Kingspan

Kingspan Group plc

Annual Report & Financial Statements 2018

IKON

Innovation
Kingscourt, Ireland

IKON™ will be Kingspan's global innovation hub and is expected to open its doors mid-2019. The hub will be the centre of excellence for collaborative innovation in Kingspan, across divisions and across geographic regions.

Our research and development will concentrate on using advanced materials to create solutions across the themes of ThermalSafe, FireSafe, SmokeSafe, WeatherSafe and FibreSafe; developing ways to increase recycled content and create a more circular product set, for example our ambitious target to include more than 500 million recycled PET bottles in our high-performance insulation by 2023; and the ongoing digitalisation of the construction industry using technologies such as data information, BIM, augmented reality and virtual reality.

Stakeholders will be invited to come to IKON™ and feedback into the innovations which are most relevant to them, giving them the opportunity to shape their ongoing partnership with Kingspan.

Kingspan Locations

Africa
Egypt
Morocco

Asia
India
Indonesia
Pakistan
Singapore
Thailand
Vietnam

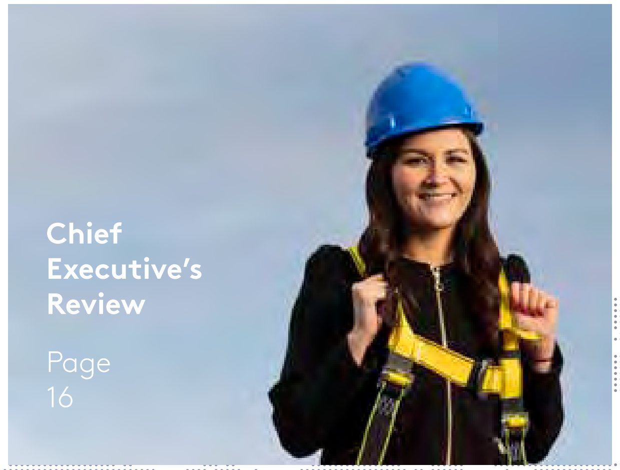
Australasia
Australia
New Zealand

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

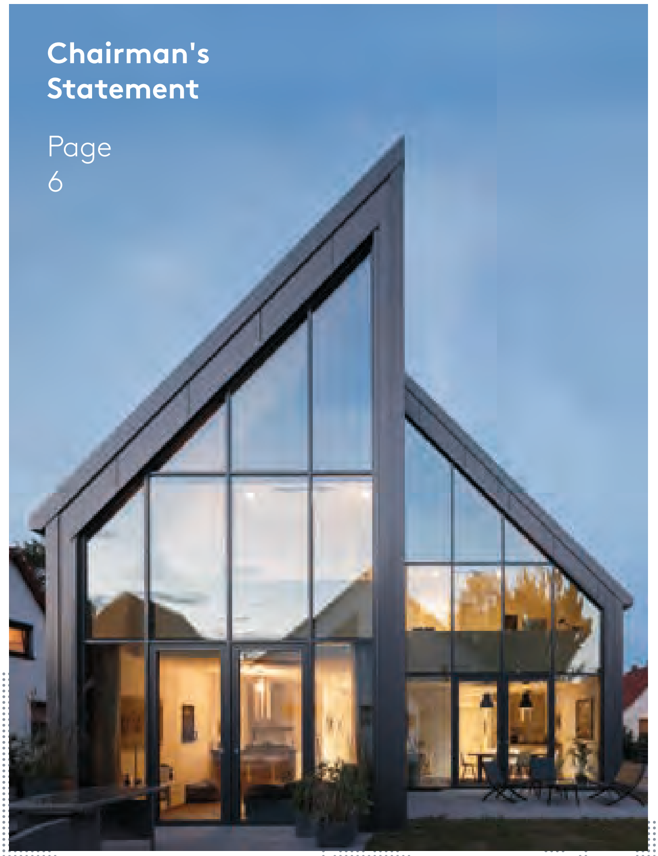
Middle East
Iran
Qatar
Saudi Arabia
Turkey
UAE

Americas
Brazil
Canada
Chile
Colombia
Costa Rica
Mexico
Panama
USA

75% Net Zero Energy achieved



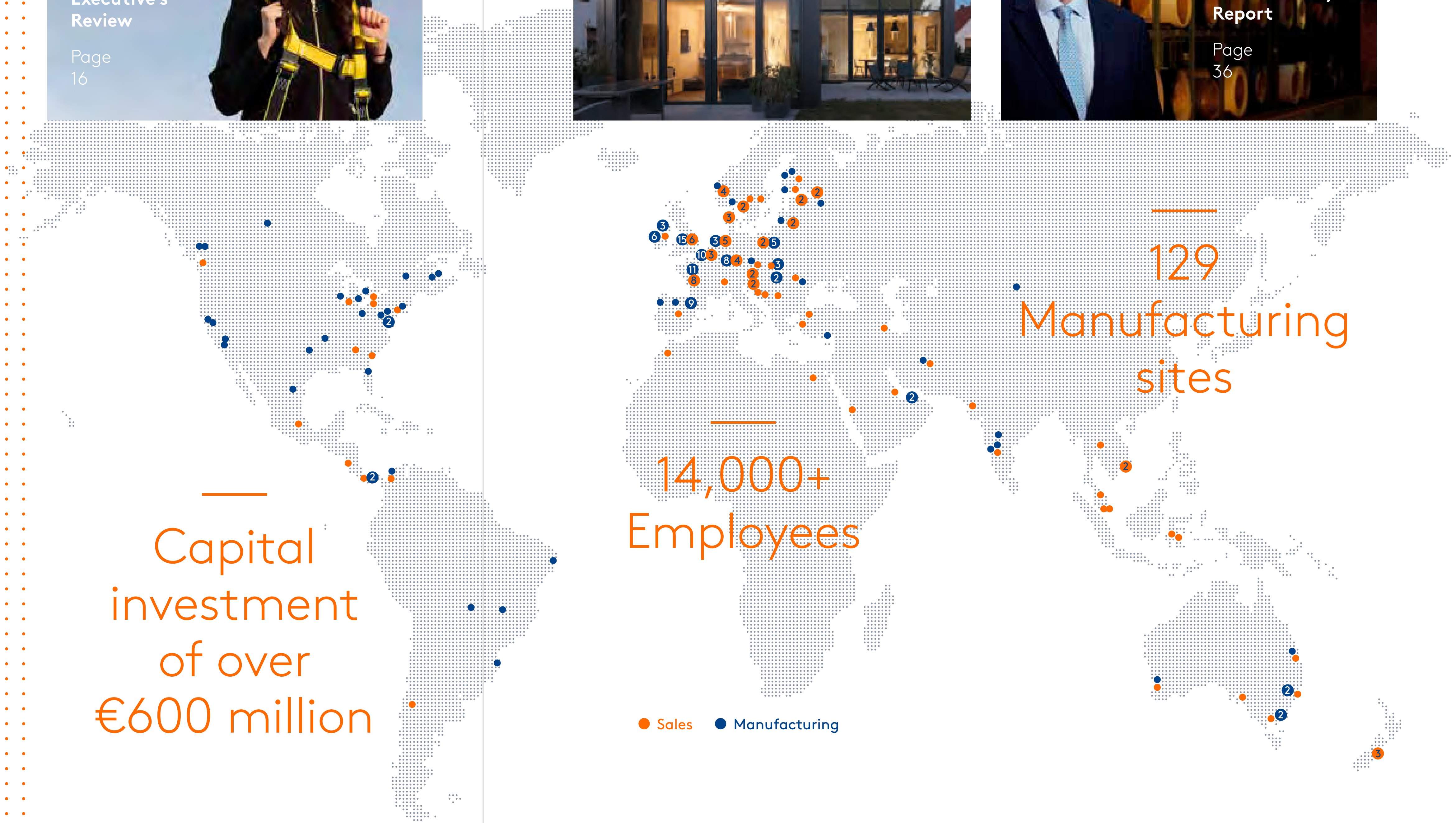
Capital investment of over €600 million



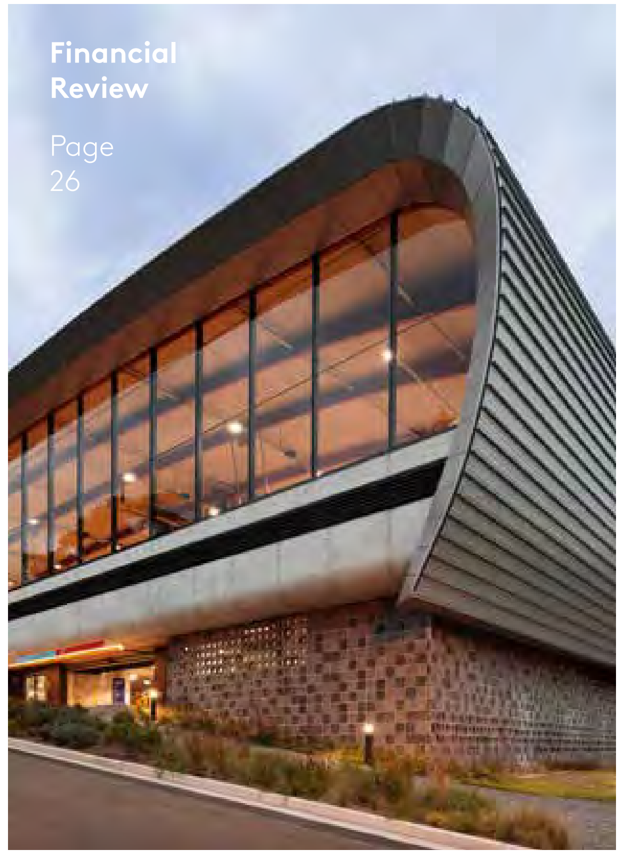
Approaching 2,000 external fire tests

129 Manufacturing sites

14,000+ Employees



256 million plastic bottles recycled



Summary Financials

Revenue	EBITDA[1]	Trading Profit[2]	Trading Margin	Profit After Tax	EPS
↑	↑	↑	↓	↑	↑
€4.4bn	€521.2m	€445.2m	10.2%	€335.8m	184.0c
+19%	+18%	+18%	-10bps	+17%	+16%
2017: €3.7bn	2017: €441.7m	2017: €377.5m	2017: 10.3%	2017: €285.9m	2017: 159.0c

US
Laurel Branch Library

Insulated Panels:
Benchmark Designwall 2000; and Designwall R Series
Fire Rating: FM 4880

1 Earnings before interest, tax, depreciation, amortisation of intangibles and non trading items.
2 Operating profit before amortisation of intangibles and non trading items.

Canada

Brian Glancy
Toronto, Canada

Brian has been with Kingspan since 2006, he was a General Manager as well as a Director of R&D in the US. Alongside this, Brian founded and operated an innovation lab for the North American business, before taking up his current position as Head of BIM Strategy in 2018.

"The built environment impacts us all; as a business we are embracing digital as one potential nucleus for transformation of the construction industry. We are leveraging digital technologies to overcome both current and future challenges and delivering strategic benefits that answer the big questions to ensure a sustainable future. For me personally, this is a very exciting and progressive field and at Kingspan, it brings a fast-paced, exciting and challenging environment with a distinct focus on the future."

The construction sector is traditionally slow to adopt new technologies but with the dawn of digitalisation, stakeholder expectations are changing. Building Information Modelling (BIM) will enable better collaboration between everyone involved in a project and will be a dynamic platform for Kingspan to showcase the performance attributes of our products.

Chairman's Statement

2018 was a year of new milestones, new frontiers and new developments for Kingspan. For the first time ever Kingspan's revenues surpassed the €4 billion mark, with total sales of €4.4bn, and trading profits reaching a record €445m.

Our first full year in Brazil and Colombia, followed by further investment during the year in Panama, delivered a very encouraging performance for the LATAM region as a whole. At the same time Kingspan advanced its position in southern Europe, through our acquisition of the Synthesia Group. We also extended the company's footprint into India through an Insulated Panel manufacturing partnership with Jindal Mectec. These are all exciting new markets for Kingspan, with considerable long-term growth potential. Organic investment in new frontiers also continued, with Kingspan currently constructing its first Kooltherm® manufacturing plant in the Nordics, to be commissioned later this year. Each of these investments will create strong platforms for growth in these new regions.

At the same time Kingspan has continued its investment in research & development to bring to the market new and proprietary technologies to further differentiate from our competitors. In 2018, Kingspan started development of our first fibre free 'A Core' insulation which is planned for launch next year. Additionally, during the year Kingspan QuadCore™ insulated panel systems achieved major milestones in fire resistance performance, including the achievement of up to 1 hour fire insulation and up to 4 hours fire integrity in our architectural wall panel range.

In 2018, Kingspan also launched its new digital strategy. This exciting plan is focused on the digitalisation of our business and of the broader construction industry, using world leading technologies to transform the design, construction and performance of intelligent buildings. Through investment in technology we can help drive cost-saving collaboration between partners on construction projects such as architects, engineers, contractors, and owners.

Notwithstanding the rapid expansion of our business, both organically and through acquisition, Kingspan's commitment to reducing our carbon emissions and attaining our goal of becoming a Net Zero Energy business by 2020, remains as strong as ever. In 2018 renewable energy accounted for 75% of our total energy usage.

Management and employees

During the year the Board had the opportunity to visit several of our manufacturing facilities, and we were delighted to meet the local staff and management teams, and really appreciated seeing their commitment and enthusiasm for the Kingspan vision.

On behalf of the Board, I want to thank all of Kingspan's management and employees for their contribution to our success in 2018.

Photo: Simon Wegener

Dividend

The Board is recommending a final dividend of 30.0 cent per share, which if approved at the Annual General Meeting, will give a total dividend for the year of 42.0 cent, an increase of 13.5% on prior year. This continues the Board's policy of growing the shareholder dividend in line with the Company's continued progression.

If approved, the final dividend will be paid (subject to Irish withholding tax rules) on 10 May 2019 to shareholders on the register at close of business on 29 March 2019.

Board governance and composition

The Board carefully monitors and manages risk across the business, and espouses best practice governance policies and procedures, details of which are set out in the Directors' Report of this Annual Report. We also engage in open dialogue with our major shareholders on the Company's strategic and financial performance, as detailed in the Financial Review in this Annual Report.

During the year, we were delighted to announce the appointment of Jost Massenberg as a non-executive director to the Board. Jost brings more than 30 years' experience in European steel and manufacturing industries, and I welcome his addition to the Board.

Following the conclusion of this year's Annual General Meeting in May, Helen Kirkpatrick will be retiring as a non-executive director on the expiration of her term of office. Helen has served as chair of the audit committee, chair of the remuneration committee, and as senior independent director, and on behalf of the Board, I would like to thank Helen for the valuable contribution she has made to the Company during those years.

Looking ahead

Whilst acknowledging the challenges and uncertainties that lie ahead in some of our more mature markets, I am confident that Kingspan's continued strategy of building on our existing leadership positions by investing in new geographies and new technologies, will continue to deliver improved shareholder returns into the future.

Eugene Murtagh
Chairman

22 February 2019

Business Model & Strategy

Kingspan is the global leader in high performance insulation and building envelopes. Through our relentless development of innovative and proprietary technology we have created a portfolio of products which help our customers reduce energy costs, reduce construction time, increase usable space, increase returns, enhance architectural design and all with a superior service offering.

Critically, through the differentiated thermal performance of our innovative solutions, we help design teams, architects and ultimately our customers to make a difference in tackling climate change. Building emissions are one of the highest contributors to greenhouse gas emissions, therefore the sector has a major role to play in addressing climate change.

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 14,000 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, 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.

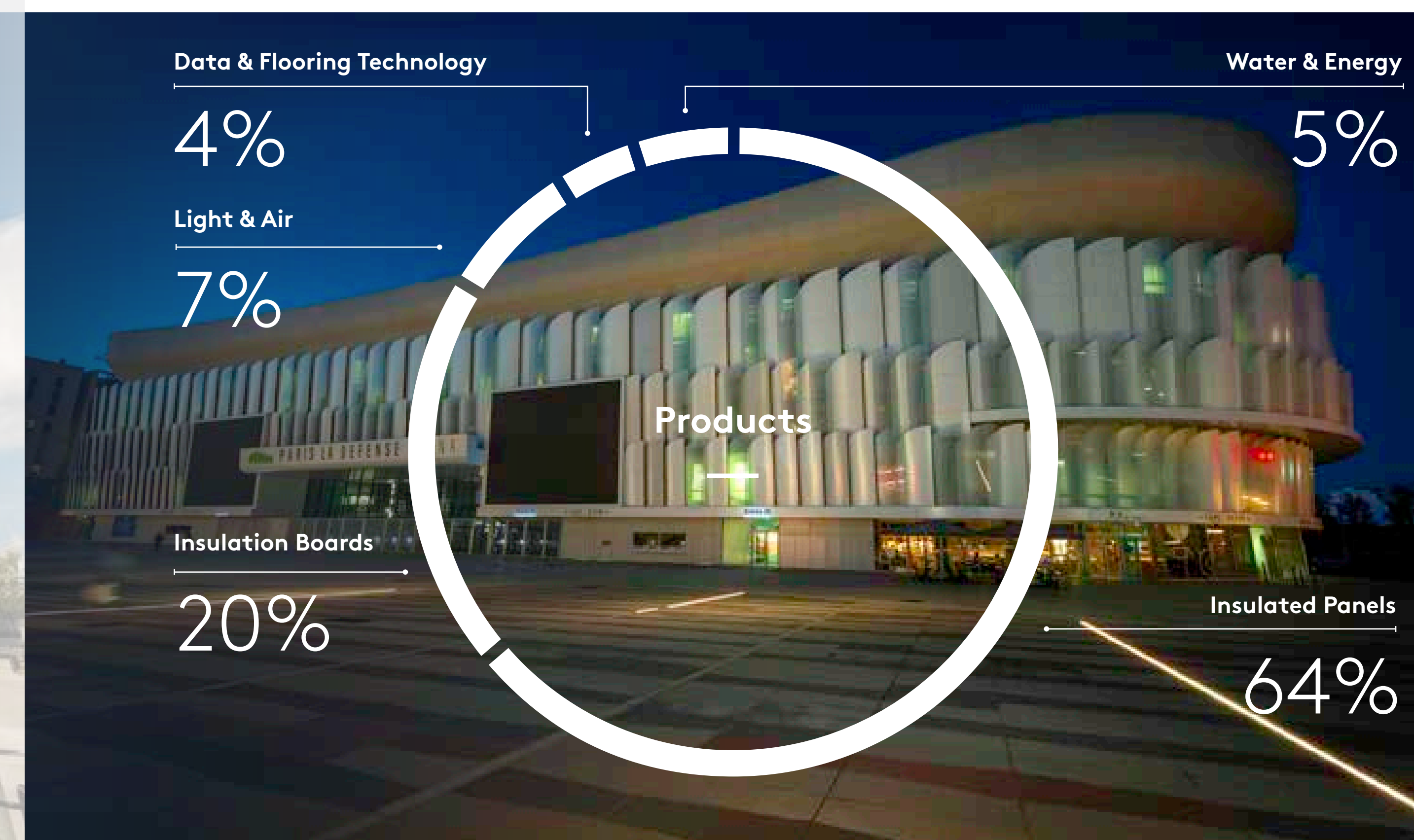
3. Light & Air
Initiated in 2016, Kingspan Light & Air is now established as a global leader providing a full suite of daylighting and energy efficient lighting, as well as natural ventilation and smoke management solutions, which complement Kingspan's existing building envelope technologies.

4. Data & Flooring Technology
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.

5. Water & Energy
Providing trusted market-leading solutions for rainwater harvesting wastewater management, hot water systems, environmental fuel storage and smart monitoring for all types of building projects.

Below:
France, Paris, La Défense Arena

Insulated Panels: JI Grégale 300
Fire Rating: Euroclass A1



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 and Generate.

To achieve greater geographic balance, primarily focusing on the Americas, Continental Europe and appropriate developing markets.

To deliver 20% Return on Investment.

To contribute to the effort in tackling climate change by continuously improving the attributes of our high performance insulation, which address the impact of building emissions.

To drive sustainable practices through our organisations with programmes such as Net Zero Energy and PET recycling.

INNOVATION

Differentiation from competitors driven by superior innovation:

- Construction on "IKON™" is well underway at Kingspan's Group headquarters in Kingscourt, Ireland. IKON™ will be Kingspan's global centre of excellence for Research and Development and we look forward to updating you on the future innovations it delivers.
- The ongoing roll-out of QuadCore™ during the year, which is now available from over half of our Insulated Panel facilities worldwide.
- The Kooltherm® 100 Series was launched towards the end of 2016, and work is ongoing on developing 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.

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 and will continue to be 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.
- Through 2018 we continued to drive the penetration of Kingspan's best in class proprietary products, QuadCore™ now represents 8% of Kingspan's Insulated Panel global sales.

GLOBALISATION

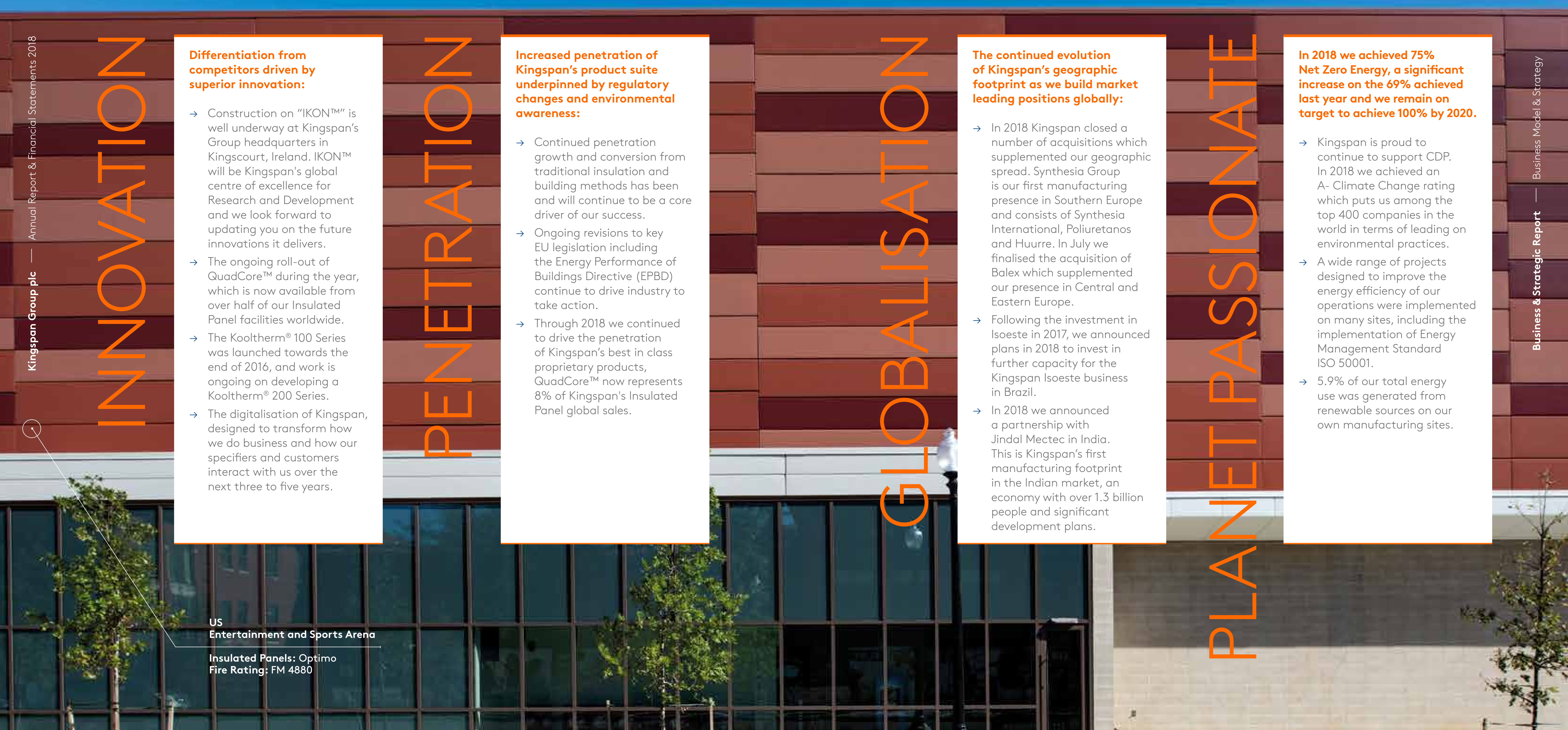
The continued evolution of Kingspan's geographic footprint as we build market leading positions globally:

- In 2018 Kingspan closed a number of acquisitions which supplemented our geographic spread. Synthesia Group is our first manufacturing presence in Southern Europe and consists of Synthesia International, Poliuretanos and Huurre. In July we finalised the acquisition of Balex which supplemented our presence in Central and Eastern Europe.
- Following the investment in Isoeste in 2017, we announced plans in 2018 to invest in further capacity for the Kingspan Isoeste business in Brazil.
- In 2018 we announced a partnership with Jindal Mectec in India. This is Kingspan's first manufacturing footprint in the Indian market, an economy with over 1.3 billion people and significant development plans.

PLANET PASSIONATE

In 2018 we achieved 75% Net Zero Energy, a significant increase on the 69% achieved last year and we remain on target to achieve 100% by 2020.

- Kingspan is proud to continue to support CDP. In 2018 we achieved an A- Climate Change rating which puts us among the top 400 companies in the world in terms of leading on environmental practices.
- 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.
- 5.9% of our total energy use was generated from renewable sources on our own manufacturing sites.



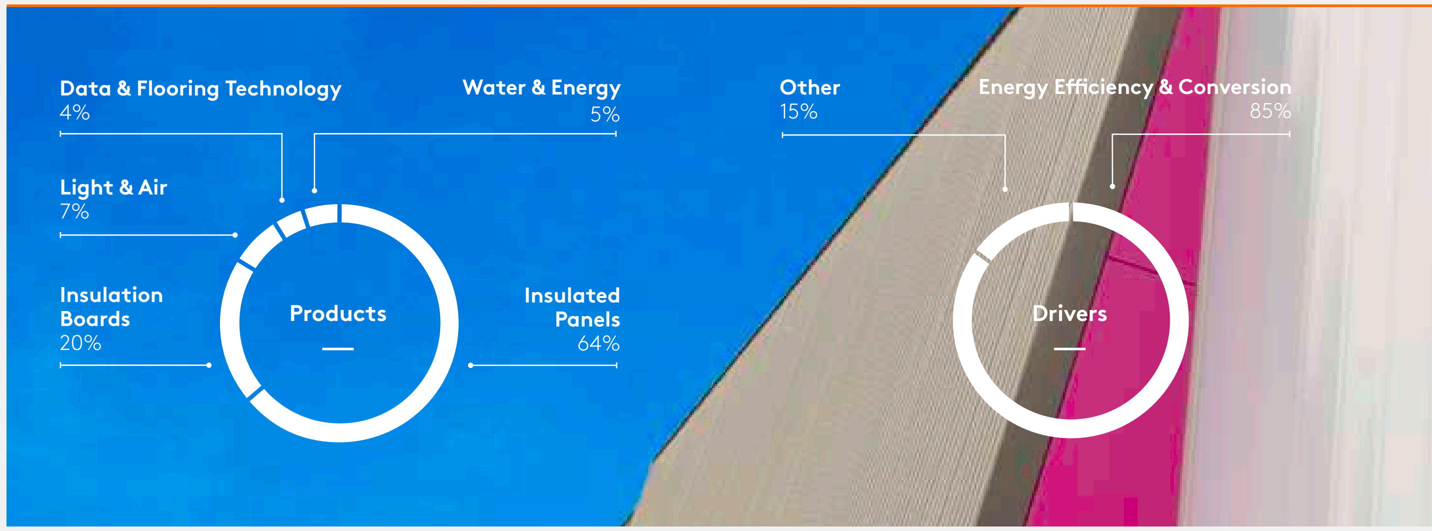
US
Entertainment and Sports Arena

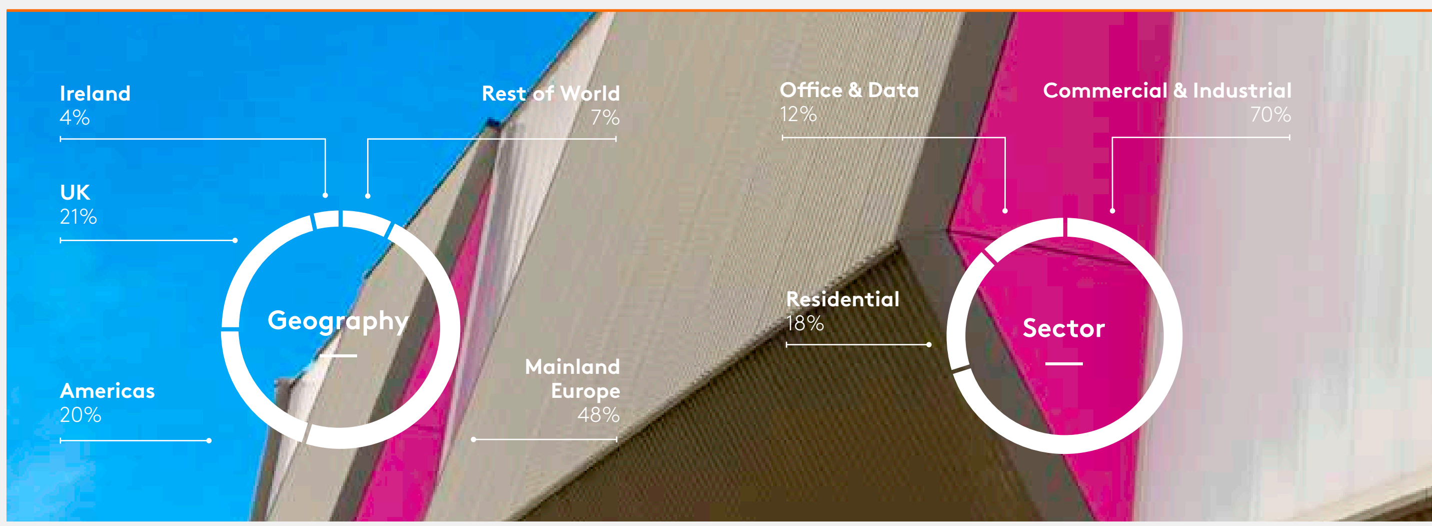
Insulated Panels: Optimo
Fire Rating: FM 4880

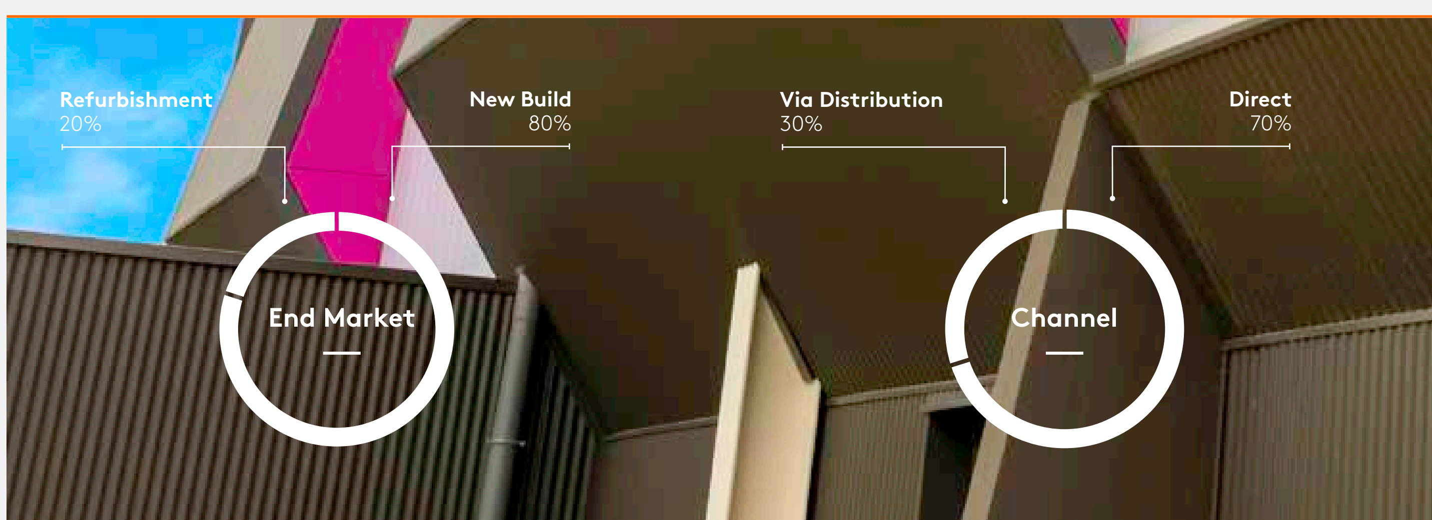
Business Model & Strategy
2018 In a Nutshell

Opposite:
France, Sports Hall Plélo

Insulated Panels: Jl 92-400;
Fire Rating: Euroclass A1







Revenue
€4.4bn

Applications
> Retail
> Distribution
> Leisure
> Accommodation
> Food
> Manufacturing
> Data Management
> Infrastructure

Trading Profit
€445.2m

How we operate
129

Global manufacturing facilities

14,000+

Employees

> Management controls
> Quality systems
> Responsible supply chain partnerships

How we create value
> Product innovation and differentiation
> Excellent customer service
> Energy efficient sustainable building envelope solutions
> We operate our businesses to the highest standards
> We acquire excellent new businesses
> We recycle capital to provide the best return
> We maintain financial discipline
> We balance our portfolio of businesses across product and geography

Value created

EBITDA
€521.2m

Free cash
€308.4m

Trading profit
€445.2m

ROCE
16.8%

EPS
184.0c

Dividend
42.0c

Bianca Wong
Melbourne, Australia

Bianca came to Kingspan through our graduate programme in 2013. In 2015, Bianca became a Divisional Sustainability Manager, having previously worked in our Insulated Panel Business in Australia.

> *"The built environment has a real impact on climate change. I work with teams across our business to continually drive our sustainability vision forward. Together we focus on developing innovative low carbon building solutions, minimising our own environmental footprint and actively supporting our stakeholders."*

Bianca works closely with design teams and architects, helping them to design buildings which not only fulfil the vision of the client on a technical and aesthetic basis but are also at the cutting edge in terms of sustainability and energy performance. Through her work on our Net Zero Energy team, Bianca has collaborated across divisions and geographies, driving our own sustainability agenda and being a key contributor to driving our Net Zero Energy performance. Our Melbourne, Australia, facility is vying to achieve a prestigious 5-star Green Star energy rating. The first manufacturing facility of its kind to achieve the rating in Australia.

Australia

Chief Executive's Review

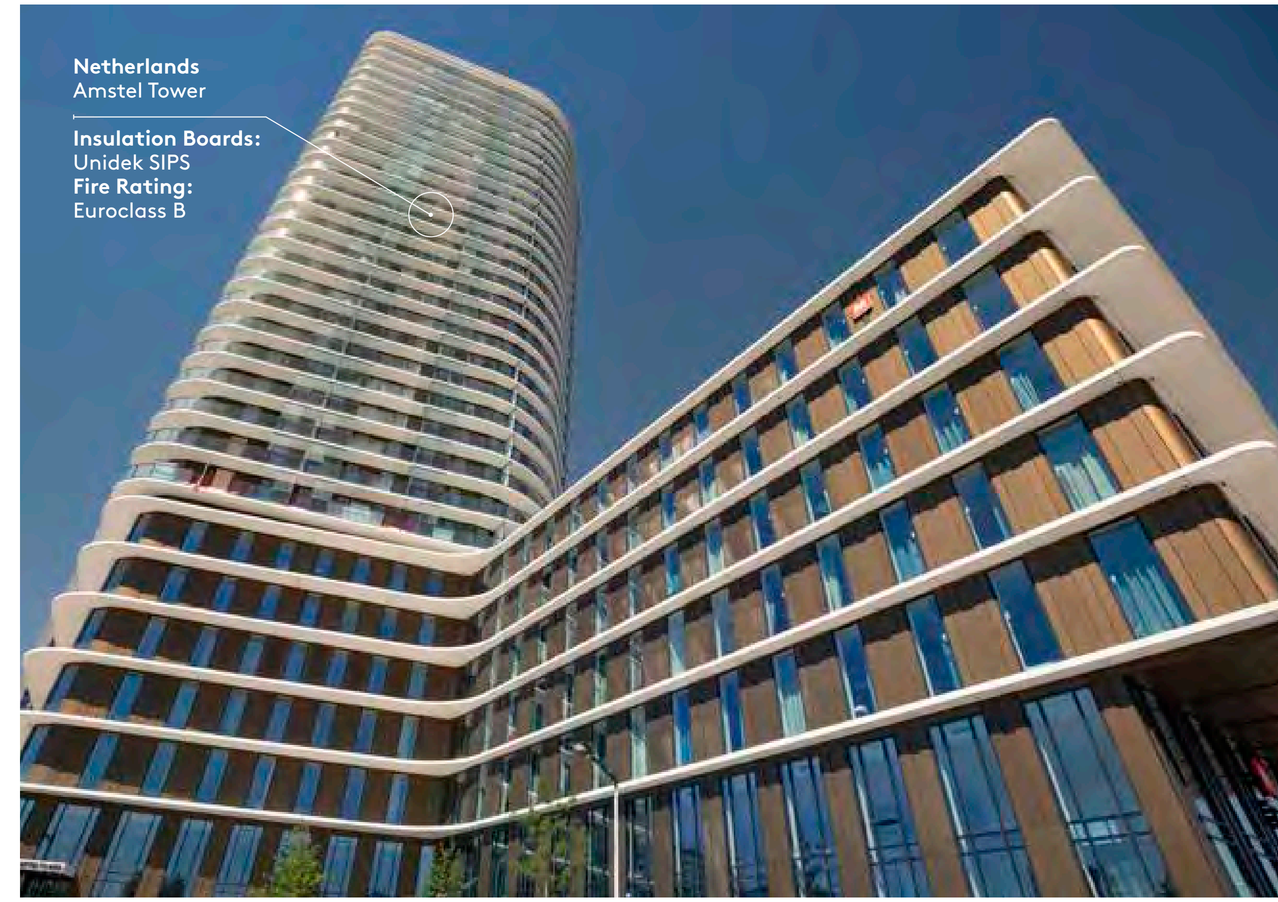
During 2018 Kingspan generated record revenues of almost €4.4bn, and EBITDA exceeded €500m for the first time. Trading profit reached €445m, ahead by 18% over prior year, and EPS was up by 16% at 184.0 cent per share. In all, it was a positive outcome and delivered in the face of unprecedented turbulence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

Financial Highlights:

- Revenue up 19% to €4.4bn, (pre-currency, up 22%).
- Trading profit up 18% to €445.2m, (pre-currency, up 20%).
- Free cashflow up 55% to €308.4m.
- Group trading margin of 10.2%, a decrease of 10bps.
- Basic EPS up 16% to 184.0 cent.
- Final dividend per share of 30.0 cent. Total dividend for the year up 13.5% to 42.0 cent.
- Year-end net debt of €728.3m (2017: €463.9m). Net debt to EBITDA of 1.4x (2017: 1.05x).
- ROCE of 16.8% (2017: 17.8%).

Operational Highlights:

- Insulated Panels sales growth of 21%. Strong activity in the Americas, a positive performance in Continental Europe and a solid UK outturn against a difficult backdrop. Good contribution from acquisitions in Europe and Latin America.
- Insulation Board sales growth of 12% reflecting a positive outturn in the Iberian acquisition, ongoing advancement of Kooltherm® and solid underlying markets overall. New capacity planned for the Nordic region and the Middle East reflecting ongoing conversion from traditional materials.
- Light & Air sales approaching €300m with improved margins in Europe offsetting softer US margin, strong order intake overall in the US and a planned new facility in France to service Europe and the Middle East.
- Water & Energy (formerly Environmental) sales growth of 13% with a new frontier established in the Nordic region.
- Data & Flooring Technology (formerly Access Floors) sales growth of 3% with strong sales of data centre solutions offsetting more sluggish office activity.



Business Review

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

Strategy

Our strategic agenda is focused on the four pillars of Innovation, Globalisation, Penetration and Planet Passionate. 2018 once again delivered advancements in all four areas:

- Product **Innovation** and range expansion is key to Kingspan. The rollout of QuadCore™ has been core to this agenda in recent years and in 2018 8% of global Insulated Panel sales contained this proprietary technology. 2019 will see its launch as a roof Insulation Board thereby creating a clear differentiator in this application. Development of Kooltherm® 200 continues and the fibre-free 'A Core' project is progressing on plan and we expect to launch our solution during 2020. IKON™, our global innovation hub is well under construction at our home base of Kingscourt in Ireland and is scheduled to open around mid-year. It will focus on delivering the full spectrum of insulation and building envelope solutions that are ThermalSafe, FireSafe, SmokeSafe, WeatherSafe and FibreSafe.
- **Globalisation** of Kingspan remains at the heart of our ongoing evolution. In late 2017 we further expanded our manufacturing footprint by investing in partnerships in Brazil and Colombia. These acquisitions firmly place Kingspan in a market leading position across Latin America, a new frontier for Kingspan, with a strong platform for further growth in the region.
- Early in 2018 we acquired a presence in Southern Europe through the Synthesia Group, consisting of three operating businesses; Synthesia International, Poliuretanos and Huurre. Through its Huurre and Poliuretanos businesses, the Synthesia Group gives Kingspan a leading position in both Insulated Panels and Insulation Boards on the Iberian Peninsula

and strengthens our emerging Insulated Panels presence in Latin 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 with the acquisition in July 2018 of Balex Metal, a Polish manufacturer of Insulated Panels and Insulation Boards. Balex has a strong market presence locally and in surrounding export markets. It complements our existing presence in the region and brings with it two well invested manufacturing facilities.

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

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

→ We are **Planet Passionate** at Kingspan. We are committed to achieving 100% Net Zero Energy by 2020, and stand alone within our industry in having this goal. Our product technology provides designers, developers and owners the means with which to equally embrace a lower energy future. Circularity is becoming crucial, and our products are reusable, recyclable and increasingly comprise recycled PET with a commitment to more than doubling this source within the coming five years. We are developing initiatives to harvest recycled raw materials from both land and ocean.

Ireland
Pilz

Insulated Panels:
Evolution Axis
Evolution Recess
Fire Rating:
EN 13501-1 is B – s1, d0.

Turnover

€2,823.1m

+21%(1)

2017: €2,328.5m

Trading Profit

€281.8m

+21%

2017: €233.3m

Trading Margin

10.0%

2017: 10.0%

(1) Comprising underlying +6%, currency -3% and acquisitions +18%

Insulated Panels

Mainland Europe

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

Americas

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

UK

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

Asia Pacific & Middle East

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

Ireland

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

UK
University of Nottingham

Insulation Boards:
Kooltherm Pipe Insulation,
ThermaDuct Insulation
Fire Rating:
Kooltherm: Euroclass BL,s1,d0, FM Approved Class 4924
ThermaDuct: Class 1, BS 476–7: 1997

Insulation Boards

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

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

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

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

Ireland
The revenue growth experienced during the first half continued through the remainder of the year, largely driven by Kooltherm® and strong PIR pricing, although the latter eased somewhat towards year-end. Raw material deflation has led to some price erosion of PIR which we anticipate will stabilise in the near-term.

Turnover
€864.1m
+12% (1)
2017: €769.4m

Trading Profit
€105.1m
+15%
2017: €91.2m

Trading Margin
12.2%
+30bps
2017: 11.9%

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

Light & Air

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

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

(1) Comprising underlying +7%, currency -1% and acquisitions +37%.

Turnover
€291.8m
+43% (1)
2017: €204.7m

Trading Profit
€21.5m
+45%
2017: €14.8m

Trading Margin
7.4%
+20bps
2017: 7.2%

Above: Middle East
Ali Bin Ali

Light & Air: ECOFEU DV110; HPA Smoke Vent
Insulated Panels: KS100PRW, KS103SSF and KS110CTF
Fire Rating: Light & Air: Multiwall Polycarbonate 16mm sheet: B-S1,d0
Insulated Panels: All panels FM and QCDD approved

Water & Energy
(formerly Environmental)

Underlying sales revenue was relatively stable during 2018. Margins were affected by costs incurred on the exit from micro wind and solar thermal activities and also by acquisition expenses related to the Norwegian investment. The UK weakened across most product segments in the second half, Ireland performed well, as did much of Mainland Europe. Integration of the VPI acquisition in the Nordics is progressing and provides a new growth frontier in the waste water management category which we expect will feature prominently in the division's future. In Australia, the rainwater harvesting business has performed very strongly in recent years, particularly in the residential segment in New South Wales. With this sector easing back, we expect demand for rainwater systems in that region to moderate but aim to compensate for this with a wider product offering and growth initiatives in other states.

(1) Comprising underlying +3%, currency impact -3% and acquisitions +13%

Turnover
€202.9m
+13% (1)
2017: €179.8m

Trading Profit
€14.2m
-12%
2017: €16.2m

Trading Margin
7.0%
-200bps
2017:9.0%

Below: UK
Harry Potter Studios

Water & Energy:
Klargester fuel and soil separator

Data & Flooring Technology
(formerly Access Floors)

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

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

Turnover

€190.6m

+3%(1)

2017: €185.7m

Trading Profit

€22.6m

+3%

2017: €22.0m

Trading Margin

11.9%

+10bps

2017:11.8%

(1) Comprising underlying +2%, currency -3% and acquisitions +4%

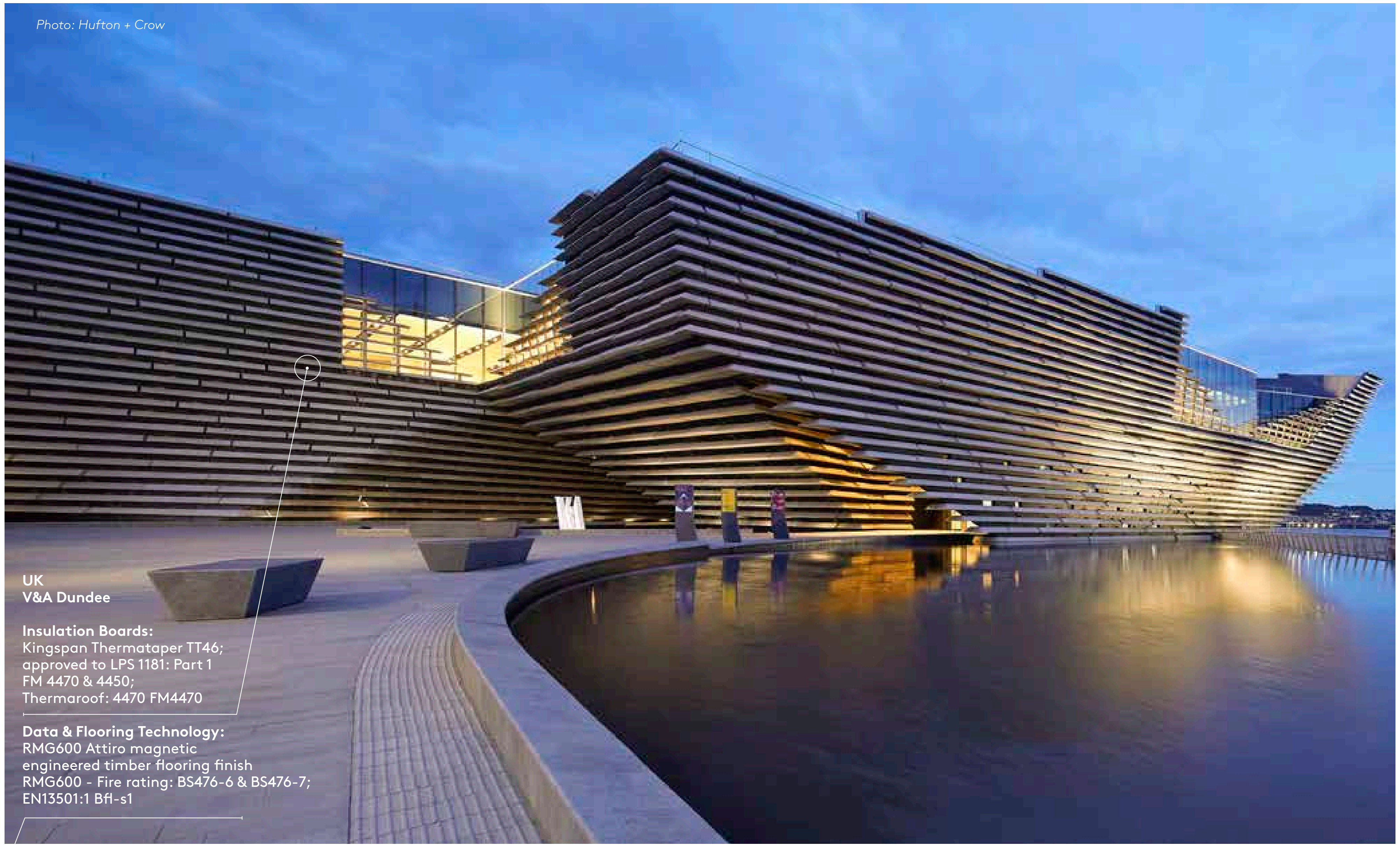


Photo: Hufton + Crow

UK
V&A Dundee

Insulation Boards:
Kingspan Thermataper TT46; approved to LPS 1181: Part 1 FM 4470 & 4450;
Thermaroof: 4470 FM4470

Data & Flooring Technology:
RMG600 Attiro magnetic engineered timber flooring finish
RMG600 - Fire rating: BS476-6 & BS476-7; EN13501:1 Bfl-s1


Photo: Hufton + Crow

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

Looking Ahead
2019 has started well for the Group with like-for-like sales revenue and volume ahead of the same period last year.

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

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

Gene M Murtagh
Chief Executive Officer
22 February 2019

Financial Review

The Financial Review provides an overview of the Group's financial performance for the year ended 31 December 2018 and of the Group's financial position at that date.

Overview of results

Group revenue increased by 19% to €4.4bn (2017: €3.7bn) and trading profit increased by 18% to €445.2m (2017: €377.5m) with a modest decrease of 10 basis points in the Group's trading profit margin to 10.2% (2017: 10.3%).

Basic EPS for the year was 184.0 cent (2017: 159.0 cent), representing an increase of 16%.

The Group's underlying sales and trading profit growth by division are set out in the following tables:

Sales	Underlying	Currency	Acquisition	Total
Insulated Panels	+6%	-3%	+18%	+21%
Insulation Boards	+2%	-2%	+12%	+12%
Light & Air	+7%	-1%	+37%	+43%
Water & Energy	+3%	-3%	+13%	+13%
Data & Flooring Technology	+2%	-3%	+4%	+3%
Group	+5%	-3%	+17%	+19%

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	+11%	-3%	+13%	+21%
Insulation Boards	+4%	-2%	+13%	+15%
Light & Air	-7%	-	+52%	+45%
Water & Energy	-14%	-3%	+5%	-12%
Data & Flooring Technology	+5%	-3%	+1%	+3%
Group	+7%	-2%	+13%	+18%

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 €2.2m to €18.1m (2017: €15.9m). A net non-cash credit of €0.6m (2017: credit of €0.6m) 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 €18.0m (2017: €16.1m). This increase reflects higher average gross and net debt levels in 2018, due to acquisition spend. The interest expense is driven extensively by gross debt balances with cash yields, although improving, still low in the current environment.

Taxation
The tax charge for the year was €69.1m (2017: €60.6m) which represents an effective tax rate of 17.1% (2017: 17.5%). 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 renamed two pre-existing divisions during the year to more appropriately reflect the business activity in each case. The divisions are now named Water & Energy (formerly Environmental) and Data & Flooring Technology (formerly Access Floors).

Dividends
The Board has proposed a final dividend of 30.0 cent per ordinary share payable on 10 May 2019 to shareholders registered on the record date of 29 March 2019. When combined with the interim dividend of 12.0 cent per share, the total dividend for the year increased to 42.0 cent (2017: 37.0 cent), an increase of 13.5%.

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 €13.1m (2017: €13.6m) as at 31 December 2018.

Intangible assets and goodwill
Intangible assets and goodwill increased during the year by €316.1m to €1,502.1m (2017: €1,186.0m). Intangible assets and goodwill of €340.1m were recorded in the year relating to acquisitions and additions completed by the Group, offset by annual amortisation of €22.2m (2017: €15.7m) and a small 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 following table. 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	2018	2017
Basic EPS growth	16%	11%
Sales growth	19%	18%
Trading margin	10.2%	10.3%
Free cashflow (€m)	308.4	198.5
Return on capital employed	16.8%	17.8%
Net debt/EBITDA	1.4x	1.05x

(a) **Basic EPS growth.** The growth in EPS is accounted for primarily by an 18% increase in trading profit, partially offset by an increase in intangible amortisation generating a 17% increase in profit after tax. The minority interest amount increased year-on-year leading to a basic EPS increase of 16%.

(b) **Sales growth** of 19% (2017: 18%) was driven by a 17% contribution from acquisitions, a 5% increase in underlying sales and a 3% 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 in the first half of the year. Furthermore, sales volumes were positive in most key end markets.

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

Trading Margin	2018	2017
Insulated Panels	10.0%	10.0%
Insulation Boards	12.2%	11.9%
Light & Air	7.4%	7.2%
Water & Energy	7.0%	9.0%
Data & Flooring Technology	11.9%	11.8%

The Insulated Panels division trading margin was stable year-on-year reflecting ongoing progress in sales of QuadCore™ and the market mix of sales. The trading margin improvement in the Insulation Boards division reflects a positive Kooltherm® mix and some relief on raw material prices towards the end of the year. The decrease in the Water & Energy trading margin reflects, in the main, the impact of costs associated with the exit from small scale wind and solar thermal activity. The increased trading margin in Light & Air reflects an improved margin performance overall in Europe which offset more subdued margins in certain products in the US. The modest increase in trading margin in Data & Flooring Technology reflects the geographic market and product mix of sales year-on-year.

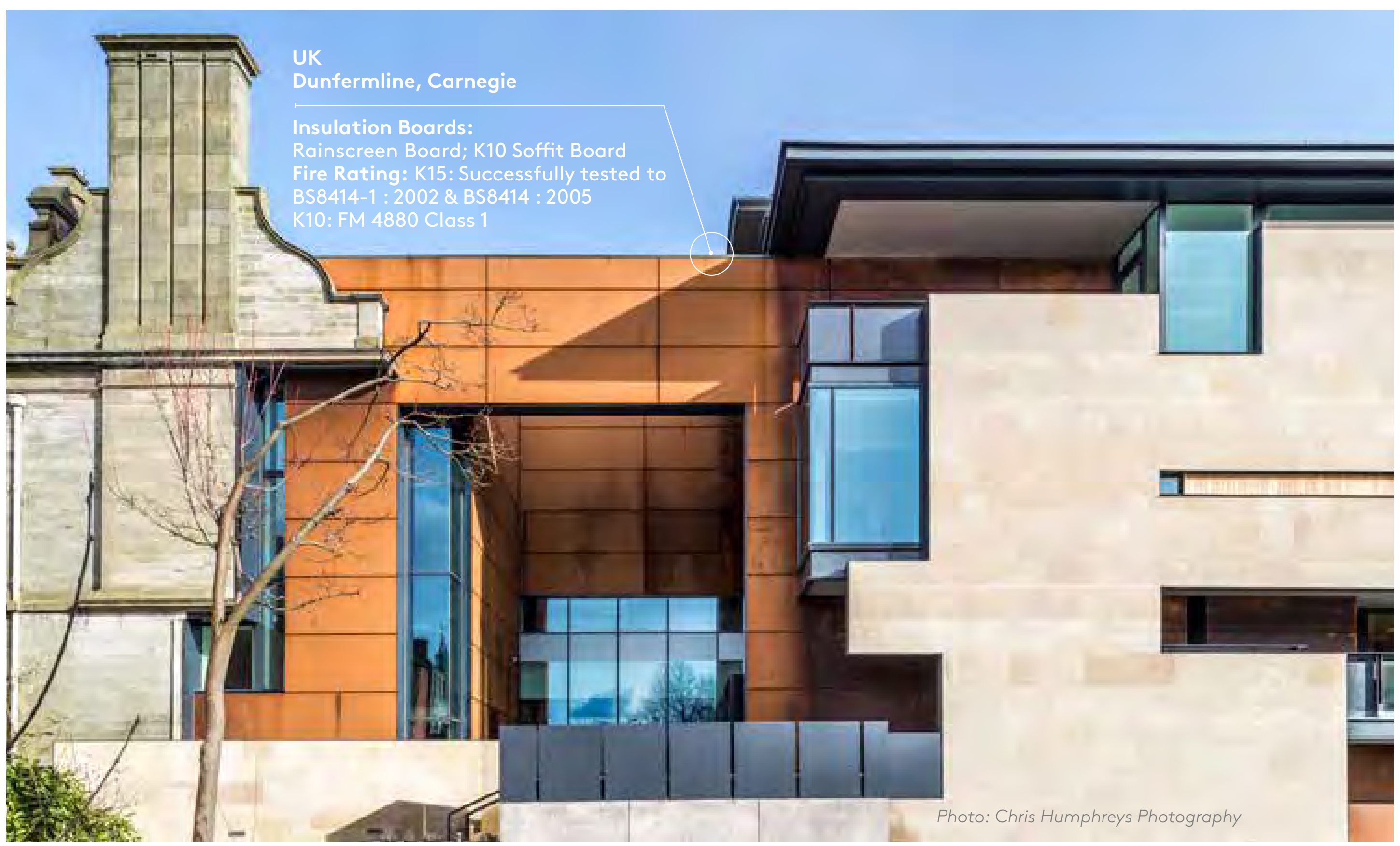


Photo: Chris Humphreys Photography

(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	2018	2017
	€m	€m
EBITDA*	521.2	441.7
Non-cash items	13.4	9.4
Movement in working capital	2.3	(85.3)
Pension contributions	(0.8)	(0.9)
Movement in provisions	(5.8)	(2.4)
Net capital expenditure	(131.3)	(85.6)
Net interest paid	(15.6)	(16.8)
Income taxes paid	(75.0)	(61.6)
Free cashflow	308.4	198.5

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

Working capital at year end was €543.9m (2017: €477.8m) and represents 11.5% (2017: 12.4%) of annualised turnover based on fourth quarter sales. 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 decrease year-on-year reflects a 90 basis point reduction in underlying working capital levels due mainly to lower inventory days on hand.

(e) **Return on capital employed**, calculated as operating profit divided by total equity plus net debt, was 16.8% in 2018 (2017: 17.8%), or 17.1% including the annualised impact of acquisitions. 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 1.4x (2017: 1.05x) is comfortably less than the Group's banking covenant of 3.5x in both 2018 and 2017.

Acquisitions and capital expenditure

During the period the Group made the following acquisitions for a total upfront cash consideration of €469.2m with an additional deferred amount of €30m payable in April 2019:

- → On 7 March 2018, the purchase of 100% of the Synthesia Group for an initial cash amount of €213.4m plus a deferred amount of €30m payable in April 2019.
- → On 8 May 2018, the purchase of 100% of Vestfold Plastindustri AS, a Norwegian water treatment business for a total cash consideration of €12.3m.
- → On 4 July 2018, the purchase of 100% of Balex Metal Sp. z.o.o., a Polish based manufacturer of insulated panels and insulation boards for a cash amount of €197.6m.
- → On 9 July 2018, the purchase of 51% of Jindal Mectec Private Limited, an Indian manufacturer of insulated panels for a cash amount of €22.8m.
- → An investment of €8.2m in Invicara PTE Limited, a Building Information Modelling solution provider with global reach.
- → Further capital outlay of €14.9m was made with respect to business within Light & Air and Water & Energy together with some residual payments arising on the finalisation of completion accounts for prior year acquisitions.

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, €120m of which was drawn at year end and which matures in June 2022. As at 31 December 2018, the Group also had bilateral bank facilities of €50m, which were fully drawn. Private placement loan note funding net of related derivatives totals €808m. The weighted average maturity of the notes is 5.6 years, including a private placement of €175m completed on 8 December 2017 which was drawn on 31 January 2018.

The Group had significant available undrawn facilities and cash balances which, in aggregate, were c.€675m at 31 December 2018 and provide appropriate headroom for ongoing operational requirements and development funding.

Net debt

Net debt increased by €264.4m during 2018 to €728.3m (2017: €463.9m). This is analysed in the table below:

Movement in net debt	2018	2017
	€m	€m
Free cashflow	308.4	198.5
Acquisitions	(472.3)	(168.2)
Share issues	0.1	0.2
Repurchase of shares	-	(1.5)
Dividends paid	(68.3)	(61.7)
Dividends paid to non-controlling interests	(0.1)	-
Cashflow movement	(232.2)	(32.7)
Exchange movements on translation	(2.2)	(3.3)
Deferred consideration	(30.0)	-
Increase in net debt	(264.4)	(36.0)
Net debt at start of year	(463.9)	(427.9)
Net debt at end of year	(728.3)	(463.9)

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:

		2018	2017
	Covenant	Times	Times
Net debt/ EBITDA	Maximum 3.5	1.4	1.05
EBITDA/ Net interest	Minimum 4.0	28.8	27.8

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 three capital market conferences, hosted a capital markets day at our Holywell facility in Wales and conducted 311 institutional one-on-one and group meetings.

Share price and market capitalisation

The Company's shares traded in the range of €32.60 to €43.60 during the year. The share price at 31 December 2018 was €37.38 (31 December 2017: €36.41) giving a market capitalisation at that date of €6.7bn (2017: €6.5bn). Total shareholder return for 2018 was 3.8%.

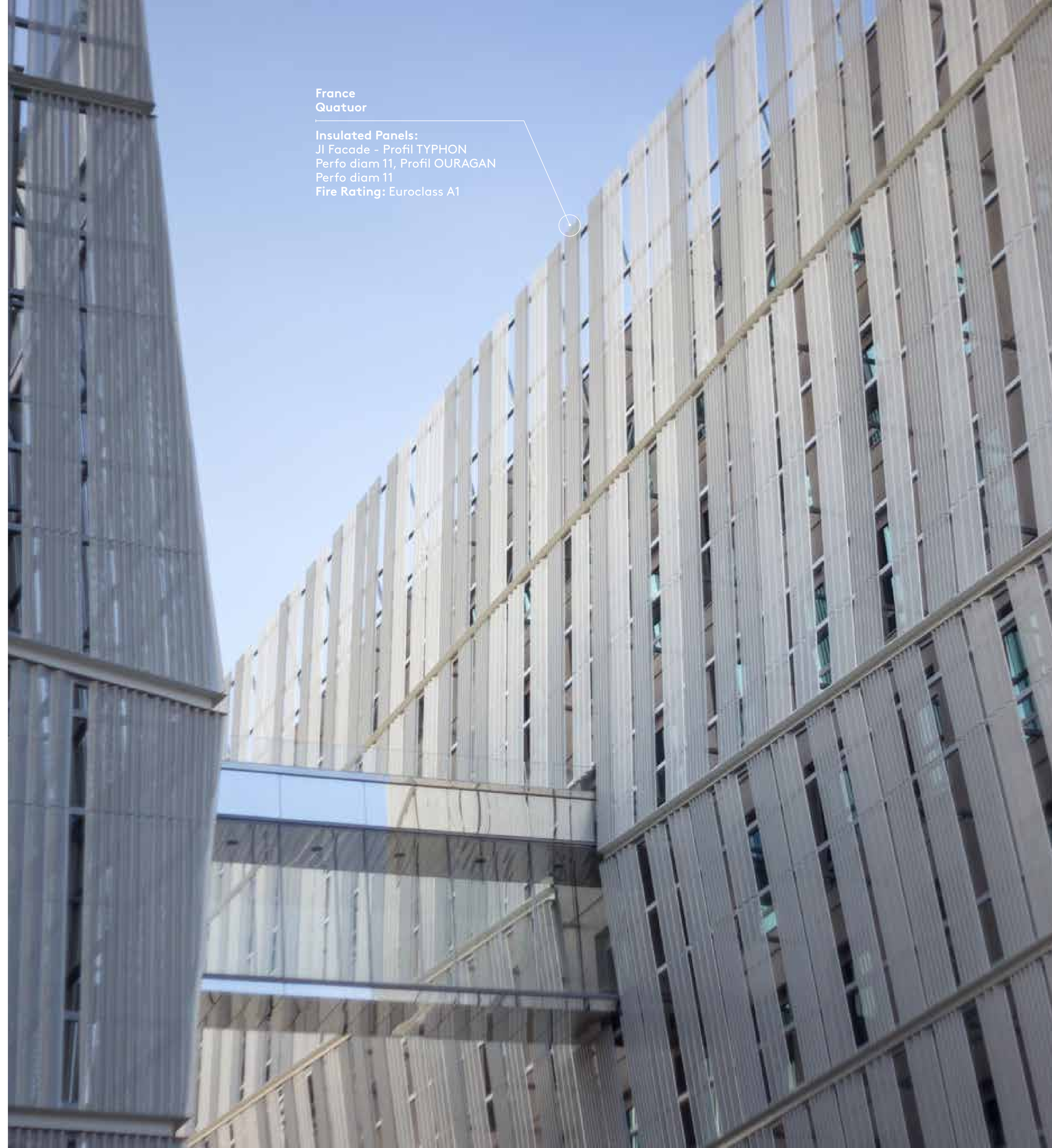
Impact of Brexit

At the time of writing the exact form of the UK's exit from the European Union is not clear. Given our manufacturing base in both the UK and the Eurozone Kingspan is well positioned to deal with the outcome in whatever form it takes, albeit in a context of the wider macro economic conditions.

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,
22 February 2019



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 82.

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 business. 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 40% in 2008 to 75% in 2018; › 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 report on pages 8 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. The launch of IKON™ in 2019 will only serve to enhance the capabilities of the Group to innovate. 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.

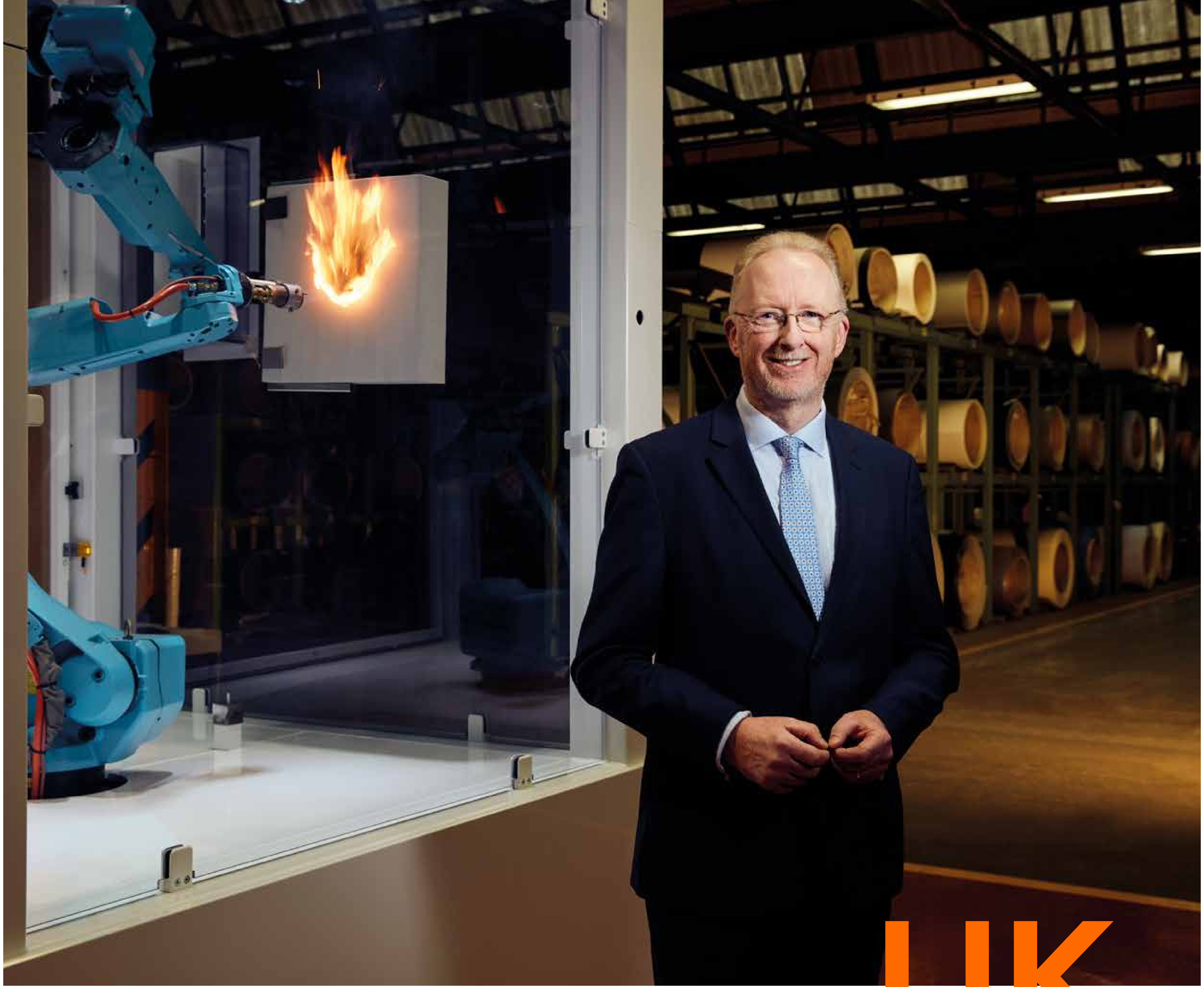
Risk and impact	Actions to mitigate
Product failure	
A key risk to Kingspan's business is the potential for functional failure of our product which could lead to health, safety and security issues for both our people and our customers. **The Kingspan brand is well established and is a key element of 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) before it is brought to market. › Our businesses employ quality control specialists and operate strict policies to ensure consistent 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. **The building industry as a whole is going through some significant change with respect to building regulations and codes. The risks associated with misunderstanding some of the potential changes and the nature of our product set is one that is more prevalent today.** **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 68 plants in the Insulated Panels division or 26 plants in the Insulated 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 enhancing 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 continues to inform all stakeholders of the characteristics of our product offerings, their application and benefits to limit the risk of misunderstanding within the building industry. 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 €735.1m expressed net of provision for default in payment. This represents a net risk of 17% of sales. Of these net receivables, approximately 62% 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 targeted 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 and 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. Robust 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.

Mark Harris
Holywell, UK

Mark joined Kingspan through the acquisition of Kooltherm® Insulation in 1996. Since then Mark has worked in a number of roles in both our Insulated Panels and Insulation Boards divisions and is now Divisional Technical Director for Insulated Panels.

"*Tested systems, at large-scale, are critical for evaluating real life performance. I've been with Kingspan Group for 22 years and am passionate about our unique range of high performance insulation systems and the benefits they offer to our clients and end users. As a divisional technical director in the insulated panel business my focus is on helping develop and deliver tested and certified systems in critical performance areas that include fire safety, property protection, sustainability and lifetime reliability.*"

Mark has extensive experience in the industry and has been at the forefront of the development of high performance thermosetting polymer based insulation systems and solutions. Mark and his department have been an integral part of the wider Kingspan team in developing, certifying and promoting the merits of our innovative and best-in-class insulated panel technology, QuadCore™, and to driving its rollout globally.



UK

Sustainability Report

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 environment has an important role to play in combating climate change and we pledge to take the lead in meeting that challenge.

Our commitment to sustainability is instilled at every level of the Group and at every step in the manufacturing process.

In developing our approach to sustainability, we have built on materiality assessments conducted at a divisional level as well as incorporating guidelines from recognised associations such as the Sustainable Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD), of which Kingspan is a signatory. Kingspan recognises that it has a responsibility as a business leader to contribute towards the United Nation's Sustainable Development Goals (SDGs) and over the next few pages we demonstrate how we are making a difference.

Product Passionate

- Kingspan's primary SDG impact is through our high performance insulation materials and the positive impact they have on the energy consumption of buildings and, therefore, climate change. 61% of our revenue in 2018 was generated by the sale of products which improve energy efficiency.
- At Kingspan, innovation is at the core of who we are. We invest annually in research and development in order to drive efficiency improvements and increase circularity in our high-performance products.
- Our product set, from insulation technologies to rainwater harvesting, offer solutions to build more sustainable cities. The thermal performance of our insulation means it can be used in thinner applications, helping architects to create space as the world becomes more urbanised.
- Kingspan Light & Air manufactures products which allow natural light and ventilation into a building, thereby improving the ambient conditions for its inhabitants.
- Kingspan Water & Energy sells solutions for sourcing, storing and protecting water.

Planet Passionate

- Net Zero Energy – Since 2011 Kingspan has been on a journey to attain Net Zero Energy throughout our operations. In 2018 we achieved 75% NZE and we are on track to achieve 100% by 2020.
- Plastic bottle recycling – In 2018, through the acquisition of The Synthesia Group, Kingspan recycled 256 million PET plastic bottles for use in our products. We aim to reach 500 million by 2023.
- We recently entered into a partnership with The Ecoalf Foundation, a venture which collects waste in the Spanish seas for recycling or repurposing where possible.
- In 2018 Kingspan recycled 69% of its waste, down from 78% in 2017, as acquired businesses had a dilutive impact. We aim to minimise waste across our businesses and will share best practice from our more mature businesses: our UK and Ireland panel facilities achieved zero waste to landfill in 2018 and the target is to achieve this across Panels Western Europe; and our European Data & Flooring Technology achieved 100% of waste to recycling in 2018.

People Passionate

- Following on from a tremendous experience, Kingspan employees continue to volunteer for The Junior Achievement programme, helping to educate and inspire young students.
- Kingspan takes the welfare of our employees very seriously and we are proud that 2018 was another year with zero fatalities across the Group. Our lost time injury frequency rate fell by almost 6% or over 9% excluding the impact of acquired businesses.
- Kingspan recently became a signatory for the Task Force on Climate-related Financial Disclosures. We are also a gold member of RE100 and we respond to The CDP in relation to Climate Action. At Kingspan, we are committed to supporting partners which are driving results against the SDGs.

Product Passionate

Kingspan started life with a simple mission to always work to make building better. Since that time, through our commitment to ongoing product development and innovation, we have become the global leader in high-performance insulation.

Innovation is one of the key strategic pillars at Kingspan. We invested over €30 million in 2018 in Research and Development. Product breakthroughs include QuadCore™, Kingspan's next generation of self-blended hybrid insulation, delivering unrivalled thermal efficiency, superior fire protection, enhanced environmental credentials and our longest performance guarantee. In 2019, Kingspan will open our innovation hub in Kingscourt, Ireland – IKON™. It will be the global centre of excellence for innovation at Kingspan, leading further product enhancements in the area of thermal performance and circularity.

Circularity and sustainability are major and growing themes globally. Kingspan has always been at the forefront of enabling buildings to consume less energy, and we strive for ways to do this more sustainably. Since 2011 we have been on a journey to manufacture our products using (in aggregate) 100% of energy from renewable sources by 2020. In 2018 we reached 75% Net Zero Energy. In addition to this, one of the key chemicals in our high-performance insulation is Polyol. Polyol can be manufactured from recycled PET plastic. In 2018, Kingspan used the equivalent of 256 million recycled plastic bottles in our products, we aim to make that number 500 million recycled bottles by 2023.

Please see our "Planet Passionate" section for more detail on these initiatives.

Buildings are one of the largest contributors to global greenhouse gas emissions with an estimated 40% of emissions attributable to buildings. Kingspan is proud to help designers, architects and building owners design and operate buildings which consume less energy. Every year, Kingspan insulation systems significantly reduce energy usage, carbon emissions and building operational costs in over 90 countries across the globe. In 2018, Kingspan Insulated Panel and Insulation Board products, in use in the built environment, saved 192.7 million MWh of energy, 38.15 million tonnes of CO_2 and €5 billion of costs.*

In 2018 the total energy saved* by our insulation systems is equivalent to:

110m	**Over one hundred and ten million barrels of oil**
20m	**Taking twenty million cars off the road**
66	**The annual output of sixty-six power stations**
4.7	**Up to 4.7 times the annual electricity consumption of Greater London**

* These figures relate to sales of Insulated Panels and Insulation Boards between 1993 and 2018.

Product Passionate **Case Studies**

Sustainable buildings

The Hub: The UK's First Electricity Cost Neutral Logistics Building

The logistics sector is undoubtedly a very large energy user, but a sector which acknowledges its impact on the environment and is looking to find its place in the greener future of sustainable building. IM Properties, a UK based investor developer, looked at how it could create a world-class sustainable logistics facility and developed the UK's first electricity cost neutral logistics building – The Hub.

The Hub is the UK's first building which could eradicate electricity bills by combining Kingspan's high performance insulated panel and rooftop solar PV products with next generation battery technology to make the building energy self-sufficient. In the process, the development, which holds an A+ Energy Performance Certificate (EPC), can potentially offset 115,956 tonnes of CO2 annually. It is estimated that the building will consume 90% of the energy it generates.

The Hub will use roof-mounted, solar photovoltaic panels to supply electricity straight to the building for immediate use. Any extra power produced is then used to charge a battery which supplies the building with power whenever there is a dip in electricity production from the building's own solar panels, ensuring that there is never any business interruption. The battery can also be solar charged or charged from the grid when electricity is cheaper, allowing the power to be used during more expensive periods in a process known as peak shaving. Any extra electricity generated from the building can also be exported back to the UK's electricity grid further enhancing the building's electricity cost neutrality.

The innovative project combination of battery and solar PV technology could be a game-changer for large energy users, like the logistics sector, who understand the importance of the green agenda, and look to do their part to enhance global sustainability.

UK, The Hub Birmingham

Insulated Panels: AWP, Curvewall, Trapezoidal Wall.
Roof: Trapezoidal Roof with Energy Rooftop Solar PV **Fire Rating: (Panels)** - LPCB 1181 Part 1 and achieve LPS Grade EXT-B and are FM approved to 4880 and 4471

Sustainable cities

Ripley Town Centre achieves Prestigious Green Star Rating

Located in the centre of Ripley Queensland, the Ripley Town Centre is on track to become the sustainable urban hub for the community.

The AUD$1.5 billion project has earned the 5 Star Green Star Design & As Built accreditation after demonstrating initiatives to reduce the impact of climate change, promote sustainability within the built environment and improve quality of life.

Innovative design and planning led to the installation of 1,800 individual solar panels, rainwater harvesting and stormwater systems and integration of a public transport hub.

Product Passionate **Case Studies**

Australia, Coles Ripley

Modline Water Tanks

Kingspan is proud to have four Modline Steel tanks installed. Together, the tanks have the potential to harvest 25,200 litres of rainwater a year. The rainwater will be reused for toilets and landscape irrigation.

The Modline shape was selected for maximum storage, efficient use of space and to accommodate large commercial fittings.

The made to measure nature of Kingspan's water tanks proved to be advantageous for this project as the client wanted a commercial tank system that would take up most of the available space, allowing for maximum water storage capacity.

Sustainable buildings

Bloomberg's European Headquarters – The World's Most Sustainable Office Building

One of London's most iconic buildings, Bloomberg's award-winning London-based European headquarters occupies 3.2 acres, providing approximately 1.1 million square feet of sustainable office space to 4,000 of Bloomberg's employees. The completion of the high specification building marks the culmination of years of planning and development for both Bloomberg, its partners and Kingspan Data & Flooring Technology.

Sustainability is at the heart of every design choice which resulted in Bloomberg's HQ being named the world's most sustainable office building with a BREEAM rating of 98.5%. The building, a zero-landfill operation, employs the most sustainable of building materials. Rainwater from the roof, basins and showers, is captured, treated and recycled to serve vacuum flush toilets. When weather conditions are temperate, the building's distinctive bronze blades can open and close, allowing the building to operate in a "breathable" state which is complimented by smart CO2 control air distribution according to the approximate number of people occupying the building.

Bloomberg's desire was to create a building which looks to the future, reflects the company's commitments in practice to sustainability and encourages active working for its employees – the development's interiors do just that, with sit-to-stand work stations for all employees and a central ramp spanning six floors that encourages movement through the building on foot.

The installation of 37,000m2 of Kingspan raised access flooring and 34,000m2 of Kingspan Attiro real wood engineered floor covering makes the Bloomberg HQ a landmark project for Kingspan Data & Flooring Technology and supports Bloomberg's vision to create an environment that promotes wellbeing and encourages collaboration and active working.

UK, Bloomberg European Headquarters

37,000m^2 of Kingspan raised access flooring and 34,000m^2 of Kingspan Attiro real wood engineered floor

Product Passionate

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 almost 2,000 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; AS 5113; LPS 1181 and 1208; FM 4470, 4471, 4880, 4881, 4882 and 4924; EN 1364, 1365 & 1366: ISO 13784; LEPIR II; NFPA 285 and 286; and SP Fire 105.

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 programme 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, AS 5113 and BR135 to BS 8414. We therefore have systems that are suitable for many 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. The fire performance and test results for the full Kingspan range are available in the relevant Kingspan literature.

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 240 minutes fire integrity and heat radiation (E240 and EW240) according to EN 1364 Part 2;
- → up to 90 minutes insulation, integrity & load bearing capacity (RE190) according to EN 1365 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.

Planet Passionate

Net Zero Energy

In 2011, Kingspan Group embarked on its own initiative, committing to ensure that all of our facilities worldwide are Net Zero Energy on an aggregate basis by the year 2020. With over 14,000 employees and 129 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 must be encouraged to take responsibility for their own environmental footprint and to support the Net Zero Energy strategy.

Despite these obstacles, in 2016 the Group over-achieved on its 50% target by 7% while in 2018 the NZE % currently stands at 75%. 2018 saw a large contribution from acquisition activity which had a significant impact on the NZE %, adjusted for acquisitions the NZE % would have been 80%.

In 2018 Kingspan committed to the Science Based Targets Initiative. For Kingspan, this means a 10% reduction in emissions by 2025, off the base year of 2017. This isn't the only target set for 2025, Kingspan is also committing to reduce its absolute emissions from purchased goods and services, business travel, transport and distribution, and end-of-life treatment of sold products by 10%.

" At Kingspan, we are dedicated to sustainable business practices, from our products, to our processes and our people, which is why we are delighted to sign up to the Science Based Targets Initiative. This provides measurable targets for our business to achieve and will ensure that we continue to match our words with actions that make a real difference."

Gene M. Murtagh,
CEO of Kingspan.

Our Journey To Date

Net Zero Energy 2018: 75% ↑ 6%

Net Zero Energy 2017: 69%

Year	Energy Costs (Light and heat costs as a % of turnover)	Energy Intensity (kWh per € turnover)	Energy Carbon Intensity (CO2 tonnes per €'000 of turnover)	Renewable Energy Usage (Renewable energy used (GWh))	On-site Energy Generation (Renewable energy generated on-site (GWh))	Renewable Electricity Usage (Renewable electricity used (GWh))
2018	0.82	0.14	0.009	459	36.2	214.4
2017	0.79	0.13	0.012	328	34.5	176.2
2016	0.88	0.14	0.014	243	32.2	164.4
2015	0.99	0.14	0.034	126	24.1	102.3
2014	1.11	0.16	0.040	88	17.3	80.3
2013	1.14	0.18	0.049	60	14.5	58.0
2012	1.29	0.19	0.053	27	6.6	27.4

2018 was a significant year for acquisitions which contributed over €400 million to revenue.
These acquisitions had an impact on energy metrics as we onboard them to our Net Zero Energy objective.

Planet Passionate

Our Net Zero Energy Committee is a global team consisting of 17 dedicated and passionate people representing all business units and all geographies. This team collaborates and shares best practice in order to deliver our ambitious 2020 goal through our three-step strategy – Save More – Generate More – Buy More. The Chair of the committee, Mark Harris, reports Net Zero Energy developments directly to the CEO, Gene Murtagh.

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 2018 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;
- Transitioned forklifts from LPG to renewable energy;
- Optimised the use of lower gauge steel in access floor panels, saving wielding energy;
- 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 2019 and beyond and we are already working on some significant opportunities that have the capability of delivering over 100,000kWh per annum savings.

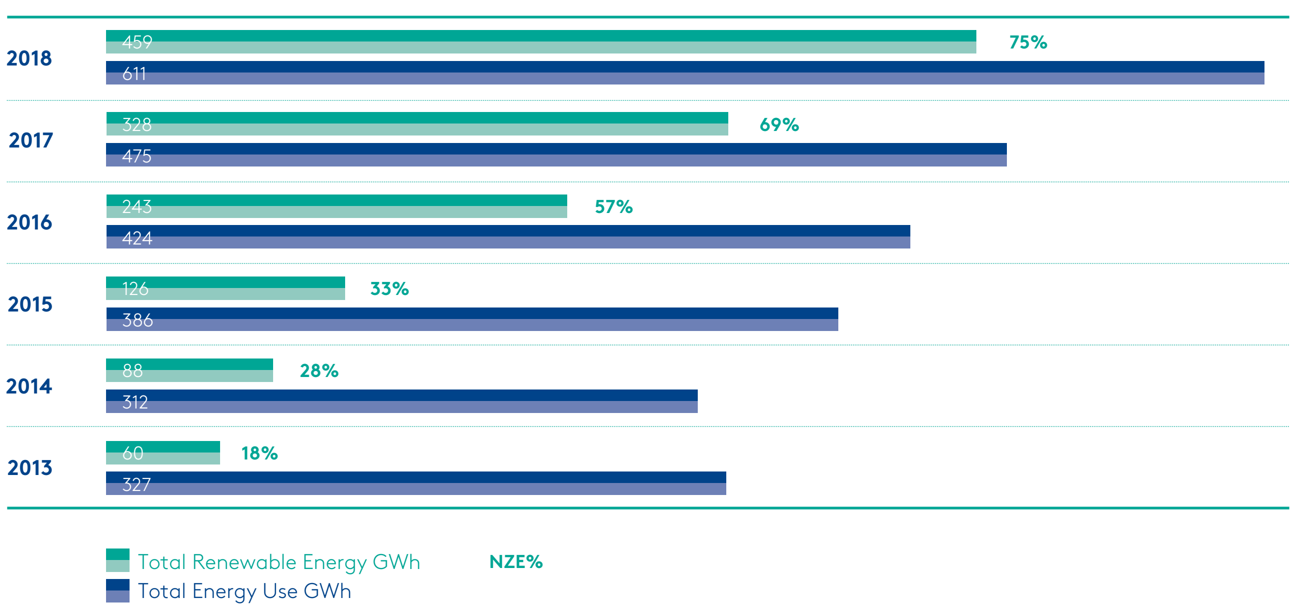
Generate More

A key foundation of our "Generate More" strategy has been investing in on site generation. In 2018 5.9% of our total energy use was generated from renewable sources on our own manufacturing sites, and we have ambitious targets to grow this. The technologies presently in use include:

- Solar PV;
- Solar thermal;
- Biomass heat;
- Biomass CHP (electricity);
- Wind;
- Anaerobic digestion.

A particular highlight of 2018 was the erection of a 1.5MW wind turbine at our Holywell facility. It stands at over 75 metres in height and has blades which span 26 metres. The turbine was switched on in December and we anticipate that the machine will generate over 1.5GWh of electricity per annum.

Progress to Net Zero Energy



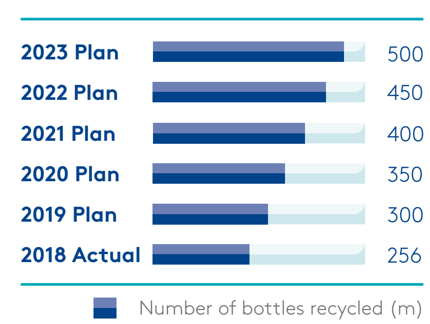
Planet Passionate

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.

In 2018 Kingspan announced plans to recycle the equivalent of 500 million plastic bottles per annum in our products by 2023, growing from 256 million in 2018. We are delighted to have recently partnered with The Ecoalf Foundation, a venture which collects waste in the Spanish seas with the objective of recycling or repurposing it where possible. We look forward to announcing further initiatives which will help us to reach our goal over the coming months.

Recycling PET (Land & Ocean)



Waste

Waste reduction brings benefits through reducing environmental impacts and operating 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 2018 Kingspan recycled 69% of its waste, down from 78% in 2017. The decrease is primarily as a result of the impact of acquired businesses. We aim to bring those businesses on our waste reduction journey and to share learnings from more mature facilities; for example, our UK and Ireland panel facilities are zero waste to landfill, and we aim to achieve that milestone across Panels Western Europe; and our UK Data & Flooring Technology achieved 100% recycled waste in 2018.

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 Data & Flooring Technology manufacturing site in Red Lion US is one of the largest consumers of water in the Group and in 2018 the conservation of water amounted to 1.1 million gallons (which is 71% of total usage) through water recycling.

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

Kingspan is proud to continue to respond to CDP, formerly The Carbon Disclosure Project. In 2018 we achieved an A- Climate Change rating which puts us among the top 400 companies in the world in terms of leading on environmental practices.

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.

People Passionate

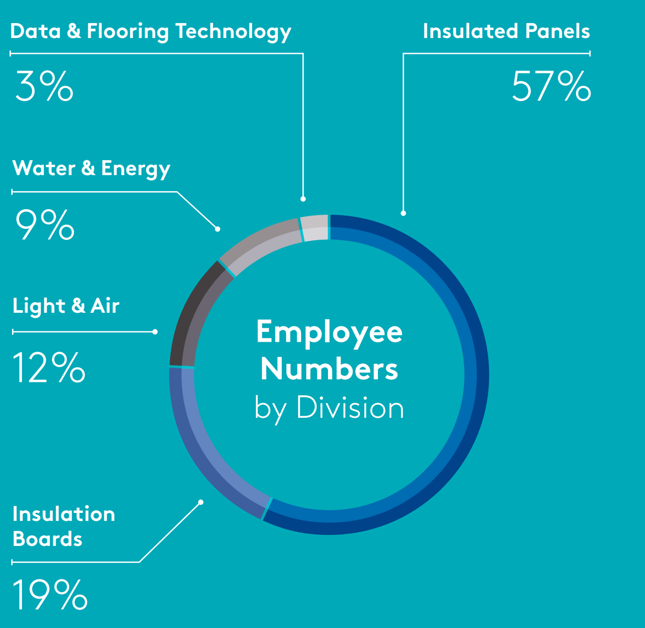
What has been achieved at Kingspan would not be possible without the people that work hard every day to drive the company forward. A dynamic and motivated workforce is key to delivering against the future growth strategy of the business. For this reason, talent is at the heart of future planning at Kingspan.

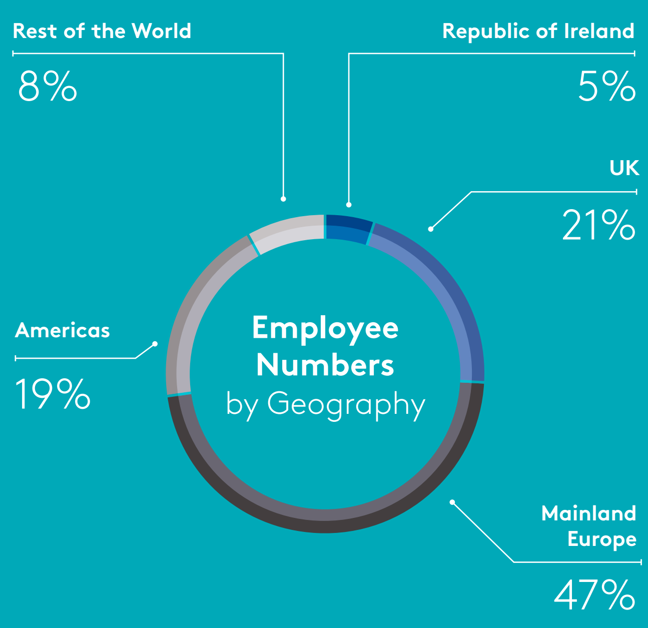
Kingspan's leadership team holds an annual Talent Forum in September to review succession plans, metrics on key positions hired throughout the year and to forecast future talent gaps as part of our human capital risk assessment.

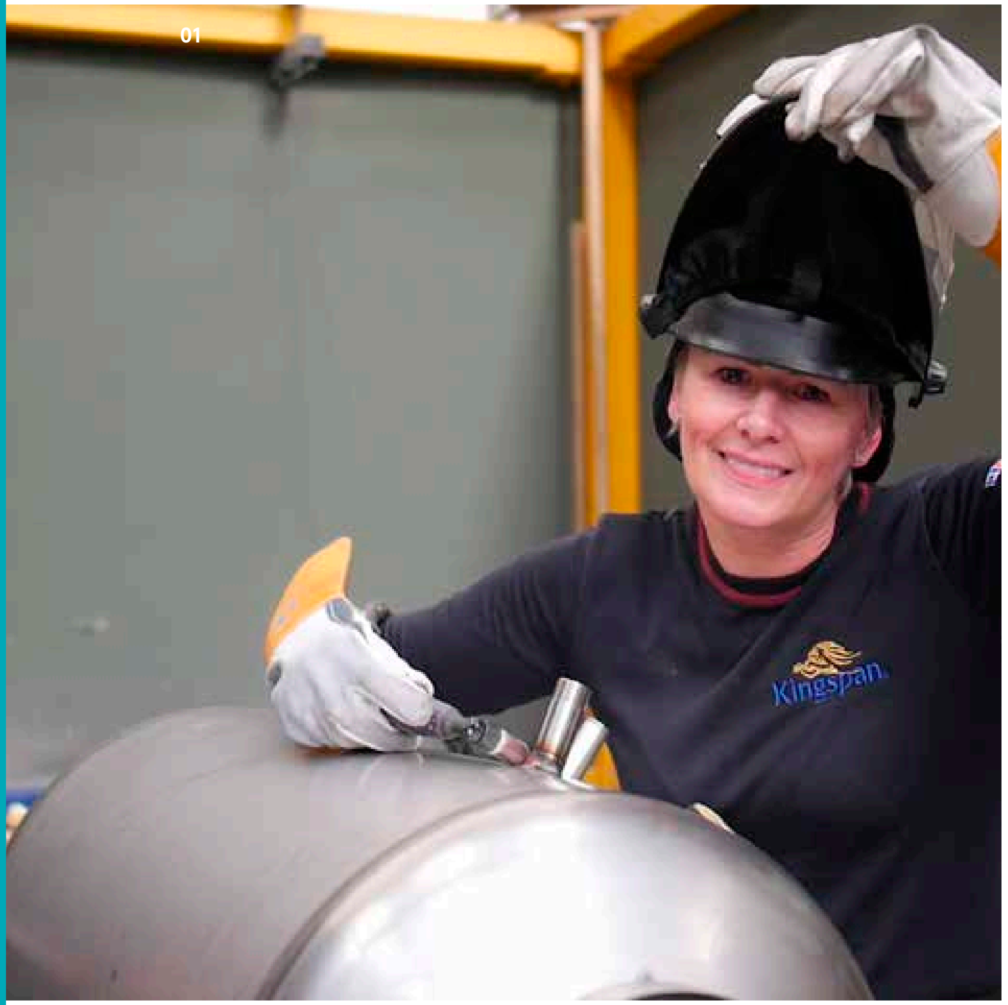
Attract
We have a number of initiatives at Kingspan to attract top talent. One of the key, group wide, initiatives is the graduate programme which saw applications in 2018 up over 150% on prior year.

Retain
At Kingspan we use multiple tools to drive talent retention. These include traditional motivational tools such as reviews and objective setting, but there is also the opportunity to join a network of people across the Group to drive real change through innovation and sustainability initiatives. Over 4 months in 2018 we ran a Global Digital Challenge, which incorporated 52 teams, spanning 14 countries and yielded such remarkable results that we announced 8 winners. In 2011, Kingspan initiated a target to be Net Zero Energy by 2020, people from all over the group have had the opportunity to drive actions to reduce energy consumption and to generate on site renewable energy.

Develop
Kingspan has developed three leadership development programmes over the past 24 months and over 170 current and future leaders have attended these programmes. The first level is geared to our graduate employees who join the "Yours to Shape" development programme, which takes place in 4 modules over 12 months. During this programme each graduate is assigned a senior executive as their mentor. The second programme, our newest leadership programme – PEAK (Programme for Executive Acceleration in Kingspan), is aimed at middle management. This comprises of two residential modules with on-going external coaches assigned to participants and regular webinars on key issues e.g. digitalisation and innovation. Thirdly, we partnered with the International Institute for Management Development in Lausanne for a customised, global leadership programme for our current top talent who are operating at the most senior level worldwide.







Gender balance, % Female

2018 18% F 82% M
2017 17% F 83% M

Injury Frequency Rate

2018 1.5 p/100k hours
2017 1.6 p/100k hours

Zero fatalities in 2018 (2017: zero)

01
UK, Berenice Hitchens,
Water & Energy

02
UK, Will Dyer,
Water & Energy

Protect
Kingspan takes the safety of our employees incredibly seriously. All accidents, as well as near misses, are recorded and reviewed. Health and Safety (H&S) is under ongoing review at a facility and divisional level and a Group H&S Committee sits at least twice a year. It is an opportunity for all divisions and geographies to share best practice and discuss operational experiences that will improve the welfare of all of our employees. Several initiatives have been rolled out to encourage H&S in our facilities, including safety culture surveys and questionnaires, poster campaigns, guest speakers who shared their experiences of living with an injury and e-learning training platforms.

Kingspan is proud to have gone through another year with zero fatalities in our business. Absolute lost time accidents were up year-on-year but primarily driven by the impact of acquisitions, the frequency rate fell by almost 6% or over 9% if you exclude the impact of acquisitions.

Equal opportunities, employee rights and 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.

It is important for us to celebrate and highlight the successes of people in Kingspan and we created online stories to demonstrate the career potential for diverse groups in our business. We are encouraged to see that over 30% of graduates on our "Yours to Shape" programme in 2018 were female.

Our Communities

Kingspan grew out of a family business and those family values continue to shape how we engage with our communities today. Decades on, Kingspan remains deeply rooted in the community of Kingscourt, Ireland, where the business was founded. Being engaged in our local communities is a core element of the culture of Kingspan. It is important that our businesses have the flexibility to support initiatives which are relevant to the local workforce and to the communities in which they operate. In 2018 we are proud to have supported a wide range of initiatives, including: runs against cancer, stimulating the local environment through beekeeping, children's craft competitions for local schools, festive family box donations and multiple sponsorship and fundraising events.

Kingspan – our future innovators
Kingspan was delighted to continue to support Junior Achievement Ireland (JAI) in 2018. Our volunteers went back to the classroom to encourage and to inspire young students to continue in education and to explore exciting new future opportunities incorporating possibilities opened up through the study of STEM and related subjects.

Junior Achievement programmes help to create a culture of enterprise within the education system. They also help young people prepare for the world of work, giving them skills in communication and preparing for interviews. In 2018 JAI programmes and workshops reached over 60,000 students, partnered with over 540 schools and received the support of over 3,000 volunteers. Kingspan volunteers worked with over 300 students in schools local to our facilities.


01

Our Communities

Kingspan Water & Energy gives the gift of water - Australia
Kingspan reached out to the Liverpool Plains Shire to donate a 104,000 litre tank filled with drinking water. The council chose to install the tank at Currabubula, a town 18 km outside of Tamworth with a community of about 330 people. This community of people were mainly relying on bore water for drinking due to the drought conditions in the area. The bore water was not ideal for drinking as it contained too much iron and calcium.

The tank was installed at Currabubula War Memorial Hall - an ideal location with great accessibility from all angles and is situated right across from Currabubula Public School.

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.

02

01
Ireland
Students on the Junior Achievement Ireland programme.

02
Australia
Gift of Water. Councillor Doug Hawkins (Deputy Mayor)and Rural Sales Account Manager, Ron James with the council members of Liverpool Plains Shire.

03
France
Light & Air. The Light and Air team in Ecodis keep 120,000 bees, which produce 45kg of honey annually.


03

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.

USA

Natalia Rizzatti
California, USA

Natalia joined Kingspan through the acquisition of AWIP in 2016. As an experienced CFO and originally from Brazil, Natalia was the ideal candidate to set up the finance function for our LATAM division. Natalia is also the President of Kingspan's AWIP business.

"*At Kingspan, I have been fortunate to be exposed to diverse cultures throughout the world. The Americas teams are passionate about developing new technologies that allow Kingspan to convert traditional systems to more energy efficient building solutions. For example, the insulated panel roof market in the USA is still in its infancy compared to that of Latin America or Europe - our North America team is committed to changing this reality through competitive and innovative products which enable material improvements to the construction timeline, while also providing a long-term sustainable roofing solution.*"

The Americas is a significant conversion opportunity for Kingspan. Insulated Panels account for less than 15% of the relevant market in North America and QuadCore™ offers a differentiated and best-in-class solution for design teams. Latin America is seeing rapid changes in building codes and is a compelling long-term market for our product portfolio.

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 having regard to the growing global footprint of the Group, as well as on the Group's financial reporting. At the same time, the Remuneration Committee has ensured that the executive directors' pay is properly aligned with the Group's performance, and shareholders' interests in the long-term success of the Group. The Nominations Committee has continued to assess the mix of the skills and experience on the Board and its committees, and has strengthened the independent representation 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 2018.

Eugene Murtagh
Chairman

USA
Squibb Building

Insulation Boards: Optim-R; Kingspan Greenguard XPS
Fire Rating: XPS Class A; Optim-R (Core): non-combustible as tested to EN ISO 1716

The Board

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

Chairman

Eugene Murtagh
(Age 76)
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 (21 years, chair).

Chief Executive Officer

Gene M. Murtagh
(Age 47)
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 Panels business and of the Water & Energy 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 (11½ years).

Executives

Geoff Doherty
(Age 47)
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 57)
United States of America

Russell Shiels is President of Kingspan's Insulated Panels business in the Americas as well as Kingspan's global Data & Flooring Technology 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 Data & Flooring Technology 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 62)
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 35 years' knowledge and experience of the global insulation industry.

Gilbert McCarthy
(Age 47)
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 60)
United Kingdom
Independent

Helen Kirkpatrick joined the board in June 2007.

Key skills & experience: Helen is a Fellow of Chartered Accountants 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, NI-CO Ltd, Wireless Group plc, and a number of other private and not for profit companies. She brings her considerable financial and business acumen to the Board and its Committees.

Committees: Remuneration (10 years, chair), Nominations (10 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 QUBIS Limited, a non-executive director of the Irish Football Association and the Chairman of Neueda Group.

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

Non-Executives *continued*

Linda Hickey
(Age 57)
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 (5½ years), Remuneration (3½ years).

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

Qualifications: B.B.S.

Michael Cawley
(Age 64)
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 (4½ years, chair), Remuneration (4½ 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 59)
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 30 years' experience in corporate, banking, structured finance and capital markets matters. He is a member of the International Bar Association, and is President of the British Irish Chamber of Commerce. He brings valuable legal, corporate governance and capital markets experience to the Board.

Committees: Audit (3½ years), Nominations (4½ years).

External appointments: None.

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

Bruce McLennan
(Age 54)
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 (1½ year), Remuneration (1½ year).

External appointments: Member of the Australian Government Takeovers Panel.

Qualifications: B.Bus, M. Comm.

Dr Jost Massenberg
(Age 62)
Germany
Independent

Jost Massenberg was appointed to the Board in February 2018.

Key skills & experience: He is 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 50)
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.

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 2018.

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":

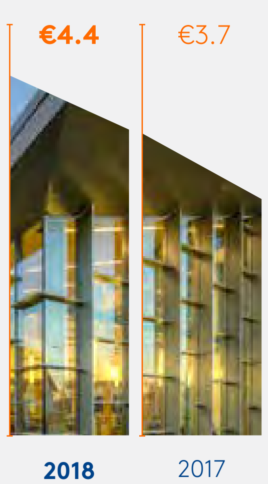
- insulated panels;
- structural framing;
- architectural facades;
- rigid insulation boards;
- building services insulation;
- engineered timber systems;
- natural daylighting;
- ventilation and smoke management solutions;
- raised access floors;
- datacentre storage solutions;
- energy storage solutions;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

Kingspan is comprised of five key business divisions which are Insulated Panels, Insulation Boards, Light & Air, Water & Energy and Data & Flooring Technology. These divisions offer a suite of complementary building envelope solutions for both the new build and refurbishment markets.

Results and Dividends
Group turnover for the year ended 31 December 2018 was €4.4bn (2017: €3.7bn), trading profit was €445.2m (2017: €377.5m), and earnings per share were 184.0 cent (2017: 159.0 cent).

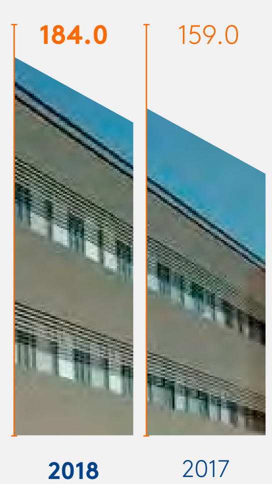
The Consolidated Income Statement is set out in page 95 and a detailed review of the Group's performance from a financial and operational perspective is contained within the Business & Strategic Report on pages 8 to 33.

An interim dividend of 12.0 cent per share was paid to shareholders on 5 October 2018 (2017: 11.0 cent). The directors are recommending a final dividend of 30.0 cent per share for the year ended 31 December 2018 (2017: 26.0 cent), giving a total dividend for the year of 42.0 cent (2017: 37.0 cent). The final dividend if approved at the Annual General Meeting will be paid on 10 May 2019 to shareholders on the register at close of business on 29 March 2019.

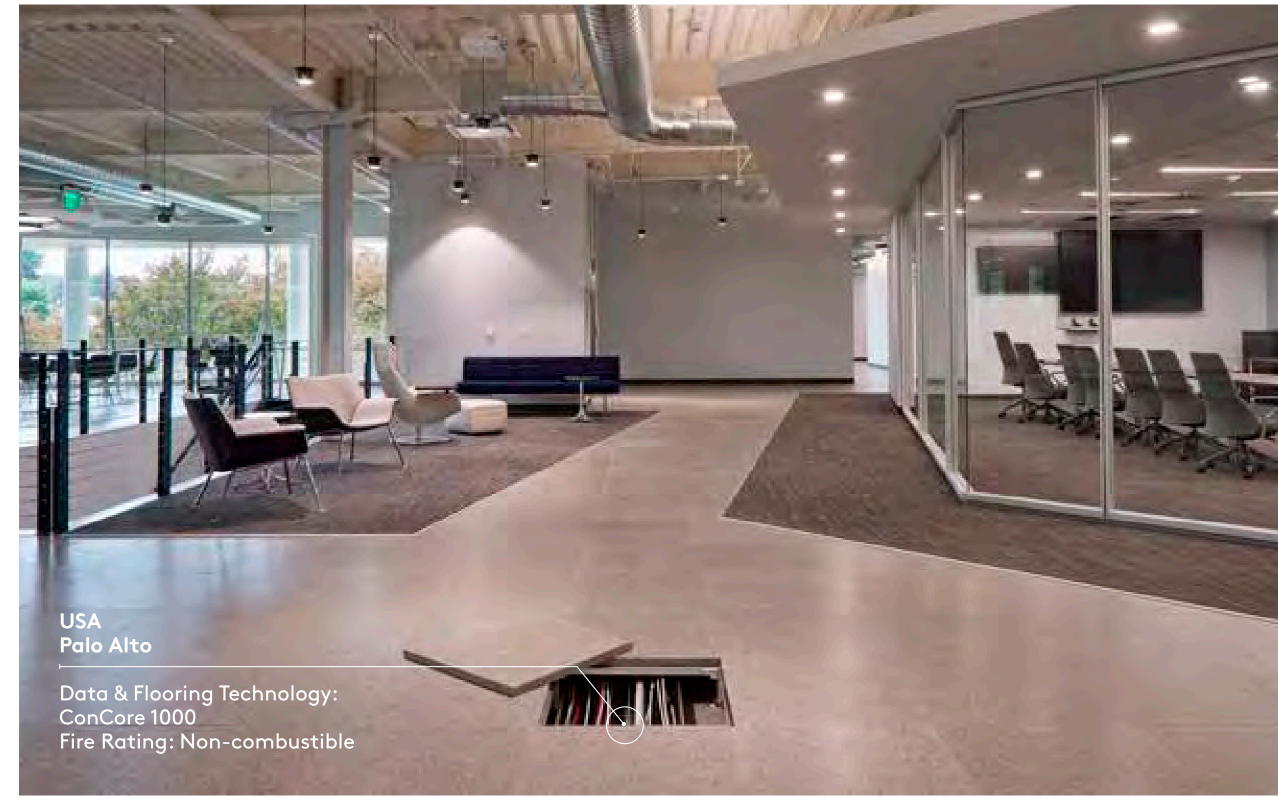


Revenue
(€bn)

Trading Profit
(€m)



EPS
(cent)



Business Review
The Business & Strategic Report, including the Chief Executive's Review and the Financial Review, sets out management's review of the Group's business during 2018 on pages 8 to 33. The key points include:

- Revenue up 19% to €4.4bn.
- Trading profit up 18% to €445.2m.
- Free cashflow up 55% to €308.4m.
- Group trading margin of 10.2%.
- Basic EPS up 16% to 184.0 cent.
- Year-end net debt of €728.3m (2017: €463.9m). Net debt to EBITDA of 1.4x (2017: 1.05x).
- ROCE of 16.8% (2017: 17.8%).
- Insulated Panels sales growth of 21%. Strong activity in the Americas, a positive performance in Continental Europe and a solid UK outturn against a difficult backdrop. Good contribution from acquisitions in Europe and Latin America.
- Insulation Board sales growth of 12% reflecting a positive outturn in the Iberian acquisition, ongoing advancement of Kooltherm® and solid underlying markets overall.
- Light & Air sales approaching €300m with improved margins in Europe offsetting softer US margin.
- Water & Energy (formerly Environmental) sales growth of 13% with a new frontier established in the Nordic region.
- Data & Flooring Technology (formerly Access Floors) sales growth of 3% with strong sales of data centre solutions offsetting more sluggish office activity.

The Business & Strategic Report on pages 10 and 11 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.

Planet Passionate
A set of initiatives across our global business targeting the adoption of 100% renewable power.

Throughout 2018, 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

The principal risks and uncertainties facing the Group, and the actions taken by Kingspan to mitigate them are detailed on pages 32 to 33 of the Risk & Risk Management Report. The principal risks are:

- → Volatility in the macro environment;
- → Failure to innovate;
- → Product failure;
- → Business interruption (including IT continuity);
- → Credit risk and credit control;
- → Employee development & 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 2018 against all of its key performance indicators. A detailed commentary incorporating key performance indicators is contained within the Financial Review on pages 26 to 30, and in the Sustainability Report on pages 36 to 47. A number of the key performance indicators have been included in more detail on page 140 'Alternative Performance Measures'. The key performance indicators for Kingspan upon which particular emphasis is placed upon are:

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 2018, the Group's research and development expenditure amounted to €30.5m (2017: €27.1m). Research and development expenditure is generally written off in the year in which it is incurred. During 2018 Kingspan's continuing investment in research and development involved over 40 key projects. These key projects included:

- → QuadCore™ insulation board;
- → Next generation Kooltherm® 200 range;
- → Fibre-free 'A Core' insulation;
- → Prismatic daylighting development;
- → Translucent Polycarbonate
- → Cleanroom systems product development;
- → Integrated solar PowerPanel;
- → New Access Floors datacentre Products;
- → Recycling of PET for Insulation material; and
- → Unitised Façade 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 62 to 67. 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.

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 energy needs will be met by renewable energy.

Kingspan recognises the importance of conducting its business in a socially responsible manner. At Kingspan we are Product Passionate, Planet Passionate and People Passionate. The Sustainability Report on pages 36 to 47 of this Annual Report 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.**

KPIs Financial

Basic EPS growth	184.0 cent (up 16%)	See page 28
Sales growth	€4.4bn (up 19%)	See page 28
Trading margin	10.2% (down 10 bps)	See page 28
Free cash flow	€308.4m (up €109.9m)	See page 29
Return on capital employed	16.8% (down 1%)	See page 29
Net debt/EBITDA	1.4x (2017: 1.05x)	See page 29

KPIs Non-Financial

Net Zero Energy	75%	See pages 41-42
Health & Safety	1.5 per 100k hours (down 6%)	See page 45
Gender Balance	18% female (up 1%)	See page 45
Waste Recycling	68% (down 9%)	See page 43

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.

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

Structure of the Company's share capital

At 31 December 2018, the Company had an authorised share capital comprised of 250,000,000 (2017: 250,000,000) ordinary shares of €0.13 each and the Company's total issued share capital comprised 182,171,120 (2017: 181,342,315) Ordinary Shares, of which the Company held 1,969,143 (2017: 2,019,750) Ordinary Shares in treasury.

Shareholding analysis as at 31 December 2018:

Shareholding range	Number of accounts	% of total	Number of shares held	% of total
1 - 1,000	2,874	57.5	1,232,792	0.7
1,001 - 10,000	1,472	29.4	4,733,536	2.6
10,001 - 100,000	473	9.5	16,321,082	9.0
100,001 - 1,000,000	153	3.0	45,764,680	25.1
Over 1,000,000	30	0.6	114,119,030	62.6
	5,002	100	182,171,120	100

Details of persons with a significant holding of securities in the company are disclosed below:

Notification Date	Shareholder	Shares held	%
07/02/2019	Eugene Murtagh	28,018,000	15.53%
15/02/2019	Blackrock, Inc.	15,233,848	8.44%
12/04/2018	Allianz Global Investors GmbH	10,349,716	5.74%
16/11/2018	Bailie Gifford & Co.	9,010,740	5.00%
02/10/2018	Ameriprise Financial Inc	8,979,739	4.98%
13/02/2019	FMR LLC	5,460,760	3.02%

Further information required by Regulation 21 of the above Regulations as at 31 December 2018 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 52 and 53. During the year we were pleased to announce the appointment of Dr Jost Massenberg as a non-executive director with effect from 22 February 2018.

Directors' & Secretary's interests in shares

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-18	31-Dec-17
Eugene Murtagh	**28,018,000**	29,018,000
Gene Murtagh	**1,129,207**	1,128,999
Geoff Doherty	**238,326**	240,350
Russell Shiels	**300,000**	300,000
Peter Wilson	**389,376**	389,376
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 McLennon	**10,000**	10,000
Jost Massenberg	**-**	-
Lorcan Dowd	**2,603**	4,961
	30,404,749	31,408,923

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 the 22 February 2019, there have been no changes in the directors' and secretary's interests in shares since 31 December 2018.

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 129 manufacturing sites, and has operations in over 70 countries worldwide.

The Company's principal subsidiary undertakings at 31 December 2018, country of incorporation and nature of business are listed on pages 144 to 147 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 25.

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 2022.

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 2022;
- 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 2018.

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 32 and 33, 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:

1. 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;
2. 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
3. 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

22 February 2019

Magnus Wallin
Jönköping, Sweden

Magnus joined Kingspan in 2013 as a Business Director for Scandinavia in our Insulation Boards division.

"*Space really matters in modern buildings. The Nordics has had insulated houses for decades, thick wooden walls filled with traditional fibrous insulation. 20 years ago no one wanted to pay for making them thinner. Now we want to make them even better, but not thicker. This is why the market for high performance insulation is growing rapidly. Our job is to create trust in converting a traditional insulation market into advanced materials. It is thrilling to be part of a development where no one knew what our advanced insulation was back in 2009 and yet 10 years later it has become well known to builders, fire engineers and architects.*"

The value proposition for Kingspan's high performance insulation in the Nordics is unquestionable. We can offer solutions with high thermal performance that don't compromise on space, which is an increasingly rare commodity as the world moves toward urbanisation. Kingspan's new Kooltherm® facility in Sweden will support Magnus in his growth ambitions.

Sweden

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 within 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 2018 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.

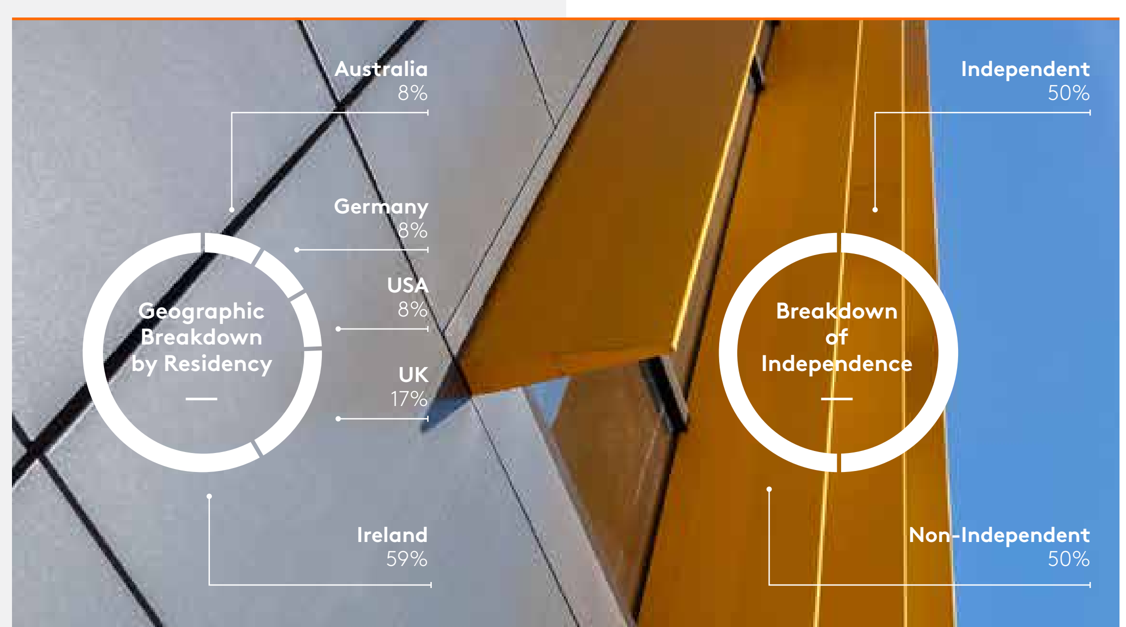
The Board is comprised of twelve directors, five of whom are executive directors and seven, inclusive of the Chairman, are non-executive directors. Further details on the members of the Board, including short biographies, can be found in the section entitled "The Board" on pages 52 and 53. Each of the 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.

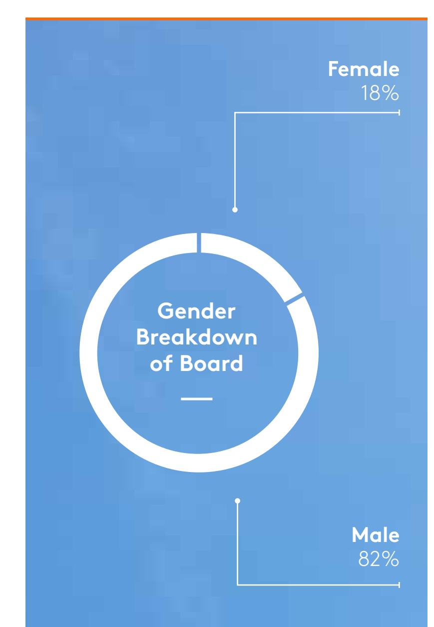
All of the directors bring an objective judgement to bear on issues of strategy, resources and standards of performance both on an individual and collective basis. The directors believe that the Board includes an appropriate balance of skills, experience, independence and knowledge of the Group to enable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

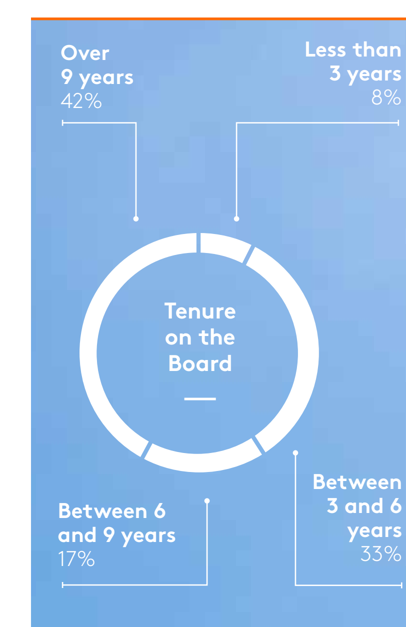
The schedule of matters reserved for Board discussion includes the following:

- → 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 6 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 below. The Board has delegated responsibility for management of the Group to the Chief Executive and his executive management team.







Attendance at Board and Committee meetings during the year ended 31 December 2018

	Board		Audit		Nominations		Remuneration	
	A	B	A	B	A	B	A	B
Eugene Murtagh	6	6			2	2		
Gene M. Murtagh	6	6			2	2		
Geoff Doherty	6	6						
Russell Shiels	6	6						
Peter Wilson	6	5						
Gilbert McCarthy	6	6						
Helen Kirkpatrick	6	6			2	2	4	4
Linda Hickey	6	6	4	4			4	4
Michael Cawley	6	5	4	4			4	4
John Cronin	6	6	4	4	2	2		
Bruce McLennan	6	6			2	2	4	4
Jost Massenberg	5	4						

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 twelve 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 the year, 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.

The directors consider that there is a strong independent representation on the Board. The Board has had due regard to various matters which might affect, or appear to affect, the independence of some of the directors, and the Board considers that Helen Kirkpatrick, Linda Hickey, Michael Cawley, John Cronin, Bruce McLennan and Jost Massenberg are independent.

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, which was extended beyond nine years following consultation with ISS and the IAIM at that time. 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 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.

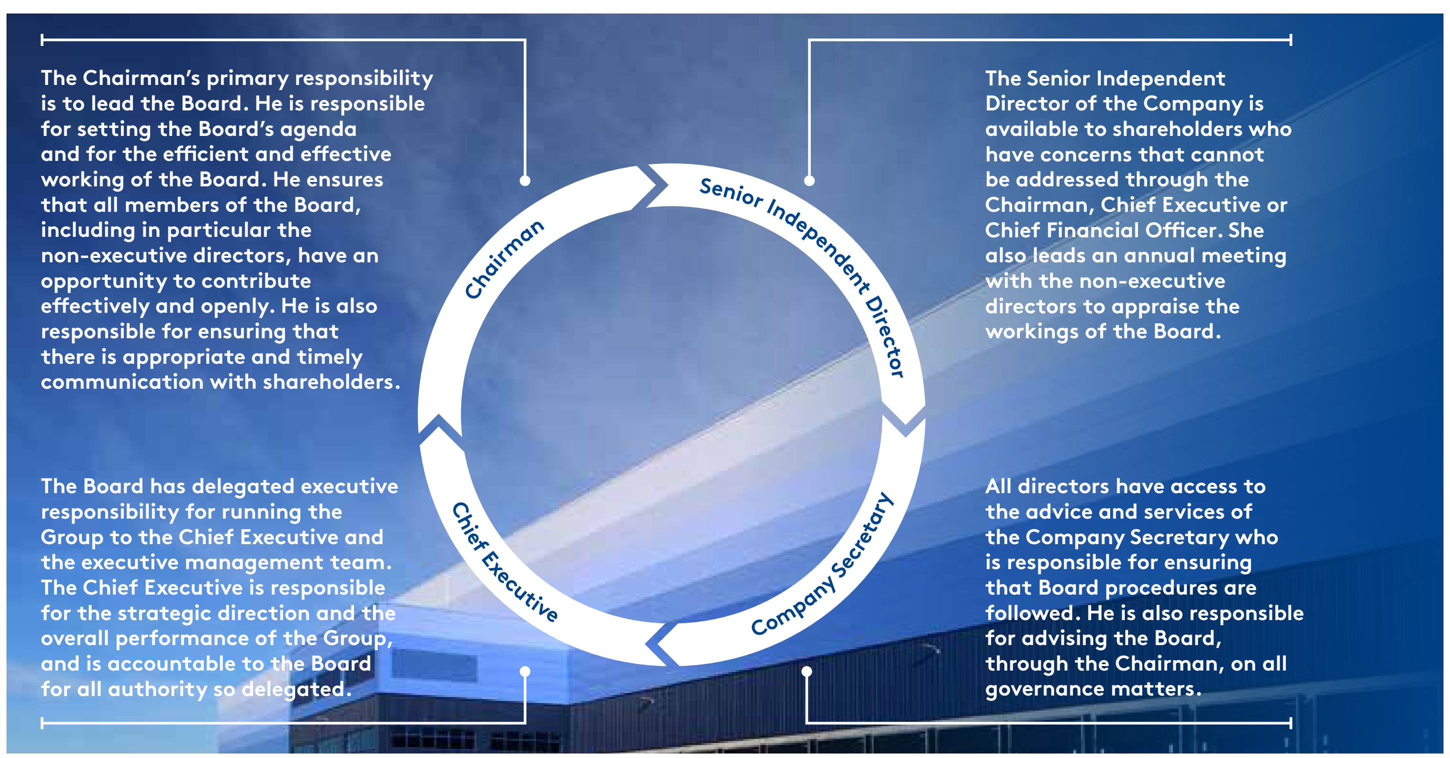
The Board therefore concluded that neither Ms Kirkpatrick's, Ms Hickey's nor Mr Cronin's independence was affected and considers that between them they bring valuable financial, capital markets, governance and legal risk experience to the Board.

The Chairman and Chief Executive

There is a clear division of responsibility set out in writing between the non-executive Chairman and the Chief Executive. Further information on the officers of the Company on the division of responsibility set out below.

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.



UK, Milton Keynes

Wall: AWP, Micro-Rib, Trapezoidal Wall **Roof:** Trapezoidal Roof **Panels:** LPCB 1181 Part 1 and achieve LPS Grade EXT-B and are FM approved to 4880 and 4471

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 three of the Group's manufacturing facilities and also had the opportunity to meet 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. 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 meetings and committee meetings, and the general corporate governance of the Group.

An externally facilitated review of the Board's performance was carried out during the year by Better Boards. The review format included both a questionnaire completed by all Board members, and a series of one to one interviews conducted with selected executive and non-executive directors. The results of the review were very positive, with the overall conclusion that the Board operates effectively and cohesively, and no major gaps or concerns were identified. A number of themes for further consideration were proposed, and the Board will monitor progress against an agreed step plan during the current year.

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 Programme. 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 63.

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

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

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.

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 82 to 87, 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.

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 Nominations Committee assists the Board in ensuring that the composition of the Board and its committees is appropriate for the needs of the Group. The committee considers the Board's membership, identifies additional skills or experience which might benefit the Board's performance, considers whether there's a need to strengthen or refresh the non-executive director representation on the Board, 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 twice in 2018, to recommend the appointment of Jost Massenberg to the Board, to approve the annual re-election of Directors at the Company's Annual General Meeting, and to consider the report from Better Boards following their externally facilitated evaluation of the Board and agree any actions arising therefrom.

The committee considered whether or not to engage a firm of consultants to assist in the process of recruiting a new non-executive director, and agreed that in order to ensure best fit with the Company, it would use the knowledge and contacts of the committee to identify suitable candidates. Using the Board's knowledge and contacts the committee identified a pool of potential candidates and Jost Massenberg was considered the most suitable. Members of the committee met with Jost Massenberg before agreeing to recommend his appointment to the Board.

Following the retirement of Helen Kirkpatrick after last year's Annual General Meeting, Jost Massenberg will be appointed to the Nomination Committee.

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

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.

The Report of the Remuneration Committee is set out in this Annual Report on pages 70 to 81, 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.

Following the retirement of Helen Kirkpatrick after last year's Annual General Meeting, Linda Hickey will take over as chair of the Remuneration Committee

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 team presented at three capital market conferences, hosted a capital markets day at our Holywell facility in Wales and conducted 311 institutional one-on-one and group meetings. Further information regarding the Company's Annual General Meeting is set out in the Shareholder Information Section in this Annual Report.

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. Last year, in advance of the Annual General Meeting, 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.

Key Shareholder Engagements 2018
February Full year Results 2017
March Annual Report 2017
April Trading Update
April Annual General Meeting 2018
August Interim 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 142 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 82 to 87.

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;
- → 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 32 and 33.

Ireland

Sean McGuinness
Kingscourt, Ireland

Sean is a qualified engineer who joined Kingspan through our graduate programme in 2016. Sean has worked out of our R&D facility in Hradec, Czech Republic and is presently working, out of Ireland, on multiple projects with Kingspan Panels in the US.

"*New technologies are revolutionising our industry. At Kingspan we not only focus on making the most thermally efficient insulation, we're exploring new technology solutions to maximise the energy-efficiency of buildings. Working as part of R&D means that I get to be part of a very diverse team that enables me to be involved in each stage of product and technology development, from idea generation, through to testing and certifications. I get to work with teams across the business to create proof of concepts and test cases that can ultimately deliver value for our business and customers.*"

Kingspan's ambition is to be the leader in digital technologies for the construction industry and Sean dedicates a large portion of his research time to digitalisation. Along with investing in BIM technology, we have sponsored a number of internal and external digital innovation challenges.

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 2018.

This report sets out Kingspan's updated remuneration policy, the operation of the policy in 2018 and its proposed operation in 2019. It provides details of the activities of the committee, and explains the decisions the committee has made over the last 12 months and the alignment of remuneration outcomes to performance for 2018. The Remuneration Report will be subject to an advisory vote at our Annual General Meeting on 3 May 2019.

The EU Shareholders' Rights Directive which addresses matters such as directors' remuneration disclosures and shareholder approval of the directors' remuneration policy, has yet to be transposed into Irish law and it is not yet clear how this will be finally implemented in Ireland. Nevertheless, in anticipation of the Shareholders' Rights Directive being implemented in Ireland, and in line with Kingspan's commitment to best corporate governance practices and shareholder engagement, the Remuneration Committee has decided that shareholders should be given an advisory vote on the Kingspan directors' remuneration policy at its 2019 Annual General Meeting. This will be the first time that Kingspan has presented its full remuneration policy to shareholders for approval.

The Remuneration Committee has also committed to providing an increased level of transparency in its remuneration reporting in recent years, and has incorporated many of the proposed disclosure requirements into this report.

Our remuneration strategy

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.

Performance in 2018

2018 was another good result for Kingspan and the remuneration outcomes for our executive directors are aligned to this. Group EBITDA exceeded €500m for the first time ever, reflecting a strong performance from all businesses, despite challenges in our raw material supply chain and uncertainty in the UK market. As against this, integration of our recently acquired businesses in Central and Southern Europe and Latin America progressed well as they delivered a solid contribution to the Group results. Trading profit was up 18% on prior year and earnings per share (EPS) was up 16% over prior year, whilst the total shareholder return in the year was 3.8%. (the share price at 31 December 2018 was €37.38, 2017: €36.41).

The executive directors' annual performance bonuses are based on stretching Group EPS targets and the Divisional MD's have additional divisional profit targets. 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 2018. These ranged between 69% and 119% of base salary, and are detailed later in this report.

Our 2016 long-term Performance Share Plan (PSP) awards are based on Total Shareholder Return (TSR) relative to a group of sector peers and EPS growth, both measured over a three-year performance period from 2016 to 2018. Once again Kingspan achieved top quartile TSR performance amongst its peer group for the eight cycle in a row which together with strong long-term EPS growth resulted in the 2016 PSP awards vesting at 89% of maximum. Further details on the vesting of the 2016 PSP Awards are also set out later in this report.

Directors' remuneration policy changes

The committee reviewed the current policy and concluded that fundamental changes were not required. Accordingly, there is no change to quantum or the weighting in the policy between annual bonus and long-term incentive. The committee also carefully reviewed the changes to the UK Corporate Governance Code, best practice and investor expectations, and has agreed changes to the current policy to reflect these, as set out in this report. The committee wishes to highlight the following key factors that it took into account:

- The committee notes the provisions of the UK Corporate Governance Code relating to pensions and will seek to address these over time as part of its wider remit of considering wider group policies and practices. Pension arrangements for the current executive directors will continue in their current form but the new policy will provide a cap for new appointments of 25% of salary.
- Shareholding guidelines have increased so that executive directors have to hold at least 200% of salary in Kingspan shares, to be achieved through the retention of at least 50% of all vested deferred share and PSP awards. These levels are substantially exceeded by the current executive directors.
- There is currently a strong alignment with shareholders through the substantial holdings of Kingspan shares by the executive directors. The committee does not therefore consider it necessary, at this time, to include a formal 2 year holding period post vesting for PSP awards but will keep this under review for new appointments.
- In line with new provisions in the revised UK Corporate Governance Code, the policy includes a discretion for the committee to adjust incentive pay and vesting levels if the formulaic outcome of incentive awards does not reflect underlying corporate performance, the investor experience or employee reward outcome.
- For "good leavers", the deferral of annual bonuses and performance period for the PSP awards (with the award being reduced by an amount to reflect the proportion of the vesting period not actually served), will continue post cessation of employment. This provides post cessation of employment, alignment to the longer-term performance and sustainability of the business. In light of this, the committee has not introduced additional post cessation of employment shareholding at this time but again will keep this under review as market practice evolves.
- The policy now sets out our internal policies on recruitment and cessation, and on non-executive director remuneration, which are in line with market practice.

Investor views and consultation

In arriving at this new policy and providing this years' Remuneration Report the committee has taken into account investor and published proxy agency guidance. It has also engaged with our largest investors and proxy voting agencies regarding the new directors' remuneration policy and welcomes the feedback received from both.

Conclusion

The committee believes that the policy, with its evolutionary refinements rather than revolutionary changes and its application for 2019 strongly supports the Group's business strategy. Further, the committee believes that there has been and continues to be a strong link between reward and performance.

Finally, as I will be stepping down as chairman of the Remuneration Committee and retiring as a non-executive director of Kingspan following completion of my term of appointment, I want to thank my fellow committee members and the Company Secretary, for their diligent work over the years.

Helen Kirkpatrick
Chairman,
Remuneration Committee

Directors' Remuneration Policy

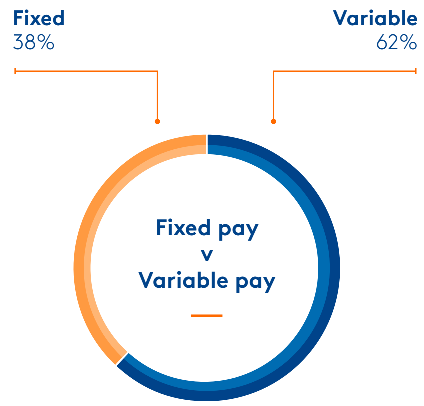
In setting the executive directors' remuneration package the Remuneration Committee seeks to ensure that:

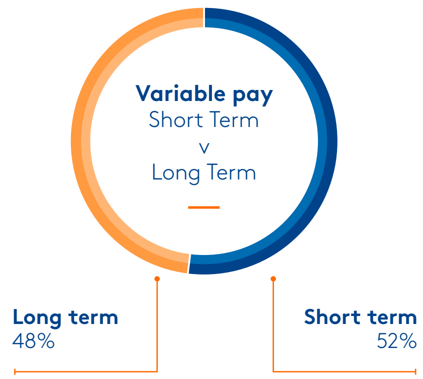
- the Group will attract, motivate and retain individuals of the highest calibre;
- executives are rewarded in a fair and balanced way for their contribution to the Group's performance;
- executives receive a level of remuneration that is appropriate to their scale of responsibility and individual performance;
- 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 committee believes that this policy sets an appropriate balance between fixed and variable remuneration, and that the split between short-term and long-term performance based remuneration (including the deferred share awards) reflects the Group's objective to drive long-term shareholder value through its strategic pillars of innovation, penetration, globalisation, and planet passionate. The following tables show the mix between fixed and variable performance related pay, and also between short-term and long-term remuneration.

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





Executive Directors' 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' experience, 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 performance, 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. The committee may alternatively pay a cash amount subject to all applicable employee and employer payroll taxes and social security.	No prescribed maximum for current incumbents. For new appointments a maximum of 25% of salary unless exceptionally a higher amount is appropriate to take account of market practice in certain countries where executives may be recruited from.

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
Executive directors' benefits include but are not limited to life and health insurance, the use by the executive directors of company cars (or a taxable car allowance), and relocation or similar allowances on recruitment, each in line with typical market practice.	No prescribed maximum level, as benefits depend on individual director circumstances.

Executive Directors' 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 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. No more than 100% of salary may be delivered in cash through the bonus plan. Any performance related bonus achieved in excess of the amount payable in cash is satisfied by the grant of share awards, which are deferred for two years.	The maximum annual performance related bonus is up to 150% of base salary. Bonus payment is 0% at threshold target.

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 Company's underlying performance has improved during the 3-year performance period, and if certain performance criteria are achieved over the performance period. For new appointments (who may not already have a substantial equity stake in the Company) the committee will consider whether PSP awards should have a two-year post vesting holding period (so there is a total of five years between the date of grant and any possible sale of shares subject to sales to pay taxes) to provide investor and share price alignment as well as a mechanism for new executive directors to build a shareholding in the Company.	200% of base salary. Threshold vesting is at 25% of maximum.

Selection of performance measures - Annual bonus and PSP

Each year, prior to the start of the relevant performance period, the committee assesses which performance measures (including if applicable non-financial measures), are most appropriate for both the annual bonus and the PSP awards, to reflect the Company's strategic initiatives. The Committee may change the performance measures, or the combination and weighting of performance measures, for awards granted in future years based upon the strategic plans of the Company. The committee sets what it considers are demanding targets for variable pay in the context of the Company's trading environment and strategic objectives and considering the Company's internal financial planning and market forecasts.

Policy on external appointments

Subject to Board approval, executive directors may accept external non-executive positions and retain the fees payable for such appointments.

The non-executive directors' remuneration policy is set out below.

Non-Executive Directors

Non-executive directors' fees - to reflect time commitment, experience and responsibilities and to attract and retain high calibre NEDs by offering a market competitive fee level

How it operates	Maximum opportunity
The Chairman of the Board receives a single fee for all his responsibilities. The non-executive directors each receive a basic board membership fee. The Chairman of Board Committees and the Senior Independent Director receive an additional fee to reflect the additional role and responsibilities (only one additional fee is paid if a director has dual roles). Supplemental fees may be paid for additional responsibilities and activities. Non-executive directors are entitled to the reimbursement of reasonable business expenses including any tax (grossed up) that may be payable on those expenses.	There is no prescribed maximum annual fee or fee increase. Account is taken of the general increase in fees in the non-executive market, but a lower or higher fee increase may be made to recognise, for example, an increase in the scale, scope or responsibility of the role and/or take account of relevant market movements.

Letters of appointment and policy on recruitment and termination

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. 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.

The committee has adopted best practice governance policies in relation to the directors' remuneration contracts, as set out below.

Governance

Share ownership guidelines - aligns the interests of management and shareholders to shareholder value and longer-term performance

Executive directors are required to build up and retain 200% of salary, to be achieved through the retention of at least 50% of all vested deferred share and PSP awards (subject to sales to meet taxes payable). Achievement of this guideline is measured through beneficially owned shares and deferred bonus share awards only.

For good leavers annual bonus deferral will continue post cessation of employment and performance targets for annual bonus and pro-rated PSP awards will be tested at the usual time providing longer term post cessation of employment alignment to the longer-term performance and sustainability of the business. There are no additional post cessation of employment requirements for beneficially owned shares.

Clawback & malus - including discretion to adjust formulaic calculation of incentive pay

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 and where certain circumstances later arise which bring the committee to conclude that the payment should not have been made in full or in part. Whilst the Company 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, and malus provisions (where awards are reduced to nil before they have vested) would apply in certain circumstances including:

- a material misstatement of the Company's financial results;
- a material breach of an executive's contract of employment;
- error in calculation;
- failure of risk management;
- corporate failure;
- any wilful misconduct, recklessness, and/or fraud resulting in serious damage to the financial condition or business reputation of the Company.

The committee may adjust the bonus and PSP that is payable if it considers the formulaic outcome is not representative of the underlying performance of the Company, investor experience or employee reward outcome.

Approach to recruitment

The recruitment package for a new director would be set in accordance with the terms of the Company's remuneration policy.

Annual bonus opportunity will reflect the period of service for the year. On an internal appointment, any variable pay element awarded in respect of their prior role will normally be allowed to continue according to its terms.

The normal maximum annual Performance Share Plan award limit is 200% of salary in a financial year. The committee may exceed this limit (up to the maximum of 400% of salary) in exceptional circumstances, for example, for the Company to be able to attract and secure the right candidate if required.

On recruitment, the Company may compensate for incentive pay (or benefit arrangements) foregone from a previous employer. Replacement share awards would be made under the Company's existing share plans or as necessary and as permitted under the Listing Rules. The new awards would take account of the structure of awards being forfeited (cash or shares), quantum foregone, the extent to which performance conditions apply, the likelihood of meeting any existing performance conditions and the time left to vesting.

Service contracts and termination

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) and 6 or 12 months by the director and it is the Company's policy that notice periods will not exceed 12 months. The service contracts do not include any provision for compensation for loss of office, other than the notice period provisions set out above. There are no enhanced provisions on a change of control and there are no specific severance arrangements.

The committee's policy in relation to termination of service contracts is to deal with each case on its merits having regard to the circumstances of the individual, the termination of employment, any legal advice received and what is in the best interests of the Company and its shareholders.

Annual bonuses and PSP awards are dealt with in accordance with the rules of the relevant plans. At the discretion of the committee (and normally where the individual has served a minimum of 6 months of the bonus year), a pro-rata bonus may become payable at the normal payment date for the period of service subject to full year performance targets being met.

The default treatment for share based awards is that any unvested award will lapse on termination of employment. However, under the rules of the Performance Share Plan, in certain prescribed circumstances (e.g. "good leaver"), awards are eligible to vest subject to the performance conditions being met over the normal performance period (or a shorter period at the committee's discretion) and with the award being reduced by an amount to reflect the proportion of the vesting period not actually served.

In anticipation of the Shareholders' Rights Directive being implemented in Ireland, and in line with Kingspan's commitment to best corporate governance practices and shareholder engagement, the Remuneration Committee has decided that shareholders should be given an advisory vote on Kingspan directors' remuneration policy at the 2019 Annual General Meeting.

Implementation of Remuneration Policy For 2019

Base salary, benefits and pension:
The committee carried out a full review of base salaries, with the assistance of independent advice, and determined the following increases for 2019.

In 2016 the committee agreed to progressively increase the Chief Executive Officer's salary over a number of years to what it considers is a market rate for the size, responsibilities and complexities of his role. These factors have increased significantly over the years as the business has expanded into new markets, invested in organic growth and become a significantly larger and more international business. As part of this phasing, the Chief Executive Officer received salary increases in 2017 of 10% (previously disclosed) and in 2018 an increase of 7.5%. For 2019 the committee has awarded a 5% increase, being the final phase of this salary adjustment. The committee considers this to be market rate for the current role of the Chief Executive Officer.

The committee also carried out a review of the divisional directors' roles and noted that Peter Wilson's role as Managing Director of the global Insulation Boards business had significantly increased over several years in terms of size and complexity, whilst at the same time as a result of exchange rate movements, Mr Wilson's salary had become misaligned to levels in the rest of the business. To correct this the committee decided to increase Mr Wilson's salary by 10% in 2019 and will review this again in 2020 and consider whether a further increase is required to bring it into alignment, subject to ongoing divisional and Group performance.

Salaries for the other executive directors will be increased by 3% in line generally with increases in the rest of the workforce.

Benefits and pension will be in line with those received for 2018.

Annual performance bonus:
The maximum bonus opportunity for all the executive directors is 150% of salary (unchanged from 2018) with up to 100% of salary earned through the bonus plan delivered in cash and up to 50% of salary being deferred into shares in the Company for two years. For 2019, the Remuneration Committee has determined to use the same performance measures as in 2018:

- 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.

The committee has carefully considered alternative financial measures for the annual bonus and has concluded that EPS provides the strongest alignment to the business strategy as well as being a critical key performance indicator. Targets are set using unadjusted audited EPS, as reported in our annual accounts, which creates a strong alignment with shareholders' experience. Targets will be disclosed with performance against them in the 2019 Remuneration Report.

Performance share awards:
For 2019, the following PSP Awards will be granted:

- For the CEO: an award over shares with a market value of 175% of base salary;
- For the other executive directors: an award over shares with a market value of approx. 150% of base salary (subject to adjustment to ensure internal parity and to manage exchange rate fluctuations between the divisional directors). The committee will keep this approach under review and ensure that it does not breach the overall limits contained in the PSP rules.

The Remuneration Committee has selected the same performance measures as for the 2018 PSP awards. Half of the award will be based on EPS growth targets and the other half on relative TSR against the same peer group as the 2018 awards.

The committee reviewed the EPS targets for the 2019 and future PSP awards. It determined EPS targets should no longer include Irish CPI, reflecting the international nature of the business and a desire to simplify the targets. For the 2019 PSP awards, 25% of the EPS part of the award will vest for 6% compound growth per annum rising to 100% vesting for 12% compound growth per annum. Accordingly, the committee set the following targets which, given the market and business outlook from which these targets will be measured, it considers to be demanding in all the circumstances:

Non executive director fees
There is no increase to the non-executive director fees for 2019.

2019 PSP Awards

Percentage of total award	Performance measure	Percentage vesting on threshold target	Threshold vesting target*	Maximum vesting target*
50%	EPS	12.5%	6%	12%
50%	TSR	12.5%	Median ranking	Upper quartile (or higher)

*Straight line vesting between threshold and maximum vesting

Remuneration outcomes for 2018
Base salary: The salaries for 2018 for each of the executive directors were set by the Remuneration Committee towards the end of 2017. The Chief Executive's salary was increased by 7.5% as detailed above. Increases for the other executive directors were generally in line with increases in the business as a whole.

Overall, total salaries for the executive Directors increased by 5% in 2018. Full details are set out in the table below.

DIRECTORS' REMUNERATION FOR YEAR ENDED 31 DECEMBER 2018
(Remuneration is reported in the currency received by the individual)

Executive Directors	Gene Murtagh EUR000		Geoff Doherty EUR000		Russell Shiels USD000		Peter Wilson GBP000		Gilbert McCarthy EUR000		Total[1] EUR000	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Fixed Pay												
- Salary and Fees	828	770	546	530	568	541	376	358	505	480	2,785	2,667
- Pension Contributions [2]	150	140	133	128	193	189	154	150	101	96	721	703
- Benefits [3]	34	31	33	32	65	64	17	13	33	34	174	167
Performance Pay [4]												
- Cash element	828	599	546	413	568	168	186	326	494	149	2,567	1,683
- Deferred share awards	158	-	104	-	108	-	72	-	96	-	531	-
Total executive pay	1,998	1,540	1,362	1,103	1,502	962	805	847	1,229	759	6,770	5,220
Charge to Consolidated Income Statement for share options and awards [5]											2,807	2,153
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	75
Jost Massenberg [7]											64	-
Total non-executive pay											650	586
Total Directors' remuneration											10,227	7,959

(1) The 'Total' figure shows Russell Shiels' remuneration converted to Euro at the following average rate USD: 1.1812 (2017: 1.1294).
(1) The 'Total' figure shows Peter Wilson's remuneration converted to Euro at the following average rate GBP: 0.88477 (2017: 0.87642).
(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 77 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.
(7) Jost Massenberg was appointed as a non-executive director on 22 February 2018.

Performance related bonus:
The targets for 2018 were set prior to the start of the year, and comprise a combination of stretching Group EPS targets and divisional profit growth targets. In 2018 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 25% 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, with the maximum bonus for the divisional profit element being payable on the achievement of 10% divisional profit growth. A further 60% of the Divisional MDs' annual performance related bonus opportunity was payable on the achievement of the same Group EPS targets as for the Chief Executive and Chief Financial Officer's bonus.

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 following the year end, and considered the extent to which the 2018 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 18% on prior year) and strong EPS growth (up 16% 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. In each case 19% of maximum bonus opportunity was satisfied by the grant of deferred share awards, which are designed to align the executives reward with longer-term shareholder interests. The holding period is two years.

The table below sets out the performance against targets for each of the executive directors in respect of the year ended 31 December 2018. The Board believes that disclosure of the Divisional MD's specific bonus targets and performance against them would be inappropriate as this is commercially sensitive business information not otherwise available to competitors.

Vesting of the 2016 Performance Share Plan awards: The Remuneration Committee reviewed the extent to which the vesting targets in respect of the PSP Awards granted in 2016 had been met by reference to EPS and TSR targets over the three year performance period to 31 December 2018. For 2016 the Committee granted PSP Awards that were 40% based on EPS growth targets, 40% based on relative TSR and 20% based on Exceptional TSR targets as set out below.

The committee determined that total EPS growth during the period was over 72%, 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 eighth cycle in a row, ranking in the 87th percentile in respect of the performance period. The committee therefore concluded that the PSP vesting conditions in respect of the TSR element of the 2016 PSP Awards had been satisfied in full and that the Exceptional TSR targets were partly achieved.

2018 ANNUAL PERFORMANCE RELATED BONUS

	Maximum opportunity as % salary	Performance measure	Threshold target	Target for maximum vesting of cash element	Target for maximum vesting of deferred share element	Performance achieved	Bonus outcome as % salary
Chief Executive	150%	EPS	151.0c	174.9c	198.7c	184.0c	119%
Chief Financial Officer	150%	EPS	151.0c	174.9c	198.7c	184.0c	119%
Russell Shiels	60%	Divisional profit	10% profit growth			118%	60%
	90%	EPS	151.0c	174.9c	198.7c	184.0c	59%
Peter Wilson	60%	Divisional profit	10% profit growth			97%	10%
	90%	EPS	151.0c	174.9c	198.7c	184.0c	59%
Gilbert McCarthy	60%	Divisional profit	10% profit growth			109%	58%
	90%	EPS	151.0c	174.9c	198.7c	184.0c	59%

The table below sets out the targets set at the time of the granting of the 2016 PSP Awards, and the performance achieved in respect thereof.

2016 - 2018 PSP AWARDS - PERFORMANCE

Percentage of total award	Performance measure	Threshold target	Maximum target	Performance achieved	% of PSP Awards vesting
40%	EPS	CPI + 5%	CPI + 10%	CPI + 19.6%	40%
40%	TSR	Median ranking	75th percentile	87th percentile	40%
20%	Exceptional TSR	76th percentile	100th percentile	87th percentile	9%

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

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

Grant of 2018 Performance Share Plan awards: In February 2018 the Remuneration Committee granted PSP Awards to the executive directors with a three year performance period from 2018 to 2020. 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 2018 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 award is the same as that set out above for the 2019 award.

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

Armstrong World Industries	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 2017 and the legacy 2008 Performance Share Plans are set out in the following table.

Non-executive directors: The non-executive directors each receive a fee which is approved by the Board. 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 2018.

PERFORMANCE SHARE PLAN

Director		At 31 Dec 2017	Granted during year	Vested during year	Exercised or lapsed during year	At 31 Dec 2018	Option price €	Earliest exercise date	Latest expiry date
Gene M. Murtagh									
	Unvested	133,793	40,588	(44,883)	(2,514)[1]	126,984	0.13	23/02/2019	26/02/2025
	Vested	141,480	-	44,883	(86,359)[2]	100,004	0.13	25/02/2017	24/02/2022
		275,273	40,588	-	**(88,873)**	**226,988**	**0.13**		
Geoff Doherty									
	Unvested	80,129	22,941	(27,707)	-	75,363	0.13	23/02/2019	26/02/2025
	Vested	-	-	27,707	(27,707)[3]	-	0.13	-	-
		80,129	22,941	-	**(27,707)**	**75,363**	**0.13**		
Russell Shiels									
	Unvested	74,268	19,242	(24,812)	-	68,698	0.13	23/02/2019	26/02/2025
	Vested	-	-	24,812	(24,812)[4]	-	0.13	-	-
		74,268	19,242	-	**(24,812)**	**68,698**	**0.13**		
Peter Wilson									
	Unvested	71,275	18,163	(24,812)	-	64,626	0.13	23/02/2019	26/02/2025
	Vested	-	-	24,812	(24,812)[5]	-	0.13	-	-
		71,275	18,163	-	**(24,812)**	**64,626**	**0.13**		
Gilbert McCarthy									
	Unvested	72,291	21,218	(24,812)	-	68,697	0.13	23/02/2019	26/02/2025
	Vested	117,626	-	24,812	(46,584)[6]	95,854	0.13	26/02/2016	24/02/2022
		189,917	21,218	-	**(46,584)**	**164,551**	**0.13**		
Company Secretary									
Lorcan Dowd									
	Unvested	13,940	4,622	(5,230)	-	13,332	0.13	23/02/2019	26/02/2025
	Vested	27,730	-	5,230	(11,180)[7]	21,780	0.13	26/02/2016	24/02/2022
		41,670	4,622	-	**(11,180)**	**35,112**	**0.13**		

1 Lapsed on 24/02/2018.
2 Exercised on 07/06/2018. Market value on day of exercise €40.00.
3 Exercised on 26/02/2018. Market value on day of exercise €35.70.
4 Exercised on 11/05/2018. Market value on day of exercise €40.00.
5 Exercised on 09/05/2018. Market value on day of exercise €39.42.
6 Exercised on 15/06/2018. Market value on day of exercise €41.00.
7 Exercised on 28/08/2018. Market value on day of exercise €42.08.

DEFERRED SHARE AWARDS

Director		At 31 Dec 2017	Granted during year	Vested & transferred during year[1]	At 31 Dec 2018	Vesting/ transfer date
Gene M. Murtagh	Unvested	**25,220**	-	(13,321)	**11,899**	31/03/2019
Geoff Doherty	Unvested	**19,044**	-	(10,279)	**8,765**	31/03/2019
Russell Shiels	Unvested	**18,147**	-	(9,798)	**8,349**	31/03/2019
Peter Wilson	Unvested	**15,762**	-	(8,923)	**6,839**	31/03/2019
Gilbert McCarthy	Unvested	**16,225**	-	(8,286)	**7,939**	31/03/2019

[1] Market value on vesting date €34.40

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 four 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 below. 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.

Clawback & malus policy: The committee has put in place robust clawback and malus arrangements for the protection of the Company and its investors, as outlined in the Remuneration Policy above.

Shareholding requirements:
The Remuneration Committee recognises that share ownership is important in aligning the interests of management with those of shareholders. Executive directors are required to build up and retain, a minimum holding in Kingspan shares with equivalent market value to 200% of base salary. The executive directors in practice hold significantly in excess of this requirement. The current shareholdings of the executive directors as a multiple of 2018 salary (based on share price as at 31 December 2018) are shown in the table below.

Shareholding requirements	31/12/18 Shares/Deferred shares	Multiple of salary
Gene M. Murtagh	1,141,106	51.5x
Geoff Doherty	247,091	16.9x
Russell Shiels	308,349	23.2x
Peter Wilson	396,215	35.4x
Gilbert McCarthy	255,576	18.9x

Remuneration Committee Activities	Feb	Mar	Jun	Oct
Salary and fees				
Engage independent consultants			•	
Review of overall remuneration policy			•	•
Review executives' salary, role and responsibilities for 2019				•
Review non-executives' fees for 2019				•
Approve Executive's pension arrangements		•		
Performance pay				
Assess Group and individual performance against targets for 2017	•			
Confirm percentage of performance bonus achieved for 2017	•			
Confirm vesting of 2016 Deferred Share Awards		•		
Agree Group and individual performance targets for 2019				•
PSP Awards				
Assess performance of 2015/2017 PSP Awards against targets	•			
Determine percentage of 2015/2017 PSP Awards which vest	•			
Review performance measures for PSP Awards for 2018	•			
Agree targets and level for grants of PSP Awards for 2018	•			
Governance				
Review and approve Remuneration Report for Annual Report 2017	•			
Update on governance and remuneration trends generally	•			•
Consider shareholder votes and feedback from AGM 2018			•	
Formalise new Remuneration Policy for shareholder approval			•	•
Review of consultants' performance and independence				•

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 during the year from independent remuneration consultants Korn Ferry.

Korn Ferry is a member of the Remuneration Consultants Group and a signatory to its Code of Conduct, and all advice is provided in accordance with this code. During 2018 Korn Ferry carried out a leadership development assessment for senior members of the Kingspan Group, but did not have 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.

Reporting requirements and engagement with shareholders:
In anticipation of the Shareholders' Rights Directive being implemented in Ireland, and in line with Kingspan's commitment to best corporate governance practices and shareholder engagement, the Remuneration Committee has committed to providing an increased level of transparency in its remuneration reporting in recent years, and has incorporated many of the proposed disclosure requirements into this report.

The Committee also keeps up to date with the specific voting guidelines of its shareholders and proxy voting agencies as well as being advised about developments in best practice and Corporate Governance.

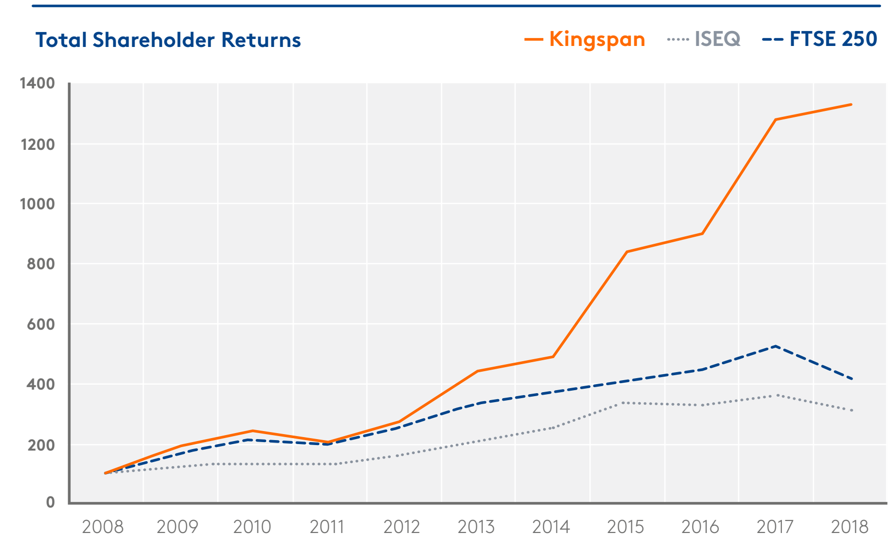
Accordingly, the Board, on the recommendation of the committee, will put this report of the Remuneration Committee to an advisory vote at the forthcoming Annual General Meeting of the Company, and will put the directors' remuneration policy to a separate advisory vote.

The Committee received strong support for the 2017 Remuneration Report. The table below shows the voting outcome at Kingspan's 2018 Annual General Meeting relating to the 2017 Directors' Remuneration Report.

	Total votes	For	%	Against	%
Advisory vote on 2017 Directors' Remuneration Report	143,826,542	136,145,491	94.66	7,681,051	5.34

Performance graphs

This graph shows the Company's TSR performance against the performance of the ISEQ and the FTSE 250 Indices over the ten-year period to 31 December 2018.



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 2018.

This report details how the Audit Committee has met its responsibilities under its Terms of Reference, the Irish Companies Act 2014 and under the 2014 UK Corporate Governance Code 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 2018 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.

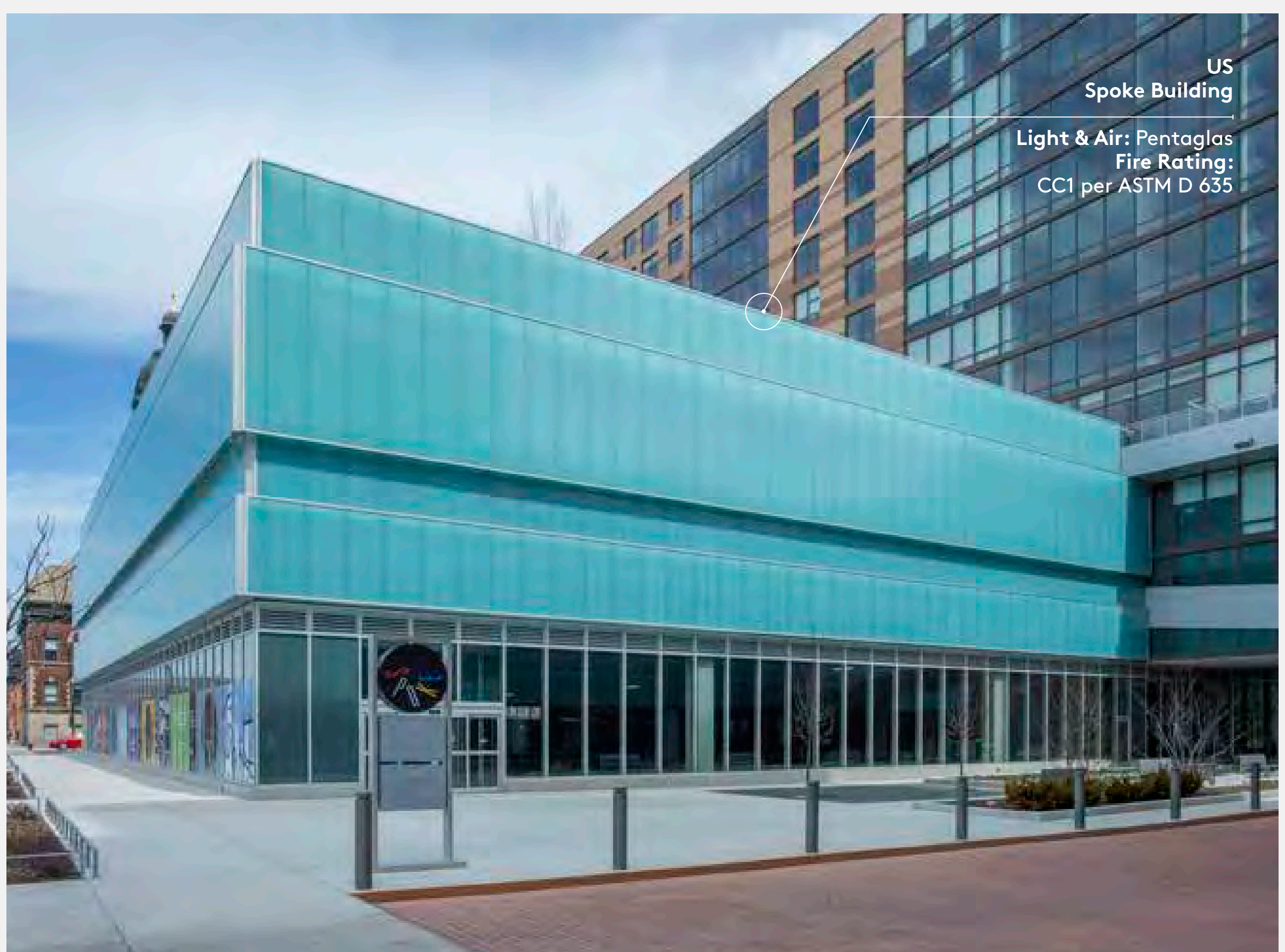
The Audit Committee note the requirements under section 225 of the Companies Act 2014 and has ensured that the directors are aware of their responsibilities and comply fully with this provision.

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 pages 32 to 33.

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



US
Spoke Building

Light & Air: Pentaglas
Fire Rating: CC1 per ASTM D 635

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:

1. Financial reporting and related primary areas of judgement;
2. The external audit process;
3. The Group's internal audit function;
4. Risk management and internal controls; and
5. Whistleblowing procedures.

Committee membership

As at 31 December 2018, the Audit Committee comprised of three independent non-executive directors who are Michael Cawley (Chairman), Linda Hickey and John Cronin. The biographies of each can be found on pages 52 to 53.

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 2018 and attendance at the meetings is noted below. Activities of the Audit Committee in each meeting is noted below.

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

Audit Committee activities	Feb	June	Aug	Nov
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				
Accounting standards update			•	
Corporate governance update				•
Evaluation of external and internal audit functions		•		
Directors' Compliance Statement policy and procedures				•
IT governance and risk management		•		
General Data Protection Regulation legislation	•	•		

Each committee meeting was attended by the Group Chief Financial Officer and the Head of Internal Audit. The external auditors also attended these meetings as required. The Company Secretary is the secretary of the Audit Committee. Other directors can attend the meetings as required.

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 page 65 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 ended 31 December 2018.

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 2018, the committee reviewed:

- the Group's Interim Management Statements issued in April and November 2018;
- the Group' s Interim Report for the six months to 30 June 2018; and
- the Preliminary Announcement and Annual Report for the year ended 31 December 2018.

Germany
Auto Viger Garage

Insulated Panels:
JI Wall 1000FC PIR
Fire Rating:
Euroclass B-s2, d0

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 auditors 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 auditors identifying the significant accounting and judgemental issues that arose in the course of the audit;
- considered the management representation letter requested by the auditors for any non-standard issues and monitored action taken by management as a result of any recommendations;
- 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 2018 financial statements, and how they were addressed by the committee are set out in the following table.

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 information on the adequacy and appropriateness of provisions in these areas.

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 eight 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 provisions	The committee reviewed the judgements applied by management in assessing both specific and risk based warranty provisions at 31 December 2018. 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 provisions and warranty costs and analyse these costs as a percentage of divisional sales. A retrospective review of warranty provisions at 31 December 2017 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 debts provision at 31 December 2018. The committee reviewed and discussed with management the monthly board report which sets out aged analysis of gross debtor balances and associated bad debt provisions and reviewed security (including credit insurance) that is in place. The committee also assessed the impact of IFRS 9 when completing the evaluation of the adequacy of the bad debt provisions. A retrospective review of bad debt provisions at 31 December 2017 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.
Valuation of inventory and adequacy of inventory provision	The committee reviewed the valuation and provisioning for inventory at 31 December 2018. 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 inventory provisions at 31 December 2017 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 are 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 2018 amounted to €472.3m. The committee discussed with management and the external auditors 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 2017 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 2018 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's 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

EU legislation providing a new regulatory framework for statutory audit was adopted in April 2014 comprising Directive 2014/56/EU and Regulation EU No. 537/2014). EU Audit reform legislation is applicable in the Member States of the European Union, including Ireland. Under this legislation, Kingspan Group plc is considered a Public Interest Entity ("PIE"). Key developments falling from the implementation of 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.

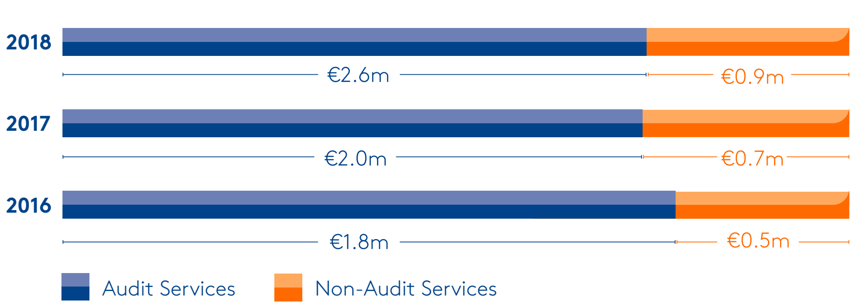
Kingspan Group plc has fully complied with such EU Audit Reform throughout 2018. With regards audit firm rotation, at the very latest, KPMG will be in situ for the final time for the year ending 31 December 2020 and thereafter a formal tender process will commence.

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 2018, Conall O'Halloran succeeded David Meagher as lead audit partner.

The committee received confirmation from the auditors that they are independent of the Group under the requirements of the Financial Reporting Council's Ethical Standards for Auditors.

Audit V Non Audit Services Remuneration



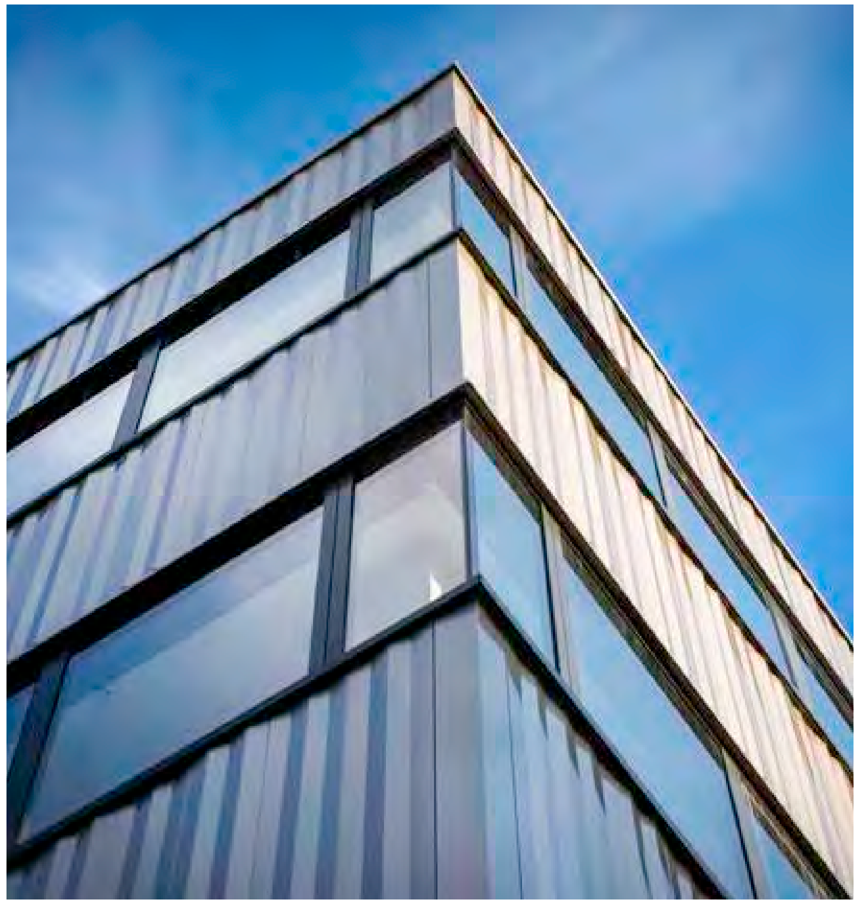
The auditors also confirmed that they were not aware of any relationships between the Group and the firm or between the firm and any persons in financial reporting oversight roles in the Group that may affect its independence.

Non-audit services

In order to further ensure independence, the committee has a policy on the provision of non-audit services by the external auditors that seeks to ensure that the services provided by the external auditors are not, or are not perceived to be, in conflict with auditor independence. By obtaining an account of all relationships between the external auditors and the Group, and by reviewing the economic importance of the Group to the external auditors 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. Last year 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 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 being overseen by the Group Chief Financial Officer and the committee is satisfied that this plan is being properly executed.

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 Risks & Risk Management section of this Annual Report on pages 32 to 33.

These processes, which are used by the Audit Committee to monitor the effectiveness of the Group's system of risk management and internal control, are 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 67.

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 were satisfied with the design and operating effectiveness of the process.

David Palleja
Barcelona, Spain

David joined Kingspan as the CEO of Synthesia Group, which was acquired by Kingspan in March 2018.

"The construction industry has a responsibility to create a better and cleaner environment for everyone. In Synthesia we are proud to contribute to the use of recycled and natural ingredients that are the basis of products across the Kingspan Group. In 2018 we used 256 million PET recycled bottles and this number is to grow in the coming years. These bottles are used to make our energy-efficient insulation. At Kingspan, we think green."

When Synthesia Group was acquired by Kingspan in 2018, David and his team had already led the initiative which enabled 250 million PET recycled bottles to be converted for use in our product range. It is an inspiring achievement and we look forward to investing in further initiatives to hit our ambitious target of using the equivalent of 500 million PET recycled bottles in our products by 2023.

Spain

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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 Group and Company financial statements of Kingspan Group plc ("the Company") for the year ended 31 December 2018 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.

In our opinion:

> the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2018 and of the Group's profit for the year then ended;
> the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
> the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
> the Group 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 8 financial years ended 31 December 2018.

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 from our report on the 31 December 2017 financial statements, were as set out below:

Group audit matters

Acquisition accounting (total consideration of €492.4 million (2017: €207.1 million))

Refer to page 85 (Report of the Audit Committee), page 104 (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 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 10 were in compliance with IFRS 3.

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

Warranty provisions €104.3 million (2017: €101.0 million)

Refer to page 85 (Report of the Audit Committee), page 106 (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 found that management's process for identifying and quantifying warranty provisions was appropriate and that the resulting provision was reasonable.

Goodwill €1,391.0 million (2017: €1,095.7 million)

Refer to page 85 (Report of the Audit Committee), page 104 (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 significant goodwill balance 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 rely on the management's assumptions and estimates of future trading performance, 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 found 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 €1,191.0 million (2017: €1,180.7 million)

Refer to page 108 (accounting policy) and 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 found management's assessment that no impairment is required to be reasonable.

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 €19.5 million (2017: €17.5 million).

This has been calculated using a benchmark of Group profit before taxation (of which it represents 5% (2017: 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 €13.0m (2017: €13.4m), determined with reference to a benchmark of Company's total assets of which it represents 1% (2017: 1%).

We report to the Audit Committee all corrected and uncorrected misstatements we identified through our audit in excess of €500,000 (2017: €350,000), 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 299 components, we determined that there were:

> 57 components 'full scope components' where audits of the financial information of those components were performed;
> 16 components '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
> 226 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	9	5
Revenue	73	16	11
Total assets	80	11	9

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 €10,000 to €7,600,000. 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 key audit matters 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 25 full scope components and 7 specific scope components. In respect of the other 32 full scope components and 9 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;
> inspected 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 58 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 and Business and Strategic Report. The financial statements and our auditor's report thereon do not form part of the other information. 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 our work on the other information we report that, in those parts of the director's report specified for our review:

> 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 32 and 33, 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 87 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 58 to 59): 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 82 to 87): 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 page 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 Companies Act 2014, we report, in relation to information given in the Corporate Governance Statement on page 67, 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/EC) Regulations 2006 and specified 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.
- the Corporate Governance statement contains the information required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017.

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 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 Companies Act 2014 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 Companies Act 2014 also requires us to report to you if, in our opinion, the Company has not provided the information required by section 5(2) to (7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 for the year ended 31 December 2018 as required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (amendment) Regulations 2018.

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

- the directors' statement, set out on page 58, 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 58 and 59, 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_responsibilities_for_audit.pdf

9 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.

Conall O'Halloran
for and on behalf of

KPMG
Chartered Accountants,
Statutory Audit Firm

1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

22 February 2019

Consolidated Income Statement for the year ended 31 December 2018

	Note	2018 €m	2017 €m
REVENUE	2	**4,372.5**	3,668.1
Cost of sales		**(3,158.0)**	(2,615.4)
GROSS PROFIT		**1,214.5**	1,052.7
Operating costs, excluding intangible amortisation		**(769.3)**	(675.2)
TRADING PROFIT	2	**445.2**	377.5
Intangible amortisation		**(22.2)**	(15.7)
Non trading items	4	**-**	0.6
OPERATING PROFIT		**423.0**	362.4
Finance expense	5	**(19.5)**	(16.4)
Finance income	5	**1.4**	0.5
PROFIT FOR THE YEAR BEFORE INCOME TAX	6	**404.9**	346.5
Income tax expense	8	**(69.1)**	(60.6)
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**335.8**	285.9
Attributable to owners of Kingspan Group plc		**330.9**	284.3
Attributable to non-controlling interests	28	**4.9**	1.6
		335.8	285.9
EARNINGS PER SHARE FOR THE YEAR			
Basic	9	**184.0c**	159.0c
Diluted	9	**182.3c**	157.3c

Gene M. Murtagh
Chief Executive Officer

Geoff Doherty
Chief Financial Officer

22 February 2019

Consolidated Statement of Comprehensive Income for the year ended 31 December 2018

	Note	2018 €m	2017 €m
Profit for the year		**335.8**	285.9
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**4.0**	(85.2)
Effective portion of changes in fair value of cash flow hedges		**0.3**	(2.1)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains on defined benefit pension schemes	32	**0.9**	1.0
Income taxes relating to actuarial gains on defined benefit pension schemes	21	**(0.2)**	(0.2)
Total other comprehensive income		**5.0**	(86.5)
Total comprehensive income for the year		**340.8**	199.4
Attributable to owners of Kingspan Group plc		**337.1**	201.0
Attributable to non-controlling interests	28	**3.7**	(1.6)
		340.8	199.4

Consolidated Statement of Financial Position as at 31 December 2018

	Note	2018 €m	2017 €m
ASSETS			
NON-CURRENT ASSETS			
Goodwill	10	**1,391.0**	1,095.7
Other intangible assets	11	**111.1**	90.3
Financial asset		**8.2**	-
Property, plant and equipment	12	**850.5**	703.3
Derivative financial instruments	19	**27.4**	22.2
Retirement benefit assets	32	**7.4**	7.9
Deferred tax assets	21	**15.6**	16.5
		2,411.2	1,935.9
CURRENT ASSETS			
Inventories	14	**524.9**	447.1
Trade and other receivables	15	**798.6**	675.9
Derivative financial instruments	19	**0.2**	0.1
Cash and cash equivalents		**294.5**	176.6
		1,618.2	1,299.7
TOTAL ASSETS		**4,029.4**	3,235.6
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	**779.8**	645.2
Provisions for liabilities	20	**47.5**	52.3
Derivative financial instruments	19	**-**	0.1
Deferred consideration	18	**59.5**	6.4
Interest bearing loans and borrowings	17	**53.2**	1.2
Current income tax liabilities		**78.8**	80.9
		1,018.8	786.1
NON-CURRENT LIABILITIES			
Retirement benefit obligations	32	**20.5**	21.5
Provisions for liabilities	20	**56.8**	48.7
Interest bearing loans and borrowings	17	**967.0**	661.5
Deferred tax liabilities	21	**40.8**	38.7
Deferred contingent consideration	18	**136.6**	111.1
		1,221.7	881.5
TOTAL LIABILITIES		**2,240.5**	1,667.6
NET ASSETS		**1,788.9**	1,568.0
EQUITY			
Share capital	23	**23.7**	23.6
Share premium	24	**95.6**	95.6
Capital redemption reserve		**0.7**	0.7
Treasury shares	25	**(12.7)**	(14.0)
Other reserves		**(273.2)**	(220.5)
Retained earnings		**1,916.2**	1,642.7
EQUITY ATTRIBUTABLE TO OWNERS OF KINGSPAN GROUP PLC		**1,750.3**	1,528.1
NON-CONTROLLING INTEREST	28	**38.6**	39.9
TOTAL EQUITY		**1,788.9**	1,568.0

Gene M. Murtagh
Chief Executive Officer

Geoff Doherty
Chief Financial Officer

22 February 2019

Consolidated Statement of Changes In Equity for the year ended 31 December 2018

	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 2018	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**
Transactions with owners recognised directly in equity													
Employee share based compensation	0.1	-	-	-	-	-	12.3	-	-	-	12.4	-	**12.4**
Tax on employee share based compensation	-	-	-	-	-	-	(2.0)	-	-	2.9	0.9	-	**0.9**
Exercise or lapsing of share options	-	-	-	1.3	-	-	(8.6)	-	-	7.3	-	-	**-**
Dividends	-	-	-	-	-	-	-	-	-	(68.3)	(68.3)	(0.1)	**(68.4)**
Transactions with non-controlling interests:													
Arising on acquisition	-	-	-	-	-	-	-	-	(24.5)	-	(24.5)	(4.9)	**(29.4)**
Fair value movement	-	-	-	-	-	-	-	-	(35.4)	-	(35.4)	-	**(35.4)**
Transactions with owners	0.1	-	-	1.3	-	-	1.7	-	(59.9)	(58.1)	(114.9)	(5.0)	**(119.9)**
Total comprehensive income for the year													
Profit for the year	-	-	-	-	-	-	-	-	-	330.9	330.9	4.9	**335.8**
Other comprehensive income:													
Items that may be reclassified subsequently to profit or loss													
Cash flow hedging in equity													
- current year	-	-	-	-	-	0.3	-	-	-	-	0.3	-	**0.3**
- tax impact	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Exchange differences on translating foreign operations	-	-	-	-	5.2	-	-	-	-	-	5.2	(1.2)	**4.0**
Items that will not be reclassified subsequently to profit or loss													
Actuarial gains of defined benefit pension scheme	-	-	-	-	-	-	-	-	-	0.9	0.9	-	**0.9**
Income taxes relating to actuarial gains on defined benefit pension scheme	-	-	-	-	-	-	-	-	-	(0.2)	(0.2)	-	**(0.2)**
Total comprehensive income for the year	-	-	-	-	5.2	0.3	-	-	-	331.6	337.1	3.7	**340.8**
Balance at 31 December 2018	23.7	95.6	0.7	(12.7)	(172.0)	0.5	36.9	0.7	(139.3)	1,916.2	1,750.3	38.6	**1,788.9**

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

	Share Capital	Share Premium	Capital Redemption Reserve	Treasury Shares	Translation Reserve	Cash Flow Hedging Reserve	Share Based Payment Reserve	Revaluation Reserve	Put Option Liability 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	€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 gains of defined benefit pension scheme	-	-	-	-	-	-	-	-	-	1.0	1.0	-	**1.0**
Income taxes relating to actuarial gains 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 Cash Flows for the year ended 31 December 2018

	Note	2018 €m	2017 €m
OPERATING ACTIVITIES			
Cash generated from operations	30	**530.3**	362.5
Income tax paid		**(75.0)**	(61.6)
Interest paid		**(17.0)**	(17.3)
Net cash flow from operating activities		**438.3**	283.6
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(144.2)**	(85.0)
Additions to intangible assets		**-**	(4.8)
Proceeds from disposals of property, plant and equipment		**12.9**	4.2
Proceeds from disposals of trade and assets		**-**	5.7
Purchase of subsidiary undertakings	22	**(461.0)**	(173.9)
Purchase of financial fixed asset		**(8.2)**	-
Payment of deferred contingent consideration in respect of acquisitions	18	**(3.1)**	-
Interest received		**1.4**	0.5
Net cash flow from investing activities		**(602.2)**	(253.3)
FINANCING ACTIVITIES			
Drawdown of loans	29	**445.0**	30.4
Repayment of loans	29	**(92.8)**	(41.8)
Settlement of derivative financial instrument	29	**-**	8.0
Increase in lease finance	29	**0.1**	0.8
Proceeds from share issues	23	**0.1**	0.2
Repurchase of shares	25	**-**	(1.5)
Dividends paid to non-controlling interest	28	**(0.1)**	-
Dividends paid	27	**(68.3)**	(61.7)
Net cash flow from financing activities		**284.0**	(65.6)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	29	**120.1**	(35.3)
Effect of movement in exchange rates on cash held		**(2.2)**	(10.1)
Cash and cash equivalents at the beginning of the year		**176.6**	222.0
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**294.5**	176.6

Company Statement of Financial Position as at 31 December 2018

	Note	2018 €m	2017 €m
ASSETS			
NON-CURRENT ASSETS			
Investments in subsidiaries	13	**1,191.0**	1,180.7
CURRENT ASSETS			
Intercompany receivables		**112.7**	167.9
Cash and cash equivalents		**0.1**	0.1
TOTAL ASSETS		**1,303.8**	1,348.7
LIABILITIES			
CURRENT LIABILITIES			
Payables		**(0.2)**	(0.2)
TOTAL LIABILITIES		**(0.2)**	(0.2)
NET ASSETS		**1,303.6**	1,348.5
EQUITY			
Equity attributable to owners of Kingspan Group plc			
Share capital	23	**23.7**	23.6
Share premium	24	**95.6**	95.6
Capital redemption reserve		**0.7**	0.7
Treasury shares	25	**(12.7)**	(14.0)
Retained earnings	26	**1,196.3**	1,242.6
TOTAL EQUITY		**1,303.6**	1,348.5

Gene M. Murtagh
Chief Executive Officer

Geoff Doherty
Chief Financial Officer

22 February 2019

Company Statement of Changes In Equity for the year ended 31 December 2018

	Share Capital €m	Share Premium €m	Capital Redemption Reserves €m	Treasury Shares €m	Retained Earnings €m	Shareholders' Equity €m
Balance at 1 January 2018	23.6	95.6	0.7	(14.0)	1,242.6	**1,348.5**
Shares issued	0.1	-	-	-	-	**0.1**
Employee share based compensation	-	-	-	1.3	12.3	**13.6**
Dividends paid	-	-	-	-	(68.3)	**(68.3)**
Transactions with owners	0.1	-	-	1.3	(56.0)	**(54.6)**
Profit for the year	-	-	-	-	9.7	**9.7**
Balance at 31 December 2018	23.7	95.6	0.7	(12.7)	1,196.3	**1,303.6**

	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**

Company Statement of Cash Flows for the year ended 31 December 2018

	2018 €m	2017 €m
OPERATING ACTIVITIES		
Profit for the year before tax	**9.7**	83.0
Net cash flow from operating activities	**9.7**	83.0
FINANCING ACTIVITIES		
Change in receivables	**57.2**	(19.9)
Repurchase of shares	**-**	(1.5)
Exercise or lapsing of share options	**1.3**	-
Proceeds from share issues	**0.1**	0.2
Dividends paid	**(68.3)**	(61.7)
Net cash flow from financing activities	**(9.7)**	(82.9)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**0.1**	-
Net increase in cash and cash equivalents	**-**	0.1
CASH AND CASH EQUIVALENTS AT END OF YEAR	**0.1**	0.1

Notes to the Financial Statements for the year ended 31 December 2018

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, data and flooring technology, daylighting and ventilation systems and water and energy solutions. The Group's Principal Subsidiary Undertakings are set out on page 144.

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 Company'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 140.

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

Changes in Accounting Policies and Disclosures

New and amended standards and interpretations effective during 2018

Financial instruments

IFRS 9, *Financial Instruments*, replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 addresses the classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has adopted IFRS 9 from 1 January 2018.

IFRS 9 largely retains the requirements of IAS 39 for the classification and measurement of financial liabilities but eliminates the previous IAS 39 categories for financial assets. The vast majority of the Group's financial assets are trade receivables and cash and as a result the classification and measurement changes do not have a material impact on the Group's consolidated financial statements.

For trade receivables, the Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance. Given historic loss rates, normal receivable ageing and the significant portion of trade receivables that are within agreed terms, the change in impairment methodology as a result of implementing IFRS 9 did not have a material impact on the Group's financial results.

The hedge accounting requirements in IFRS 9 are optional. Under the transition requirements of the new standard, the Group may choose to apply, as its accounting policy, IAS 39. The Group have decided not to adopt the hedge accounting requirements under IFRS 9 and will continue to apply IAS 39. This decision has no impact on the current effective hedging relationships.

The cumulative effect method has been adopted upon transitioning to IFRS 9. The impact of adopting IFRS 9 on our consolidated financial statements was not material for the Group and there was no adjustment to retained earnings on application at 1 January 2018.

Revenue recognition

IFRS 15, *Revenue from Contracts with Customers*, replaces IAS 18, *Revenue* and IAS 11, *Construction Contracts* and related interpretations.

IFRS 15 establishes a five-step model for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 specifies how and when revenue should be recognised as well as requiring enhanced disclosures. The Group has adopted IFRS 15 from 1 January 2018, using the modified retrospective approach and has not restated comparatives for 2017.

The Group used the five-step model to develop an impact assessment framework to assess the impact of IFRS 15 on the Group's revenue transactions. The results of our IFRS 15 assessment framework and contract reviews indicated that the impact of applying IFRS 15 on our consolidated financial statements was not material for the Group and there was no adjustment to retained earnings or material impact on the timing of revenue recognition on application of the new rules at 1 January 2018.

Revenue is recognised when control of goods is transferred to the customer, which for the vast majority of the Group is at a point in time when delivery has taken place in accordance with the terms of sale.

New and amended standards and interpretations issued but not yet effective or early adopted

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. For lessees, IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model whereby all leases are accounted for as finance leases, with some exemptions for short-term and low-value leases. It also includes an election which permits a lessee not to separate non-lease components (e.g. maintenance) from lease components and instead capitalise both the lease cost and associated non-lease cost. The lessee will recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. All rights of use assets will be measured at the amount of the lease liability on adoption. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, and the Group will apply IFRS 16 from its effective date.

The standard will primarily affect the accounting for the Group's operating leases. The application of IFRS 16 will result in the recognition of additional assets and liabilities in the consolidated statement of financial position and in the consolidated income statement it will replace the straight-line operating lease expense with a depreciation charge for the right-of-use asset and an interest expense on the lease liabilities.

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

1 STATEMENT OF ACCOUNTING POLICIES (continued)

The Group has completed an initial assessment of the potential impact of IFRS 16 on its consolidated financial statements. The Group will adopt the new standard by applying the modified retrospective approach and will avail of the recognition exemption for short-term and low-value leases. The Group's non-cancellable operating lease commitments on an undiscounted basis at 31 December 2018 are detailed in Note 31 to the consolidated financial statements of the Group's 2018 annual report and provides an indication of the scale of leases held by the Group.

Based on this initial impact assessment, and the current group profile, the standard is expected to increase debt by €140m and reduce profit before tax by €1.4m.

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 (Note – including amendments to IFRS 15: Effective date of IFRS 15 (11 September 2015) and clarifications to IFRS 15 (12 April 2016))*	1 January 2018
IFRS 9 *Financial Instruments (24 July 2014)*	1 January 2018
Amendments to IFRS 2: *Classification and measurement of share based payment transactions (20 June 2016)*	1 January 2018
Annual Improvements to IFRS 2014 -2016 Cycle: *(Amendments to IFRS 1 First-time Adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures) (issued on 8 December 2016)*	1 January 2018
IFRIC Interpretation 22: *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to IAS 40: *Transfers of Investment Property (December 2016)*	1 January 2018
IFRS 16: *Leases (13 January 2016)*	1 January 2019
IFRIC 23: *Uncertainty over income tax treatment (7 June 2017)*	1 January 2019
Annual Improvements to IFRS 2015 -2017 Cycle (12 December 2017)	1 January 2019*
Amendments to IAS 19: *Plan amendment, Curtailment or Settlement (8 February 2018)*	1 January 2019*
Amendments to references to the Conceptual Framework in IFRS Standards (29 March 2018)	1 January 2020*

*not EU endorsed

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 9 *Financial Instruments*
- Amendments to IFRS 2: *Classification and measurement of share based payment transactions*
- Annual Improvements to IFRS 2014 -2016 Cycle: *(Amendments to IFRS 1 First-time Adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures)*
- IFRIC Interpretation 22: *Foreign Currency Transactions and Advance Consideration*
- Amendments to IAS 40: *Transfers of Investment Property*
- IFRIC 23: *Uncertainty over income tax treatment*
- Annual Improvements to IFRS 2015 -2017 Cycle
- Amendments to IAS 19: *Plan amendment, Curtailment or Settlement*
- Amendments to references to the Conceptual Framework in IFRS Standards

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 of 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, Water & Energy, Data & Flooring Technology and Light & Air.

Revenue recognition

For the year ended 31 December 2018 the Group used the five-step model as prescribed under IFRS 15 on the Group's revenue transactions. This included the identification of the contract, identification of the performance obligations under same, determination of the transaction price, allocation of the transaction price to performance obligations and recognition of revenue.

The point of recognition arises when the Group satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur over time or at a point in time.

Prior to 1 January 2018 the policy was as follows:

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.

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

1 STATEMENT OF ACCOUNTING POLICIES (continued)

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.

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 2018 (continued)

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Exchange rates of material currencies used were as follows:

	Average rate		Closing rate	
Euro =	**2018**	2017	**2018**	2017
Pound Sterling	**0.885**	0.876	**0.898**	0.887
US Dollar	**1.181**	1.129	**1.144**	1.197
Canadian Dollar	**1.530**	1.465	**1.557**	1.501
Australian Dollar	**1.580**	1.473	**1.620**	1.533
Czech Koruna	**25.648**	26.329	**25.711**	25.574
Polish Zloty	**4.260**	4.256	**4.299**	4.171
Hungarian Forint	**318.78**	309.26	**321.02**	310.20
Brazilian Real	**4.307**	3.609	**4.435**	3.967

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 tax 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.

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.

1 STATEMENT OF ACCOUNTING POLICIES (continued)

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	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.

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.

1 STATEMENT OF ACCOUNTING POLICIES (continued)

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 of 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:

> Fair value hedge: Hedges the exposure to movements in fair value of recognised assets or liabilities that are attributable to hedged risks.
> 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.
> 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.

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 or loss on sale.

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Financial assets

Upon adoption of IFRS 9 on 1 January 2018 the accounting policy for financial assets is as follows:

On initial recognition, a financial asset is classified as measured at amortised cost or fair value with any movement being reflected through other comprehensive income or the income statement.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

The accounting policy in force for the year ended 31 December 2017 was as follows:

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.

A reference table is included in note 19 which outlines the treatment of the relevant instruments under both standards.

Financial liabilities

Upon adoption of IFRS 9 the accounting policy for the year ended 31 December 2018 is as follows:

IFRS 9 doesn't change the main accounting principles for financial liabilities set out under IAS 39. Two measurement categories continue to exist, fair value through the income statement and amortised cost. Financial liabilities held for trading are measured at fair value through the income statement, and all other financial liabilities are measured at amortised cost unless the fair value option is applied.

The accounting policy in force for the year ended 31 December 2017 was as follows:

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, cancelled or expired.

A reference table is included in note 19 which outlines the treatment of the relevant instruments under both standards.

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, finance lease interest 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.

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 the share premium account. No gains or losses are recognised on the purchase, sale, cancellation or issue of treasury shares.

1 STATEMENT OF ACCOUNTING POLICIES (continued)

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 owners of the parent company.

Accounting estimates and judgements

In the process of applying the Group's accounting policies, as set out on pages 102 to 109, management are required to make estimates and judgements that could materially affect the Group's reported results or net asset position.

Notwithstanding that the areas below represent estimation and judgement 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 and judgements were made by management and are material to the Group's reported results or net asset position, are as follows:

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. This is an area of estimation and judgement.

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.

Under IFRS 9 the Group uses an allowance matrix to measure Expected Credit Loss (ECL) of trade receivables from customers. Loss rates are calculated using a roll rate method based on the probability of a receivable progressing through successive chains of non-payment to write-off. The rates are calculated at a business unit level which reflects the risks associated with geographic region, age mix of customer relationship and type of product purchased.

This is an area of estimation.

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. This is an area of estimation.

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.

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

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.

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.
Water & Energy (formerly Environmental)	Manufacture of energy and water solutions and all related service activities.
Data & Flooring Technology (formerly Access Floors)	Manufacture of data centre storage solutions and raised access floors.

Analysis by class of business

Segment revenue and disaggregation of revenue

	Insulated Panels €m	Insulation Boards €m	Light & Air €m	Water & Energy €m	Data & Flooring €m	Total €m
Total revenue - 2018	2,823.1	864.1	291.8	202.9	190.6	**4,372.5**
Total revenue - 2017	2,328.5	769.4	204.7	179.8	185.7	3,668.1
Disaggregation of revenue 2018						
Point of Time	2,816.8	831.8	190.4	201.6	166.2	**4,206.8**
Over Time	6.3	32.3	101.4	1.3	24.4	**165.7**
	2,823.1	864.1	291.8	202.9	190.6	**4,372.5**

The disaggregation of revenue by geography is set out in more detail on page 111.

The segments specified above capture the major product lines relevant to the Group.

The combination of the disaggregation of revenue by product group, geography and the timing of revenue recognition capture the key categories of disclosure with respect to revenue. No further disclosures are required with respect to disaggregation of revenue other than what has been presented in this note.

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.

The Group has initially applied IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

Segment result (profit before net finance expense)

	Insulated Panels €m	Insulation Boards €m	Light & Air €m	Water & Energy €m	Data & Flooring €m	Total 2018 €m	Total 2017 €m
Trading profit - 2018	281.8	105.1	21.5	14.2	22.6	**445.2**	
Intangible amortisation	(12.2)	(4.4)	(4.4)	(1.2)	-	**(22.2)**	
Operating profit - 2018	269.6	100.7	17.1	13.0	22.6	**423.0**	
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
Net finance expense						**(18.1)**	(15.9)
Profit for the year before tax						**404.9**	346.5
Income tax expense						**(69.1)**	(60.6)
Net profit for the year						**335.8**	285.9

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

2 SEGMENT REPORTING (continued)

Segment assets

	Insulated Panels €m	Insulation Boards €m	Light & Air €m	Water & Energy €m	Data & Flooring €m	Total 2018 €m	Total 2017 €m
Assets - 2018	2,231.7	782.2	331.2	180.3	166.3	**3,691.7**	
Assets - 2017	1,792.1	620.4	287.6	164.1	156.0		3,020.2
Derivative financial instruments						**27.6**	22.3
Cash and cash equivalents						**294.5**	176.6
Deferred tax asset						**15.6**	16.5
Total assets as reported in the Consolidated Statement of Financial Position						**4,029.4**	3,235.6

Segment liabilities

	Insulated Panels €m	Insulation Boards €m	Light & Air €m	Water & Energy €m	Data & Flooring €m	Total 2018 €m	Total 2017 €m
Liabilities - 2018	(755.0)	(179.2)	(73.2)	(58.2)	(35.1)	**(1,100.7)**	
Liabilities - 2017	(590.4)	(148.0)	(67.0)	(49.3)	(30.5)		(885.2)
Interest bearing loans and borrowings (current and non-current)						**(1,020.2)**	(662.7)
Derivative financial instruments (current and non-current)						**-**	(0.1)
Income tax liabilities (current and deferred)						**(119.6)**	(119.6)
Total liabilities as reported in the Consolidated Statement of Financial Position						**(2,240.5)**	(1,667.6)

Other segment information

	Insulated Panels €m	Insulation Boards €m	Light & Air €m	Water & Energy €m	Data & Flooring €m	Total €m
Capital investment - 2018 *	160.8	87.9	22.7	7.1	2.8	**281.3**
Capital investment - 2017 *	82.5	25.1	22.9	5.4	6.1	142.0
Depreciation included in segment result - 2018	(49.8)	(15.9)	(4.8)	(2.4)	(3.1)	**(76.0)**
Depreciation included in segment result - 2017	(40.7)	(14.6)	(3.7)	(2.8)	(2.4)	(64.2)
Non-cash items included in segment result - 2018	(7.4)	(2.5)	(0.5)	(0.8)	(1.1)	**(12.3)**
Non-cash items included in segment result - 2017	(6.4)	(2.3)	(0.2)	(0.8)	(1.0)	(10.7)

* Capital investment includes fair value of property, plant and equipment and intangible assets acquired in business combinations.

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 - 2018	156.0	938.2	2,092.3	887.6	298.4	**4,372.5**
Revenue - 2017	138.1	909.2	1,628.5	738.1	254.2	3,668.1
Statement of Financial Position Items						
Non-current assets - 2018 *	52.7	375.2	1,227.0	524.5	188.8	**2,368.2**
Non-current assets - 2017 *	51.8	369.9	809.8	507.7	158.0	1,897.2
Other segmental information						
Capital investment - 2018	6.0	23.9	204.8	27.8	18.8	**281.3**
Capital investment - 2017	8.0	16.9	57.9	49.7	9.5	142.0

* Total non-current assets excluding derivative financial instruments and deferred tax assets.

The Group has activities in over 90 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.

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

3 EMPLOYEES

a) Employee numbers

The average number of persons employed by the Group in the financial year was:

	2018 Number	2017 Number
Production	**8,235**	6,871
Sales and distribution	**2,623**	2,542
Management and administration	**2,611**	1,720
	13,469	11,133

b) Employee costs, including executive directors

	2018 €m	2017 €m
Wages and salaries	**579.5**	488.5
Social welfare costs	**68.9**	59.2
Pension costs - defined contribution (Note 32)	**15.5**	11.8
Share based payments and awards	**12.3**	10.7
	676.2	570.2
Actuarial (gains)/losses recognised in other comprehensive income	**(0.9)**	(1.0)
	675.3	569.2

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.

Performance Share Plan (PSP)

	Number of PSP Options	
	2018	2017
Outstanding at 1 January	**2,498,209**	3,295,993
Granted	**552,325**	579,990
Forfeited	**(65,266)**	(84,007)
Lapsed	**(6,636)**	(2,986)
Exercised	**(828,805)**	(1,290,781)
Outstanding at 31 December	**2,149,827**	2,498,209
Of which, exercisable	**478,945**	616,327

The Group recognised a PSP expense of €11.7m (2017: €9.3m) 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 €38.96 (2017: €31.23). The weighted average contractual life of share options outstanding at 31 December 2018 is 3.5 years (2017: 4.4 years). The weighted average exercise price during the period was €0.13 (2017: €0.13).

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:

	2018 Awards	2017 Awards
Share price at grant date	€35.55	€32.99
Exercise price per share	€0.13	€0.13
Expected volatility	26%	22%
Expected dividend yield	1.2%	1.4%
Risk-free rate	0.08%	-0.01%
Expected life	3 years	3 years

The resulting weighted average fair value of options granted in the year was €26.21 (2017: €23.45).

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

3 EMPLOYEES (continued)

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 Report of the Remuneration Committee sets out the current companies within the peer group.

As set out in the Report of the Remuneration Committee on page 73, a portion of the annual performance bonus may be 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, no deferred awards (2017: 49,924) were granted and 50,607 (2017: Nil) awards vested. 49,924 awards remain outstanding at 31 December 2018. A charge of €0.6m was recognised in the Income Statement for 2018 (2017: €1.4m).

4 NON TRADING ITEMS

	2018 €m	2017 €m
Profit on disposal of trade and assets	**-**	2.9
Impairment of goodwill	**-**	(2.3)
	-	0.6

During the period, no items of a non-trading nature arose.

In the prior period the Group disposed of the trade and assets of Kingspan Gefinex GmbH, which was part of the Insulation Boards division, for €5.7m and realised a non-trading profit of €2.9m, and impaired goodwill relating to a US energy business, which was part of the Insulation Panels division.

5 FINANCE EXPENSE AND FINANCE INCOME

	2018 €m	2017 €m
Finance expense		
Finance lease	**0.4**	0.2
Deferred contingent consideration fair value movement	**0.3**	0.1
Bank loans	**2.7**	2.4
Private placement loan notes	**16.7**	14.2
Fair value movement on derivative financial instrument	**(3.1)**	15.6
Fair value movement on private placement debt	**2.5**	(16.2)
Net defined benefit pension scheme (Note 32)	**-**	0.1
	19.5	16.4
Finance income		
Interest earned	**(1.4)**	(0.5)
Net finance cost	**18.1**	15.9

No costs were reclassified from other comprehensive income to profit during the year (2017: €nil).

6 PROFIT FOR THE YEAR BEFORE INCOME TAX

	2018 €m	2017 €m
The profit for the year is stated after charging/(crediting):		
Distribution expenses	**202.1**	174.3
Operating lease payments	**30.8**	22.1
Product development costs (total, including payroll)	**30.5**	27.1
Depreciation	**76.0**	64.2
Amortisation of intangible assets	**22.2**	15.7
Foreign exchange net gains	**(1.7)**	(1.8)
Profit on sale of property, plant and equipment	**(4.9)**	(2.1)

6 PROFIT FOR THE YEAR BEFORE INCOME TAX (continued)

Analysis of total auditor's remuneration for audit services

	2018 €m	2017 €m
Audit of Group (KPMG Ireland)	**0.8**	0.8
Audit of other subsidiaries (other KPMG offices)	**1.8**	1.2
	2.6	2.0

Analysis of amounts paid to the auditor in respect of non-audit services

	2018 €m	2017 €m
Tax compliance and advisory services (KPMG Ireland)	**0.3**	0.1
Tax compliance and advisory services (other KPMG offices)	**0.6**	0.6
	0.9	0.7

7 DIRECTORS' REMUNERATION

	2018 €m	2017 €m
Fees	**0.7**	0.6
Other emoluments	**6.0**	4.5
Pension costs	**0.7**	0.7
	7.4	5.8
Performance Share Plan expense	**2.8**	2.2
	10.2	8.0

A detailed analysis of directors' remuneration is contained in the Report of the Remuneration Committee. Aggregate gains of €8.3m (2017: €17.7m) were realised with respect to share options exercised by directors during the financial year.

8 INCOME TAX EXPENSE

	2018 €m	2017 €m
Tax recognised in the Consolidated Income Statement		
Current taxation:		
Current tax expense	**72.2**	68.9
Adjustment in respect of prior years	**(5.4)**	(3.9)
	66.8	65.0
Deferred taxation:		
Origination and reversal of temporary differences	**1.5**	(2.7)
Effect of rate change	**0.8**	(1.7)
	2.3	(4.4)
Income tax expense	**69.1**	60.6

The following table reconciles the applicable Republic of Ireland statutory tax rate to the effective tax rate (current and deferred) of the Group:

	2018 €m	2017 €m
Profit for the year	**404.9**	346.5
Applicable notional tax charge (12.5%)	**50.6**	43.3
Expenses not deductible for tax purposes	**5.1**	7.6
Net effect of differing tax rates	**16.3**	8.7
Utilisation of unprovided deferred tax assets	**(0.8)**	(1.1)
Other items	**(2.1)**	2.1
Total income tax expense	**69.1**	60.6

8 INCOME TAX EXPENSE (continued)

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 €31.4m (2017: €12.7m) consisting mainly of tax losses forward. €1.2m (2017: €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 €8.9m (2017: €7.9m) have not been recognised for withholding tax that would be payable on unremitted earnings of €177.2m (2017: €158.2m) in certain subsidiaries.

An initial assessment of IFRIC 23 has been undertaken and it is not expected to have a material impact.

9 EARNINGS PER SHARE

	2018 €m	2017 €m
The calculations of earnings per share are based on the following:		
Profit attributable to ordinary shareholders	**330.9**	284.3
	Number of shares ('000) 2018	**Number of shares ('000) 2017**
Weighted average number of ordinary shares for the calculation of basic earnings per share	**179,840**	178,854
Dilutive effect of share options	**1,696**	1,856
Weighted average number of ordinary shares for the calculation of diluted earnings per share	**181,536**	180,710
	2018 € cent	**2017 € cent**
Basic earnings per share	**184.0**	159.0
Diluted earnings per share	**182.3**	157.3
Adjusted basic earnings per share	**193.5**	165.8
Adjusted diluted earnings per share	**191.7**	164.1

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 (2017: nil).

10 GOODWILL

	2018 €m	2017 €m
At 1 January	**1,095.7**	990.1
Additions relating to acquisitions (Note 22)	**296.8**	156.1
Impaired during the year (Note 4)	**-**	(2.3)
Net exchange difference	**(1.5)**	(48.2)
Carrying amount 31 December	**1,391.0**	1,095.7
At 31 December		
Cost	**1,458.7**	1,163.4
Accumulated impairment losses	**(67.7)**	(67.7)
Net carrying amount	**1,391.0**	1,095.7

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

10 GOODWILL (continued)

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*.

An assessment was conducted during the year and two new CGUs were identified; namely Panels LATAM and Synthesia Technology. Both of these CGUs arose on the back of recent acquisitions completed by the Group.

A total of 11 (2017: 9) CGUs have been identified and these are analysed between the five business segments in the Group as set out below. Assets and liabilities have been assigned to the CGUs on a reasonable and consistent basis.

	Cash-generating units		Goodwill (€m)	
	2018	2017	2018	2017
Insulated Panels	6	4	827.2	614.7
Insulation Boards	1	1	232.5	175.6
Light & Air	1	1	174.2	159.7
Water & Energy	1	1	78.7	68.7
Data & Flooring Technology	2	2	78.4	77.0
Total	11	9	1,391.0	1,095.7

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 North America		Panels Joris Ide		Insulation Boards		Light & Air	
	2018	2017	2018	2017	2018	2017	2018	2017
Goodwill (€m)	173.4	226.9	410.8	284.5	232.5	175.6	174.2	159.7
Discount rate (%)	10.0	9.4	8.1	7.8	8.1	7.8	8.0	7.8
Excess of value-in-use over carrying amount (€m)	335.7	380.6	489.5	502.2	854.0	1,468.0	132.8	138.6

The goodwill allocated to these 4 CGUs accounts for 71% of the total carrying amount of €1,391.0m. The remaining goodwill balance of €400.1m (2017: €249.0m) is allocated across the other 7 CGUs (2017: 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 general growth rate of 2% (Panels LATAM 4%), reflecting the relevant CGU 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 8.0% to 12.5% (2017: 7.8% to 9.4%). 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.

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

10 GOODWILL (continued)

Sensitivity analysis

Sensitivity analysis was performed by adjusting cash flows, the discount rate and the average operating margin of each division by over 24% 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.

11 OTHER INTANGIBLE ASSETS

	Customer Relationships €m	Patents & Brands €m	Other Intangibles €m	Total €m
Cost				
At 1 January 2018	27.7	109.2	30.0	166.9
Acquisitions (Note 22)	21.2	18.8	3.3	43.3
Net exchange difference	(0.2)	(0.2)	0.6	0.2
At 31 December 2018	**48.7**	**127.8**	**33.9**	**210.4**
Accumulated amortisation				
At 1 January 2018	17.9	43.4	15.3	76.6
Charge for the year	5.4	10.5	6.3	22.2
Net exchange difference	0.1	0.1	0.3	0.5
At 31 December 2018	**23.4**	**54.0**	**21.9**	**99.3**
Net Book Value as at 31 December 2018	**25.3**	**73.8**	**12.0**	**111.1**

	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**

Other intangibles relate primarily to technological know how and order backlogs.

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

12 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings €m	Plant and machinery €m	Motor vehicles €m	Total €m
As at 31 December 2018				
Cost	583.7	1,245.4	36.3	1,865.4
Accumulated depreciation and impairment charges	(182.7)	(809.2)	(23.0)	(1,014.9)
Net carrying amount	**401.0**	**436.2**	**13.3**	**850.5**
At 1 January 2018, net carrying amount	337.5	355.3	10.5	703.3
Acquisitions through business combinations (Note 22)	47.8	44.9	1.0	93.7
Additions	34.9	102.8	6.6	144.3
Disposals	(4.6)	(2.8)	(0.6)	(8.0)
Reclassification	(0.7)	-	0.7	-
Depreciation charge for year	(12.7)	(58.5)	(4.8)	(76.0)
Impairment charge for year	(0.1)	(5.1)	-	(5.2)
Effect of movement in exchange rates	(1.1)	(0.4)	(0.1)	(1.6)
At 31 December 2018, net carrying amount	**401.0**	**436.2**	**13.3**	**850.5**

	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**

The carrying amounts and depreciation of assets held under finance leases included above is as follows:

Net Book Value	€2.8m	*(2017: €4.1m)*
Depreciation	€2.3m	*(2017: €2.8m)*

Included within the cost of land and buildings and plant and machinery are assets in the course of construction to the value of €21.6m and €66.7m respectively (2017: €4.1m and €42.1m). 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

	2018 €m	2017 €m
Company		
At 1 January	**1,180.7**	1,173.3
Share options and awards	**10.3**	7.4
At 31 December	**1,191.0**	1,180.7

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 2018 (continued)

14 INVENTORIES

	2018 €m	2017 €m
Raw materials and consumables	**415.1**	363.1
Work in progress	**19.6**	17.7
Finished goods	**149.2**	115.8
Inventory impairment allowance	**(59.0)**	(49.5)
At 31 December	**524.9**	447.1

A total of €2.6bn (2017: €2.3bn) of inventories was included in the Income Statement as an expense. This includes a net income statement charge of €2.6m (2017: €7.1m) 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

	2018 €m	2017 €m
Amounts falling due within one year:		
Trade receivables, gross	**791.5**	676.9
Impairment allowance	**(56.4)**	(51.1)
Trade receivables, net	**735.1**	625.8
Other receivables	**32.1**	25.1
Prepayments	**31.4**	25.0
	798.6	675.9

The maximum exposure to credit risk for trade and other receivables at the reporting date is their carrying amount.

The Group uses an allowance matrix to measure Expected Credit Loss (ECL) of trade receivables from customers. The simplified approach has been adopted and this gives rise to an ECL of €56.4m in 2018. This is discussed in more detail in Note 19.

In 2017 the Group's trade and other receivables were reviewed for indicators of impairment. Certain trade receivables were determined to be impaired, predominantly on the basis that the balances are overdue and at risk, and a total impairment allowance of €51.1m was recorded. Further details are set out in Note 19.

16 TRADE AND OTHER PAYABLES

	2018 €m	2017 €m
Trade payables	**397.5**	326.5
Accruals	**341.1**	271.1
Deferred income	**7.0**	12.3
Irish income tax & social welfare	**1.3**	0.6
Other income tax & social welfare	**18.6**	18.6
Value added tax	**14.3**	16.1
	779.8	645.2

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

17 INTEREST BEARING LOANS AND BORROWINGS

	2018 €m	2017 €m
Current financial liabilities		
Bank loans and overdrafts (unsecured)	**52.8**	0.6
Finance lease obligations (Note 31)	**0.4**	0.6
	53.2	1.2

17 INTEREST BEARING LOANS AND BORROWINGS (continued)

	2018 €m	2017 €m
Non-current financial liabilities		
Private placements	**835.9**	655.4
Bank loans (unsecured)	**127.3**	2.4
Finance lease obligations (Note 31)	**3.8**	3.7
	967.0	661.5

Analysis of Net Debt

	2018 €m	2017 €m
Cash and cash equivalents	**294.5**	176.6
Derivative financial instruments	**27.4**	22.2
Current borrowings	**(53.2)**	(1.2)
Non-current borrowings	**(967.0)**	(661.5)
Deferred consideration	**(30.0)**	-
Total Net Debt	**(728.3)**	(463.9)

The Group's core funding is provided by five private placement loan notes; one USD private placement totalling $200m matures in August 2021, and four EUR private placements totalling €662.5m which will mature in tranches between March 2021 and January 2028. The notes have a weighted average maturity of 5.6 years.

In addition, the Group has a €500m revolving credit facility, €120m of which was drawn at year end and which matures in June 2022. As at 31 December 2018, the Group's committed bilateral bank facilities were €50m, all 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 €0.2m (2017: €0.1m) and €nil foreign currency derivative liabilities (2017: €0.1m) which are used for transactional hedging are not included in the definition of net debt.

18 DEFERRED 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.

	2018 €m	2017 €m
Opening balance	**117.5**	12.9
Effect of movement in exchange rates	**(10.7)**	(8.1)
Deferred consideration arising on acquisitions (Note 22)	**30.0**	-
Deferred contingent consideration arising on acquisitions (Note 22)	**1.4**	33.2
Movement in deferred contingent consideration arising from fair value movement	**1.1**	-
Put liability arising on current year acquisitions	**24.5**	79.1
Movement in put liability arising from fair value movement	**35.4**	0.4
Amounts paid	**(3.1)**	-
Closing balance	**196.1**	117.5
Split as follows:		
Current liabilities	**59.5**	6.4
Non-current liabilities	**136.6**	111.1
	196.1	117.5
Analysed as follows:		
Deferred consideration	**30.0**	-
Deferred contingent consideration	**38.9**	43.0
Put liability	**127.2**	74.5
	196.1	117.5

18 DEFERRED CONTINGENT CONSIDERATION (continued)

During the year the Group paid €3.1m of deferred contingent consideration relating to the PAL business which was acquired in 2014 (2017: €nil).

The deferred consideration arising on current year acquisitions relates to Synthesia.

The put liability arising on current year acquisitions is recognised with respect to the potential amounts payable to 49% shareholders of Kingspan Jindal.

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 €30m to €69.1m could arise with respect to potential deferred contingent consideration obligations and €nil to €134.0m with respect to potential put option obligations.

The put option in the shareholders' agreement with non-controlling shareholders of Kingspan Isoeste is exercisable from 2023. The undiscounted expected cash outflow is estimated to be €96m (2017: €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 most recent financial projections. These are classified as unobservable inputs.

The put option in the shareholders' agreement with non-controlling shareholders of PanelMET is exercisable from 2022. The undiscounted expected cash outflow is estimated to be €12.2m (2017: €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 most recent financial projections. These are classified as unobservable inputs.

The put option in the shareholders' agreement with non-controlling shareholders of Kingspan Jindal is exercisable from 2022. The undiscounted expected cash outflow is estimated to be €25.8m. 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 most recent financial projections. These are classified as unobservable inputs.

In the case of Kingspan Isoeste, PanelMET and Kingspan Jindal call options rest 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 use 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 €835.9m. The notes have a weighted average maturity of 5.6 years.

In addition, the Group has a €500m revolving credit facility, €120m of which was drawn at year end and which expires in June 2022. As at 31 December 2018, the Group's committed bilateral bank facilities were €50m, all 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 2018.

The Group also has in place a number of uncommitted bilateral working capital facilities to serve its working capital requirements. These facilities total €44m (2017: €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.

19 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

The following are the carrying amounts and contractual maturities of financial liabilities (including estimated interest payments):

2018	Carrying amount €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	180.1	180.1	52.8	3.3	123.4	0.6
Private placement loan notes	835.9	930.5	20.0	20.0	357.1	533.4
Finance lease liabilities	4.2	4.2	0.4	1.7	-	2.1
Trade and other payables	772.8	772.8	772.8	-	-	-
Deferred consideration	30.0	30.0	30.0	-	-	-
Deferred contingent consideration	166.1	173.1	29.6	-	131.3	12.2
Derivative financial liabilities / (assets)						
Interest rate swaps used for hedging:						
Carrying values	(0.3)	-	-	-	-	-
Net inflows	-	0.4	0.1	0.1	0.2	-
Cross currency interest rate swaps used for hedging:						
Carrying value	(27.1)	-	-	-	-	-
- outflow	-	104.1	3.1	3.4	97.6	-
- inflow	-	136.0	6.2	6.2	123.6	-
Foreign exchange forwards used for hedging:						
Carrying value assets	(0.2)	-	-	-	-	-
Carrying value liabilities	-	-	-	-	-	-
- outflow	-	4.7	4.7	-	-	-
- inflow	-	4.8	4.8	-	-	-

2017	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	632.9	632.9	632.9	-	-	-
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	-	-	-

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.

19 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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 US$, 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 2019, it is estimated that the Group is long GBP110m and short US$35m. At 31 December 2018 these amounts were unhedged.

Translation risk

This exists due to the fact that the Group has operations whose functional currency is not 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 2018, the impact of changing currency rates versus Euro compared to 2017 rates was positive €4.0m (2017: negative €85.2m). 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 US$ in respect of transaction risk in the reporting entities functional currency would impact reported after tax profit by €14.5m (2017: €14.3m) and equity by €14.3m (2017: €14.0m).

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 2018.

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.

19 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Before the impact of hedging transactions As at 31 December 2018	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	0.9%	180.1	180.1	-	179.5	0.6
Loan notes	2.4%	837.3	837.3	-	325.8	511.5
		1,017.4	**1,017.4**	**-**	**505.3**	**512.1**

	Total €m	At fixed interest rate €m	At floating interest rate €m
EUR	838.8	838.8	-
US$	174.8	174.8	-
Other	3.8	3.8	-
	1,017.4	**1,017.4**	**-**

After the impact of hedging transactions As at 31 December 2018	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	0.9%	180.1	180.1	-	179.5	0.6
Loan notes	2.1%	835.9	698.7	137.2	324.4	511.5
		1,016.0	**878.8**	**137.2**	**503.9**	**512.1**

	Total €m	At fixed interest rate €m	At floating interest rate €m
EUR	863.3	863.3	-
GBP	102.0	-	102.0
US$	46.9	11.7	35.2
Other	3.8	3.8	-
	1,016.0	**878.8**	**137.2**

The weighted average maturity of debt is 5.0 years as at 31 December 2018 (2017: 6.0 years).

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
EUR	487.5	487.5	-
US$	170.9	170.9	-
	658.4	**658.4**	**-**

19 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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
EUR	510.9	510.9	-
GBP	99.1	-	99.1
US$	48.4	14.2	34.2
	658.4	**525.1**	**133.3**

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 €1.4m (2017: €1.3m) and equity by €1.4m (2017: €1.3m).

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:

	2018 €m	2017 €m
Cash & cash equivalents	294.5	176.6
Trade receivables	791.5	676.9
Derivative financial assets	27.6	22.3

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.

At 31 December, the exposure to credit risk for trade receivables by geographic region was as follows:

	2018 €m	2017 €m
Rest of Europe	340.8	259.5
ROI & UK	244.8	240.0
Americas	152.7	126.7
Others	53.2	50.7
	791.5	**676.9**

At 31 December, the exposure to credit risk for trade receivables by customer type was as follows:

	2018 €m	2017 €m
Insulated Panels customers	496.4	417.6
Insulation Boards customers	153.2	137.4
Other	141.9	121.9
	791.5	**676.9**

The Group uses an allowance matrix to measure Expected Credit Loss (ECL) of trade receivables from customers. The ECL simplified approach has been adopted.

Loss rates are calculated using a roll rate method based on the probability of a receivable progressing through successive chains of non-payment to write-off. The rates are calculated at a business unit level which reflects the risks associated with geographic region, age, mix of customer relationship and type of product purchased. The identifiable loss pertaining to cash positions is immaterial.

19 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

The following table provides the information about the exposure to credit risk and ECL's for trade receivables as at 31 December 2018.

	Weighted average loss rate %	Gross carrying amount €m	Loss allowance €m
Current (not past due)	1%	538.7	6.1
1-30 days past due	2%	148.2	3.3
31-60 days past due	7%	39.0	2.8
61-90 days past due	15%	13.0	2.0
More than 90 days past due	80%	52.6	42.2
		791.5	**56.4**

Loss rates are based on actual credit loss experience over an appropriate diverse sample of trading periods.

The table below sets out the measurement category of the various classes of financial instruments and their carrying value under both standards.

	Measurement Category		Carrying Amount	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Non-Current Financial Assets				
Financial Assets – Equity Investments*	-	Fair Value through Other Comprehensive Income	-	-
Derivatives	Fair Value through Income Statement	Fair Value through Income Statement	27.2	22.2
Current Financial Assets				
Trade and other receivables	Amortised cost	Amortised cost	675.9	675.9
Cash and cash equivalents	Amortised cost	Amortised cost	176.6	176.6
Derivatives	Fair Value through Income Statement	Fair Value through Income Statement	0.1	0.1
Non-Current Liabilities				
Borrowings	Financial liabilities	Financial liabilities	661.5	661.5
Current Financial Liabilities				
Borrowings	Financial liabilities	Financial liabilities	1.2	1.2
Trade and other payables	Financial liabilities	Financial liabilities	645.2	645.2
Derivatives	Fair Value through Income Statement	Fair Value through Income Statement	0.1	0.1

*no item of this nature in the 2017 accounts

Comparative information under IAS 39

The aged analysis of gross trade receivables, analysed between amounts that were neither past due nor impaired and amounts past due but not impaired as at 31 December 2017, is as follows:

	2017 €m
Neither past due nor impaired	
-Invoice date less than 90 days	432.6
-Invoice date greater than 90 days	22.1
Past due but not impaired	
- 0 to 60 days overdue	153.5
- 60+ days overdue	30.1
Past due and impaired (fully or partially)	38.6
	676.9

The carrying amount of receivables at 31 December 2017 whose terms were being renegotiated, that would otherwise be past due or impaired, is €nil.

19 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Movements in the allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year was as follows. Comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39.

	2018 €m	2017 €m
Balance at 1 January under IAS 39	**51.1**	46.1
Adjustment on initial application of IFRS 9	**-**	
Balance at 1 January 2018 under IFRS 9	**51.1**	
Arising on acquisition	**10.8**	3.9
Written off during the year	**(9.5)**	(4.8)
Net remeasurement of loss allowance	**4.3**	7.6
Effect of movement in exchange rates	**(0.3)**	(1.7)
At 31 December	**56.4**	51.1

There are no material trade receivables written off during 2018 which are still subject to enforcement activity.

The following significant changes in the gross carrying amount of trade receivables contributed to the change in the impairment allowance during 2018:

> the organic growth of the Group; and
> the combined impact of the Synthesia and Balex acquisitions during the year.

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 ten 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:

2018	Financial asset €m	Loans and receivables €m	Derivatives designated as hedging instruments €m	Total €m
Current:				
Trade receivables	-	735.1	-	**735.1**
Other receivables	-	32.1	-	**32.1**
Cash and cash equivalents	-	294.5	-	**294.5**
Derivative financial instruments	-	-	0.2	**0.2**
	-	1,061.7	0.2	**1,061.9**
Non Current:				
Derivative financial instruments	-	-	27.4	27.4
Financial Asset	8.2	-	-	8.2
	8.2	-	27.4	35.6

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

It is considered that the carrying amounts of the above financial assets approximate their fair values.

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

19 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

The carrying amounts of financial liabilities presented in the Statement of Financial Position relate to the following measurement categories as defined in IAS 39:

	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
2018					
Current:					
Borrowings	-	-	53.2	-	53.2
Trade payables	-	-	397.5	-	397.5
Accruals	-	-	341.1	-	341.1
Deferred consideration	-	30.0	-	-	30.0
Deferred contingent consideration	-	29.5	-	-	29.5
	-	59.5	791.8	-	851.3
Non current:					
Borrowings	35.2	-	931.8	-	967.0
Deferred contingent consideration	-	136.6	-	-	136.6
	35.2	136.6	931.8	-	1,103.6
2017					
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 consideration	-	111.1	-	-	111.1
	34.2	111.1	627.3	-	772.6

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 2018			As at 31 December 2017		
	Level 1 €m	Level 2 €m	Level 3 €m	Level 1 €m	Level 2 €m	Level 3 €m
Financial Assets						
Interest rate swaps	-	27.4	-	-	22.2	-
Foreign exchange contracts for hedging	-	0.2	-	-	0.1	-
Financial Liabilities						
Deferred contingent consideration	-	-	38.9	-	-	43.0
Deferred consideration	30.0	-	-	-	-	-
Put option	-	-	127.2	-	-	74.5
Foreign exchange contracts for hedging	-	-	-	-	0.1	-

During the year ended 31 December 2018, 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.

The unobservable input relevant to matters categorised as Level 3 is the underlying profitability of each business unit. A 5% movement in cashflows and a 1% adjustment in the discount rate would each have an immaterial impact on the carrying value of Level 3 items.

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

19 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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 2018			As at 31 December 2017		
	Carrying amount €m	Fair Value €m	Level	Carrying amount €m	Fair Value €m	Level
Private placement loan notes	835.9	889.0	2	655.4	693.7	2
Bank loans	180.1	180.1	2	3.0	3.0	2

Capital Management Policies and Procedures

The Group employs a combination of debt and equity to fund its operations. As at 31 December 2018 the total capital employed in the Group was as follows:

	2018 €m	2017 €m
Net Debt	**728.3**	463.9
Equity	**1,788.9**	1,568.0
Total Capital Employed	**2,517.2**	2,031.9

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

	2018 €m	2017 €m
Guarantees and warranties		
At 1 January	**101.0**	100.9
Arising on acquisitions (Note 22)	**9.4**	5.2
Provided during year	**38.2**	41.8
Claims paid	**(27.4)**	(27.1)
Provisions released	**(16.7)**	(17.1)
Effect of movement in exchange rates	**(0.2)**	(2.7)
At 31 December	**104.3**	101.0
Current liability	**47.5**	52.3
Non-current liability	**56.8**	48.7
	104.3	101.0

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 2018 (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:

	2018 €m	2017 €m
Deferred tax assets	15.6	16.5
Deferred tax liabilities	(40.8)	(38.7)
Net Position	(25.2)	(22.2)

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 2018 is as follows:

	Balance 1 Jan 2018 €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 2018 €m
Property, plant and equipment	(40.6)	(4.2)	-	-	-	(1.0)	(45.8)
Intangibles	(24.9)	6.1	-	-	(0.1)	(10.5)	(29.4)
Other temporary differences	35.8	(5.9)	0.9	-	0.5	9.5	40.8
Pension obligations	0.9	-	-	(0.2)	0.1	-	0.8
Unused tax losses	6.6	1.8	-	-	-	-	8.4
	(22.2)	(2.2)	0.9	(0.2)	0.5	(2.0)	(25.2)

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)**

22 BUSINESS COMBINATIONS

A key strategy of the Group is to create and sustain market leading positions through acquisitions in markets it currently operates in, together with extending the Group's footprint in new geographic markets. In line with this strategy, the principal acquisitions completed during the year were as follows:

In March 2018, the Group acquired 100% of the share capital of the Synthesia Group comprising of Synthesia Espanola S.A., Poliuretanos S.A, Huurre Iberica S.A. and their respective subsidiaries ("Synthesia"). The total consideration, including debt acquired and related costs amounted to €243.4m, representing the maximum amount of identifiable consideration, comprising of €213.4m paid in cash on completion and €30.0m in deferred consideration.

In July 2018, the Group acquired 100% of the share capital of Balex Metal sp. z.o.o. ("Balex"), a Polish based manufacturer of insulated panels and insulation boards. The total consideration, including debt acquired and related costs amounted to €197.6m which was discharged in full at acquisition.

The Group also made a number of smaller acquisitions during the year for a combined cash consideration of €50.0m:

> the purchase of 51% of the share capital of Jindal Mectec Private Limited, an Indian manufacturer of insulated panels;
> the purchase of the assets of H2Enviro, an Australian water tanks business;
> the purchase of 100% of Vestfold Plastindustri AS and Vestfold Plastindustri Eiendom AS, a Norwegian water treatment business;
> the purchase of STF Holding GmbH & Co KG, a German based daylighting and smoke extraction business; and
> the purchase of Tanks Direct Limited, a UK based Water & Energy business.

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

22 BUSINESS COMBINATIONS (continued)

The table below reflects the fair value of the identifiable net assets acquired in respect of the acquisitions completed during the year. Any amendments to fair values will be made within the twelve month period from the date of acquisition, as permitted by IFRS 3, *Business Combinations*.

	Synthesia €m	Balex €m	Other* €m	Total €m
Non-current assets				
Intangible assets	31.5	7.9	3.9	**43.3**
Property, plant and equipment	42.8	42.3	8.6	**93.7**
Deferred tax asset	3.3	0.7	2.8	**6.8**
Current assets				
Inventories	49.1	30.0	4.8	**83.9**
Trade and other receivables	70.4	18.1	4.2	**92.7**
Current liabilities				
Trade and other payables	(59.6)	(23.4)	(28.5)	**(111.5)**
Provisions for liabilities	(5.6)	(0.9)	(2.9)	**(9.4)**
Non-current liabilities				
Deferred tax liabilities	(7.9)	(1.8)	0.9	**(8.8)**
	124.0	72.9	(6.2)	**190.7**
Total identifiable assets				
Non-controlling interest arising on acquisition (Note 28)	-	-	4.9	**4.9**
Goodwill	119.4	124.7	52.7	**296.8**
Total consideration	243.4	197.6	51.4	**492.4**
Satisfied by:				
Cash (net of cash acquired)	213.4	197.6	50.0	**461.0**
Deferred contingent consideration	30.0	-	1.4	**31.4**
	243.4	197.6	51.4	**492.4**

*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 2018, the businesses acquired during the current year contributed revenue of €416.3m and trading profit of €35.0m 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 €4,522.7m and €449.5m respectively.

The gross contractual value of trade and other receivables as at the respective dates of acquisition amounted to €103.0m. The fair value of these receivables is €92.7m, all of which is recoverable, and is inclusive of an aggregate impairment provision of €10.8m.

There is no goodwill (2017: €25.5m) which is expected to be deductible for tax purposes.

The Group incurred acquisition related costs of €3.3m (2017: €3.6m) relating to external legal fees, due diligence costs and stamp duty. These costs have been included in operating costs in the Consolidated Income Statement.

The deferred consideration reflects the remaining obligation associated with the Group's 100% interest in Synthesia. A put option is also in place over the remaining 49% of Jindal Mectec Private Limited, 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 Synthesia Technology, being the chemical element of Synthesia, and Balex due to the relative size of the acquisitions and the number of markets they operate in. Any amendments to these fair values within the twelve-month timeframe from the date of acquisition will be disclosable in the 2019 Annual Report, as stipulated by IFRS 3.

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

22 BUSINESS COMBINATIONS (continued)

Prior year acquisitions

In the prior year, the Group acquired 51% of the share capital of Isoeste Construtivos Isotermicos S.A. ("Isoeste"), 100% of the share capital of Brakel Investments BV, 100% of the share capital of CPI Daylighting Inc., 100% of the share capital of Rhino Water Tanks & Liners Pty., 51% of the share capital of PanelMET S.A.S, the assets of the Jansen Building Products Access Floors business in Belgium and two smaller bolt-on European businesses.

The fair values as recognised at 31 December 2017 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**

In the post-acquisition period to 31 December 2017, the acquired businesses contributed revenue of €80.9m and a 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.

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 Income Statement.

23 SHARE CAPITAL

	2018 €m	2017 €m
Authorised		
250,000,000 Ordinary shares of €0.13 each (2017: 250,000,000 Ordinary shares of €0.13 each)	**32.5**	32.5
Issued and fully paid		
Ordinary shares of €0.13 each		
Opening balance – 181,342,315 (2017: 180,051,534) shares	**23.6**	23.4
Share options exercised – 828,805 (2017: 1,290,781) shares	**0.1**	0.2
Closing balance – 182,171,120 (2017: 181,342,315) shares	**23.7**	23.6

There were no adjustments to the authorised share capital during the year (2017: 30,000,000 shares).

Details of share options exercised are set out in Note 3 to the financial statements.

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

24 SHARE PREMIUM

	2018 €m	2017 €m
At 1 January	**95.6**	95.6
Premium on share options exercised under employee share based compensation schemes	**-**	-
At 31 December	**95.6**	95.6

25 TREASURY SHARES

Consideration paid

	2018 No. of shares	2018 Consideration paid €	2018 Total €m	2017 No. of shares	2017 Consideration paid €	2017 Total €m
At 1 January	**2,019,750**	**6.89**	**14.0**	1,969,826	6.32	12.5
Repurchase of shares	**-**	**-**	**-**	49,924	29.23	1.5
Shares issued	**(50,607)**	**25.10**	**(1.3)**	-	-	-
At 31 December	**1,969,143**	**6.40**	**12.7**	2,019,750	6.89	14.0

Nominal value

	2018 No. of shares	2018 Nominal value €	2018 Total €	2017 No. of shares	2017 Nominal value €	2017 Total €
At 1 January	**2,019,750**	**0.13**	**262,567**	1,969,826	0.13	256,077
Repurchase of shares	**-**	**-**		49,924	0.13	6,490
Shares issued	**(50,607)**	**0.13**	**(6,579)**	-	-	-
At 31 December	**1,969,143**	**0.13**	**255,988**	2,019,750	0.13	262,567

During the year, the Company issued 50,607 treasury shares in satisfaction of obligations falling under the Deferred Bonus Plan.

The Company holds 1.1% (2017: 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 at the Annual General Meeting and from filing it with the Registrar of Companies. The Company's profit for the financial year was €9.7m (2017: €83.0m).

27 DIVIDENDS

	2018 €m	2017 €m
Equity dividends on ordinary shares:		
2018 Interim dividend 12.0 cent (2017: 11.0 cent) per share	**21.7**	19.7
2017 Final dividend 26.0 cent (2016: 23.5 cent) per share	**46.6**	42.0
	68.3	61.7
Proposed for approval at AGM		
Final dividend of 30.0 cent (2017: 26.0 cent) per share	**54.1**	46.6

This proposed dividend for 2018 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 2018 in accordance with IAS 10 *Events after the Reporting Period*. The proposed final dividend for the year ended 31 December 2018 will be payable on 10 May 2019 to shareholders on the Register of Members at close of business on 29 March 2019.

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

28 NON-CONTROLLING INTEREST

	2018 €m	2017 €m
At 1 January	**39.9**	16.6
Profit for the year attributable to non-controlling interest	**4.9**	1.6
Arising on acquisition (Note 22)	**(4.9)**	24.9
Dividends paid to minorities	**(0.1)**	-
Share of foreign operations' translation movement	**(1.2)**	(3.2)
At 31 December	**38.6**	39.9

During the year, the Group acquired 51% of the ordinary share capital of Jindal Mectec Private Limited, an Indian Insulated Panels business. As part of the acquisition, the Group recognised the 49% non-controlling interest of €2.4m. In addition, there was a €7.3m movement attributable to Kingspan Isoeste.

Further details are provided in Note 22.

29 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2018 €m	2017 €m
Movement in cash and bank overdrafts	**120.1**	(35.3)
Drawdown of loans	**(445.0)**	(30.4)
Repayment of loans	**92.8**	41.8
(Increase) in deferred consideration	**(30.0)**	-
Settlement of derivative financial instrument	**-**	(8.0)
(Increase) in lease finance	**(0.1)**	(0.8)
Change in net debt resulting from cash flows	**(262.2)**	(32.7)
Translation movement - relating to US dollar loan	**(5.5)**	25.9
Translation movement – other	**(1.9)**	(10.9)
Derivative financial instruments movement	**5.2**	(18.3)
Net movement	**(264.4)**	(36.0)
Net debt at start of the year	**(463.9)**	(427.9)
Net debt at end of the year	**(728.3)**	(463.9)

A reconciliation of liabilities arising from financing activities is set out below:

	Balance 1 Jan 2018 €m	Repayments €m	Deferred Consideration €m	Drawdowns / Receipts €m	Non cash movements €m	Balance 31 Dec 2018 €m
Bank loans	3.0	(92.8)	-	270.0	(0.1)	**180.1**
Loan notes	655.4	-	-	175.0	5.5	**835.9**
Finance leases	4.3	-	-	0.1	(0.2)	**4.2**
Derivatives	(22.2)	-	-	-	(5.2)	**(27.4)**
Deferred Consideration	-	-	30.0	-	-	**30.0**
	640.5	(92.8)	30.0	445.1	-	**1,022.8**

A reconciliation of liabilities arising from financing activities in 2017 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

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

30 CASH GENERATED FROM OPERATIONS

	2018 €m	2017 €m
Profit for the year	**335.8**	285.9
Add back non-operating expenses:		
-Income tax expense	**69.1**	60.6
-Depreciation of property, plant and equipment	**76.0**	64.2
-Amortisation of intangible assets	**22.2**	15.7
-Impairment of non-current assets	**5.2**	3.1
-Employee equity-settled share options	**12.3**	10.7
-Finance income	**(1.4)**	(0.5)
-Finance expense	**19.5**	16.4
-Profit on sale of property, plant and equipment	**(4.9)**	(2.1)
-Profit on disposal of subsidiary	**-**	(2.9)
-Fair value movement of deferred consideration	**0.8**	-
Changes in working capital:		
-Inventories	**4.7**	(64.8)
-Trade and other receivables	**(33.0)**	(47.7)
-Trade and other payables	**30.6**	27.2
Other		
-Change in provisions	**(5.8)**	(2.4)
-Pension contributions	**(0.8)**	(0.9)
Cash generated from operations	**530.3**	362.5

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 US$200m and €662.5m, drawn banking facilities of €170m and undrawn banking facilities of €380m.

(ii) Leases

Finance lease liabilities are payable as follows:

	Future minimum lease payment		Interest		Present value of minimum lease payments	
	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m
Less than one year	0.4	0.6	-	-	0.4	0.6
Between 1 - 5 years	4.3	4.4	0.5	0.7	3.8	3.7
	4.7	**5.0**	**0.5**	**0.7**	**4.2**	**4.3**

Total obligations under non-cancellable operating leases are due as follows:

	Minimum payments 2018 €m	Minimum payments 2017 €m
Less than one year	**28.4**	19.2
Between 1 - 5 years	**67.8**	48.3
More than 5 years	**55.3**	39.8
	151.5	107.3

31 GUARANTEES AND OTHER FINANCIAL COMMITMENTS (continued)

(iii) Future capital expenditure

Capital expenditure in subsidiary entities, approved by the directors but not provided in the financial statements, is as follows:

	2018 €m	2017 €m
Contracted for	**49.7**	45.2
Not contracted for	**20.9**	20.4
	70.6	65.6

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 €15.5m (2017: €11.8m) represents employer contributions payable to these schemes in accordance with the rules of each plan. An amount of €4.3m (2017: €5.0m) 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 €0.1m (2017: €0.2m) and the expected contributions for 2019 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. Pension entitlements of €0.8m have been paid to retired former employees during the year (2017: €0.7m).

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 2018. 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 below. It is not considered that any reasonable sensitivity analysis on these assumptions would materially alter the scheme obligations.

	2018	2017
Life expectancies		
Life expectancy for someone aged 65 - Males	**21.9**	22.1
Life expectancy for someone aged 65 - Females	**23.8**	23.9
Life expectancy at age 65 for someone aged 45 - Males	**23.3**	23.5
Life expectancy at age 65 for someone aged 45 - Females	**25.4**	25.4
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% - 2.2%
Discount rate	**1.2% - 2.8%**	1.3% - 2.6%
Inflation rate	**1.5% - 3.2%**	1% - 3.2%

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

32 PENSION OBLIGATIONS (continued)

Movements in net liability recognised in the Statement of Financial Position

	2018 €m	2017 €m
Net liability in schemes at 1 January	**(13.6)**	(14.1)
Acquired (Note 22)	**-**	(0.6)
Employer contributions	**0.8**	0.9
Recognised in income statement	**(1.1)**	(0.6)
Recognised in statement of comprehensive income	**0.9**	1.0
Foreign exchange movement	**(0.1)**	(0.2)
Net liability in schemes at 31 December	**(13.1)**	(13.6)

Defined benefit pension income/expense recognised in the Income Statement

	2018 €m	2017 €m
Current service cost	**(1.3)**	(0.4)
Settlements of scheme obligations	**(0.1)**	(0.1)
Transfer	**0.3**	-
Total, included in operating costs	**(1.1)**	(0.5)
Movement on scheme obligations	**(1.8)**	(2.0)
Interest on scheme assets	**1.8**	1.9
Net interest expense, included in finance expense (Note 5)	**-**	(0.1)

Analysis of amount included in other comprehensive income

	2018 €m	2017 €m
Actual return less interest on scheme assets	**(4.2)**	2.2
Experience gain arising on scheme liabilities	**-**	0.3
Actuarial gain arising from changes in demographic assumptions	**0.4**	1.0
Actuarial gain/(loss) arising from changes in financial assumptions	**4.7**	(2.5)
Gain/(loss) recognised in other comprehensive income	**0.9**	1.0

The cumulative actuarial loss recognised in other comprehensive income to date is €18.3m (2017: €19.2m).

In 2018, the actual return on plan assets was a loss of €2.4m (2017: €4.1m).

Asset Classes and Expected Rate of Return

The assets in the scheme at each year end were as follows:

	2018	2017
Asset Classes as % of Total Scheme Assets		
Equities	**53.0%**	46.0%
Bonds (Corporates)	**0.3%**	0.3%
Cash	**0.2%**	0.2%
Liability Driven Investment (LDI)	**46.5%**	53.5%
	100%	100%

32 PENSION OBLIGATIONS (continued)

The net pension liability is analysed as follows:

	2018 €m	2017 €m
Equities	37.5	34.9
Bonds (Corporates)	0.2	0.2
Cash	0.2	0.2
Liability Driven Investment (LDI)	33.2	41.6
Fair market value of plan assets	71.1	76.9
Present value of obligation	(84.2)	(90.5)
Deficit	(13.1)	(13.6)
Analysed between:		
Funded schemes' surplus	7.4	7.9
Unfunded obligations	(20.5)	(21.5)
	(13.1)	(13.6)
Related deferred tax (asset)/liability	(0.8)	(0.9)

	2018 €m	2017 €m
Changes in present value of defined benefit obligations		
At 1 January	90.5	91.2
Acquired through business combination	-	1.2
Current service cost	1.3	0.4
Interest cost	1.8	2.0
Benefits paid	(2.4)	(2.9)
Settlement	(0.1)	(0.2)
Actuarial (gains)/losses	(5.1)	1.2
Effect of movement in exchange rates	(0.7)	(2.4)
Transfer	(1.1)	-
At 31 December	84.2	90.5

	2018 €m	2017 €m
Changes in present value of scheme assets during year		
At 1 January	76.9	77.1
Acquired through business combination	-	0.6
Interest on scheme assets	1.8	1.9
Employer contributions	0.1	0.3
Benefits paid	(1.7)	(2.3)
Settlement	(0.2)	(0.3)
Actual return less interest	(4.2)	2.2
Effect of movement in exchange rates	(0.8)	(2.6)
Transfer	(0.8)	-
At 31 December	71.1	76.9

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 no dividends from subsidiaries (2017: €67.0m), and there was a net decrease in the intercompany balance of €55.2m (2017: €23.2m increase).

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 €10.9m during the year from the Group (2017: €10.0m). Dividends of €0.92m were paid to other key management personnel (2017: €0.82m).

(iii) The Group purchased legal services in the sum of €114,533 (2017: €135,916) 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 2018 which would require adjustment to or disclosure in this report.

35 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the directors on 22 February 2019.

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. Trading profit is used by management as it excludes items which may hinder year on year comparisons.

	Financial Statements Reference	2018 €m	2017 €m
Trading profit	Note 2	**445.2**	337.5

TRADING MARGIN

Measures the trading profit as a percentage of revenue

	Financial Statements Reference	2018 €m	2017 €m
Trading Profit	Note 2	445.2	377.5
Total Group Revenue	Note 2	4,372.5	3,668.1
Trading margin		**10.2%**	**10.3%**

NET INTEREST

The Group defines net interest as the net total of finance expense and finance income as presented in the Income Statement

	Financial Statements Reference	2018 €m	2017 €m
Finance Expense	Note 5	19.5	16.4
Finance Income	Note 5	(1.4)	(0.5)
Net Interest		**18.1**	**15.9**

NON TRADING ITEMS

The Group defines non trading items as significant one off items which are not part of the regular trading performance of the Group. These may include significant restructuring costs, profit or loss on disposal of investments, significant impairment of assets. Judgement is used by the Group in assessing 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, net of tax, of intangible amortisation.

	Financial Statements Reference	2018 €m	2017 €m
Profit attributable to ordinary shareholders	Note 9	330.9	284.3
Intangible amortisation	Note 2	22.2	15.7
Intangible amortisation tax impact		(5.1)	(3.1)
Non-trading items	Note 4	-	(0.4)
		348.0	296.5
Weighted average number of shares ('000)	Note 9	179,840	178,854
Adjusted earnings per share		**193.5 cent**	**165.8 cent**
Weighted average number of shares for dilutive calculation ('000)	Note 9	181,536	180,710
Adjusted diluted earnings per share		**191.7 cent**	**164.1 cent**

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. Free cash flow is seen as an important indicator of the strength and quality of the business and the availability of funds for deployment of a return to shareholders.

	Financial Statements Reference	2018 €m	2017 €m
Net cash flow from operating activities	Consolidated Statement of Cash Flows	438.3	283.6
Additions to property, plant, equipment and intangibles	Consolidated Statement of Cash Flows	(144.2)	(89.8)
Proceeds from disposals of property, plant and equipment	Consolidated Statement of Cash Flows	12.9	4.2
Interest received	Consolidated Statement of Cash Flows	1.4	0.5
Free cash flow		**308.4**	**198.5**

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	2018 €m	2017 €m
Net Assets	Consolidated Statement of Financial Position	1,788.9	1,568.0
Net Debt	Note 17	728.3	463.9
		2,517.2	2,031.9
Operating profit before interest and tax	Consolidated Income Statement	423.0	362.4
Return on capital employed		**16.8%**	**17.8%**

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	2018 €m	2017 €m
Net Debt	Note 17	**728.3**	**463.9**

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	2018 €m	2017 €m
Trade and other receivables	Note 15	798.6	675.9
Inventories	Note 14	524.9	447.1
Trade and other payables	Note 16	(779.8)	(645.2)
Foreign currency derivatives excluded from net debt	Note 19	0.2	-
Working capital		**543.9**	**477.8**

WORKING CAPITAL RATIO

Measures working capital as a percentage of October to December turnover annualised. The annualisation of October to December turnover reflects the current profile of the Group rather than a partial reflection of any acquisitions completed during the financial year.

	Financial Statements Reference	2018 €m	2017 €m
Working capital		543.9	477.8
October – December turnover annualised		4,711.6	3,840.7
Working Capital ratio		**11.5%**	**12.4%**

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 3 May 2019 at 10.00 a.m.

Notice of the 2019 AGM will be made available to view online at **www.kingspan.com/agm2019**

You may submit your votes electronically by accessing Computershare's website:

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 1 May 2019 (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:	22 February 2019
Annual General Meeting:	3 May 2019
Payment date for 2018 final dividend:	10 May 2019
Ex dividend date:	28 March 2019
Record date:	29 March 2019
Half-yearly financial report:	23 August 2019
Trading update:	18 November 2019

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 2018 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 amending 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 3 May 2019.

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 20 April 2018. 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 (i) any rights issue or any open offer to shareholders, or (ii) the allotment of shares not exceeding in aggregate 5% of the nominal value of the Company's issued share capital, or (iii) for the purpose of financing (or refinancing) an acquisition or other capital investment of a kind contemplated by the UK Pre-emption Group not exceeding in aggregate 5% of the nominal value of the Company's issued share capital. Both these authorities expire on 3 May 2019 unless renewed and resolutions to that effect are being proposed at the Annual General Meeting to be held on 3 May 2019.

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 20 April 2018, 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 3 May 2019, 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

Full list of principal subsidiary and joint venture companies and the percentage shareholding held by Kingspan Group plc, either directly or indirectly pursuant to Section 316 of the Companies Act 2014:

	% Shareholding	Nature of Business
Ireland		
Aerobord Limited	100	Manufacturing
Kingscourt Trustee Company Limited	100	Trustee Company
Kingspan Century 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 Light & Air Limited	100	Sales & Marketing
Kingspan Limited	100	Manufacturing
Kingspan RE Limited	100	Property Company
Kingspan Research & Developments Limited	100	Product Development
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
Kingspan Water & Energy Limited	100	Manufacturing
KSP Property Limited	100	Property Company
United Kingdom		
Building Innovation Limited	100	Sales & Marketing
Ecotherm Insulation (UK) Limited	100	Sales & Marketing
Euroclad Group Limited	100	Manufacturing
Fuel Tank Shop Limited	100	Sales & Marketing
Joris Ide Limited	100	Manufacturing
Kingspan Access Floors Limited	100	Manufacturing
Kingspan Energy Limited	100	Sales & Marketing
Kingspan Group Limited	100	Holding Company

	% Shareholding	Nature of Business
United Kingdom (continued)		
Kingspan Insulation Limited	100	Manufacturing
Kingspan Light & Air Limited	100	Sales & Marketing
Kingspan Light & Air (UK & Ireland) 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
Kingspan Water & Energy Limited	100	Manufacturing
Poultry House Products Limited	100	Manufacturing
Springvale Insulation Limited	100	Manufacturing
Tanks Direct Limited	100	Sales & Marketing
Australia		
Kingspan Insulation Pty Limited	100	Manufacturing
Kingspan Water & Energy Pty Limited	85	Manufacturing
Tate Asic-Pacific Pty Limited	100	Sales & Marketing
Austria		
Hoesch Bausysteme GmbH	100	Sales & Marketing
Kingspan GmbH	100	Sales & Marketing
Azerbaijan		
Izopoli Mahdut Mesuliyeti Cemiyeti	85	Sales & Marketing
Belgium		
Argina Technics NV	100	Manufacturing
Brakel Aero NV	100	Manufacturing
Isomasters NV	63	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 NV	100	Sales & Marketing
Bosnia and Herzegovina		
Kingspan D.O.O.	100	Sales & Marketing

	% Shareholding	Nature of Business
Bulgaria		
Kingspan EOOD	100	Sales & Marketing
Brazil		
Kingspan-Isoeste Construtivos Isotérmicos S/A.	51	Manufacturing
Canada		
Kingspan Insulated Panels Limited	100	Manufacturing
Tate ASP Access Floors Inc.	100	Sales & Marketing
Vicwest Inc.	100	Manufacturing
Chile		
Synthesia Chile S.P.A.	100	Sales & Marketing
Colombia		
Kingspan Comercial SAS	51	Sales & Marketing
PanelMET SAS	51	Manufacturing
Synthesia Colombia S.A.	100	Sales & Marketing
Costa Rica		
Acusterm Costa Rica S.R.L.	100	Sales & Marketing
Croatia		
Hoesch Gradjevinski Elementi D.O.O.	100	Sales & Marketing
Kingspan D.O.O.	100	Sales & Marketing
Czech Republic		
Balex Metal S.R.O.	100	Sales & Marketing
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
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	Manufacturing
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
Teczone France SAS	100	Sales & Marketing
Germany		
E.M.B. Roda Montage u. Service GmbH	100	Sales & Marketing
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	Property
Kingspan GmbH	100	Property Company
Kingspan Insulation Gmbh & Co. KG	100	Manufacturing
Schütze GmbH	100	Manufacturing
STF Sicheheitstechnik GmbH	100	Manufacturing
Hong Kong		
Chemprogress HK Limited	100	Sales & Marketing
Tate Access Floors (Hong Kong) Limited	100	Sales & Marketing
Hungary		
Essmann Hungaria Kft.	100	Sales & Marketing
Kingspan Kereskedelmi Kft.	100	Manufacturing

	% Shareholding	Nature of Business
India		
Kingspan India Private Limited	85	Sales & Marketing
Kingspan Insulation Private Limited	100	Manufacturing
Kingspan Jindal Private Limited	51	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
Balex Metal SIA	100	Manufacturing
Lithuania		
Balex Metal UAB	100	Sales & Marketing
Kingspan UAB	100	Sales & Marketing
Luxembourg		
Naps Holdings (Luxembourg) S.á.r.l.	100	Finance Company
Mexico		
Innovación en Aislamiento Especializado S.A. DE C.V.	100	Management & Procurement
Kingspan Insulated Panels S.A. DE C.V.	100	Manufacturing
Synthequimica Mexicana S.R.L. DE C.V.	100	Sales & Marketing
Morocco		
SM Polyurethanes S.á.r.l.	100	Sales & Marketing
Netherlands		
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	Manufacturing

	% Shareholding	Nature of Business
Norway		
Bokn Plast AS	100	Manufacturing
Kingspan AS	100	Sales & Marketing
Kingspan Insulation AS	100	Sales & Marketing
Kingspan Miljo AS	100	Sales & Marketing
Vestfold Plastindustri AS	100	Manufacturing
Vestfold Plastindustri Eiendom AS	100	Property Company
VPI-PS AS	100	Manufacturing
Panama		
Acusterm Panama S.A.	100	Manufacturing
Huurre Panama S.A.	50	Manufacturing
Synthesia Technology S.A.	100	Manufacturing
Poland		
Balex Metal Sp. z o.o.	100	Manufacturing
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		
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
Slovakia		
Balex Metal A.S.	70	Manufacturing
Kingspan S.R.O.	100	Sales & Marketing
BPS & D&V S.R.O.	100	Manufacturing
Slovenia		
Kingspan D.O.O.	100	Sales & Marketing
South Africa		
Kingspan Insulated Panels (Pty) Ltd	85	Sales & Marketing

	% Shareholding	Nature of Business
Spain		
Huurre Iberica S.A.	100	Manufacturing
Industrial Cassa S.A.	100	Holding Company
Kingspan Insulation S.A.	100	Manufacturing
Kingspan Manufacturas Pals S.A.	100	Manufacturing
Kingspan Plastisol S.L.	100	Manufacturing
Kingspan Prax S.A.	100	Manufacturing
Kingspan Protexfoam S.L.	100	Manufacturing
Kingspan Suelo Technicos S.L.	100	Sales & Marketing
Pontaut S.L.	100	Sales & Marketing
Synthecoat S.L.	100	Manufacturing
Synthesia Development S.L.	100	Product Development
Synthesia Española S.A.	100	Holding Company
Synthesia Internacional S.L.U.	100	Manufacturing
Tecno Export Ingenieros S.L.	100	Sales & Marketing
Teczone Española S.A.	100	Sales & Marketing
Sweden		
Kingspan AB	100	Sales & Marketing
Kingspan Insulation 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		
Balex Metal LLC	100	Sales & Marketing
Kingspan Lviv LLC	100	Sales & Marketing
United Arab Emirates		
Kingspan Insulated Panels Manufacturing LLC	85	Manufacturing
Kingspan Insulation LLC	95	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.	95	Sales & Marketing
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

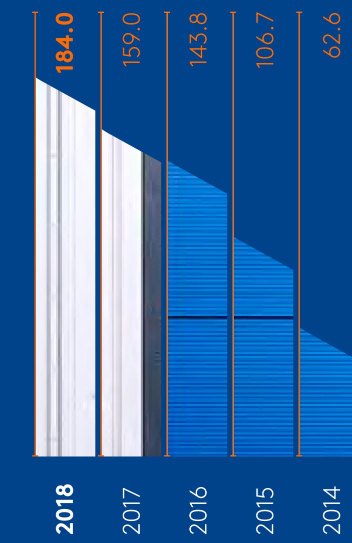
Pursuant to Section 316 of the Companies Act 2014, a full list of subsidiaries will be annexed to the Company's Annual Return to be filed in the Companies Registration Office in Ireland.

Group Five Year Summary

	2018	2017	2016	2015	2014
Results (amounts in €m)					
Revenue	4,372.5	3,668.1	3,108.5	2,774.3	1,891.2
Trading profit	445.2	377.5	340.9	255.9	148.5
Net profit before tax	404.9	346.5	314.0	232.0	127.5
Operating cashflow	530.3	362.5	377.1	382.5	171.3
Equity (amounts in €m)					
Gross assets	4,029.4	3,235.6	3,004.6	2,549.1	1,836.5
Working capital	543.9	477.8	382.7	301.8	263.3
Total shareholder equity	1,788.9	1,568.0	1,471.5	1,293.8	1,009.1
Net debt	728.3	463.9	427.9	328.0	125.5
Ratios					
Net debt as % of total shareholders' equity	40.7%	29.6%	29.1%	25.4%	12.4%
Current assets/current liabilities	1.59	1.65	1.56	1.43	1.47
Net debt/EBITDA	1.40	1.05	1.06	1.04	0.66
Per Ordinary Share (amounts in €cent)					
Earnings	184.0	159.0	143.8	106.7	62.6
Operating cashflows	294.9	202.1	212.3	217.1	100.1
Net assets	994.7	876.7	828.4	734.2	589.7
Dividends	42.0	37.0	33.5	25.0	16.3
Average number of employees	13,469	11,133	10,396	8,595	6,627

Revenue
(€bn)

Trading Profit
(€m)



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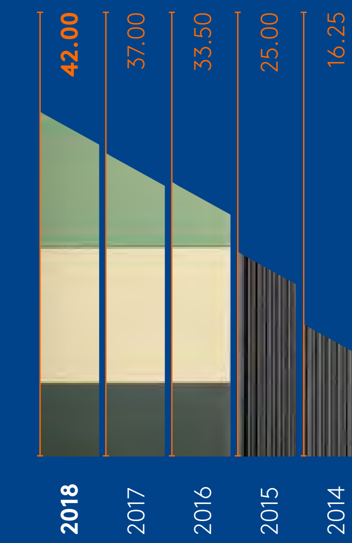

DPS
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