

Chief Executive's Review

Gene M. Murtagh

Business Review

The 2022 outcome for the Group as a whole was relatively pleasing given the accumulating uncertainty as the year progressed. Over-life carbon saved in buildings using insulation systems we manufactured in 2022 is an estimated 173 million tonnes of CO₂e, driving record revenue of €8.3bn and record trading profit of €833m. This was achieved at a time of exceptional inflation and unprecedented disruption in supply chains globally, which was less a feature in the latter part of the year.

The performance of individual markets and economies varied significantly with the Americas, Germany and Australasia the most stable for Kingspan, with much of Europe weaker. The pattern of trade was also at odds with prior periods where many of our routes to market built inventory in the earlier part of the year, largely out of caution, followed by industry-wide efforts to lower stock levels in the second half.

Virtually all walks of life have been and will be further impacted by the prevailing energy cost and availability dynamics. This has understandably led to broader and growing concerns which may weigh on demand in the year or so ahead. Conversely, it has also generated an unprecedented impetus amongst governments and society in general to ensure measures are taken to curtail reliance on fossil fuel. Conservation in buildings is a key component of this given almost 40% of all global energy related carbon emissions emanate from buildings and construction. Our solutions can, and are, playing a meaningful long-term role in this process.

Read more
about our strategic
pillars on page 26-27

Santa Monica High School
Discovery Building
California, USA
Data + Flooring
ConCore®

Operational Summary

- Record year overall in a testing environment and a tougher second half.
- Insulated Panels sales increase of 23% driven by raw material price growth and a 46% increase in global sales volume of QuadCore™. Ground-breaking Lower Embodied Carbon (LEC) insulated panel launched recently.
- Insulation sales strongly ahead by 40% driven by inflation and acquisitions. District heating applications a standout performer. Significant progress on entry into the bio-based insulation category. AlphaCore® launching shortly. Technical insulation now comprising 35% of divisional revenue.
- Roofing + Waterproofing platform embedded. Annualised revenue run rate in excess of €500m. Ondura Group acquisition completed in September 2022 following Derbigum acquisition and strategic minority investment of 24% in Nordic Waterproofing.
- Technical insulation and roofing significantly increase the Group's exposure to RMI.
- Significant progress at Light + Air, with a sales increase of 27% and margins progressing year on year.
- Strong performance in Data + Flooring with sales up 33% and a strong data centre solutions pipeline into 2023.
- Invested a total of €1.3bn in acquisitions, purchase of minority interest and capex during the year.

Financial Highlights

28% ↑

Revenue up 28% to €8.3bn, (pre-currency, up 25%)

10% ↑

Trading profit¹ up 10% to €833m, (pre-currency, up 7%)

9%

Acquisitions contributed 9% to sales growth and 8% to trading profit growth in the year

8% ↑

Profit after tax of €616.0m (2021: €570.6m). Effective tax rate of 17.5% (2021: 17.2%)

160bps ↓

Group trading margin² of 10.0% (2021: 11.6%), a decrease of 160bps

8% ↑

Basic EPS up 8% to 329.5 cent (2021: 305.6 cent). Diluted EPS also up 8% to 326.9 cent (2021: 303.0 cent)

23.8c

Final dividend per share of 23.8 cent (2021: 26.0 cent) giving a total dividend for the year of 49.4 cent (2021: 45.9 cent)





1.62x

Year end net debt³ of €1,539.6m (2021: €756.1m). Net debt to EBITDA⁴ of 1.62x (2021: 0.88x)

15.9%

ROCE of 15.9% (2021: 19.5%), or 16.5% after annualised impact of acquisitions

- 1 Operating profit before amortisation of intangibles and non trading item
- 2 Trading profit divided by total revenue
- 3 Net debt pre-IFRS 16 per banking covenants
- 4 Net debt to EBITDA is pre-IFRS 16 per banking covenants

Planet Passionate Targets (Progress from base year)		Target Year	Underlying Business		Whole Business	
			2020	2022	2020	2022
	Carbon					
	→ Net Zero Carbon Manufacturing - scope 1 & 2 GHG emissions ¹ (t/CO ₂ e)	2030	410,224 ²	242,734	517,972 ^{2,3}	385,157³
	→ 50% reduction in product CO ₂ e intensity from primary supply partners (%)	2030	-	0.04	-	0.04
	→ Zero emission company funded cars (annual replacement %)	2025	11	60	11	58⁴
	Energy					
	→ 60% Direct renewable energy (%)	2030	19.5	34.3	19.5	33.4
	→ 20% On-site renewable energy generation (%)	2030	4.9	7.2	4.9	7.1
	→ Solar PV systems on all wholly owned facilities (%)	2030	21.7	41.5	21.7	35.2
→ Net Zero Energy (%)	2020	100	100	100	n/a⁵	
	Circularity					
	→ Zero company waste to landfill (tonnes)	2030	18,642	9,081	18,642	10,828
	→ Recycle 1 billion PET bottles into our manufacturing processes annually (million bottles)	2025	573	803	573	803
→ QuadCore™ products utilising recycled PET (no. of sites)	2025	1	3	1	3	
	Water					
	→ Harvest 100 million litres of rainwater annually (million litres)	2030	20.1	26.3	20.1	26.4
→ Support 5 ocean clean-up projects (no. of projects)	2025	1	3	1	3	

Whole Business includes all manufacturing, assembly and R&D sites within the Kingspan Group, including acquisitions since 2020.

- 1: Excluding biogenic emissions. Scope 2 GHG emissions calculated using market-based methodology.
- 2: Restated figures due to improved data collection & change in calculation methodologies.
- 3: GHG emissions were recalculated due to acquisitions that occurred in 2021 & 2022.
- 4: Excluding recent acquisitions due to unavailability of data at this time.
- 5: As we retire our Net Zero Energy target in favour of a carbon charge, newly acquired businesses are not included for this target.

The table below provides further detail on the progress within Kingspan by category:

Intensity Indicators	Change over 2020 base year
Carbon Intensity (tCO ₂ e/€m)	54% reduction
Energy Intensity (MWh/€m)	28% reduction
Landfill Waste Intensity (t/€m)	68% reduction
Water Intensity (million lt/€m)	16% reduction

Planet Passionate and our impact

The vast majority of what we provide to the market enables others to dramatically reduce energy consumption and its related GHG emissions. That estimated impact during 2022 was 173 million tonnes of CO₂e saved from insulation systems we sold during the year, taking into account their contributions over the life of the building infrastructure that they serve.

Internally, our Planet Passionate initiative once again made tremendous progress, despite being hampered by supply issues, largely related to the procurement of solar panels from Asia.

In summary, 18 solar PV projects were completed across our facilities during the year which will generate 6.4 GWh of renewable electricity annually. 803 million PET bottle equivalent of recycled material was processed across the Group, and 14 rainwater harvesting systems were installed. In addition, 58% of all new company funded cars in the year were replaced with zero emission vehicles, and our waste to landfill for the whole business reduced by 42% since 2020.

Investing in our future

Between organic and inorganic initiatives, we invested a total of €1.3bn during the year. Capital projects, mainly focused on capacity expansion, amounted to €276m and included significant projects either completed or commenced in the US, Brazil, France, Germany, Vietnam and Australia. Preparatory work is also

underway for the Ukraine Technology Campus that we announced last year. Understandably progress has been slow to date although we anticipate investing over €200m in the project over the next four years.

Acquisitions have long been a prominent feature of our strategy and in 2022 we invested a total of €1,054m, a record, in adding geographic footprint and new business lines to our portfolio including deferred consideration and a strategic minority investment. In total six transactions were completed, the largest of which was Ondura, a French headquartered global provider of roofing solutions. Together with Derbigum, this now forms the platform for expansion deeper into the Roofing + Waterproofing arena with combined annual run-rate revenues of approximately €500m entering the current year. In addition, we also acquired a 24% strategic holding in Nordic Waterproofing.

Innovation at work

The nucleus of our innovation agenda is focused on driving product improvement across thermal, renewable content, embodied carbon and fire performance, while also incorporating more bio-based solutions across our portfolio.

PowerPanel™ and Rooftricity™ made it to market during 2022 with very encouraging early signs. We have limited the launch to Ireland and the UK for the time being due to component supply constraints. Initial preparations are now underway for

PowerPanel™ production enablement in the US, France and the Czech Republic, likely entering production sometime in 2024.

Our QuadCore™ LEC (Lowered Embodied Carbon) insulated panel launched recently, giving rise to an estimated 17% reduction in embodied carbon (in life cycle modules A - C) relative to existing product. We aim to achieve further reductions in embodied carbon as we progress towards our 2030 supply chain targets. This is an exciting new departure which we are confident will resonate strongly with our global blue chip client base and beyond.

QuadCore™ 2.0 development is significantly advanced, and AlphaCore® is launching imminently following the acquisition of Calostat® technology in late 2022. Progress is also being made on the bio-based insulation front, albeit at a somewhat slower pace than we would like.

Product and system integrity

By the end of 2022, 26 of our sites were certified to ISO 37301, with a plan to have 58 sites certified to the standard by the end of 2023. ISO 37301 is the leading global standard for establishing, developing and monitoring compliance systems. Our enhanced product integrity programme is now deeply embedded across the Group. To date, 133 of our sites have been audited by the Group Compliance and Certification Team. In addition, 651 third party external products and system audits took place throughout 2022.

Plastchem
Hardenberg, The Netherlands
Insulated Panels
QuadCore™



Insulated Panels

The global and diverse nature of this business was reflected in the broad and varying performances of the different regional businesses and trends. Overall, the trading result has demonstrated growth, albeit that volumes became more challenged during the second half.

Advanced insulation cored products represented 85% of insulated panels sales volumes, whilst mineral fibre cored was 11% with older generation materials comprising the balance. QuadCore™, our highly

differentiated and unique core material, represented 17% of insulated panels volume, having grown by 46% over prior year. Further progress is anticipated during 2023.

PowerPanel™ made its market entry, and we anticipate this family of ground-breaking solutions to feature prominently over the longer term. Supply chain consistency and reliability has been a challenge and we continue to explore ways of ensuring this is addressed.

NAU High-Performance Athletic Centre
Arizona, USA
Insulated Panels
KS Series Mini Micro-Rib



Turnover

€5,181.5m

+23%⁽¹⁾

2021: €4,229.2m



Trading Profit

€548.7m

+6%

2021: €519.8m



Trading Margin

10.6%

-170bps

2021: 12.3%

¹ Comprising underlying +17%, currency +4% and acquisitions +2%. Like-for-like volume -7%.



GRID
Dundee, UK
Insulation
Kooltherm K103
Floorboard;
GreenGuard GG300



Turnover

€1,658.3m

+40%⁽¹⁾

2021: €1,182.9m



Trading Profit

€165.2m

+13%

2021: €146.7m



Trading Margin

10.0%

-240bps

2021: 12.4%

¹ Comprising underlying +12%, currency +2% and acquisitions +26%.

Insulation

Worldwide sales grew encouragingly by 40% over prior year. Much of the growth was delivered through pricing, and indeed the acquisitions added during 2022. Sales volumes in Logstor®, Kingspan's main technical insulation platform and now 25% of the division, grew by 18% in the second half of the year which was the first like-for-like period under Kingspan ownership. Insulation board activity represents approximately 60% of the division with like-for-like volume decreasing by 10% in the year.

The two larger businesses acquired were Logstor (June 2021) and Troldekt (April 2022), both Danish headquartered, but in entirely different markets with significant growth potential. Logstor, the larger of the two, focuses primarily on pre-insulated pipes for district heating (and cooling) infrastructure, an area

of ever-growing opportunity as the world accelerates towards clean power generation and distribution. Our capacity will be increased by 30% during the current year, and by a further 50% over the following three years. Troldekt addresses both the acoustic and bio-based insulation segments. Again, we expect to grow capacity by 60% over the next two years or so reflecting the opportunity afforded by the extension of applications and geography.

On the innovation and new product agenda, AlphaCore® launches imminently following the acquisition of Calostat® technology. An A-Class Optim-R® should reach market in early 2024. We are in the process of assembling the leadership and skills required to enter the stone wool segment which is part of our long-established ambition to be the sole global provider of the 'full spectrum' of thermal solutions.

Light + Air

In 2022 this business delivered strong progress with revenue and trading profit both ahead, by 27% and 45% respectively. Notable growth was achieved in the Central European and Southern European businesses. North America also improved its performance, enhanced by the addition of the Solatube® product set and business model, which we anticipate rolling out more regionally across the US over the coming years.

As the Group grows, so too will the divisional structure that supports it. To that end, going forward the Light, Air and Water businesses will be reported as one enlarged division. Combining the service businesses of both, leveraging the online success at Water + Energy, and having a wider global route to market and channel synergy will make this combination compelling over the longer term. The enlarged division will have real global scale and scope, with revenue run-rate expected to be approximately €1bn in 2023.



San Diego Symphony
California, USA
Light + Air
UniQuad®
Cladding + Wall System

↑	↑	↑
Turnover	Trading Profit	Trading Margin
€700.7m	€52.3m	7.5%
+27% ⁽¹⁾	+45%	+100bps
2021: €552.2m	2021: €36.0m	2021: 6.5%

¹ Comprising underlying +15%, currency +2% and acquisitions +10%

Roofing + Waterproofing

The maiden year for this new business was marked by two meaningful acquisitions, Ondura and Derbigum, acquired in September 2022 and June 2022 respectively.

The annualised revenue run rate is approximately €500m. This combination brings Kingspan into both flat and pitched roof membrane solutions, from the primary outer layer of the roof to the secondary underlay. In both applications, the

core basis of our strategy is to create pull-through for Insulation products through a warranted system-sell. Early progress has been encouraging. From a roofing technology perspective, we intend to broaden our portfolio of waterproofing, and our geographic presence, through both organic and inorganic routes. The trading margin reported reflects acquisition and other related costs during 2022.

Turnover
€153.2m

Trading Profit
€8.5m

Trading Margin
5.5%



Hoven Restaurant
Loen, Norway
Roofing + Waterproofing
Derbigum® SP4 FR;
Derbigum® GC

Data + Flooring

Strong progress was again achieved in the data solutions activity in this business as large scale cloud services infrastructure continued to expand globally, and as our share of those internal solutions grew.

This trajectory and the active pipeline of live projects give us confidence that further growth ought to be delivered during the current year.



Turnover

€360.1m

+33%⁽¹⁾

2021: €271.4m



Trading Profit

€43.1m

+33%

2021: €32.3m



Trading Margin

12.0%

+10bps

2021: 11.9%

1 Comprising underlying +26% and currency +7%



Water + Energy

This business delivered a reasonably solid outcome for the year owing to some recovery of position in the Australian market, albeit with margin pressures elsewhere reflecting a lag in the recovery of raw material inflation.



Turnover

€287.1m

+10%⁽¹⁾

2021: €261.3m



Trading Profit

€15.4m

-23%

2021: €20.0m



Trading Margin

5.4%

-220bps

2021: 7.6%

1 Comprising underlying +6%, currency +1% and acquisitions +3%

Looking ahead

2022 was a bumpy year with the strong performance in the first half giving way to a more subdued environment in the second half of the year. The combination of war in Ukraine, the consequential steep energy and consumer inflation, and an industry overstocked due to supply chain concerns were all factors that weighed on second half demand and performance.

The more recent performance of our business has differed significantly by sector, end-market and geography. Within the mix of business there are strong sectors of out-performance led by a need for ultra-energy efficiency and lower carbon. This is a theme which is likely to play out more fully in the medium term as society grapples

with the need for a step change in energy efficiency and de-carbonisation.

It is difficult to look too far ahead in this environment. We anticipate delivering a broadly similar trading profit in the first quarter of 2023 to that of 2022, aided in part by the contribution from acquisitions. We are mindful of a more demanding comparative to come in the second quarter. Longer term, Kingspan is very well placed given the powerful combination of our global scale, diversity of our end-markets, strong innovation agenda and an ongoing societal drive for energy efficiency.

Gene M. Murtagh
Chief Executive Officer
21 February 2023

Read more in our Business & Strategic Report on page 24

