

Report of the Directors

GENE M. MURTAGH
GEOFF DOHERTY

The directors of Kingspan Group plc (“Kingspan”) have pleasure in presenting their report with the audited financial statements for the year ended 31 December 2020.

Principal Activities

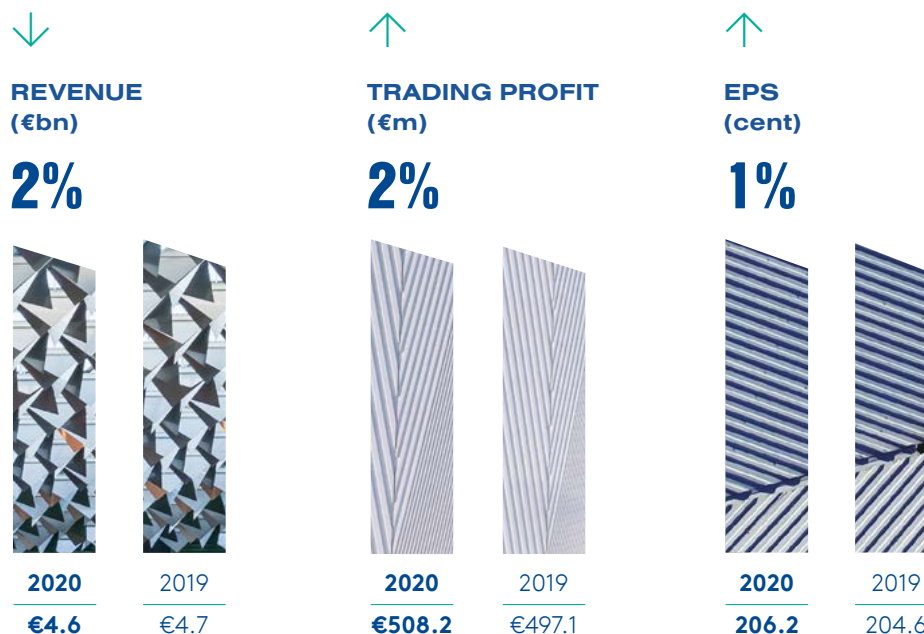
Kingspan is the global leader in high-performance insulation and building envelope solutions. Kingspan Group plc is a holding company for the Group’s subsidiaries and other entities. The Group’s principal activities comprise the manufacture and distribution of the following product suites as part of 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
- Data centre storage solutions
- Energy storage solutions
- Rainwater and wastewater solutions
- Renewable energy systems

Kingspan comprises five key business divisions which are Insulated Panels, Insulation Boards, Light & Air, Water & Energy and Data & Flooring. 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 2020 was €4.6bn (2019: €4.7bn), trading profit was €508.2m (2019: €497.1m), and earnings per share were 206.2 cent (2019: 204.6 cent). The Consolidated Income Statement is set out later in this Annual Report and a detailed review of the Group’s performance from a financial and operational perspective is contained within the Business & Strategic Report.



The Board has proposed a final dividend if approved at the Annual General Meeting of 20.6 cent per ordinary share payable on 7 May 2021 to shareholders registered on the record date of 26 March 2021. No interim dividend (2019: 13.0 cent) was declared during the year given the uncertain backdrop for much of 2020. The final dividend proposed for 2019 of 33.5 cent was subsequently cancelled in order to preserve cash at the outset of the pandemic. In summary, therefore, the total dividend for 2020 is 20.6 cent compared to 13.0 cent for 2019 (as adjusted for the cancellation).

The Board carried out a review of the Group's dividend policy during the year. The outgoing policy guidance was to pay out approximately 25% of earnings. In assessing a revised policy a key objective was to afford the Group appropriate development capital to invest in the business over time as well as to preserve the strength of the balance sheet. On that basis the revised dividend policy for 2021 and for the foreseeable future is to payout approximately 15% of earnings. The policy will be reviewed periodically to ensure it remains appropriate over time having regard to the capital needs for the business.

Business Review

The Business & Strategic Report contained in this Annual Report, including the Chief Executive's Review and the Financial Review, sets out management's review of the Group's business during 2020. The key points include:

- Revenue down 2% to €4.6bn, (pre-currency, in line with prior year).
- Trading profit up 2% to €508.2m, (pre-currency, up 5%).
- Acquisitions contributed 7% to sales growth and 6% to trading profit growth in the year.
- Free cashflow up 42% to €479.7m.
- Group trading margin¹ of 11.1%, an increase of 40bps.
- Basic EPS up 1% to 206.2 cent.
- Final dividend per share of 20.6 cent.
- Year-end net debt of €236.2m (2019: €633.2m). Net debt² to EBITDA² of 0.4x (2019: 1.1x).
- ROCE of 18.4% (2019: 17.3%).

- Insulated Panels sales decrease of 4% due mainly to second quarter lows. Solid performance with most end-markets experiencing recovery in the second half. Europe positive overall, particularly in Germany and France. Strong finish to the year in the UK. Strong order intake in the Americas in the fourth quarter. 33% growth in QuadCore™ sales globally in 2020.
- Insulation Boards sales decrease of 10% albeit much improved in the second half which was down 2%. Strong performance in Western Europe and good second half recovery in Ireland and the UK. Americas and Australia ahead of prior year. Softer in the Middle East and Southern Europe.
- Another year of progress in Light & Air with sales up 36% in the year, acquisition of Colt a key driver. Europe positive overall although softer in North America. Further bolt on acquisition in Europe, Skydome, after year-end.
- Water & Energy sales down 3% with a resilient performance overall and year on year margin improvement. Water applications particularly positive.
- Data & Flooring sales increase of 4%. Strong performance across data centre applications offsetting softer office activity.
- Steep raw material inflation a key theme as we enter 2021 with recovery effort underway.



France STGI Services,
Thiers / Insulated
Panels Destrál 9005
& Spectrum 9005

1 Trading profit divided by total revenue.
2 Net Debt and EBITDA both pre-IFRS 16.

The Business & Strategic Report contained in this Annual Report sets out the “four pillars” of Kingspan’s strategy which drive conversion from traditional methods of construction to ultra-performance building envelopes, these are:

INNOVATION

Differentiation from competitors driven by superior innovation.

GLOBAL

The continued evolution of Kingspan’s geographic footprint as we build market leading positions globally.

PLANET PASSIONATE

Through our Net Zero Energy programme, we have made great strides in powering our business on renewable energy. With Planet Passionate we are setting ourselves even more challenging goals for the next 10 years. We are committing to hard targets in the areas of energy, carbon, circularity and water. 2020 was a foundational year for our Planet Passionate programme. We set the baseline for each target and developed detailed strategies and timelines to achieve our goals, which aim to proactively address the key sustainability challenges that face our planet.

COMPLETING THE ENVELOPE

Expanding our business to include product categories which complement our product portfolio in offering complete, ultra-performance, building envelope solutions.

Throughout 2020, Kingspan made significant progress in pursuit of this strategy with the result that Kingspan has continued to deliver a robust performance. 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 in the Risk & Risk Management Report contained in this Annual Report. The principal risks are:

- Volatility in the macro environment;
- Product failure;
- Failure to innovate;
- Business interruption (including IT continuity and climate change);
- Credit risk and credit control;
- Employee development & retention;
- Fraud & cybercrime;

- Acquisition and integration of new businesses;
- Health & Safety; and
- Laws and regulations.

Key Performance Indicators

The directors are pleased to report on the very positive performance during 2020 against all of its key performance indicators. A detailed commentary incorporating key performance indicators is contained within the Financial Review and in the Sustainability Report contained in this Annual Report. A number of the key performance indicators have been included in more detail on page 158 ‘Alternative Performance Measures’. The key performance indicators for Kingspan upon which particular emphasis is placed are listed below.

Innovation

At Kingspan innovation is a core pillar of our strategy and we view it as a key strategic advantage. We believe building industry traditions must be challenged through innovation in advanced materials and digital technologies in order to achieve a net zero emissions future.

KPIS FINANCIAL	Basic EPS growth	206.2 cent (up 1%)	See page 30
	Sales performance	€4.6bn (down 2%)	See page 30
	Trading margin	11.1% bps (up 40 bps)	See page 30
	Free cash flow	€479.7m (up €142.6m)	See page 30
	Return on capital employed	18.4% (up 110 bps)	See page 30
	Net debt/EBITDA	0.4x (2019: 1.1x)	See page 30
KPIS NON-FINANCIAL	Net Zero Energy	100% (up 10 percentage points)	See page 50
	Health & Safety	1.2x per 100k hours (-14%)	See page 52
	Gender balance	19% female (unchanged)	See page 52
	Waste recycling	67.8% (up 278 bps)	See page 51

We have innovated a portfolio of advanced products and solutions for architects and building owners which enable them to construct buildings that consume less resources. Future proofing their investment, generating returns through enhanced internal space and operational performance, and facilitating efficient construction through thinner, lighter and safer to handle materials. Increasingly we are enhancing our service and solutions through digitisation. By surfacing our products digitally, we're making it easier to find them, specify them, buy them, build with them and track them.

In the year ended 31 December 2020, the Group's research and development expenditure amounted to €33.1m (2019: €31.9m). Research and development expenditure is generally written off in the year in which it is incurred. In 2020 we launched the award winning nano-prismatic Day-Lite Kapture Skylight and we continued to progress development on the following key projects:

- PV solar-integrated PowerPanel® 2.0;
- Fibre-free A1 classified AlphaCore® insulation;
- QuadCore™ 2.0;
- Kooltherm® 200 series;
- Unitised facade solutions;
- Digitalisation of the construction industry; and
- Translucent insulated 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 (July 2018) is included in the Report of the Nomination & Governance Committee contained in this Annual Report. The Corporate Governance Statement is treated as forming part of this Annual Report.

Code Of Conduct

Kingspan knows that our business success is inextricably linked to our behaviours, and high standards of integrity, honesty and compliance. Kingspan recently implemented a new Code of Conduct setting out our aspiration to maintain a culture where our everyday actions are built on five core principles:

- Clear, ethical and honest behaviour and communications;
- Compliance with the law;
- Respect for the safety and wellbeing of colleagues;
- Protection of our Group assets; and
- Upholding our commitment to a more sustainable future.

The Code sets out these fundamental principles which all directors, officers and employees of Kingspan are required to adhere to in meeting those standards. <https://www.kingspan.com/group/commitments/people-and-community/our-code-of-conduct>.

Sustainability

Our mission is to accelerate a net zero emissions future built environment with the wellbeing of people and planet at its heart. We do this through enabling high-performance buildings that can save more energy, carbon and water. Aligned with our mission, we aim to make significant advances in the sustainability of both our business operations and our products. In 2011 we set ourselves an almost impossible challenge: by 2020, on an aggregated basis, we committed to matching 100% of our operational energy with renewable energy. We are proud to report that we achieved this goal in 2020. Highlights of the programme include: a 5 fold increase in our on-site renewable energy generation; a 35%

reduction in absolute Scope 1 & 2 greenhouse gas emissions since 2013; and a 36% decrease in heating and lighting costs per unit of revenue. In December 2019 we launched the next phase of our sustainable development, our new 10 year Planet Passionate programme, setting ourselves challenging targets in the areas of energy, carbon, circularity and water. Learn more at www.kingspan.com under 'Our Commitments' and in our Planet Passionate report due to be published in March 2021.

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 2020, the Company had an authorised share capital comprised of 250,000,000 (2019: 250,000,000) ordinary shares of €0.13 each and the Company's total issued share capital comprised 183,402,238 (2019: 182,785,222) Ordinary Shares, of which the Company held 1,870,284 (2019: 1,907,826) Ordinary Shares in treasury. All of these shares are of the same class. With the exception of treasury shares which have no voting rights and no entitlement to dividends, they all carry equal voting rights and rank for dividends.

Shareholding analysis as at 31 December 2020:

Shareholding range	Number of accounts	% of total	Number of shares held	% of total
1 - 1,000	2,822	56.7	1,124,850	0.6
1,001 - 10,000	1,414	28.4	4,636,904	2.5
10,001 - 100,000	548	11.0	18,551,192	10.1
100,001 - 1,000,000	160	3.2	46,957,446	25.6
Over 1,000,000	36	0.7	112,131,846	61.2
	4,980	100.00	183,402,238	100.00

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

Notification Date	Shareholder	Shares held	%
27/01/2021	Eugene Murtagh	27,018,000	14.88%
14/01/2021	Blackrock, Inc.	12,894,941	7.10%
11/07/2019	Allianz Global Investors GmbH	8,966,284	4.96%
17/02/2021	Bailie Gifford & Co.	8,972,855	4.94%
07/08/2019	Ameriprise Financial Inc	7,228,355	4.00%
11/02/2021	FMR LLC	5,797,663	3.19%

The number of shares held as treasury shares at the beginning of the year was 1,907,826 (1.04% of the then issued share capital (excluding treasury shares)) with a nominal value of €248,017.38. A total of 37,542 shares (0.02% of the issued share capital (excluding treasury shares)) with a nominal value of €4,880.46 were re-issued during the year consequent to the exercise of share options under the Kingspan Group Employee Benefit Trust, leaving a balance held as treasury shares as at 31 December 2020 of 1,870,284 (1.03% of the issued share capital (excluding treasury shares)) with a nominal value of €243,136.92.

Further information required by Regulation 21 of the above Regulations as at 31 December 2020 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 60 and 61. Mr Eugene Murtagh will be retiring as Chairman and non-executive director following the conclusion of the AGM on 30 April 2021 and will be succeeded by Mr Jost Massenberg. Mr Peter Wilson retired as an executive director

on 31 December 2020, and Éimear Moloney and Paul Murtagh will be appointed as a non-executive directors with effect from 30 April 2021.

Further details of the Board changes are set out in the Report of the Nomination & Governance Committee in this Annual Report.

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-20	31-Dec-19
Eugene Murtagh	27,018,000	27,018,000
Gene Murtagh	1,079,207	1,079,207
Geoff Doherty	221,721	251,495
Russell Shiels	200,000	200,000
Peter Wilson*	389,376	389,376
Gilbert McCarthy	255,576	255,576
Linda Hickey	5,000	5,000
Michael Cawley	30,600	30,600
John Cronin	8,000	8,000
Bruce McLennan	10,000	10,000
Jost Massenberg	0	0
Anne Heraty	2,250	2,250
Lorcan Dowd	3,188	2,919
	29,222,918	29,252,423

* Retired as a director on 31 December 2020.

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 contained in this Annual Report.

As at 19 February 2021, there have been no changes in the directors' and secretary's interests in shares since 31 December 2020.

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

The Company's principal subsidiary undertakings at 31 December 2020, country of incorporation and nature of business are listed on pages 163 to 165 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 pages 18 to 27 of this Annual Report.

Significant Events Since Year-end

There have been no significant events since the year-end.

Going Concern

The Board has assessed the principal risks and uncertainties facing the Group, including the ongoing pandemic and the impact it is having on the global economy. Kingspan delivers highly efficient, low carbon building product solutions across a broad range of building applications and geographies. The potential exposure to a downturn due to the pandemic or other significant economic event in any one construction market is partially mitigated by the Group's exposure to a wide set of geographies, market sectors and building types. Globally there is an increasing focus on climate change. Kingspan is well placed to benefit from this trend, that is prompting an increase in demand for insulation and other energy efficient products that support energy conservation.

2021 has started strongly with orderbooks ahead of where they were at the beginning of 2020. The Group has significant liquidity with cash and available facilities of €2.1bn. Debt facilities maturing in 2021 will be repaid from cash. The weighted average maturity of debt is 6.3 years. Net Debt to EBITDA is 0.4x which is significantly below the covenant ceiling of 3.5x.

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. The budget for the 12 months has been subject to stress testing which involves flexing a number of the main assumptions underlying the forecast in severe but reasonable scenarios.

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 continue to adopt the going concern basis in preparing the Group and Company financial statements.

Viability Statement

In accordance with Provision 31 of the 2018 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 2024.

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 2024;
- 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 2020.

In making this assessment, the directors have also considered the resilience of the Group and its end-markets during the pandemic. The directors also note the current cash reserves of the Group, the weighted average maturity of debt of 6.3 years and the significant headroom on funding covenants. The directors also considered the other principal risks facing the business as outlined in the Risk & Risk Management Report contained in this Annual Report, 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 many 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 27 of the 2018 UK Corporate Governance Code:

- 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 and following a rigorous tender process, as detailed in the Report of

the Audit & Compliance Committee, the committee recommended EY and the Board appointed EY on 11 June 2020 as Group external auditor with effect for the financial year ending 31 December 2020 and EY will continue in office.

On Behalf Of The Board

Gene M. Murtagh,
Chief Executive Officer

Geoff Doherty,
Chief Financial Officer

19 February 2021

