated impairment losses.

The amortisation of intangible assets is calculated to write off the book value of intangible assets over their useful lives on a straight-line basis on the assumption of zero residual value. Amortisation charged on these assets is recognised in the Income Statement.

The carrying amount of intangible assets is reviewed for indicators of impairment at each reporting date and is subject to impairment testing when events or changes of circumstances indicate that the carrying values may not be recoverable.

The estimated useful lives are as follows:

Customer relationships	2 - 6 years
Trademarks & Brands	2 - 12 years
Patents	8 years
Technological know how	5 - 10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted as necessary.

Foreign currency

Functional and presentation currency
The individual financial statements of each Group company are measured and presented in the currency of the primary economic environment in which the company operates, the functional currency. The Group financial statements are presented in Euro, which is the Company's functional currency.

Transactions and balances
Transactions in foreign currencies are translated into the functional currency at the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rates at the reporting date. All currency translation differences on monetary assets and liabilities are taken to the Income Statement, except when deferred in equity as qualifying net investment hedges.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are initially translated at the exchange rate at the date of acquisition and then subsequently these assets and liabilities are treated as part of a foreign entity and are translated at the closing rate.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Foreign currency (continued)

Exchange rates of material currencies used were as follows:

	Average rate		Closing rate	
Euro =	2017	2016	2017	2016
Pound Sterling	**0.876**	0.819	**0.887**	0.858
US Dollar	**1.129**	1.110	**1.197**	1.056
Canadian Dollar	**1.465**	1.466	**1.501**	1.425
Australian Dollar	**1.473**	1.489	**1.533**	1.462
Czech Koruna	**26.329**	27.033	**25.574**	27.020
Polish Zloty	**4.256**	4.362	**4.171**	4.422
Hungarian Forint	**309.26**	311.43	**310.20**	311.53

Foreign operations
The Income Statement, Statement of Financial Position and Cash Flow Statement of Group companies that have a functional currency different from that of the Company are translated as follows:

- → Assets and liabilities at each reporting date are translated at the closing rate at that reporting date.
- → Results and cash flows are translated at actual exchange rates for the year, or an average rate where this is a reasonable approximation.

All resulting exchange differences are recognised as a separate component of equity, the Translation Reserve.

On disposal of a foreign operation, any such cumulative retranslation differences, previously recognised in equity, are reclassified to the Income Statement as part of gain or loss on disposal.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is based on the first-in, first-out principle and includes all expenditure incurred in acquiring the inventories and bringing them to their present location and condition.

- → Raw materials are valued at the purchase price including transport, handling costs and net of trade discounts.
- → Work in progress and finished goods are carried at cost consisting direct materials, direct labour and directly attributable production overheads and other costs incurred in bringing them to their existing location and condition.

Net realisable value represents the estimated selling price less costs to completion and appropriate marketing, selling and distribution costs.

A provision is made, where necessary, in all inventory categories for obsolete, slow-moving and defective items.

Income tax

Income tax in the Income Statement represents the sum of current income tax and deferred tax not recognised in other comprehensive income or directly in equity.

Current tax
Current income represents the expected tax payable or recoverable on the taxable profit for the year using tax rates and laws that have been enacted, or substantively enacted, at the reporting date and taking into account any adjustments arising from prior years. Liabilities for uncertain tax positions are recognised based on the directors' best probability weighted estimate of the probable outflow of economic resources that will be required to settle the liability.

Deferred tax
Deferred tax is recognised on all temporary differences at the reporting date. Temporary differences are defined as the difference between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are not subject to discounting and are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences (i.e. differences that will result in taxable amounts in future periods when the carrying amount of the asset or liability is recovered or settled).

Deferred tax assets are recognised in respect of all deductible temporary differences (i.e. differences that give rise to amounts which are deductible in determining taxable profits in future periods when the carrying amount of the asset or liability is recovered or settled), carry-forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profits will be available against which to offset these items.

The carrying amounts of deferred tax assets are subject to review at each reporting date and reduced to the extent that future taxable profits are considered to be inadequate to allow all or part of any deferred tax asset to be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Grants

Grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and all relevant conditions have been complied with.

Capital grants received and receivable in respect of property, plant and equipment are treated as a reduction in the cost of that asset and thereby amortised to the Income Statement in line with the underlying asset.

Revenue grants are recognised in the Income Statement to offset the related expenditure.

Property, Plant and Equipment

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on a straight line basis at the rates stated below, which are estimated to reduce each item of property, plant and equipment to its residual value by the end of its useful life:

Freehold buildings	2% on cost
Plant and machinery	5% to 20% on cost
Fixtures and fittings	10% to 20% on cost
Computer equipment	12.5% to 33% on cost
Motor vehicles	10% to 25% on cost
Leased assets	Over the period of the lease, or useful life if shorter
Leasehold property improvements	Over the period of the lease, or useful life if shorter

Freehold land is stated at cost and is not depreciated.

The estimated useful lives and residual values of property, plant and equipment are determined by management at the time the assets are acquired and subsequently, re-assessed at each reporting date. These lives are based on historical experience with similar assets across the Group.

In accordance with IAS 36 *Impairment of Assets*, the carrying values of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying value of an asset or its cash generating unit exceeds its recoverable amount.

Impairment losses are recognised in the Income Statement. Following the recognition of an impairment loss, the depreciation charge applicable to the asset or cash-generating unit is adjusted to allocate the revised carrying amount, net of any residual value, over the remaining useful life.

Assets under construction are carried at cost less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Leases

Leases are classified as finance leases whenever substantially all the risks and rewards of ownership of the asset have transferred to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised at the inception of the lease in the Statement of Financial Position at the lower of its fair value and the present value of the minimum lease payments, and are depreciated over their useful lives with any impairment being recognised in the Income Statement.

The corresponding lease obligation, net of finance charges, is included in interest bearing loans and borrowings in the Statement of Financial Position and analysed as appropriate between current and non-current amounts. The interest element of the lease payments is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest, on the remaining balance of the liability, for each period.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease rentals are charged to the Income Statement on a straight-line basis over the lease term.

Retirement benefit obligations

The Group operates defined contribution and defined benefit pensions schemes.

Defined contribution pension schemes
The costs arising on the Group's defined contribution schemes are recognised in the Income Statement in the period in which the related service is provided. The Group has no legal or constructive obligation to pay further contributions in the event that these plans do not hold sufficient assets to provide retirement benefits.

Defined benefit pension schemes
The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Retirement benefit obligations (continued)

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability or asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling, are recognised immediately in other comprehensive income.

The Group determines the net interest expense on the net defined benefit liability or asset by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Provisions

A provision is recognised in the Statement of Financial Position when the Group has a present constructive or legal obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation and the amount of the obligation can be estimated reliably.

A specific provision is created when a claim has actually been made against the Group or where there is a known issue at a known customer's site, both relating to a product or service supplied in the past. In addition, a risk-based provision is created where future claims are considered incurred but not reported. The warranty provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Specific provisions will generally be aged as a current liability, reflecting the assessment that a current liability exists to replace or repair product sold on foot of an accepted valid warranty issue. Only where the liability is reasonably certain not to be settled within the next 12 months, will a specific provision be categorised as a long-term obligation. Risk-based provisions will generally be aged as a non-current liability, reflecting the fact that no warranty claim has yet been made by the customer.

Provisions which are not expected to give rise to a cash outflow within 12 months of the reporting date are, where material, determined by discounting the expected future cash flows. The unwinding of the discount is recognised as a finance cost.

Dividends

Final dividends on ordinary shares are recognised as a liability in the financial statements only after they have been approved at the Annual General Meeting of the Company. Interim dividends on ordinary shares are recognised when they are paid.

Cash and cash equivalents

Cash and cash equivalents principally comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

Derivative financial instruments

Derivative financial instruments, principally interest rate and currency swaps, are used to hedge the Group's foreign exchange and interest rate risk exposures.

Derivative financial instruments are recognised initially at fair value and thereafter are subsequently remeasured at their fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The fair value of these instruments is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest and currency exchange rates and the current creditworthiness of the swap counterparties.

The Group designates all of its derivatives in one or more of the following types of relationships:

i. *Fair value hedge:* Hedges the exposure to movements in fair value of recognised assets or liabilities that are attributable to hedged risks.
ii. *Cash flow hedge:* Hedges the Group's exposures to fluctuations in future cash flow derived from a particular risk associated with recognised assets or liabilities or forecast transactions.
iii. *Net investment hedge:* Hedges the exchange rate fluctuations of a net investment in a foreign operation.

At inception of the transaction, the Group documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transactions. The Group also documents its assessment, both at inception and on an ongoing basis, as to whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

Any gain or loss resulting from the re-measurement of the hedging instrument to fair value is reported in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gains or losses of a hedging instrument that are in hedge relationships with borrowings are included within Finance Income or Finance Expense in the Income Statement. In the case of the related hedged borrowings, any gain or loss on the hedged item which is attributable to the hedged risk is adjusted against the carrying amount of the hedged item and is also included within Finance Income or Finance Expense in the Income Statement.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortised on an effective interest basis to the Income Statement with the objective of achieving full amortisation by maturity of the hedged item.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

Cash flow hedge

The effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and presented in the Cash Flow Hedge Reserve in equity with the ineffective portion being recognised within Finance Income or Finance Expense in the Income Statement. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. For cash flow hedges, other than those covered by the preceding statements, the associated cumulative gain or loss is removed from other comprehensive income and recognised in the Income Statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the Income Statement.

Hedge accounting is discontinued when a hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. The cumulative gain or loss at that point remains in other comprehensive income and is recognised when the transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the Income Statement in the period.

Net investment hedge

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and presented in the Translation Reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in either Finance Income or Finance Expense in the Income Statement. Cumulative gains or losses remain in equity until disposal of the net investment in the foreign operation at which point the related differences are reclassified to the Income Statement as part of the overall gain of loss on sale.

Financial Assets

Financial assets other than derivatives are divided into the following categories:

→ loans and receivables
→ investments held at fair value through profit and loss

Trade and other receivables are initially recorded at fair value and, at subsequent reporting dates, at amortised cost. Generally, the Group recognises all financial assets using settlement day accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date.

A provision for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. Movements in provisions are recognised in the Income Statement. Bad debts are written off against the provision when no further prospect of collection exists.

Financial Liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities (including trade payables) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. When determining the fair value of financial liabilities, the expected future cash flows are discounted using an appropriate interest rate.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expired.

Finance Income

Finance income comprises interest income on funds invested and any gains on hedging instruments that are recognised in the Income Statement. Interest income is recognised as it accrues using the effective interest rate method.

Finance Expense

Finance expense comprises interest payable on borrowings calculated using the effective interest rate method, gains and losses on hedging instruments that are recognised in the Income Statement, the net finance cost of the Group's defined benefit pension scheme and the discount component of the deferred consideration which is unwound as an interest charge in the Income Statement over the life of the obligation.

Borrowing costs

Borrowing costs directly attributable to qualifying assets, as defined in IAS 23 *Borrowing costs*, are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use. Other borrowing costs are expensed to the Income Statement in the period in which they are incurred.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Share-Based Payment Transactions

The Group grants equity settled share based payments to employees through the Performance Share Plan and the Deferred Bonus Plan.

The fair value of these equity settled transactions is determined at grant date and is recognised as an employee expense in the Income Statement, with the corresponding increase in equity, on a straight line basis over the vesting period. The fair value at the grant date is determined using a combination of the Monte Carlo simulation technique and a Black Scholes model, excluding the impact of any non-market conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to vest. At each reporting date, the Group revises its estimates of the number of options that are likely to vest as a result of non-market conditions. Any adjustment from this revision is recognised in the Income Statement with a corresponding adjustment to equity.

Where the share based payments give rise to the issue of new share capital, the proceeds received by the Company are credited to share capital (nominal value) and share premium (where applicable) when the share entitlements are exercised. Where the share-based payments give rise to the re-issue of shares from treasury shares, the proceeds of issue are credited to share premium.

The Group does not operate any cash-settled share-based payment schemes or share-based payment transactions with cash alternatives as defined in IFRS 2.

Treasury shares

Where the Company purchases its own equity share capital, the consideration paid is deducted from total shareholders' equity and classified as treasury shares until such shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in share premium account. No gains or losses are recognised on the purchase, sale, cancellation or issue of treasury shares.

Non-controlling interest

Non-controlling interests represent the portion of the equity of a subsidiary not attributable either directly or indirectly to the parent company and are presented separately in the Income Statement and within equity in the Statement of Financial Position, distinguished from shareholders' equity attributable to owner of the parent company.

Estimation uncertainty

In the process of applying the Group's accounting policies, as set out on pages 91 to 99, management are required to make estimates that could materially affect the Group's reported results or net asset position.

Notwithstanding that the areas below represent estimation uncertainty at the end of the reporting period, the directors are satisfied that none of these areas have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The areas where key estimates were made by management and are material to the Group's reported results or net asset position, are as following:

Impairment (Note 10)
The Group is required to review assets for objective evidence of impairment.

It does this on the basis of a review of the budget and rolling 5 year forecasts (4 year strategic plan, as approved by the Board, plus year 5 forecasted by management), which by their nature are based on a series of assumptions and estimates.

The Group has performed impairment tests on those cash generating units which contain goodwill, and on any assets where there are indicators of impairment. The key assumptions associated with these reviews are detailed in Note 10.

Guarantees & warranties (Note 20)
Certain products carry formal guarantees of satisfactory functional and aesthetic performance of varying periods following their purchase. Local management evaluate the constructive or legal obligation arising from customer feedback and assess the requirement to provide for any probable outflow of economic benefit arising from a settlement.

Recoverability of trade receivables (Note 15)
The Group provides credit to customers and as a result there is an associated risk that the customer may not be able to pay outstanding balances. Trade receivables are considered for impairment on a case by case basis, when they are past due at the reporting date or when objective evidence is received that a specific counterparty may default.

Valuation of inventory (Note 14)
Inventories are measured at the lower of cost and net realisable value. The Group's policy is to hold inventories at original cost and create an inventory provision where evidence exists that indicates net realisable value is below cost for a particular item of inventory. Damaged, slow-moving or obsolete inventory are typical examples of such evidence.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Business Combinations (Note 22)
Business combinations are accounted for using the acquisition method which requires that the assets and liabilities assumed are recorded at their respective fair values at the date of acquisition. The application of this method requires certain estimates and assumptions relating, in particular, to the determination of the fair values of the acquired assets and liabilities assumed at the date of acquisition.

For intangible assets acquired, the Group bases valuations on expected future cash flows. This method employs a discounted cash flow analysis using the present value of the estimated cash flows expected to be generated from these intangible assets using appropriate discount rates and revenue forecasts. The period of expected cash flows is based on the expected useful life of the intangible asset acquired.

Measurement of deferred contingent consideration and put option liabilities related to business combinations require assumptions to be made regarding profit forecasts and discount rates used to arrive at the net present value of the potential obligations. The Group has considered all available information in arriving at the estimate of liabilities associated with deferred contingent consideration obligations.

Income taxes (Note 8)
The Group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions for which the ultimate tax determination is uncertain. The Group recognises liabilities based on estimates of whether additional taxes will be due. Once it has been concluded that a liability needs to be recognised, the liability is measured based on the tax laws that have been enacted or substantially enacted at the end of the reporting period. The amount shown for current taxation includes an estimate for tax uncertainties and is based on the directors' best probability weighted estimate of the probable outflow of economic resources that will be required to settle the liability. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. The Group estimates the most probable amount of future taxable profits, using assumptions consistent with those employed in impairment calculations, and taking into consideration applicable tax legislation in the relevant jurisdiction. These calculations also require the use of estimates.

Deferred Contingent Consideration (Note 18)
Measurement of put option liabilities require assumptions to be made regarding profit forecasts and discount rates used to arrive at the net present value of the potential obligations. The Group has considered all available information in arriving at the estimate of liabilities associated with put option obligations.

2 SEGMENT REPORTING

In identifying the Group's operating segments, management based its decision on the product supplied by each segment and the fact that each segment is managed and reported separately to the Chief Operating Decision Maker. These operating segments are monitored and strategic decisions are made on the basis of segment operating results.

The Group established a new division, Kingspan Light & Air, encompassing the Group's daylighting and ventilation activities effective from 1 January 2017. In the 2016 Annual Report, the Group's limited activity in this sector was disclosed within the Insulated Panels segment.

Operating segments

The Group has the following five operating 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.
Light & Air	Manufacture of daylighting, smoke management and ventilation systems.
Environmental	Manufacture of energy storage solutions, water and microwind systems and all related service activities.
Access Floors	Manufacture of raised access floors and data centre storage solutions.

Analysis by class of business

Segment revenue	**Insulated Panels €m**	**Insulation Boards €m**	**Light & Air €m**	**Environmental €m**	**Access Floors €m**	**Total €m**
Total revenue – 2017	2,328.5	769.4	204.7	179.8	185.7	**3,668.1**
Total revenue – 2016	1,998.2	688.1	75.9	162.0	184.3	3,108.5

Inter-segment transfers are carried out at arm's length prices and using an appropriate transfer pricing methodology. As inter-segment revenue is not material, it is not subject to separate disclosure in the above analysis. For the purposes of the segmental analysis, corporate overheads have been allocated to each division based on their respective revenue for the year.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

2 SEGMENT REPORTING (continued)

Segment result (profit before net finance expense)	**Insulated Panels €m**	**Insulation Boards €m**	**Light & Air €m**	**Environmental €m**	**Access Floors €m**	**Total 2017 €m**	**Total 2016 €m**
Trading profit – 2017	233.3	91.2	14.8	16.2	22.0	**377.5**	
Intangible amortisation	(9.4)	(2.1)	(2.6)	(1.6)	-	**(15.7)**	
Non trading items	(2.3)	2.9	-	-	-	**0.6**	
Operating profit – 2017	221.6	92.0	12.2	14.6	22.0	**362.4**	
Trading profit – 2016	224.4	78.5	3.6	11.3	23.1		340.9
Intangible amortisation	(7.6)	(3.1)	(0.7)	(1.2)	-		(12.6)
Operating profit - 2016	216.8	75.4	2.9	10.1	23.1		328.3
Net finance expense						**(15.9)**	(14.3)
Profit for the year before tax						**346.5**	314.0
Income tax expense						**(60.6)**	(58.5)
Net profit for the year						**285.9**	255.5

Segment assets	**Insulated Panels €m**	**Insulation Boards €m**	**Light & Air €m**	**Environmental €m**	**Access Floors €m**	**Total 2017 €m**	**Total 2016 €m**
Assets – 2017	1,792.1	620.4	287.6	164.1	156.0	**3,020.2**	
Assets – 2016	1,659.9	595.9	146.8	159.0	160.0		2,721.6
Derivative financial instruments						**22.3**	49.0
Cash and cash equivalents						**176.6**	222.0
Deferred tax asset						**16.5**	12.0
Total assets as reported in the Consolidated Statement of Financial Position						**3,235.6**	3,004.6

Segment liabilities	**Insulated Panels €m**	**Insulation Boards €m**	**Light & Air €m**	**Environmental €m**	**Access Floors €m**	**Total 2017 €m**	**Total 2016 €m**
Liabilities – 2017	(590.4)	(148.0)	(67.0)	(49.3)	(30.5)	**(885.2)**	
Liabilities – 2016	(465.1)	(136.2)	(43.5)	(45.7)	(29.3)		(719.8)
Interest bearing loans and borrowings (current and non-current)						**(662.7)**	(698.4)
Derivative financial instruments (current and non-current)						**(0.1)**	-
Income tax liabilities (current and deferred)						**(119.6)**	(114.9)
Total liabilities as reported in the Consolidated Statement of Financial Position						**(1,667.6)**	(1,533.1)

Other segment information	**Insulated Panels €m**	**Insulation Boards €m**	**Light & Air €m**	**Environmental €m**	**Access Floors €m**	**Total €m**
Capital investment – 2017 *	82.5	25.1	22.9	5.4	6.1	**142.0**
Capital investment – 2016 *	88.2	38.5	24.0	11.0	8.1	169.8
Depreciation included in segment result – 2017	(40.7)	(14.6)	(3.7)	(2.8)	(2.4)	**(64.2)**
Depreciation included in segment result – 2016	(42.0)	(14.5)	(1.0)	(3.3)	(2.4)	(63.2)
Non-cash items included in segment result – 2017	(6.4)	(2.3)	(0.2)	(0.8)	(1.0)	**(10.7)**
Non-cash items included in segment result – 2016	(6.5)	(2.0)	(0.1)	(0.9)	(0.9)	(10.4)

* Capital investment includes fair value of property, plant and equipment and intangible assets acquired in business combinations.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

2 SEGMENT REPORTING (continued)

Analysis of segmental data by geography	**Republic of Ireland €m**	**United Kingdom €m**	**Rest of Europe €m**	**Americas €m**	**Others €m**	**Total €m**
Income Statement Items						
Revenue – 2017	138.1	909.2	1,628.5	738.1	254.2	**3,668.1**
Revenue – 2016	118.0	834.4	1,287.5	630.4	238.2	3,108.5
Statement of Financial Position Items						
Non-current assets – 2017 *	51.8	369.9	809.8	507.7	158.0	**1,897.2**
Non-current assets – 2016 *	47.9	381.3	716.9	441.2	166.9	1,754.2
Other segmental information						
Capital investment – 2017	8.0	16.9	57.9	49.7	9.5	**142.0**
Capital investment – 2016	3.5	32.7	72.2	29.4	32.0	169.8

* Total non-current assets excluding derivative financial instruments and deferred tax assets.

The Group has a presence in over 70 countries worldwide. The revenues from external customers and non-current assets (as defined in IFRS 8) attributable to the country of domicile and all foreign countries or regions of operation are as set out above and specific regions are highlighted separately on the basis of materiality.

There are no material dependencies or concentrations on individual customers which would warrant disclosure under IFRS 8. The individual entities within the Group each have a large number of customers spread across various activities, end-uses and geographies.

3 EMPLOYEES

a) Employee numbers

The average number of persons employed by the Group in the financial year was:

	2017 Number	**2016 Number**
Production	**6,871**	6,381
Sales and distribution	**2,542**	2,434
Management and administration	**1,720**	1,581
	11,133	10,396

b) Employee costs, including executive directors

	2017 €m	**2016 €m**
Wages and salaries	**488.5**	435.6
Social welfare costs	**59.2**	48.7
Pension costs - defined contribution (note 32)	**11.8**	11.0
Share based payments and awards	**10.7**	10.4
	570.2	505.7
Actuarial (gains)/losses recognised in other comprehensive income	**(1.0)**	2.9
	569.2	508.6

c) Employee share based compensation

The Group currently operates a number of equity settled share based payment schemes; two Performance Share Plans (PSP) and a Deferred Bonus Plan, which was introduced in 2015. The details of these schemes are provided in the Report of the Remuneration Committee.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

3 EMPLOYEES (continued)

Performance Share Plan (PSP)

	Number of PSP Options 2017	2016
Outstanding at 1 January	**3,295,993**	3,582,587
Granted	**579,990**	655,674
Forfeited	**(84,007)**	(60,341)
Lapsed	**(2,986)**	(4,891)
Exercised	**(1,290,781)**	(877,036)
Outstanding at 31 December	**2,498,209**	3,295,993
Of which, exercisable	**616,327**	1,211,254

The Group recognised a PSP expense of €9.3m (2016: €9.1m) in the Income Statement during the year. All PSP options are exercisable at €0.13 per share. For PSP options that were exercised during the year the average share price at the date of exercise was €31.23 (2016: €23.70). The weighted average contractual life of share options outstanding at 31 December 2017 is 4.4 years (2016: 4.0 years). The weighted average exercise price during the period was €0.13 (2016: €2.92).

The fair values of options granted under the PSP scheme during the current and prior year were determined using the Black Scholes Model or the Monte Carlo Pricing Model as appropriate. The key assumptions used in the model were as follows:

	2017 Awards	2016 Awards
Share price at grant date	€32.99	€23.40
Exercise price per share	€0.13	€0.13
Expected volatility	22%	32%
Expected dividend yield	1.4%	1.4%
Risk-free rate	-0.01%	-0.133%
Expected life	3 years	3 years

The resulting weighted average fair value of options granted in the year was €23.45 (2016: €17.36).

As set out in the Report of the Remuneration Committee, the number of options that will ultimately vest is contingent on market conditions such as Total Shareholder Return and non market conditions such as the Earnings Per Share of the Group. Market conditions were taken into account in determining the above fair value, and non market conditions are considered when estimating the number of shares that will eventually vest. Expected volatility was determined by calculating the historical volatility of the Group and peer company share prices over the previous 3 years. The peer group changed in 2017. The Report of the Remuneration Committee sets out the current companies within the peer group.

Deferred Bonus Plan

As set out in the Report of the Remuneration Committee, the Deferred Bonus Plan (DBP) is intended to reward incremental performance over and above the growth targeted by the annual performance related bonus. Any DBP bonus earned for such incremental performance is satisfied by the payment of deferred share awards. These shares are held for the benefit of the individual participants for two years without any additional performance conditions. These shares vest after two years but are forfeited if the participant leaves the Group within that period.

During the year, 49,924 (2016: 50,607) awards were granted under the DBP and all 100,531 awards granted to date remain outstanding at 31 December 2017. The charge recognised in the Income Statement for 2017 was €1.4m (2016: €1.3m).

4 NON TRADING ITEMS

	2017 €m	2016 €m
Profit on disposal of trade and assets	**2.9**	-
Impairment of goodwill	**(2.3)**	-
	0.6	-

During the period, the Group disposed of the trade and assets of Kingspan Gefinex GmbH, which is part of the Insulation Boards division, for cash consideration of €5.7m and realised a non-trading profit of €2.9m.

The goodwill impairment relates to a US energy business, which is part of the Insulated Panels division, and the associated activity was significantly curtailed during the year.

The tax impact for the above items in the Consolidated Income Statement is a charge of €0.2m (2016: €nil).

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

5 FINANCE EXPENSE AND FINANCE INCOME

	2017 €m	2016 €m
Finance expense		
Finance lease	**0.2**	-
Deferred contingent consideration fair value movement	**0.1**	-
Bank loans	**2.4**	2.1
Private placement loan notes	**14.2**	12.1
Fair value movement on derivative financial instrument	**15.6**	(20.4)
Fair value movement on private placement debt	**(16.2)**	20.5
Net defined benefit pension scheme (Note 32)	**0.1**	0.1
	16.4	14.4
Finance income		
Interest earned	**(0.5)**	(0.1)
Net finance cost	**15.9**	14.3

€1.75m (2016: €nil) of borrowing costs related to new financial arrangements were capitalised during the year. These costs will be amortised over the life of the facility.

No costs were reclassified from other comprehensive income to profit during the year (2016: €nil).

6 PROFIT FOR THE YEAR BEFORE TAX

	2017 €m	2016 €m
The profit for the year is stated after charging/(crediting):		
Distribution expenses	**174.3**	152.4
Operating lease payments	**22.1**	13.0
Product development costs (total, including payroll)	**27.1**	24.2
Depreciation	**64.2**	63.2
Amortisation of intangible assets	**15.7**	12.6
Foreign exchange net gains	**(1.8)**	(5.8)
Profit on sale of property, plant and equipment	**(2.1)**	(1.4)

Analysis of total auditor's remuneration for audit services

	2017 €m	2016 €m
Audit of Group (KPMG Ireland)	**0.8**	0.7
Audit of other subsidiaries (other KPMG offices)	**1.2**	1.1
	2.0	1.8

Analysis of amounts paid to the auditor in respect of non-audit services

	2017 €m	2016 €m
Tax compliance and advisory services (KPMG Ireland)	**0.1**	0.1
Tax compliance and advisory services (other KPMG offices)	**0.6**	0.4
	0.7	0.5

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

7 DIRECTORS' REMUNERATION

	2017 €m	2016 €m
Fees	0.6	0.6
Other emoluments	4.5	6.6
Pension costs	0.7	0.7
	5.8	7.9
Performance Share Plan expense	2.2	1.9
	8.0	9.8

A detailed analysis of directors' remuneration is contained in the Report of the Remuneration Committee. Aggregate gains of €17.7m (2016: €3.4m) were realised with respect to share options exercised by directors during the financial year.

8 INCOME TAX EXPENSE

	2017 €m	2016 €m
Tax recognised in the Consolidated Income Statement		
Current taxation:		
Current tax expense	68.9	60.3
Adjustment in respect of prior years	(3.9)	1.6
	65.0	61.9
Deferred taxation:		
Origination and reversal of temporary differences	(2.7)	(2.0)
Effect of rate change	(1.7)	(1.4)
	(4.4)	(3.4)
Income tax expense	60.6	58.5

The following table reconciles the applicable Republic of Ireland statutory tax rate to the effective tax rate (current and deferred) of the Group:

	2017 €m	2016 €m
Profit for the year	346.5	314.0
Applicable notional tax charge (12.5%)	43.3	39.3
Expenses not deductible for tax purposes	7.6	4.3
Net effect of differing tax rates	8.7	14.4
Utilisation of unprovided deferred tax assets	(1.1)	(1.5)
Other items	2.1	2.0
Total income tax expense	60.6	58.5

The total tax charge in future periods will be affected by any changes to the corporation tax rates in force in the countries in which the Group operates. No significant change is expected to the standard rate of corporation tax in the Republic of Ireland which is currently 12.5%.

The methodology used to determine the recognition and measurement of uncertain tax positions is set out in Note 1 'Statement of Accounting Policies'.

The total value of deductible temporary differences which have not been recognised is €12.7m (2016: €18.4m) consisting mainly of tax losses forward. €1.1m of the losses expire within 10 years while all other losses may be carried forward indefinitely.

No provision has been made for tax in respect of temporary differences arising from unremitted earnings of foreign operations as there is no commitment to remit such earnings and no current plans to do so. Deferred tax liabilities of €7.9m (2016: €7.4m) have not been recognised for withholding tax that would be payable on unremitted earnings of €158.2m (2016: €148.8m) in certain subsidiaries.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

9 EARNINGS PER SHARE

	2017 €m	2016 €m
The calculations of earnings per share are based on the following:		
Profit attributable to ordinary shareholders	284.3	255.4
	Number of shares ('000) 2017	Number of shares ('000) 2016
Weighted average number of ordinary shares for the calculation of basic earnings per share	178,854	177,637
Dilutive effect of share options	1,856	2,677
Weighted average number of ordinary shares for the calculation of diluted earnings per share	180,710	180,314
	2017 € cent	2016 € cent
Basic earnings per share	159.0	143.8
Diluted earnings per share	157.3	141.6
Adjusted basic earnings per share	165.8	150.2

Adjusted basic earnings reflects the profit attributable to ordinary shareholders after eliminating the impact, net of tax, of non trading items and the Group's intangible amortisation charge.

The number of options which are anti-dilutive and have therefore not been included in the above calculations is nil (2016: nil).

10 GOODWILL

	2017 €m	2016 €m
At 1 January	990.1	821.2
Additions relating to current year acquisitions (Note 22)	156.1	178.7
Impaired during the year (Note 4)	(2.3)	-
Net exchange difference	(48.2)	(9.8)
Carrying amount 31 December	1,095.7	990.1
At 31 December		
Cost	1,163.4	1,055.7
Accumulated impairment losses	(67.7)	(65.6)
Net carrying amount	1,095.7	990.1

Cash generating units

Goodwill acquired through business combinations is allocated, at acquisition, to CGUs that are expected to benefit from synergies in that combination. The CGUs are the lowest level within the Group at which the associated goodwill is monitored for internal management reporting purposes, and are not larger than the operating segments determined in accordance with IFRS 8 *Operating Segments*.

The Group has established a new division, Kingspan Light & Air, encompassing the Group's daylighting and natural ventilation activities effective since 1 January 2017. In the previous year, this activity was reported within the Insulated Panels segment.

On that basis and following an assessment of the Group's CGUs, Light & Air is listed as a separate CGU below. A total of 9 (2016: 9) CGUs have been identified and these are analysed between the five business segments in the Group as set out overleaf. Assets and liabilities have been assigned to the CGUs on a reasonable and consistent basis.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

10 GOODWILL (continued)

	Cash-generating units		Goodwill (€m)	
	2017	**2016**	**2017**	**2016**
Insulated Panels	**4**	5	**614.7**	655.3
Insulation Boards	**1**	1	**175.6**	185.0
Light & Air	**1**	-	**159.7**	-
Environmental	**1**	1	**68.7**	68.4
Access Floors	**2**	2	**77.0**	81.4
Total	**9**	9	**1,095.7**	990.1

Significant goodwill amounts

Management has assessed that, in line with IAS 36 *Impairment of Assets*, there are 4 CGUs that are individually significant (greater than 10% of total goodwill) that require additional disclosure and are as follows:

	Panels Americas		Panels Joris Ide		Insulation Boards		Light & Air	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Goodwill (€m)	**226.9**	190.5	**284.5**	286.8	**175.6**	185.0	**159.7**	N/A
Discount rate (%)	**9.4**	9.4	**7.8**	7.8	**7.8**	7.8	**7.8**	N/A
Excess of value-in-use over carrying amount (€m)	**380.6**	401.4	**502.2**	333.0	**1,468.0**	900.0	**138.6**	N/A

The goodwill allocated to these 4 CGUs accounts for 77% of the total carrying amount of €1,095.7m. The remaining goodwill balance of €249.0m (2016: €238.6m) is allocated across the remaining 5 CGUs (2016: 5 CGUs), none of which are individually significant.

None of the individually significant CGUs are included in the "Sensitivity analysis" section as it is not considered reasonably possible that there would be a change in the key assumptions such that the carrying amount would exceed value-in-use. Consequently, no further disclosures have been provided for these CGUs.

Impairment testing

Goodwill acquired through business combinations has been allocated to the above CGUs for the purpose of impairment testing. Impairment of goodwill occurs when the carrying value of the CGU is greater than the present value of the cash that it is expected to generate (i.e. the recoverable amount). The Group reviews the carrying value of each CGU at least annually or more frequently if there is an indication that a CGU may be impaired.

The recoverable amount of each CGU is determined from value-in-use calculations. The forecasts used in these calculations are based on a 4 year financial plan approved by the Board of Directors, plus year 5 as forecasted by management, and specifically excludes any future acquisition activity. They include assumptions regarding future organic growth with cash flows after year 5 assuming to continue in perpetuity at a growth rate of 2%, reflecting inflation, but no other growth. The use of cash flows in perpetuity is considered appropriate in light of the Group's established history of earnings growth and cash flow generation, its strong financial position and the nature of the industry in which the Group operates.

The value in use calculation represents the present value of the future cash flows, including the terminal value, discounted at a rate appropriate to each CGU. The real pre-tax discount rates used range from 7.8% to 9.4% (2016: 7.8% to 9.5%). These rates are based on the Group's estimated weighted average cost of capital, adjusted for risk, and are consistent with external sources of information.

The cash flows and the key assumptions used in the value in use calculations are determined based on the historical performance of the Group, its strong current financial position as well as management's knowledge and expectation of future trends in the industry. Expected future cash flows are, however, inherently uncertain and are therefore liable to material change over time. The key assumptions used in the value in use calculations are subjective and include projected EBITDA margins, net cash flows, discount rates used and the duration of the discounted cash flow model.

Sensitivity analysis

Sensitivity analysis was performed on all non-significant CGUs by adjusting cash flows, the discount rate and the average operating margin of each division by over 35% and by reducing the long term growth rate to zero. Each test resulted in a positive recoverable amount for each CGU under each approach. Management believes, therefore, that any reasonable change in any of the key assumptions would not cause the carrying value of goodwill to exceed the recoverable amount, thereby giving rise to an impairment.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

11 OTHER INTANGIBLE ASSETS

	Customer Relationships €m	Patents & Brands €m	Other Intangibles €m	Total €m
Cost				
At 1 January 2017	25.4	107.1	23.6	156.1
Acquisitions (Note 22)	3.4	6.3	3.2	12.9
Additions	-	-	4.8	4.8
Net exchange difference	(1.1)	(4.2)	(1.6)	(6.9)
At 31 December 2017	**27.7**	**109.2**	**30.0**	**166.9**
Accumulated amortisation				
At 1 January 2017	13.9	36.5	13.8	64.2
Charge for the year	4.5	8.3	2.9	15.7
Net exchange difference	(0.5)	(1.4)	(1.4)	(3.3)
At 31 December 2017	**17.9**	**43.4**	**15.3**	**76.6**
Net Book Value as at 31 December 2017	**9.8**	**65.8**	**14.7**	**90.3**

	Customer Relationships €m	Patents & Brands €m	Other Intangibles €m	Total €m
Cost				
At 1 January 2016	20.1	99.0	11.8	130.9
Acquisitions (Note 22)	5.2	8.6	11.4	25.2
Net exchange difference	0.1	(0.5)	0.4	-
At 31 December 2016	**25.4**	**107.1**	**23.6**	**156.1**
Accumulated amortisation				
At 1 January 2016	12.4	30.0	10.1	52.5
Charge for the year	1.5	7.6	3.5	12.6
Net exchange difference	-	(1.1)	0.2	(0.9)
At 31 December 2016	**13.9**	**36.5**	**13.8**	**64.2**
Net Book Value as at 31 December 2016	**11.5**	**70.6**	**9.8**	**91.9**

Other intangibles relate primarily to technological know how and order backlogs and an additional amount of €4.8m was acquired during the year.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

12 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings €m	Plant and machinery €m	Motor vehicles €m	Total €m
As at 31 December 2017				
Cost	513.0	1,050.8	28.5	1,592.3
Accumulated depreciation and impairment charges	(175.5)	(695.5)	(18.0)	(889.0)
Net carrying amount	**337.5**	**355.3**	**10.5**	**703.3**
At 1 January 2017, net carrying amount	324.2	333.0	8.3	665.5
Acquisitions through business combinations (Note 22)	22.2	17.1	0.5	39.8
Additions	9.3	70.4	4.8	84.5
Disposals	(1.1)	(1.3)	(0.2)	(2.6)
Reclassification	1.5	(2.2)	0.7	-
Depreciation charge for year	(11.7)	(48.2)	(4.3)	(64.2)
Impairment charge for year	(0.5)	(0.3)	-	(0.8)
Effect of movement in exchange rates	(6.4)	(13.2)	0.7	(18.9)
At 31 December 2017, net carrying amount	**337.5**	**355.3**	**10.5**	**703.3**

	Land and buildings €m	Plant and machinery €m	Motor vehicles €m	Total €m
As at 31 December 2016				
Cost	477.1	1,002.8	25.3	1,505.2
Accumulated depreciation and impairment charges	(152.9)	(669.8)	(17.0)	(839.7)
Net carrying amount	**324.2**	**333.0**	**8.3**	**665.5**
At 1 January 2016, net carrying amount	337.2	275.1	6.8	619.1
Acquisitions through business combinations (note 22)	7.5	22.0	1.4	30.9
Additions	14.6	95.7	3.4	113.7
Disposals	(7.3)	(1.0)	(0.5)	(8.8)
Reclassification	(0.1)	0.1	-	-
Depreciation charge for year	(11.7)	(48.4)	(3.1)	(63.2)
Impairment charge for year	(3.2)	(0.2)	-	(3.4)
Effect of movement in exchange rates	(12.8)	(10.3)	0.3	(22.8)
At 31 December 2016, net carrying amount	**324.2**	**333.0**	**8.3**	**665.5**

The carrying amounts and depreciation of assets held under finance leases included above is as follows:

Net Book Value	€4.1m	(2016: €2.5m)
Depreciation	€2.8m	(2016: €1.7m)

Included within the cost of land and buildings and plant and machinery are assets in the course of construction to the value of €4.1m and €42.1m respectively (2016: €7.9m and €53.7m). These assets have not yet been depreciated.

The Group has no material investment properties and hence no property assets are held at fair value.

13 INVESTMENTS IN SUBSIDIARIES

Company	2017 €m	2016 €m
At 1 January	**1,173.3**	1,164.3
Share options and awards	**7.4**	9.0
At 31 December	**1,180.7**	1,173.3

The share options and awards addition reflects the cost of share based payments attributable to employees of subsidiary undertakings, which are treated as capital contributions by the Company.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

14 INVENTORIES

	2017 €m	2016 €m
Raw materials and consumables	**363.1**	296.6
Work in progress	**17.7**	14.9
Finished goods	**115.8**	107.0
Inventory impairment allowance	**(49.5)**	(53.0)
At 31 December	**447.1**	365.5

A total of €2.3bn (2016: €1.8bn) of inventories was included in the Income Statement as an expense. This includes a net income statement charge of €7.1m (2016: €7.6m) arising on the inventory impairment allowance. Inventory impairment allowance levels are continuously reviewed by management and revised where appropriate, taking account of the latest available information on the recoverability of carrying amounts.

No inventories have been pledged as security for liabilities entered into by the Group.

15 TRADE AND OTHER RECEIVABLES

	2017 €m	2016 €m
Amounts falling due within one year:		
Trade receivables, gross	**676.9**	592.1
Impairment allowance	**(51.1)**	(46.1)
Trade receivables, net	**625.8**	546.0
Other receivables	**25.1**	22.6
Prepayments	**25.0**	33.3
	675.9	601.9

The maximum exposure to credit risk for trade and other receivables at the reporting date is their carrying amount.

The Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were determined to be impaired, predominantly determined on the basis that the balances are overdue and at risk, and a total impairment allowance of €51.1m (2016: €46.1m) has been recorded accordingly. The movement on the impairment allowance for the year is as follows:

	2017 €m	2016 €m
At 1 January	**46.1**	42.5
Effect of movement in exchange rates	**(1.7)**	(1.1)
Arising on acquisition	**3.9**	2.7
Provided during the year	**13.5**	11.6
Written off during the year	**(4.8)**	(5.4)
Released during the year	**(5.9)**	(4.2)
At 31 December	**51.1**	46.1

There are no material dependencies or concentrations on individual customers which would warrant separate disclosure. The individual entities within the Group each have a large number of customers spread across various activities, end users and geographies. Approximately 76% (2016: 73%) of net receivables are covered by credit insurance or other forms of collateral such as letters of credit or bank guarantees.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

15 TRADE AND OTHER RECEIVABLES (continued)

Aged Analysis

The aged analysis of gross trade receivables, analysed between amounts that were neither past due nor impaired and amounts past due but not impaired at the year end, was as follows:

	2017 €m	2016 €m
Neither past due nor impaired		
-Invoice date less than 90 days	**432.6**	368.0
-Invoice date greater than 90 days	**22.1**	15.0
Past due but not impaired		
- 0 to 60 days overdue	**153.5**	133.8
- 60+ days overdue	**30.1**	22.6
Past due and impaired (fully or partially)	**38.6**	52.7
	676.9	592.1

The carrying amount of receivables whose terms have been renegotiated, that would otherwise be past due or impaired, is €nil (2016: €nil).

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

16 TRADE AND OTHER PAYABLES

	2017 €m	2016 €m
Trade payables	**326.5**	310.2
Accruals	**271.1**	230.1
Deferred income	**12.3**	18.8
Irish income tax & social welfare	**0.6**	1.0
Other income tax & social welfare	**18.6**	19.8
Value added tax	**16.1**	5.3
	645.2	585.2

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

17 INTEREST BEARING LOANS AND BORROWINGS

	2017 €m	2016 €m
Current financial liabilities		
Bank loans and overdrafts (unsecured)	**0.6**	0.2
Private placements	**-**	39.8
Finance lease obligations (Note 31)	**0.6**	1.1
	1.2	41.1

	2017 €m	2016 €m
Non-current financial liabilities		
Private placements	**655.4**	651.3
Bank loans (unsecured)	**2.4**	3.6
Finance lease obligations (Note 31)	**3.7**	2.4
	661.5	657.3

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

17 INTEREST BEARING LOANS AND BORROWINGS (continued)

Analysis of Net Debt

	2017 €m	2016 €m
Cash and cash equivalents	**176.6**	222.0
Derivative financial instruments	**22.2**	48.5
Current borrowings	**(1.2)**	(41.1)
Non-current borrowings	**(661.5)**	(657.3)
Total Net Debt	**(463.9)**	(427.9)

The Group's core funding is provided by four private placement loan notes; one USD private placement totalling $200m matures in August 2021, and three EUR private placements totalling €487.5m which will mature in tranches between March 2021 and March 2027. In December 2017 the Group also agreed an additional private placement loan note of €175m which was drawn on 31 January 2018. In aggregate, following the January 2018 drawdown, the notes have a weighted average maturity of 6.5 years.

In addition, the Group has a €500m revolving credit facility, which was undrawn at year end and which matures in June 2022. As at 31 December 2017, the Group's committed bilateral bank facilities were €50m, none of which was drawn.

More details of the Group's loans and borrowings are set out in Note 19.

Net debt, which is an Alternative Performance Measure, is stated net of interest rate and currency hedges which relate to hedges of debt. Foreign currency derivative assets of €0.1m (2016: €0.5m) and foreign currency derivative liabilities of €0.1m which are used for transactional hedging are not included in the definition of net debt.

18 DEFERRED CONTINGENT CONSIDERATION

For each acquisition for which deferred contingent consideration has been provided, an annual review takes place to evaluate if the payment conditions are likely to be met.

	2017 €m	2016 €m
Opening balance	**12.9**	10.1
Effect of movement in exchange rates	**(8.1)**	0.4
Deferred contingent consideration arising on current year acquisitions (note 22)	**33.2**	5.4
Put liability arising on current year acquisitions (note 22)	**79.1**	-
Movement in put liability arising from fair value movement	**0.4**	-
Amounts paid	**-**	(3.0)
Closing balance	**117.5**	12.9
Split as follows:		
Current liabilities	**6.4**	6.8
Non-current liabilities	**111.1**	6.1
	117.5	12.9
Analysed as follows:		
Deferred contingent consideration	**43.0**	12.9
Put liability	**74.5**	-
	117.5	12.9

The deferred contingent consideration arising on current year acquisitions relates to the acquisition of a 51% stake in Isoeste.

The put liability is recognised with respect to the potential amounts payable to 49% shareholders of both Isoeste and PanelMET.

The amount of the deferred contingent consideration and put liability that have been recognised are arrived at by the application of a range of outcomes and associated probabilities in order to determine the carrying amounts.

Liabilities in the range of €nil to €43.0m could arise with respect to potential deferred contingent consideration obligations and €nil to €74.5m with respect to potential put option obligations.

The put option in the shareholder's agreement with non-controlling shareholders of Isoeste is exercisable from 2023. The undiscounted expected cash outflow is estimated to be €77.1m. For the purposes of the fair value assessment this put option liability is valued using the option price formula in the shareholder's agreement and the financial projections that were presented to the Board at the time of the acquisition.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

18 DEFERRED CONTINGENT CONSIDERATION (continued)

The put option in the shareholder's agreement with non-controlling shareholders of PanelMET is exercisable from 2022. The undiscounted expected cash outflow is estimated to be €7.1m. For the purposes of the fair value assessment this put option liability is valued using the option price formula in the shareholder's agreement and the financial projections that were prepared before the business combination was approved.

In the case of both Isoeste and PanelMET there are call options over the remaining 49% shareholding held by non-controlling interests, which are exercisable by the Group in a very limited range of circumstances.

19 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial Risk Management

In the normal course of business, the Group has exposure to a variety of financial risks, including foreign currency risk, interest rate risk, liquidity risk and credit risk. The Group's focus is to understand these risks and to put in place policies that minimise the economic impact of an adverse event on the Group's performance. Meetings are held on a regular basis to review the result of the risk assessment, approve recommended risk management strategies and monitor the effectiveness of such policies.

The Group's risk management strategies include the usage of derivatives (other than for speculative transactions), principally forward exchange contracts, interest rate swaps, and cross currency interest rate swaps.

Liquidity risk

In addition to the high level of free cash flow, the Group operates a prudent approach to liquidity management using a mixture of long-term debt together with short-term debt, cash and cash equivalents, to enable it to meet its liabilities when due.

The Group's core funding is provided by a number of private placement loan notes totalling €655.4m. In December 2017 the Group also agreed an additional private placement loan note of €175m which was drawn on 31 January 2018. In aggregate, following the January 2018 drawdown, the notes have a weighted average maturity of 6.5 years.

In addition, the Group has a €500m revolving credit facility, which was undrawn at year end and which expires in June 2022. As at 31 December 2017, the Group's committed bilateral bank facilities were €50m, none of which was drawn.

Both the private placements and the revolving credit facility have an interest cover test (Net Interest: EBITDA must exceed 4 times) and a net debt test (Net Debt: EBITDA must be less than 3.5 times). These covenant tests have been met for the covenant test period to 31 December 2017.

The Group also has in place a number of uncommitted bilateral working capital facilities to serve its working capital requirements. These facilities total €44m (2016: €44m) and are supported by a Group guarantee. Core funding arrangements arise from a wide and varied number of institutions and, as such, there is no significant concentration of liquidity risk.

The following are the carrying amounts and contractual maturities of financial liabilities (including estimated interest payments):

	Carrying amount 2017 €m	Contractual cash flow €m	Within 1 year €m	Between 1 and 2 years €m	Between 2 and 5 years €m	Greater than 5 years €m
Non derivative financial instruments						
Bank loans	3.0	3.0	0.6	0.9	1.5	-
Private placement loan notes	655.4	748.5	17.2	17.2	360.3	353.8
Finance lease liabilities	4.3	4.3	0.6	1.8	0.4	1.5
Trade and other payables	645.2	645.2	645.2	-	-	-
Deferred contingent consideration	117.5	124.3	6.4	-	5.3	112.6
Derivative financial liabilities / (assets)						
Interest rate swaps used for hedging:						
Carrying values	(0.9)	-	-	-	-	-
Net inflows	-	0.3	0.1	0.1	0.1	-
Cross currency interest rate swaps used for hedging:						
Carrying value	(21.3)	-	-	-	-	-
- outflow	-	106.7	2.8	3.1	100.8	-
- inflow	-	134.5	5.9	5.8	122.8	-
Foreign exchange forwards used for hedging:						
Carrying value assets	(0.1)	-	-	-	-	-
Carrying value liabilities	0.1	-	-	-	-	-
- outflow	-	9.9	9.9	-	-	-
- inflow	-	9.9	9.9	-	-	-

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

19 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

	Carrying amount 2016 €m	Contractual cash flow €m	Within 1 year €m	Between 1 and 2 years €m	Between 2 and 5 years €m	Greater than 5 years €m
Non derivative financial instruments						
Bank loans	3.8	3.8	0.2	-	-	3.6
Private placement loan notes	691.1	799.4	58.7	17.9	285.2	437.6
Finance lease liabilities	3.5	3.5	1.1	0.5	0.4	1.5
Trade and other payables	585.2	585.2	585.2	-	-	-
Deferred contingent consideration	12.9	12.9	6.8	6.1	-	-
Derivative financial liabilities / (assets)						
Interest rate swaps used for hedging:						
Carrying values	(1.7)	-	-	-	-	-
Net inflows	-	2.0	0.7	0.5	0.8	-
Cross currency interest rate swaps used for hedging:						
Carrying value	(46.8)	-	-	-	-	-
- outflow	-	141.9	35.1	3.0	103.8	-
- inflow	-	195.4	46.7	6.5	142.2	-
Foreign exchange forwards used for hedging:						
Carrying value assets	(0.5)	-	-	-	-	-
Carrying value liabilities	-	-	-	-	-	-
- outflow	-	37.5	37.5	-	-	-
- inflow	-	37.7	37.7	-	-	-

For provisions, the carrying amount represents the Group's best estimate of the expected future outflows. As it does not represent a contractual liability at the year end, no amount has been included as a contractual cash flow.

Deferred contingent consideration, which includes any put option liabilities, is valued using the relevant agreed multiple of the expected future EBITDA in each acquired business which is appropriately discounted using a risk-adjusted discount rate. The estimated fair value of contingent consideration would decrease if EBITDA was lower or if the risk adjusted discount rate was higher. The range of outcomes are set out in Note 18.

The actual future cash flows could be different from the amounts included in the tables above, if the associated obligations were to become repayable on demand as a result of non-compliance with covenants or other contractual terms. No such non-compliance is envisaged.

Market Risks

Foreign exchange risk

There are two types of foreign currency risk to which the Group is exposed, namely transaction risk and translation risk. The objective of the Group's foreign currency risk management strategy is to manage and control market risk exposures within acceptable parameters. As set out below the Group uses derivatives to manage foreign exchange risk. Transactions involving derivatives are carried out in accordance with the Treasury policy. The Group seeks to apply hedge accounting, where practicable, to manage volatility in profit or loss.

Transaction risk

Apart from transaction risk on debt, this arises where operating units have input costs or sales in currencies other than their functional currencies. These exposures are internally hedged as far as possible. Group policy is to hedge up to a maximum of 75% of a forecast exposure. Material exposures are hedged on a rolling 12 months basis. The Group's principal exposure relates to GBP and USD, with less significant exposures to certain central European currencies.

In addition, where operating entities carry monetary assets and liabilities at year end denominated other than in their functional currency, their translation at the year-end rates of exchange into their functional currency will give rise to foreign currency gains and losses. The Group seeks to manage these gains and losses to net to nil.

Based on current cash flow projections for the businesses to 31 December 2018, it is estimated that the Group is long GBP£105m and short USD$38m. At 31 December 2017 these amounts were unhedged.

Translation risk

This exists due to the fact that the Group has operations whose functional currency is not the Euro, the Group's presentational currency. Changes in the exchange rate between the reporting currencies of these operations and the Euro, have an impact on the Group's consolidated reported result. For 2017, the impact of changing currency rates versus Euro compared to the average 2016 rates was negative €85.2m (2016: negative €43.8m). In common with many other international groups, the Group does not currently seek to externally hedge its translation exposure.

Sensitivity analysis for primary currency risk

A 10% volatility of the EUR against GBP and USD in respect of transaction risk in the reporting entities functional currency would impact reported after tax profit by €14.3m (2016: €9.9m) and equity by €14.0m (2016: €3.5m).

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

19 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

US Dollar Loan Notes

2011 Private Placement

In 2011, the Group issued a private placement of US$200m fixed interest 10 year bullet repayment loan notes maturing in August 2021. In order to align the Group's debt profile with its risk management strategy, the Group entered into a number of hedging transactions in order to mitigate the associated foreign exchange and interest rate exposures. The Group entered into US dollar fixed/GBP floating cross currency interest rate swaps for US$118.6m of the private placement. The benchmark interest rate and credit spread have been separately identified and designated for hedge accounting purposes. The Group also entered into US dollar interest rate swaps for US$40m of the private placement. The fixed rate and maturity date on the swaps match the fixed rate on the private placement for all instruments. The instruments were designated as hedging instruments at inception and continued to qualify as effective hedges under IAS 39 at 31 December 2017.

Interest rate risk

The Group has an exposure to movements in interest rates on its debt portfolio, and on its cash and cash equivalent balances and derivatives. The Group policy is to ensure that at least 40% of its debt is fixed rate.

In respect of interest bearing loans and borrowings, the following table indicates the effective average interest rates at the year-end and the periods over which they mature. Interest on interest bearing loans and borrowings classified as floating rate is repriced at intervals of less than one year. The table further analyses interest bearing loans and borrowings by currency and fixed/floating mix and has been prepared both before and after the impact of derivatives.

Before the impact of hedging transactions

As at 31 December 2017	Weighted average effective interest rate	Total €m	At fixed interest rate €m	At floating interest rate €m	Under 5 years €m	Over 5 years €m
Bank loans	2.91%	3.0	3.0	-	3.0	-
Loan notes	2.63%	655.4	655.4	-	210.4	445.0
		658.4	**658.4**	**-**	**213.4**	**445.0**

	Total €m	At fixed interest rate €m	At floating interest rate €m
Euro	487.5	487.5	-
USD	170.9	170.9	-
	658.4	**658.4**	**-**

After the impact of hedging transactions

As at 31 December 2017	Weighted average effective interest rate	Total €m	At fixed interest rate €m	At floating interest rate €m	Under 5 years €m	Over 5 years €m
Bank loans	2.91%	3.0	3.0	-	3.0	-
Loan notes	2.13%	655.4	522.1	133.3	210.4	445.0
		658.4	**525.1**	**133.3**	**213.4**	**445.0**

	Total €m	At fixed interest rate €m	At floating interest rate €m
Euro	510.9	510.9	-
GBP	99.1	-	99.1
USD	48.4	14.2	34.2
	658.4	**525.1**	**133.3**

The weighted average maturity of debt is 6.0 years as at 31 December 2017 (2016: 6.5 years). Following the drawdown of private placement notes totalling €175m on 31 January 2018 the weighted average maturity is 6.5 years.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

19 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Before the impact of hedging transactions

As at 31 December 2016	Weighted average effective interest rate	Total €m	At fixed interest rate €m	At floating interest rate €m	Under 5 years €m	Over 5 years €m
Bank loans	2.91%	3.8	3.8	-	0.2	3.6
Loan notes	2.91%	691.1	691.1	-	276.1	415.0
		694.9	**694.9**	**-**	**276.3**	**418.6**

	Total €m	At fixed interest rate €m	At floating interest rate €m
Euro	461.3	461.3	-
USD	233.6	233.6	-
	694.9	**694.9**	**-**

After the impact of hedging transactions

As at 31 December 2016	Weighted average effective interest rate	Total €m	At fixed interest rate €m	At floating interest rate €m	Under 5 years €m	Over 5 years €m
Bank loans	2.91%	3.8	3.8	-	0.2	3.6
Loan notes	2.24%	691.1	536.5	154.6	276.1	415.0
		694.9	**540.3**	**154.6**	**276.3**	**418.6**

	Total €m	At fixed interest rate €m	At floating interest rate €m
Euro	527.6	527.6	-
GBP	115.1	-	115.1
USD	52.2	12.7	39.5
	694.9	**540.3**	**154.6**

An increase or decrease of 100 basis points in each of the applicable rates and interest rate curves would impact reported after tax profit by €1.3m (2016: €1.5m) and equity by €1.3m (2016: €1.5m).

Credit risk

Credit risk encompasses the risk of financial loss to the Group of counterparty default in relation to any of its financial assets. The Group's maximum exposure to credit risk is represented by the carrying value of each financial asset:

	2017 €m	2016 €m
Cash & cash equivalents	176.6	222.0
Trade receivables	625.8	546.0
Derivative financial assets	22.3	49.0

Trade receivables arise from a wide and varied customer base spread across various activities, end users and geographies, and as such there is no significant concentration of credit risk. The Group's credit risk management policy in relation to trade receivables involves periodically assessing the financial reliability of customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored and a significant element of credit risk is covered by credit insurance or other forms of collateral such as letters of credit or bank guarantees.

Further details of trade receivables and associated impairment allowances, including detailed analysis of overdue debtors, is included in Note 15.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

19 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Cash & cash equivalents

On the Group's cash and cash equivalents and derivatives, counterparty risk is managed by dealing with banks that have a minimum credit rating and by spreading business across a portfolio of 10 relationship banks.

Financial instruments by category

The carrying amount of financial assets presented in the Statement of Financial Position relate to the following measurement categories as defined in IAS 39:

2017	**Loans and receivables €m**	**Derivatives designated as hedging instruments €m**	**Total €m**
Current:			
Trade receivables	625.8	-	625.8
Other receivables	25.1	-	25.1
Cash and cash equivalents	176.6	-	176.6
Derivative financial instruments	-	0.1	0.1
	827.5	0.1	827.6
Non Current:			
Derivative financial instruments	-	22.2	22.2
	-	22.2	22.2

2016	**Loans and receivables €m**	**Derivatives designated as hedging instruments €m**	**Total €m**
Current:			
Trade receivables	546.0	-	546.0
Other receivables	22.6	-	22.6
Cash and cash equivalents	222.0	-	222.0
Derivative financial instruments	-	8.4	8.4
	790.6	8.4	799.0
Non Current:			
Derivative financial instruments	-	40.6	40.6
	-	40.6	40.6

It is considered that the carrying amounts of the above financial assets approximate their fair values.

The carrying amounts of financial liabilities presented in the Statement of Financial Position relate to the following measurement categories as defined in IAS 39:

2017	**Financial liabilities in fair value hedge €m**	**Financial liabilities measured at fair value €m**	**Financial liabilities measured at amortised cost €m**	**Derivatives designated as hedging instruments €m**	**Total €m**
Current:					
Borrowings	-	-	1.2	-	1.2
Trade payables	-	-	326.5	-	326.5
Accruals	-	-	271.1	-	271.1
Deferred contingent consideration	-	6.4	-	-	6.4
Derivative financial instruments	-	-	-	0.1	0.1
	-	6.4	598.8	0.1	605.3
Non current:					
Borrowings	34.2	-	627.3	-	661.5
Deferred contingent consideration	-	111.1	-	-	111.1
	34.2	111.1	627.3	-	772.6

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

19 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

2016	**Financial liabilities in fair value hedge €m**	**Financial liabilities measured at fair value €m**	**Financial liabilities measured at amortised cost €m**	**Derivatives designated as hedging instruments €m**	**Total €m**
Current:					
Borrowings	-	-	41.1	-	41.1
Trade payables	-	-	310.2	-	310.2
Accruals	-	-	230.1	-	230.1
Deferred contingent consideration	-	6.8	-	-	6.8
	-	6.8	581.4	-	588.2
Non current:					
Borrowings	154.6	-	502.7	-	657.3
Deferred contingent consideration	-	6.1	-	-	6.1
	154.6	6.1	502.7	-	663.4

Fair value hierarchy

Financial assets and liabilities recognised at fair value are analysed between those based on quoted prices in active markets for identical assets or liabilities (Level 1), those involving inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly (Level 2); and those involving inputs for the assets or liabilities that are not based on observable market data (Level 3) as set out in note 18.

Normally, the derivatives entered into by the Group are not traded in active markets. The fair values of these contracts are estimated using a valuation technique that maximises the use of observable market inputs, e.g. market exchange and interest rates (Level 2). All derivatives entered into by the Group are included in Level 2 and consist of foreign currency forward contracts, interest rate swaps and cross currency interest rate swaps.

	As at 31 December 2017			**As at 31 December 2016**		
	Level 1 €m	**Level 2 €m**	**Level 3 €m**	**Level 1 €m**	**Level 2 €m**	**Level 3 €m**
Financial Assets						
Interest rate swaps	-	22.2	-	-	48.5	-
Foreign exchange contracts for hedging	-	0.1	-	-	0.5	-
Financial Liabilities						
Deferred contingent consideration	-	-	43.0	-	-	12.9
Put option	-	-	74.5	-	-	-
Foreign exchange contracts for hedging	-	0.1	-	-	-	-

During the year ended 31 December 2017, there were no significant changes in the business or economic circumstances that affect the fair value of financial assets and liabilities, no reclassifications and no transfers between levels of the fair value hierarchy used in measuring the fair value of the financial instruments.

Except as detailed below, it is considered that the carrying amounts of financial assets and financial liabilities recognised at amortised cost approximate their fair values.

	As at 31 December 2017			**As at 31 December 2016**		
	Carrying amount €m	**Fair Value €m**	**Level**	**Carrying amount €m**	**Fair Value €m**	**Level**
Private placement loan notes	655.4	693.7	2	691.1	742.3	2
Bank loans	3.0	3.0	2	3.8	3.8	2

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

19 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Capital Management Policies and Procedures

The Group employs a combination of debt and equity to fund its operations. As at 31 December 2017 the total capital employed in the Group was as follows:

	2017 €m	2016 €m
Net Debt	**463.9**	427.9
Equity	**1,568.0**	1,471.5
Total Capital Employed	**2,031.9**	1,899.4

The Board's objective when managing capital is to maintain a strong capital base so as to maintain the confidence of investors, creditors and the market. The Board monitors the return on capital (defined as total shareholders' equity plus net debt), and targets a return in excess of 15% together with a dividend level that is compatible with industry norms, but which also reflects any exceptional market conditions.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group actively manages foreign currency and interest rate exposure, as well as actively managing the net asset position, in order to create bottom line value. This necessitates the development of a methodology to optimise the allocation of financial resources on the one hand and the return on capital on the other.

The Board closely monitors externally imposed capital restrictions which are present due to covenants within the Group's core banking facilities.

There were no changes to the Group's approach to capital management during the year.

20 PROVISIONS FOR LIABILITIES

Guarantees and warranties	2017 €m	2016 €m
At 1 January	**100.9**	83.6
Arising on acquisitions (Note 22)	**5.2**	7.5
Provided during year	**41.8**	49.3
Claims paid	**(27.1)**	(22.8)
Provisions released	**(17.1)**	(12.8)
Effect of movement in exchange rates	**(2.7)**	(3.9)
At 31 December	**101.0**	100.9
Current liability	**52.3**	55.5
Non-current liability	**48.7**	45.4
	101.0	100.9

The Group manufactures a wide range of insulation and related products for use primarily in the construction sector. Some products carry formal guarantees of satisfactory performance of varying periods following their purchase by customers and a provision is carried in respect of the expected costs of settling warranty and guarantee claims which arise. Both the number of claims and the cost of settling the claim are sensitive to change but not to such an extent as would cause a material change in the provision. Provisions are reviewed by management on a regular basis, and adjusted to reflect the current best estimate of the economic outflow. If it is no longer probable that an outflow of economic benefits will be required, the related provision is reversed.

For the non-current element of the provision, the Group anticipates that these will be utilised within three years of the reporting date. Discounting of the non-current element has not been applied because the discount would be immaterial.

The Group is not engaged in any material litigation.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

21 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities arising from temporary differences and unused tax losses after offset are as follows:

	2017 €m	2016 €m
Deferred tax assets	16.5	12.0
Deferred tax liabilities	(38.7)	(37.8)
Net Position	(22.2)	(25.8)

Deferred tax arises from differences in the carrying value of items such as property, plant and equipment, intangibles, pension obligations, and other temporary differences in the financial statements and the tax base established by the tax authorities.

The movement in the net deferred tax position for 2017 is as follows:

	Balance 1 Jan 2017 €m	Recognised in profit or loss €m	Recognised in equity €m	Recognised in other comprehensive income €m	Translation adjustment €m	Arising on acquisitions €m	Balance 31 Dec 2017 €m
Property, plant and equipment	(46.3)	5.3	-	-	1.2	(0.8)	**(40.6)**
Intangibles	(26.8)	3.1	-	-	1.6	(2.8)	**(24.9)**
Other temporary differences	39.2	(3.9)	3.9	-	(2.1)	(1.3)	**35.8**
Pension obligations	(0.1)	1.0	-	(0.2)	0.2	-	**0.9**
Unused tax losses	8.2	(1.1)	-	-	(0.5)	-	**6.6**
	(25.8)	4.4	3.9	(0.2)	0.4	(4.9)	**(22.2)**

The movement in the net deferred tax position for 2016 is as follows:

	Balance 1 Jan 2016 €m	Recognised in profit or loss €m	Recognised in equity €m	Recognised in other comprehensive income €m	Translation adjustment €m	Arising on acquisitions €m	Balance 31 Dec 2016 €m
Property, plant and equipment	(49.2)	3.1	-	-	1.1	(1.3)	**(46.3)**
Intangibles	(20.6)	1.2	-	-	(1.0)	(6.4)	**(26.8)**
Other temporary differences	34.6	(1.6)	1.4	0.1	0.5	4.2	**39.2**
Pension obligations	(1.5)	0.4	-	0.6	0.4	-	**(0.1)**
Unused tax losses	3.5	0.3	-	-	0.4	4.0	**8.2**
	(33.2)	3.4	1.4	0.7	1.4	0.5	**(25.8)**

22 BUSINESS COMBINATIONS

In September 2017, the Group acquired 51% of the share capital of Isoeste Construtivos Isotermicos S.A. ("Isoeste"), a Brazilian Insulated Panels business. Isoeste is the leading insulated panel manufacturer in Brazil, operating from four manufacturing sites. The total consideration, including debt acquired and related costs, amounted to €75.0m, representing the maximum amount of identifiable consideration, comprising of €41.8m paid in cash on completion and €33.2m in deferred contingent consideration.

In November 2017, the Group acquired 100% of the share capital of Brakel Investments BV, the holding company of the Brakel Group ("Brakel"), a Dutch based operation specialising in Light and Air solutions. The total consideration, including debt acquired and related costs, amounted to €73.3m, all of which was settled in cash on completion.

The Group also made a number of smaller acquisitions during the year for a combined consideration of €58.8m:

→ the purchase of 100% of the share capital of CPI Daylighting Inc, a US based daylight solution manufacturing business;
→ the purchase of 100% of the share capital of Rhino Water Tanks & Liners Pty. Limited, a manufacturer and supplier of large scale steel based rain water harvesting systems in Australia;
→ the purchase of 51% of the share capital of PanelMET S.A.S., a Colombian based insulated panels manufacturing business;
→ the asset purchase of the Jansen Building Products Access Floors business in Belgium;
→ the acquisition of two smaller bolt-on European businesses.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

22 BUSINESS COMBINATIONS (continued)

The provisional fair values of the acquired assets and liabilities at acquisition are set out below:

	Isoeste €m	Brakel €m	Other* €m	Total €m
Non-current assets				
Intangible assets	5.3	-	7.6	**12.9**
Property, plant and equipment	12.9	10.5	16.4	**39.8**
Deferred tax asset	-	-	3.9	**3.9**
Current assets				
Inventories	23.4	3.9	5.1	**32.4**
Trade and other receivables	29.0	14.2	8.2	**51.4**
Current liabilities				
Trade and other payables	(22.4)	(14.7)	(12.8)	**(49.9)**
Provisions for liabilities	-	(1.5)	(3.7)	**(5.2)**
Non-current liabilities				
Retirement benefit obligation	-	(0.3)	(0.3)	**(0.6)**
Deferred tax liabilities	(1.8)	(1.7)	(5.3)	**(8.8)**
Total identifiable assets	46.4	10.4	19.1	**75.9**
Non-controlling interest arising on acquisition (Note 28)	(24.6)	-	(0.3)	**(24.9)**
Goodwill	53.2	62.9	40.0	**156.1**
Total consideration	75.0	73.3	58.8	**207.1**
Satisfied by:				
Cash (net of cash acquired)	41.8	73.3	58.8	**173.9**
Deferred contingent consideration	33.2	-	-	**33.2**
	75.0	73.3	58.8	**207.1**

** Included in other are certain immaterial remeasurements of prior year accounting estimates.*

The acquired goodwill is attributable principally to the profit generating potential of the businesses, together with cross-selling opportunities and other synergies expected to be achieved from integrating the acquired businesses into the Group's existing business.

In the post-acquisition period to 31 December 2017, the businesses acquired during the current year contributed revenue of €80.9m and trading profit of €9.5m to the Group's results.

The full year revenue and trading profit had the acquisitions taken place at the start of the year, would have been €3,853.8m and €397.3m respectively.

The gross contractual value of trade and other receivables as at the respective dates of acquisition amounted to €55.3m. The fair value of these receivables is €51.4m, all of which is recoverable, and is inclusive of an aggregate impairment provision of €3.9m.

Given the nature of the acquisitions completed during the year, there is €25.5m of goodwill (2016: €26.2m) which is expected to be deductible for tax purposes.

The Group incurred acquisition related costs of €3.6m (2016: €3.1m) relating to external legal fees and due diligence costs. These costs have been included in operating costs in the Consolidated Income Statement.

The deferred contingent consideration reflects the present value, which is based on a multiple of a target EBITDA, of the remaining obligation associated with the Group's 51% interest in the Isoeste business. A put option is also in place over the remaining 49% of both the Isoeste and PanelMET businesses, the details of which are set out in Note 18.

The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis in respect of a number of the business combinations above given their proximity to year-end. Any amendments to these fair values within the twelve month timeframe from the date of acquisition will be disclosable in the 2018 Annual Report, as stipulated by IFRS 3.

The Group also announced two acquisitions in 2017 which are in the process of obtaining regulatory approval at the date of approval of these financial statements. The combined aggregate consideration is €440m. Further details of these possible acquisitions are set out overleaf.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

22 BUSINESS COMBINATIONS (continued)

Synthesia

On 15 December 2017 the Group announced that it had entered into an agreement to acquire the Synthesia Group which is comprised of Synthesia Espanola S.A., Poliuretanos S.A., Huurre Iberica S.A. and their respective subsidiaries (together "Synthesia").

Through its Huurre and Poliuretanos businesses, Synthesia gives the Group a leading position in both Insulated Panels and Insulation Boards on the Iberian Peninsula and strengthens its emerging Insulated Panels presence in Central and South America. It also provides an excellent technology platform for blended chemical systems similar to those used throughout the wider Kingspan Group. Synthesia is headquartered near Barcelona, with eight manufacturing facilities across Northern Spain and Panama and has approximately 575 employees across all businesses. Unaudited revenues and EBITDA for the twelve months to 31 August 2017 were €314m and €24m respectively. Synthesia had gross assets of €180m at 31 December 2016. The acquisition agreement is conditional on regulatory clearance, and is expected to complete mid 2018.

Balex

On 8 December 2017 the Group agreed to acquire 100% of Balex Metal sp. z.o.o. ("Balex"), a Polish based manufacturer of Insulated Panels and Insulation Boards with revenues for the year ended 31 December 2016 of €160m across five manufacturing sites. The Balex acquisition is conditional on regulatory clearance, and is expected to complete mid 2018.

Prior year acquisitions

In the prior year, the Group acquired 100% of the share capital Essmann Gebaudetechnik Gmbh, 100% of the share capital of Euroclad (Holdings) Limited, 100% of the share capital of Eurobond Laminates Limited, 85% of the share capital Tankworks Australia Pty Limited, the assets of Bristol Fiberlite Industries Inc. ("Bristolite"), 100% of the share capital of the Paroc Group and 62.5% of the share capital of Isocab Isobar NV.

The provisional fair values as recognised at 31 December 2016 of the acquired assets and liabilities at acquisition are set out below:

	Essmann €m	Euro Group €m	Other €m	Total €m
Non-current assets				
Intangible assets	8.7	10.3	6.2	**25.2**
Property, plant and equipment	13.5	5.5	11.9	**30.9**
Deferred tax asset	5.9	0.7	1.1	**7.7**
Current assets				
Inventories	15.3	7.7	15.4	**38.4**
Trade and other receivables	29.4	22.1	22.3	**73.8**
Current liabilities				
Trade and other payables	(23.5)	(22.7)	(23.3)	**(69.5)**
Provisions for liabilities	(3.7)	(2.1)	(1.7)	**(7.5)**
Non-current liabilities				
Retirement benefit obligation	(4.6)	-	-	**(4.6)**
Deferred tax liabilities	(2.8)	(2.4)	(2.0)	**(7.2)**
Total identifiable assets	38.2	19.1	29.9	**87.2**
Non-controlling interest arising on acquisition (Note 28)	-	-	(3.5)	**(3.5)**
Goodwill	41.4	75.1	62.2	**178.7**
Total consideration	79.6	94.2	88.6	**262.4**
Satisfied by:				
Cash (net of cash acquired)	79.6	94.2	77.6	**251.4**
Deferred contingent consideration	-	-	5.4	**5.4**
Transfer of assets	-	-	5.6	**5.6**
	79.6	94.2	88.6	**262.4**

In the post-acquisition period to 31 December 2016, the acquired businesses contributed revenue of €144.5m and a trading profit of €10.9m to the Group's results.

The full year revenue and trading profit had the acquisitions taken place at the start of the year, would have been €3.3bn and €362m.

The Group incurred acquisition related costs of €3.1m (2015: €3.8m) relating to external legal fees and due diligence costs. These costs have been included in operating costs in the Income Statement.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

23 SHARE CAPITAL

	2017 €m	2016 €m
Authorised		
250,000,000 Ordinary shares of €0.13 each (2016: 220,000,000 Ordinary shares of €0.13 each)	**32.5**	28.6
Issued and fully paid		
Ordinary shares of €0.13 each		
Opening balance – 180,051,534 (2016: 178,957,056) shares	**23.4**	23.3
Share options exercised – 1,290,781 (2016: 1,094,478) shares	**0.2**	0.1
Closing balance – 181,342,315 (2016: 180,051,534) shares	**23.6**	23.4

During the year the authorised share capital was increased by 30,000,000 shares.

Details of share options exercised are set out in Note 3 to the financial statements.

24 SHARE PREMIUM

	2017 €m	2016 €m
At 1 January	**95.6**	92.5
Premium on share options exercised under employee share based compensation schemes	**-**	3.1
At 31 December	**95.6**	95.6

25 TREASURY SHARES

Consideration paid	2017			2016		
	No. of shares	Consideration paid €	Total €m	No. of shares	Consideration paid €	Total €m
At 1 January	1,969,826	6.32	12.5	1,938,257	5.83	11.3
Repurchase of shares	49,924	29.23	1.5	50,607	25.10	1.3
Shares issued	-	-	-	(19,038)	6.21	(0.1)
At 31 December	2,019,750	6.89	14.0	1,969,826	6.32	12.5

Nominal value	2017			2016		
	No. of shares	Nominal value €	Total €	No. of shares	Nominal value €	Total €
At 1 January	1,969,826	0.13	256,077	1,938,257	0.13	251,973
Repurchase of shares	49,924	0.13	6,490	50,607	0.13	6,579
Shares issued	-	-	-	(19,038)	0.13	(2,475)
At 31 December	2,019,750	0.13	262,567	1,969,826	0.13	256,077

During the year, the Company repurchased 49,924 of its own shares at a cost of €1.5m. The nominal value of these shares at the date of purchase was €6,490. The repurchase was in connection with the Deferred Bonus Plan, as set out in the Report to the Remuneration Committee.

The Company holds 1.1% of the issued ordinary share capital as treasury shares.

26 RETAINED EARNINGS

In accordance with Section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its individual Income Statement to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's profit for the financial year was €83.0m (2016: €4.9m).

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

27 DIVIDENDS

Equity dividends on ordinary shares:	2017 €m	2016 €m
2017 Interim dividend 11.0 cent (2016: 10.0 cent) per share	**19.7**	17.8
2016 Final dividend 23.5 cent (2015: 17.0 cent) per share	**42.0**	30.2
	61.7	48.0
Proposed for approval at AGM		
Final dividend of 26.0 cent (2016: 23.5 cent) per share	**46.6**	42.3

This proposed dividend for 2017 is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in the Statement of Financial Position of the Group as at 31 December 2017 in accordance with IAS 10 *Events after the Reporting Period*. The proposed final dividend for the year ended 31 December 2017 will be payable on 27 April 2018 to shareholders on the Register of Members at close of business on 23 March 2018.

28 NON-CONTROLLING INTEREST

	2017 €m	2016 €m
At 1 January	**16.6**	11.4
Profit for the year attributable to non-controlling interest	**1.6**	0.1
Arising on acquisition (Note 22)	**24.9**	3.5
Change of ownership interest transferred from retained earnings	**-**	1.5
Dividends paid to minorities	**-**	(0.4)
Share of foreign operations' translation movement	**(3.2)**	0.5
At 31 December	**39.9**	16.6

During the year, the Group acquired 51% of the ordinary share capital of Isoeste Construtivos Isotermicos S.A., a Brazilian Insulated Panels business. As part of the acquisition, the Group recognised the 49% non-controlling interest of €24.6m.

In addition, the Group acquired 51% of PanelMET S.A.S., a Colombian Insulated Panels business. As part of this acquisition, the Group recognised the 49% non-controlling interest of €1.1m.

Further details on both these acquisitions are provided in Note 22.

29 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2017 €m	2016 €m
Movement in cash and bank overdrafts	**(35.3)**	28.1
Drawdown of loans	**(30.4)**	(220.0)
Repayment of loans	**41.8**	99.4
Settlement of derivative financial instrument	**(8.0)**	-
Increase in lease finance	**(0.8)**	(1.8)
Change in net debt resulting from cash flows	**(32.7)**	(94.3)
Translation movement - relating to US dollar loan	**25.9**	(5.6)
Translation movement – other	**(10.9)**	(19.0)
Derivative financial instruments movement	**(18.3)**	19.0
Net movement	**(36.0)**	(99.9)
Net debt at start of the year	**(427.9)**	(328.0)
Net debt at end of the year	**(463.9)**	(427.9)

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

29 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (continued)

A reconciliation of liabilities arising from financing activities is set out below.

	Balance 1 Jan 2017 €m	Repayments €m	Drawdowns/ Receipts €m	Non cash movements €m	Balance 31 Dec 2017 €m
Bank loans	3.8	(2.0)	0.4	0.8	3.0
Loan notes	691.1	(39.8)	30.0	(25.9)	655.4
Finance leases	3.5	-	0.8	-	4.3
Derivatives	(48.5)	-	8.0	18.3	(22.2)
	649.9	(41.8)	39.2	(6.8)	640.5

30 CASH GENERATED FROM OPERATIONS

	2017 €m	2016 €m
Profit for the year	**285.9**	255.5
Add back non-operating expenses:		
-Income tax expense	**60.6**	58.5
-Depreciation of property, plant and equipment	**64.2**	63.2
-Amortisation of intangible assets	**15.7**	12.6
-Impairment of non-current assets	**3.1**	3.4
-Employee equity-settled share options	**10.7**	10.4
-Finance income	**(0.5)**	(0.1)
-Finance expense	**16.4**	14.4
-Profit on sale of property, plant and equipment	**(2.1)**	(1.4)
-Profit on disposal of subsidiary	**(2.9)**	-
Changes in working capital:		
-Inventories	**(64.8)**	(39.9)
-Trade and other receivables	**(47.7)**	(75.7)
-Trade and other payables	**27.2**	62.5
Other		
-Change in provisions	**(2.4)**	13.7
-Pension contributions	**(0.9)**	(2.9)
Cash generated from operations	**362.5**	374.2

31 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

(i) Guarantees and contingencies

The Group's principal debt facilities are secured by means of cross guarantees provided by Kingspan Group plc. These include drawn private placement notes of $200m and €487.5m, undrawn private placement notes of €175m and undrawn committed banking facilities of €550m.

(ii) Leases

Finance lease liabilities are payable as follows:

	Future minimum lease payment		Interest		Present value of minimum lease payments	
	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m
Less than one year	0.6	1.2	-	0.1	0.6	1.1
Between 1 - 5 years	4.4	2.9	0.7	0.5	3.7	2.4
	5.0	**4.1**	**0.7**	**0.6**	**4.3**	**3.5**

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

31 GUARANTEES AND OTHER FINANCIAL COMMITMENTS (continued)

Total obligations under non-cancellable operating leases are due as follows:

	Minimum payments 2017 €m	Minimum payments 2016 €m
Less than one year	**19.2**	20.7
Between 1 - 5 years	**48.3**	52.1
More than 5 years	**39.8**	45.3
	107.3	118.1

(iii) Future capital expenditure

Capital expenditure in subsidiary entities, approved by the directors but not provided in the financial statements, is as follows:

	2017 €m	2016 €m
Contracted for	**45.2**	27.3
Not contracted for	**20.4**	17.8
	65.6	45.1

32 PENSION OBLIGATIONS

The Group operates defined contribution schemes in each of its main operating locations. The Group also has a number of defined benefit schemes in the UK and mainland Europe.

Defined contribution schemes

The total cost charged to profit or loss of €11.8m (2016: €11.0m) represents employer contributions payable to these schemes in accordance with the rules of each plan. An amount of €5.0m (2016: €5.3m) was included at year end in accruals in respect of defined contribution pension accruals.

Contributions for key management personnel to defined contribution schemes are set out in Note 7.

Defined benefit schemes / obligations

The Group has two legacy defined benefit schemes in the UK, both of which are closed to new members and to future accrual. The total pension contributions to these schemes for the year amounted to €0.2m (2016: €2.0m) and the expected contributions for 2018 are €0.1m.

The Group also has pension obligations in mainland Europe which are accounted for as defined benefit obligations. These obligations have been accounted for in line with the Group's existing pension obligations whereby companies are not required to fund independent schemes for post employment benefit obligations. Instead, commencing from the date the employee becomes eligible to receive the income stream, this obligation is satisfied from available cash resources of the relevant employing company. A provision has been made for the unfunded liability. €0.7m of pension entitlements have been paid to retired former employees during the year (2016: €0.9m).

The pension costs relating to all of the above defined benefit obligations are assessed in accordance with the advice of qualified actuaries. In the case of the two UK legacy schemes, the most recent actuarial valuations were performed as of 31 December 2017. In general, actuarial valuations are not available for public inspection; however, the results of valuations are advised to members of the various schemes.

The extent of the Group's obligation under these schemes is sensitive to judgemental actuarial assumptions, of which the principal ones are set out overleaf. It is not considered that any reasonable sensitivity analysis on these assumptions would materially alter the scheme obligations.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

32 PENSION OBLIGATIONS (continued)

	2017	2016
Life expectancies		
Life expectancy for someone aged 65 - Males	22.1	22.2
Life expectancy for someone aged 65 - Females	23.9	24.2
Life expectancy at age 65 for someone aged 45 - Males	23.5	23.9
Life expectancy at age 65 for someone aged 45 - Females	25.4	26.1
Rate of increase in salaries	0% - 2.75%	0% - 2.75%
Rate of increase of pensions in payment	0% - 2.1%	0% - 2.1%
Rate of increase for deferred pensioners	2% - 2.2%	2.2%
Discount rate	1.3% - 2.6%	1.3% - 2.6%
Inflation rate	1% - 3.2%	1% - 2.2%

Movements in net liability recognised in the Statement of Financial Position

	2017 €m	2016 €m
Net liability in schemes at 1 January	(14.1)	(7.3)
Acquired (Note 22)	(0.6)	(4.6)
Employer contributions	0.9	2.9
Recognised in income statement	(0.6)	(0.4)
Recognised in statement of comprehensive income	1.0	(2.9)
Foreign exchange movement	(0.2)	(1.8)
Net liability in schemes at 31 December	(13.6)	(14.1)

Defined benefit pension income/expense recognised in the Income Statement

	2017 €m	2016 €m
Current service cost	(0.4)	(0.1)
Settlements of scheme obligations	(0.1)	(0.2)
Total, included in operating costs	(0.5)	(0.3)
Movement on scheme obligations	(2.0)	(2.6)
Interest on scheme assets	1.9	2.5
Net interest expense, included in finance expense (Note 5)	(0.1)	(0.1)

Analysis of amount included in other comprehensive income

	2017 €m	2016 €m
Actual return less interest on scheme assets	2.2	11.8
Experience gain arising on scheme liabilities	0.3	1.6
Actuarial gain arising from changes in demographic assumptions	1.0	0.6
Actuarial (loss)/gain arising from changes in financial assumptions	(2.5)	(16.9)
(Loss)/gain recognised in other comprehensive income	1.0	(2.9)

The cumulative actuarial loss recognised in other comprehensive income to date is €19.2m (2016: €20.2m).

In 2017, the actual return on plan assets was €4.1m (2016: €14.3m).

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

32 PENSION OBLIGATIONS (continued)

Asset Classes and Expected Rate of Return

The assets in the scheme at each year end were as follows:

	2017	2016
Asset Classes as % of Total Scheme Assets		
Equities	46.0%	66.7%
Bonds (Corporates)	0.3%	0.4%
Cash	0.2%	0.2%
Liability Driven Investment (LDI)	53.5%	32.7%
	100%	100%

The net pension liability is analysed as follows:

	2017 €m	2016 €m
Equities	34.9	51.2
Bonds (Corporates)	0.2	0.3
Cash	0.2	0.1
Liability Driven Investment (LDI)	41.6	25.5
Fair market value of plan assets	76.9	77.1
Present value of obligation	(90.5)	(91.2)
Deficit	(13.6)	(14.1)
Analysed between:		
Funded schemes' surplus	7.9	6.7
Unfunded obligations	(21.5)	(20.8)
	(13.6)	(14.1)
Related deferred tax (asset)/liability	(0.9)	0.1

Changes in present value of defined benefit obligations	2017 €m	2016 €m
At 1 January	91.2	82.7
Acquired through business combination	1.2	4.6
Current service cost	0.4	0.2
Interest cost	2.0	2.6
Benefits paid	(2.9)	(4.1)
Settlement	(0.2)	(0.1)
Actuarial losses/(gains)	1.2	14.7
Effect of movement in exchange rates	(2.4)	(9.4)
At 31 December	90.5	91.2

Changes in present value of scheme assets during year	2017 €m	2016 €m
At 1 January	77.1	75.4
Acquired through business combination	0.6	-
Interest on scheme assets	1.9	2.5
Employer contributions	0.3	2.0
Benefits paid	(2.3)	(3.2)
Settlement	(0.3)	(0.3)
Actual return less interest	2.2	11.8
Effect of movement in exchange rates	(2.6)	(11.1)
At 31 December	76.9	77.1

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

33 RELATED PARTY TRANSACTIONS

The principal related party relationships requiring disclosure under IAS 24 *Related Party Disclosures* relate to (i) transactions between group companies, (ii) compensation of key management personnel and (iii) goods and services purchased from directors.

(i) Transactions between subsidiaries and associates are carried out on an arm's length basis.

The Company received dividends from subsidiaries of €67.0m (2016: €nil), and there was a net increase in the intercompany balance of €23.2m (2016: €39.7m decrease).

Transactions with the Group's non-wholly owned subsidiaries primarily comprise trading sales and capital funding, carried out on an arm's length basis. These transactions are not considered to be material.

(ii) For the purposes of the disclosure requirements of IAS 24 *Related Party Disclosures*, the term "key management personnel" (i.e. those persons having the authority and responsibility for planning, directing and controlling the activities of the Company), comprise the board of directors who manage the business and affairs of the Company. As identified in the Report of the Remuneration Committee, the directors, other than the non-executive directors, serve as executive officers of the Group.

Key management personnel compensation is set out in Note 7.

Mr Eugene Murtagh received dividends of €10.0m during the year from the Group (2016: €8.1m). Dividends of €0.82m were paid to other key management personnel (2016: €0.65m).

(iii) The Group purchased legal services in the sum of €135,916 (2016: €108,104) from McCann FitzGerald Solicitors, a firm in which Mr John Cronin is a partner.

34 POST BALANCE SHEET EVENTS

There have been no material events subsequent to 31 December 2017 which would require adjustment to or disclosure in this report.

35 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the directors on 23 February 2018.

Other information

ALTERNATIVE PERFORMANCE MEASURES (APMs)

The Group uses a number of metrics, which are non-IFRS measures, to monitor the performance of its operations.

The Group believes that these metrics assist investors in evaluating the performance of the underlying business. Given that these metrics are regularly used by management, they also give the investor an insight into how Group management review and monitor the business on an ongoing basis.

The principal APMs used by the Group are defined as follows:

TRADING PROFIT

This comprises the operating profit as reported in the Income Statement before intangible asset amortisation and non trading items. This equates to the Earnings Before Interest, Tax and Amortisation ("EBITA") of the Group.

	Financial Statements Reference	2017 €m	2016 €m
Trading profit	Note 2	**337.5**	**340.9**

TRADING MARGIN

Measures the trading profit as a percentage of revenue

	Financial Statements Reference	2017 €m	2016 €m
Trading Profit	Note 2	377.5	340.9
Total Group Revenue	Note 2	3,668.1	3,108.5
Trading margin		**10.3%**	**11.0%**

NET INTEREST

The Group defines net interest as the net total of finance costs and finance income as presented in the Income Statement

	Financial Statements Reference	2017 €m	2016 €m
Finance Costs	Note 5	16.4	14.4
Finance Income	Note 5	(0.5)	(0.1)
Net Interest		**15.9**	**14.3**

NON TRADING ITEMS

The Group defines non trading items as significant one off items which are not part of regular trading performance of the Group. These may include significant restructuring costs, profit or loss on disposal of investments, significant impairment of assets. Judgment is used by the Group in assessing whether the particular items, by their scale and nature, should be classified as non trading items.

ADJUSTED EARNINGS PER SHARE

The Group defines adjusted earnings per share as basic earnings per share adjusted for the impact of intangible amortisation and non trading items, net of tax.

	Financial Statements Reference	2017 €m	2016 €m
Profit attributable to ordinary shareholders	Note 9	284.3	255.4
Intangible amortisation	Note 2	15.7	12.6
Intangible amortisation tax impact	Note 21	(3.1)	(1.2)
Non-trading items	Note 4	(0.4)	-
		296.5	266.8
Weighted average number of shares	Note 9	178,854	177,637
Adjusted earnings per share		**165.8 cent**	**150.2 cent**

ALTERNATIVE PERFORMANCE MEASURES (APMs) (continued)

FREE CASH FLOW

Free cash flow is the cash generated from operations after net capital expenditure, interest paid and income taxes paid and reflects the amount of internally generated capital available for re-investment in the business or for distribution to shareholders.

	Financial Statements Reference	2017 €m	2016 €m
Net cash flow from operating activities	Consolidated Statement of Cash Flows	283.6	309.6
Additions to property, plant, equipment and intangibles	Consolidated Statement of Cash Flows	(89.8)	(113.3)
Proceeds from disposals of property, plant and equipment	Consolidated Statement of Cash Flows	4.2	10.2
Interest received	Consolidated Statement of Cash Flows	0.5	0.1
Free cash flow		**198.5**	**206.6**

RETURN ON CAPITAL EMPLOYED (ROCE)

ROCE is the adjusted operating profit before interest and tax expressed as a percentage of the net assets employed. The net assets employed reflect the net assets, excluding net debt, at the end of each reporting period.

	Financial Statements Reference	2017 €m	2016 €m
Net Assets	Consolidated Statement of Financial Position	1,568.0	1,471.5
Net Debt	Note 17	463.9	427.9
		2,031.9	1,899.4
Operating profit before interest and tax	Consolidated Income Statement	362.4	328.3
Return on capital employed		**17.8%**	**17.3%**

NET DEBT

Net debt represents the net total of current and non-current borrowings, current and non-current derivative financial instruments, excluding foreign currency derivatives which are used for transactional hedging, and cash and cash equivalents as presented in the Statement of Financial Position.

	Financial Statements Reference	2017 €m	2016 €m
Net Debt	Note 17	**463.9**	**427.9**

WORKING CAPITAL

Working capital represents the net total of inventories, trade and other receivables and trade and other payables, net of transactional foreign currency derivation excluded from net debt.

	Financial Statements Reference	2017 €m	2016 €m
Trade and other receivables	Note 15	675.9	601.9
Inventories	Note 14	447.1	365.5
Trade and other payables	Note 16	(645.2)	(585.2)
Foreign currency derivatives excluded from net debt	Note 19	-	0.5
Working capital		**477.8**	**382.7**

SHAREHOLDER INFORMATION

THE ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at The Herbert Park Hotel, Ballsbridge, Dublin 4 on Friday 20 April 2018 at 10.00 a.m.

Notice of the 2018 AGM will be made available to view online at www.kingspan.com/agm2018

You may submit your votes electronically by accessing Computershare's website:

http://www.eproxyappointment.com/

You will be asked for your Shareholder Reference Number (SRN), Control Number, and PIN, all of which will have been sent to shareholders in advance of the meeting. To be valid, your proxy vote must be received by Computershare no later than 10.00 am on Wednesday 18 April 2018 (48 hours before the meeting).

AMALGAMATION OF SHAREHOLDING ACCOUNTS

Shareholders who receive duplicate sets of Company mailings due to multiple accounts in their name should write to the Company's Registrar to have their accounts amalgamated.

WARNING TO SHAREHOLDERS

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based "brokers" who target shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Computershare, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment "advice".

If you are in any doubt about the veracity of an unsolicited phone call, please call either the Company Secretary or the Registrar.

COMPANY INFORMATION

Kingspan Group plc was incorporated on 14 August 1979. It is an Irish domiciled company and the registered office is Kingspan Group plc, Dublin Road, Kingscourt, Co. Cavan, A82 XY31, Ireland. The registered company number of Kingspan Group plc is 70576.

SHARE REGISTRAR

Administrative enquiries about the holding of Kingspan Group plc shares should be directed to:

The Company Registrar:
Computershare Investor Services (Ireland) Limited,
Heron House,
Corrig Road,
Sandyford Industrial Estate,
Dublin 18.

FINANCIAL CALENDAR

Preliminary results announced:	23 February 2018
Annual General Meeting:	20 April 2018
Payment date for 2017 final dividend:	27 April 2018
Ex dividend date:	22 March 2018
Record date:	23 March 2018
Half-yearly financial report:	24 August 2018
Trading update:	12 November 2018

BANKERS

Bank of America Merrill Lynch	HSBC Bank plc
ING Bank NV	BNP Paribas
Commerzbank	Danske Bank AS
JP Morgan Chase Bank	KBC Bank NV
Ulster Bank Ireland Limited	Bank of Ireland

SOLICITORS

McCann FitzGerald,
Riverside One,
Sir John Rogerson's Quay,
Dublin 2,
Ireland.

Allen & Overy LLP,
One Bishops Square,
London,
E1 6AD,
England.

STOCKBROKERS

Goodbody,
Ballsbridge Park,
Ballsbridge,
Dublin 4
Ireland.

JP Morgan Cazenove,
25 Bank Street,
Canary Wharf,
London, E14 5JP,
England.

AUDITOR

KPMG,
Chartered Accountants & Statutory Auditor,
1 Stokes Place,
St Stephen's Green,
Dublin 2,
Ireland.

INFORMATION REQUIRED BY THE EUROPEAN COMMUNITIES (TAKEOVER BIDS (DIRECTIVE 2004/25/EC)) REGULATIONS 2006

The information required by Regulation 21 of the above Regulations as at 31 December 2017 is set out below.

Rights and obligations attaching to the Ordinary Shares

The Company has no securities in issue conferring special rights with regards control of the Company.

All Ordinary Shares rank *pari passu*, and the rights attaching to the Ordinary Shares (including as to voting and transfer) are as set out in the Company's Articles of Association ("Articles"). The Articles of Association also contain the rules relating to the appointment and removal of directors, rules relating to the amending of the Articles of Association, the powers of the Company's directors and in relation to issuing or buying back by the Company of its shares. A copy of the Articles may be found on www.kingspan.com or may be obtained on request to the Company Secretary.

Holders of Ordinary Shares are entitled to receive duly declared dividends in cash or, when offered, additional Ordinary Shares. In the event of any surplus arising on the occasion of the liquidation of the Company, shareholders would be entitled to a share in that surplus pro rata to their holdings of Ordinary Shares.

Holders of Ordinary Shares are entitled to receive notice of and to attend, speak and vote in person or by proxy, at general meetings having, on a show of hands, one vote, and, on a poll, one vote for each Ordinary Share held. Procedures and deadlines for entitlement to exercise, and exercise of, voting rights are specified in the notice convening the general meeting in question. There are no restrictions on voting rights except in the circumstances where a "Specified Event" (as defined in the Articles) shall have occurred and the directors have served a Restriction Notice on the shareholder. Upon the service of such Restriction Notice, no holder of the shares specified in the notice shall, for so long as such notice shall remain in force, be entitled to attend or vote at any general meeting, either personally or by proxy.

Holding and transfer of ordinary shares

The Ordinary Shares may be held in either certificated or uncertificated form (through CREST).

Save as set out below, there is no requirement to obtain the approval of the Company, or of other shareholders, for a transfer of Ordinary Shares. The directors may decline to register (a) any transfer of a partly-paid share to a person of whom they do not approve, (b) any transfer of a share to more than four joint holders, (c) any transfer of a share on which the Company has a lien, and (d) any transfer of a certificated share unless accompanied by the share certificate and such other evidence of title as may reasonably be required. The registration of transfers of shares may be suspended at such times and for such periods (not exceeding 30 days in each year) as the directors may determine.

Transfer instruments for certificated shares are executed by or on behalf of the transferor and, in cases where the share is not fully paid, by or on behalf of the transferee. Transfers of uncertificated shares may be effected by means of a relevant system in the manner provided for in the Companies Act, 1990 (Uncertificated Securities) Regulations, 1996 (the "CREST Regulations") and the rules of the relevant system. The directors may refuse to register a transfer of uncertificated shares only in such circumstances as may be permitted or required by the CREST Regulations.

Rules concerning the appointment and replacement of the directors and amendment of the Company's Articles

Unless otherwise determined by ordinary resolution of the Company, the number of directors shall not be less than two or more than 15.

Subject to that limit, the shareholders in general meeting may appoint any person to be a director either to fill a vacancy or as an additional director. The directors also have the power to co-opt additional persons as directors, but any director so co-opted is under the Articles required to be submitted to shareholders for re-election at the first annual general meeting following his or her co-option.

The Articles require that at each annual general meeting of the Company one-third of the directors retire by rotation. However, in accordance with the recommendations of the UK Corporate Governance Code, the directors have resolved they will all retire and submit themselves for re-election by the shareholders at the Annual General Meeting to be held on 20 April 2018.

The Company's Articles may be amended by special resolution (75% majority of votes cast) passed at general meeting.

Powers of directors including powers in relation to issuing or buying back by the Company of its shares

Under its Articles, the business of the Company shall be managed by the directors, who exercise all powers of the Company as are not, by the Companies Acts or the Articles, required to be exercised by the Company in general meeting.

The directors are currently authorised to issue a number of shares equal to the authorised but as yet unissued share capital of the Company on such terms as they may consider to be in the best interests of the Company, under an authority that was conferred on them at the Annual General Meeting held on 27 April 2017. The directors are also currently authorised on the issue of new equity for cash to disapply the strict statutory pre-emption provisions that would otherwise apply, provided that the disapplication is limited to the allotment of equity securities in connection with any rights issue or any open offer to shareholders, or the allotment of shares not exceeding in aggregate 5% of the nominal value of the Company's issued share capital. Both these authorities expire on 20 April 2018 unless renewed and resolutions to that effect are being proposed at the Annual General Meeting to be held on 20 April 2018.

The Company may, subject to the Companies Acts and the Articles, purchase any of its shares and may either cancel or hold in treasury any shares so purchased, and may re-issue any such treasury shares on such terms and conditions as may be determined by the directors. The Company shall not make market purchases of its own shares unless such purchases have been authorised by a special resolution passed by the members of the Company at a general meeting. At the Annual General Meeting held on 27 April 2017, shareholders passed a resolution giving the Company, or any of its subsidiaries, the authority to purchase up to 10% of the Company's issued Ordinary Shares. At the Annual General Meeting to be held on 20 April 2018, shareholders are being asked to renew this authority.

Miscellaneous

There are no agreements between shareholders that are known to the Company which may result in restrictions on the transfer of securities or voting rights.

Certain of the Group's banking facilities include provisions that, in the event of a change of control of the Company, could oblige early prepayment of the facilities. Certain of the Company's joint venture arrangements also contain provisions that would allow the counterparty to terminate the agreement in the event of a change of control of the Company. The Company's Performance Share Plan contains change of control provisions which allow for the acceleration of the exercise of share options/awards in the event of a change of control of the Company.

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

PRINCIPAL SUBSIDIARY UNDERTAKINGS

List of principal subsidiary and joint venture companies and the percentage shareholding held by Kingspan Group plc, either directly or indirectly:-

	% Shareholding	Nature of Business
Ireland		
Aerobord Limited	100	Manufacturing
Kingscourt Trustee Company Limited	100	Trustee Company
Kingspan Century Limited	100	Manufacturing
Kingspan Environmental (Ireland) Limited	100	Manufacturing
Kingspan ESB Designated Activity Company	50	Sales & Marketing
Kingspan Holdings (Irl) Limited	100	Management & Procurement
Kingspan Holdings (North America) Limited	100	Holding Company
Kingspan Holdings (Overseas) Limited	100	Holding Company
Kingspan Holdings Limited	100	Holding Company
Kingspan Insulation Limited	100	Manufacturing
Kingspan International Finance Unlimited Company	100	Finance Company
Kingspan Investments (CEMEI) Unlimited Company	100	Finance Company
Kingspan Light & Air Limited	100	Sales & Marketing
Kingspan Limited	100	Manufacturing
Kingspan RE Limited	100	Property Company
Kingspan Research & Developments Limited	100	Product Development
Kingspan Resources Limited	100	Property Company
Kingspan Securities 2016 Designated Activity Company	100	Finance Company
Kingspan Securities 2017 Designated Activity Company	100	Finance Company
Kingspan Securities Limited	100	Finance Company
Kingspan Securities No. 2 Limited	100	Finance Company
Kingspan Tate Limited	100	Sales & Marketing

	% Shareholding	Nature of Business
United Kingdom		
Booth Muirie Limited	100	Manufacturing
Brakel Airvent Limited	100	Manufacturing
Building Innovation Limited	100	Sales & Marketing
Ecotherm Insulation (UK) Limited	100	Manufacturing
Euro Clad Architectural Limited	100	Manufacturing
Euro Clad Limited	100	Manufacturing
Eurobond Laminates Limited	100	Manufacturing
Fuel Tank Shop Limited	100	Sales & Marketing
Interlink Fabrications Limited	100	Finance Company
Joris Ide Limited	100	Manufacturing
Kingspan Access Floors Limited	100	Manufacturing
Kingspan Energy Limited	100	Sales & Marketing
Kingspan Environmental Limited	100	Manufacturing
Kingspan Group Limited	100	Holding Company
Kingspan Industrial Insulation Limited	100	Manufacturing
Kingspan Insulation Limited	100	Manufacturing
Kingspan Light & Air Limited	100	Sales & Marketing
Kingspan Limited	100	Manufacturing
Kingspan Services (UK) Limited	100	Management & Procurement
Kingspan Timber Solutions Limited	100	Manufacturing
Kingspan Trustee Company Limited	100	Trustee Company
Poultry House Products Limited	100	Manufacturing
Springvale Insulation Limited	100	Manufacturing
Australia		
Kingspan Environmental Pty Limited	85	Manufacturing
Kingspan Insulated Panels Pty Limited	100	Manufacturing
Kingspan Insulation Pty Ltd	100	Sales & Marketing
Nova-Duct Technologies Pty. Ltd.	100	Product Development
Rhino Water Tanks & Liners Pty Ltd	100	Manufacturing
Tate Access Floors Pty Limited	100	Sales & Marketing

	% Shareholding	Nature of Business
Austria		
Hoesch Bausysteme GmbH	100	Sales & Marketing
Kingspan GmbH	100	Sales & Marketing
Azerbaijan		
Izopoli Mahdut Mesuliyeti Cemiyeti	85	Sales & Marketing
Belgium		
Europe Twin Tile NV	100	Manufacturing
Argina Technics NV	100	Manufacturing
Brakel Aero NV	100	Manufacturing
Isomasters NV	62.5	Manufacturing
Joris Ide NV	100	Manufacturing
Kingspan Access Floors Europe NV	100	Manufacturing
Kingspan Door Components SA	100	Manufacturing
Kingspan Insulation NV	100	Manufacturing
Kingspan NV	100	Sales & Marketing
Kingspan Unidek N.V.	100	Sales & Marketing
Bosnia and Herzegovina		
Kingspan D.O.O.	100	Sales & Marketing
Bulgaria		
Kingspan EOOD	100	Sales & Marketing
Brazil		
Kingspan-Isoeste Construtivos Isotérmicos S/A.	51	Manufacturing
Isoeste Transportes Limitada	51	Transport Company
Canada		
Kingspan Insulated Panels Limited	100	Manufacturing
Tate ASP Access Floors Inc.	100	Manufacturing
Vicwest Inc.	100	Manufacturing
Colombia		
Kingspan Comercial SAS	51	Sales & Marketing
PanelMET SAS	51	Manufacturing
Croatia		
Hoesch Gradjevinski Elementi D.O.O.	100	Sales & Marketing
Kingspan D.O.O.	100	Sales & Marketing
Czech Republic		
Hoesch Stavebni Systemy S.R.O	100	Sales & Marketing
Kingspan A.S.	100	Manufacturing
SEP Essmann S.R.O.	100	Sales & Marketing
Denmark		
Kingspan A/S	100	Sales & Marketing
Kingspan Insulation ApS	100	Sales & Marketing
Paroc Panel System A/S	100	Sales & Marketing
Egypt		
Izopoli Egypt LLC	85	Sales & Marketing
Estonia		
Kingspan Insulation OÜ	100	Sales & Marketing
Kingspan OÜ	100	Sales & Marketing

	% Shareholding	Nature of Business
Finland		
Kingspan Insulation Oy	100	Manufacturing
Kingspan Oy	100	Sales & Marketing
Paroc Panel System Oy Ab	100	Manufacturing
France		
Comptoir du Batiment et de L'Industrie SAS	100	Manufacturing
ECODIS SAS	100	Manufacturing
Isocab France SAS	100	Manufacturing
Joris Ide Auvergne SAS	100	Manufacturing
Joris Ide Sud Ouest SAS	100	Manufacturing
Kingspan S.a.r.l.	100	Sales & Marketing
Profinord S.a.r.l.	100	Manufacturing
Societe Bretonne de Profilage SAS	100	Manufacturing
Germany		
Essmann Gebäudetechnik GmbH	100	Manufacturing
Hoesch Bausysteme GmbH	100	Manufacturing
Joris Ide Deutschland GmbH	100	Manufacturing
Kingspan Environmental GmbH	100	Sales & Marketing
Kingspan Investments GmbH	100	Manufacturing
Kingspan GmbH	100	Property Company
Kingspan Insulation Gmbh & Co. KG	100	Manufacturing
Schütze GmbH	100	Manufacturing
Hong Kong		
Tate Access Floors (Hong Kong) Limited	100	Sales & Marketing
Hungary		
Essmann Hungaria Kft.	100	Sales & Marketing
Kingspan Kereskedelmi Kft.	100	Manufacturing
MEGAPROFIL Magyarország Kft.	100	Manufacturing
India		
Kingspan India Private Limited	85	Sales & Marketing
Kingspan Insulation Private Limited	100	Manufacturing
Iran		
Izopoli Pars Private Joint Stock Company	85	Sales & Marketing
Kingspan Insulation Pars	100	Manufacturing
Kenya		
Kingspan Roof and Facade Limited	85	Sales & Marketing
Latvia		
Kingspan SIA	100	Sales & Marketing
Lithuania		
Kingspan UAB	100	Sales & Marketing
Luxembourg		
Naps Holdings (Luxembourg) S.á.r.l.	100	Finance Company

	% Shareholding	Nature of Business
Mexico		
Innovación en Aislamiento Especializado S.A. DE C.V.	100	Management & Procurement
Kingspan Insulated Panels S.A. DE C.V.	100	Manufacturing
Netherlands		
Europe Twin Tile NV	100	Manufacturing
Hoesch Bouwsystemen B.V.	100	Sales & Marketing
Kingspan B.V.	100	Sales & Marketing
Kingspan Holding Netherlands B.V.	100	Holding Company
Kingspan Insulation B.V.	100	Manufacturing
Kingspan (MEATI) B.V.	85	Holding Company
Kingspan Unidek B.V.	100	Manufacturing
Brakel Aluminium B.V.	100	Manufacturing
Brakel Atmos B.V.	100	Manufacturing
New Zealand		
Kingspan Insulation NZ Limited	100	Sales & Marketing
Kingspan Limited	100	Sales & Marketing
Norway		
Kingspan AS	100	Sales & Marketing
Kingspan Insulation AS	100	Sales & Marketing
Kingspan Miljo AS	100	Sales & Marketing
Paroc Panel System AS	100	Sales & Marketing
Poland		
Essmann Polska Sp. Z o.o.	100	Sales & Marketing
Kingspan Environmental Sp.Z.o.o.	100	Manufacturing
Kingspan Insulation Sp. Z o.o.	100	Sales & Marketing
Kingspan Sp. Z o.o.	100	Manufacturing
Qatar		
Kingspan Insulation WLL	100	Sales & Marketing
Romania		
Hoesch Sisteme Pentru Constructii S.R.L	100	Sales & Marketing
Kingspan S.R.L.	100	Sales & Marketing
Joris Ide S.R.L.	100	Manufacturing
Russia		
Joris Ide LLC	100	Manufacturing
Serbia		
Kingspan D.O.O.	100	Sales & Marketing
Singapore		
Hoesch Bausysteme Pte Limited	100	Sales & Marketing
Kingspan Pte Limited	100	Sales & Marketing

	% Shareholding	Nature of Business
Slovakia		
Kingspan S.R.O.	100	Sales & Marketing
BPS & D&V S.R.O.	100	Sales & Marketing
Slovenia		
Kingspan D.O.O.	100	Sales & Marketing
South Africa		
Kingspan Insulated Panels (Pty) Ltd	85	Sales & Marketing
Spain		
Kingspan Suelo Technicos S.L.	50	Sales & Marketing
Sweden		
Kingspan AB	100	Sales & Marketing
Kingspan Insulation AB	100	Sales & Marketing
Paroc Panel System AB	100	Sales & Marketing
Switzerland		
Kingspan GmbH	100	Sales & Marketing
Turkey		
Izopoli Impeks Prefabrik Panel Sanayi ve Ticaret Ltd. Sti.	85	Sales & Marketing
Kingspan Yapi Elemanlari A.S.	85	Manufacturing
Ukraine		
Kingspan Lviv LLC	100	Sales & Marketing
United Arab Emirates		
Kingspan Insulated Panels Manufacturing LLC	85	Manufacturing
Kingspan Insulation LLC	90	Sales & Marketing
Kingspan International FZE	100	Sales & Marketing
United States		
American Solar Alternative Power LLC	100	Sales & Marketing
ASM Modular Systems Inc.	100	Manufacturing
CPI Daylighting Inc.	100	Manufacturing
Daylighting Contracts Inc.	100	Sales & Marketing
Dri-Design Inc.	94.67	Manufacturing
Kingspan Energy Inc.	100	Sales & Marketing
Kingspan Insulated Panels Inc.	100	Manufacturing
Kingspan Insulation LLC	100	Manufacturing
Kingspan Light & Air LLC	100	Manufacturing
Morin Corporation	100	Manufacturing
Pre-insulated Metal Technologies Inc.	100	Manufacturing
Tate Access Floors Inc.	100	Manufacturing

Pursuant to Section 316 of the Companies Act 2014, a full list of subsidiaries will be annexed to the Company's Annual Return to be filed in the Companies Registration Office in Ireland.

GROUP FIVE YEAR SUMMARY

Results (amounts in €m)	**2017**	**2016**	**2015**	**2014**	**2013**
Revenue	3,668.1	3,108.5	2,774.3	1,891.2	1,776.8
Trading profit	377.5	340.9	255.9	148.5	122.8
Net profit before tax	346.5	314.0	232.0	127.5	101.9
Operating cashflow	362.5	377.1	382.5	171.3	146.7

Equity (amounts in €m)	**2017**	**2016**	**2015**	**2014**	**2013**
Gross assets	3,235.6	3,004.6	2,549.1	1,836.5	1,589.2
Working capital	477.8	382.7	301.8	263.3	212.5
Total shareholder equity	1,568.0	1,471.5	1,293.8	1,009.1	859.6
Net debt	463.9	427.9	328.0	125.5	106.7

Ratios	**2017**	**2016**	**2015**	**2014**	**2013**
Net debt as % of total shareholders' equity	29.6%	29.1%	25.4%	12.4%	12.4%
Current assets / current liabilities	1.65	1.56	1.43	1.47	1.83
Net debt / EBITDA	1.05	1.06	1.04	0.66	0.66

Per Ordinary Share (amounts in €cent)	**2017**	**2016**	**2015**	**2014**	**2013**
Earnings	159.0	143.8	106.7	62.6	51.7
Operating cashflows	202.1	212.3	217.1	100.1	87.1
Net assets	876.7	828.4	734.2	589.7	507.2
Dividends	37.0	33.5	25.0	16.3	14.0
Average number of employees	11,133	10,396	8,595	6,627	6,439

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