Annual Report and Financial Statements 2006

Kingspan®
Group plc

Financial Highlights

for the year ended 31st December 2006

	2006	*2005*	*% Change*
Turnover	**€1,461.2m**	€1,243.4m	+18%
Operating profit	**€194.0m**	€145.1m	+34%
Operating margin	**13.3%**	11.7%	
Net profit before tax	**€185.2m**	€135.0m	+37%
Basic earnings per share	**89.8c**	66.4c	+35%
Dividend per share for the year	**19.0c**	13.4c	+42%
Dividend cover	**4.7 times**	5.0 times	
Interest cover (EBITDA/Net Interest)	**26.7 times**	17.6 times	

Chairman's Statement

In 2006, as the challenges posed by climate change intensified, Kingspan's range of environmentally responsible building solutions responded and delivered strong revenue and profit growth, and even stronger shareholder returns.

Total revenues increased 18% to €1.46 billion, pre-tax profit rose by 37% to €185 million, and earnings per share rose by 35% to 89.8 cent.

2006 saw Kingspan increase its geographic footprint to meet the growing demand for building solutions with improved environmental performance. In anticipation of increased environmental awareness in North America, Kingspan put down a strong marker by entering into the Insulated Panel market in the region, with the acquisition of two Canadian businesses either side of the year-end. In addition, during the year Kingspan established manufacturing presences in Australia and Turkey, to serve the Australasian and Eastern European Insulated Panel markets.

In the UK and Ireland, other acquisitions in the Group's Environmental and Off-Site & Structural divisions augmented those divisions' organic growth, and provided the scale both to meet anticipated growth in demand in those sectors, and to accelerate conversion to new higher value added products. Whilst there was surprise and some disappointment that the Irish Competition Authority blocked the proposed acquisition of the Xtratherm insulation business, Kingspan has approved capital expenditure in the Insulated Boards business this year to position

the Group to meet the expected growth in demand for insulation in its existing markets resulting from the EU Energy Performance of Buildings Directive.

As in previous years, I extend my thanks to all our employees, customers, trading partners and other stakeholders in the Group for their contribution in making 2006 another successful year for Kingspan.

Dividends

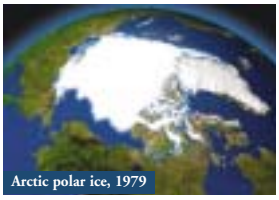
Subject to approval at the Annual General Meeting, the Board is recommending a final dividend of 13.0 cent per share. This will give a total dividend for the year of 19.0 cent, up 42% on the previous year. This is in keeping with the Board's stated policy of progressively increasing the dividend so as to bring dividend cover to a level closer to industry norms, in a manner compatible with the Group's strategic growth plans.

If approved, the final dividend (which will be subject to Irish withholding tax rules) will be paid on the 8th June 2007 to shareholders on the register at close of business on the 23rd March 2007.

Board Changes

After 24 years service on the Board, Kevin O'Connell has announced that he will be stepping down from the Board after this years' Annual General Meeting. On behalf of the Board, I wish to thank Kevin for his wise counsel and work on the Board and its Committees over the years.

Climate for Change

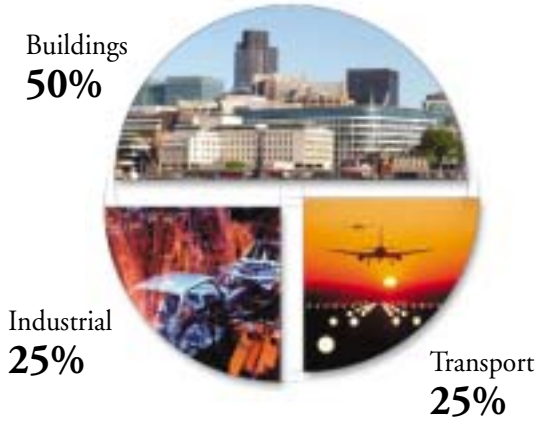

Arctic polar ice, 1979

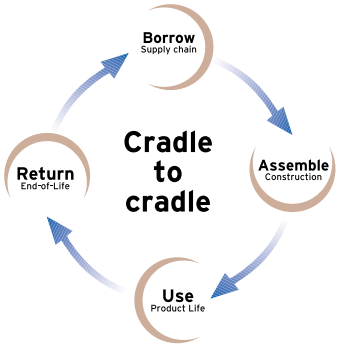

Arctic polar ice, 2003

A climate for change now exists among politicians and the scientific fraternity concerning the manner in which the negative impact of CO_2 emissions on the planet should be addressed. As well as having an environmental impact, global warming is now recognised as having economic and social implications, and is seen by governments as a major issue for their economies requiring immediate action. Internationally, a major shift in attitude is taking

Carbon Dioxide Emissions

Kingspan are in the best position within the building sector to lessen the impact of CO_2 emissions and make a significant contribution to the reduction of global warming.





place as to how business should be done, the type of building materials that should be produced, and the manner in which construction projects should be implemented. These are challenges for all businesses, not least those involved in the construction industry.

However they also present very significant opportunities which Kingspan has recognised. For this reason, Kingspan has put itself at the centre of the debate, playing a major role in providing lasting solutions that will significantly benefit the environment, whilst generating long-term profit growth for the Group.

New Initiatives

As a result of its continuous product development programme, Kingspan offers a range of unique designs and solutions across entire masterplans. Modern methods of construction, coupled with ever increasing environmental standards are key components in making Kingspan's solutions attractive to a broad and influential customer base. Kingspan's customers recognise that these are essential components in meeting government aspirations for sustainable developments into the future. Kingspan products that heretofore were marketed separately into individual segments of the industry, can now be bundled and marketed into all segments. Kingspan has developed and refined its product ranges so that they can now be applied successfully across industrial, retail, leisure, educational, health and residential projects where total solutions are now more in demand.

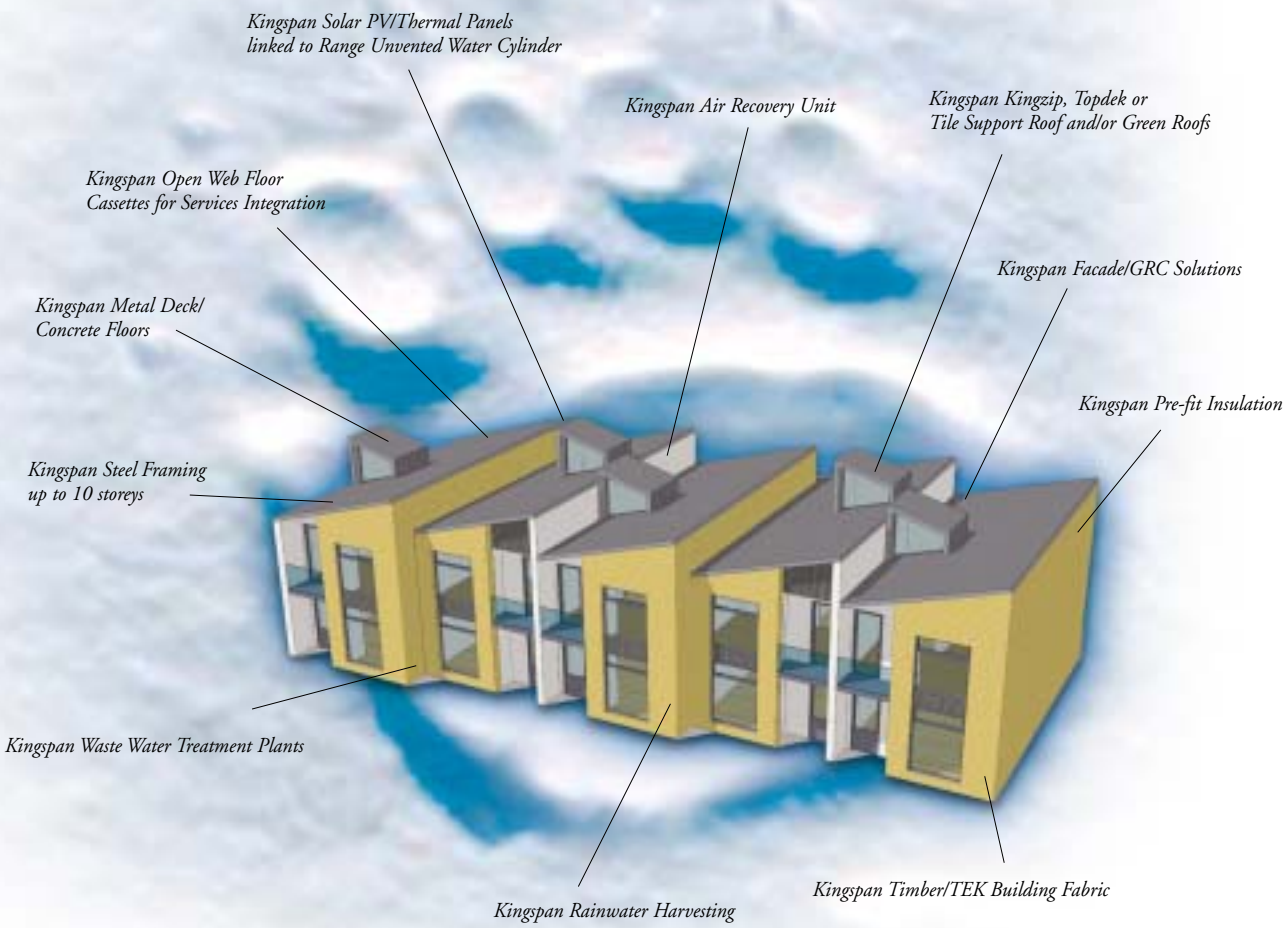
In 2007 Kingspan will continue to develop innovative environmentally responsible building solutions, and to capitalise on new opportunities in new markets.

Eugene Murtagh, Chairman
5th March 2007

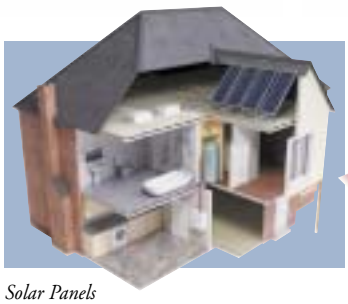
Climate for change

Kingspan®

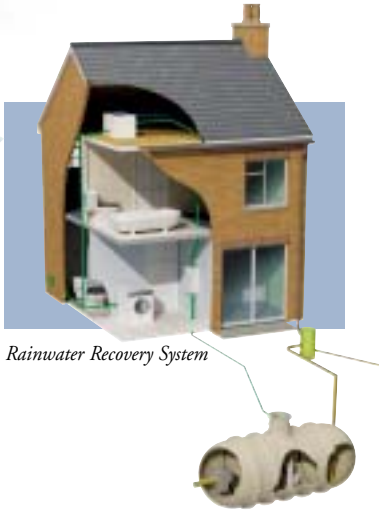
Climate for change: *Government requirements for private and affordable housing combined with environmental pressure to reduce the effects of global warming and stricter building guidelines has confirmed Kingspan's strategy to provide zero carbon solutions.*




Photovoltaic Cells


Solar Panels


Air Recovery System


Rainwater Recovery System

Chief Executive's Review

2006 was another year of great progress for Kingspan as momentum in our core markets continued and the foundations of the Group in new geographical territories were established. Globally, the focus on energy consumption intensified during the year and there is an increasing awareness of the role that construction techniques and building fabrics can play in alleviating future environmental damage.

Generally, activity across the construction sector in Europe improved in the year and whilst preferences in material choices continued to change the Group's focus on developing solutions to capitalise on this shift drove further growth.

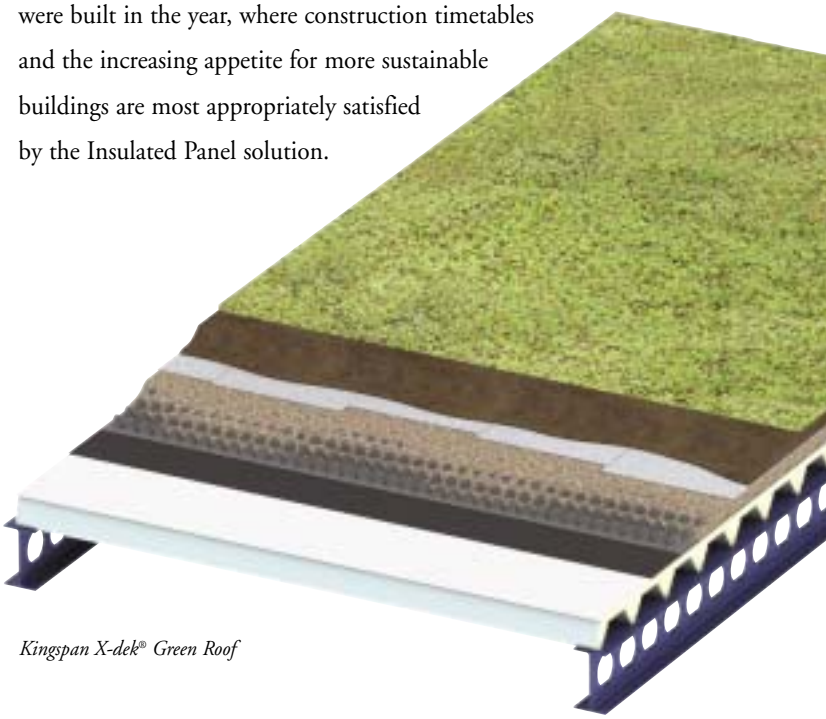
Some key highlights of 2006 were:

- Growth of 18% in sales revenue and growth of 35% in earnings over 2005, which in itself was a year of significant growth for Kingspan.
- Continued advances in penetration levels of high performance insulation materials in the UK and Irish markets.
- Group activities in Central & Eastern European markets, strategically a core market for Kingspan, saw sales growth of 60%.
- Combined acquisition and capital investments of €167 million, €107 million of which was in a range of small to medium sized acquisitions across the Group.
- The establishment of an extended geographical footprint for the Insulated Panels business, with a presence now in North America, Australia and Turkey.
- Positive impact from raw material pricing movements.

Insulated Panels & Boards

Insulated Panels

Representing 39% of Group turnover in 2006, Insulated Panels continued to deliver strong growth with revenues up by 21%. Growth in this business unit was mainly organic, derived from further conversion away from traditional materials and systems in Ireland and the UK, which was augmented by healthy rates of activity in those markets. In particular, many large logistic projects were built in the year, where construction timetables and the increasing appetite for more sustainable buildings are most appropriately satisfied by the Insulated Panel solution.



Kingspan X-dek® Green Roof

Insulated Panels in Central and Eastern Europe (CEE), a key area of focus for the Group in recent years, grew by a very strong 50%. In the industrial and commercial buildings markets in that region, Insulated Panels are becoming an increasingly preferred building material, largely due to the compelling build speed benefits of the system. This is also influenced by the continued trend of inward investment in CEE. Reflecting the significant expansion of the Group in the region, Kingspan now has a commercial presence in 13 CEE countries. Building upon this in 2006, Kingspan entered into a new manufacturing joint venture in Turkey which provides a platform to expand further east in the future. The clear benefits of Insulated Panels with respect to environmental sustainability have not yet been fully recognised in these markets but it is inevitable that Kingspan can expect these issues to become a market driver for Insulated Panels as these evolving economies develop further.

Kingspan entered the North America market for Insulated Panels late in 2006 through the acquisition of a business with a leading presence in Canada, which has manufacturing facilities in Toronto and Vancouver. In January 2007 the Group also acquired two continuous panel production lines in Toronto. Over the coming year these businesses will be fully integrated in terms of systems and processes, which have been refined over the years by Kingspan in all of its existing markets. Combined, these businesses provide the Group with an excellent product range with which to launch the Kingspan brand on a continent that is only at the very early stages of embracing more energy efficient building solutions. Whilst the ultimate opportunity here is very significant for Kingspan, progress will be gradual. Having entered the Australian and New Zealand markets in 2003 with a sales presence, Kingspan commenced manufacturing early in 2006 and progress has been very satisfactory in the first nine months of operation.

Insulation Boards

Representing 17% of Group turnover in 2006, sales of Insulation Boards grew by 12% over the prior year.

Ireland has been a solidly performing construction market for a number of years now. Momentum once again was exceptionally strong in 2006, right across all aspects of this sector, and Kingspan continued to take advantage of that environment with strong double-digit volume growth. Insulation Boards are now the clear material of choice in this market.

The UK also provided volume growth, however, it was more moderate at circa 7%, with the market still in the transition phase between old and new regulations. The Group's strategy has been to shift specification patterns towards the most efficient rigid insulation material available, comprising Kingspan's proprietary technology. This product, which is currently marketed across Western Europe and gaining traction particularly in Ireland and the UK, will be the subject of significant capital investment during 2007 aimed primarily at increasing capacity for further penetration growth. The regulation review of 2006 is expected to impact the Group from mid 2007. Although somewhat later than initially anticipated, it will create the necessity for further expansion of the Group's manufacturing capacity for its standard range of boards commencing in 2007.

This investment will be significant and will be at a new location in the UK, enhancing Kingspan's goal of providing our customers with unequalled products and service performance.

In Western Europe, Kingspan continues to review opportunities to strengthen the Group's market presence, and following the success of the Insulated Panel business in CEE, plans are currently being drawn up for Insulation Board production in that region.


Mamas & Papas

Raised Access Floors

Representing 10% of Group turnover in 2006, Raised Access Floors revenue grew by 15% during the year, largely in response to the recent upturn on both sides of the Atlantic in activity in the office construction market.

In the US, commercial office construction, which had lagged other sectors of the industry, began to show signs of improvement in 2006. This momentum has continued into the current year, while Kingspan has consolidated its market leadership position in the US during the period. A more favourable market backdrop coupled with an exceptionally lean manufacturing environment and a positive mix in market applications has resulted in a successful outcome for the year and a return to double-digit operating margins for the US.

In the UK and Ireland, commercial office construction was strong, which had a positive impact on the performance of Kingspan's business in this highly penetrated but cyclical sector.

Currently going through a clear upturn in the cycle, the medium-term outlook for our North American and European Raised Access Floors businesses is encouraging.

Environmental

Representing 17% of Group turnover in 2006, this division grew turnover by 13% in the past year. This was driven by both organic growth and contributions from bolt-on deals completed over the last two years.

This division remains focused on converting leading market positions in relatively low value products towards higher value added solutions. The three key product areas are:

- Water Systems
- Fuel Storage and Containment
- Waste Water Treatment Solutions

All of these products have an ever increasing role to play in the area of environmental and sustainable solutions.

The Group's traditional emphasis on gravity fed water systems has been successfully superseded by the growth in recent years of the higher value unvented cylinder market. As water pressures increase and changes in lifestyle preferences demand greater comfort and convenience, our new enhanced product range should continue to gain share against the traditional alternative. This has been particularly evident in the UK.

At a time when environmental legislation is becoming more widely enforced, the shift towards wastewater treatment and rainwater harvesting solutions has continued to benefit the Group. Similar influences will increasingly drive markets towards more planet friendly fuel storage solutions. The risks associated with single skin fuel storage tanks became more evident in recent years as there were widespread and costly failures across the industry, linked to unsuitable raw material specifications. This has served to strongly reinforce Kingspan's efforts to encourage a regulatory move towards bunded (secondary containment) tanks. Kingspan's Ecosafe™ Bunded Fuel Tanks with telemetric leak detection, are the most environmentally protective storage solution.

The range of products is evolving in this division continuously. Further businesses and products will be added to reflect evolving opportunities and the shift towards more environmentally sustainable solutions.

Off-Site & Structural

Representing 17% of Group turnover in 2006, this division grew revenue by 21%. The operating result benefited from efficiency gains and once-off procurement gains.

Performance of structural metal components in the UK and Ireland reflected the state of low rise non-residential construction, and was therefore quite flat.

This division is also focused on delivering a range of factory manufactured construction solutions. By incorporating many on-site processes in a modern production environment, such solutions vastly reduce time on-site and provide certainty of performance over the buildings' life-cycle. Regulation has also contributed to the attractiveness of these systems, but so too has the heightened awareness of the extent to which modern building solutions can reduce energy consumption and greenhouse gas emissions.

On the back of a number of strategic investments, Kingspan has been actively positioning itself for this dynamic of tougher regulations and increasing environmental awareness, and now through its timber and steel framing capabilities has a leading presence in both the UK and Ireland markets. While the Group's UK business is much less established than in Ireland and is effectively in the developing stages, its market position has been greatly enhanced by the acquisition of two timber-frame businesses in 2006, with a view to providing the Group with greater market penetration. These developments in the UK are unlikely to contribute significantly in the short term, pending major redesign of products to meet future requirements.

To this end, much of the Group's Research and Development has been centred on advancing the off-site product, and to date, progress is evident from successes such as the "House of Tomorrow" projects in Ireland and the winning of the "SixtyK" Modern Methods Competition sponsored by the UK Government. Home designs that achieve zero carbon emissions are already being finalised by the Group, and are due for launch in 2007. This is in keeping with the UK's confirmation of its intention to have all new build reach zero carbon by 2016, an innovative policy measure which Ireland may find difficult not to follow.

The Group plans to invest significantly in both metal and timber framing processes to ensure that the business is well positioned to take advantage of these developments. These projects are expected to be completed over the coming two years to ensure that Kingspan has sufficient manufacturing scale to give house builders and developers the confidence to move their developments towards the Group's modern methods solutions.

Capital Expenditure and Acquisitions

Combined investment by the Group in 2006 came to €167 million. Throughout the Group, Kingspan continues to invest in superior manufacturing assets that ensure maximum efficiency, while providing the Group with appropriate levels of capacity to support further growth and expansion. As part of the Group's strategy, acquisitions often substitute directly for capital expenditure, as well as providing Kingspan with a more immediate presence in the Group's targeted sectors and geographic markets. In the year gone by, Kingspan completed ten deals amounting to €107 million. The average size of these acquisitions clearly reflects the bolt-on nature of the deals.

Outlook

In general, construction markets in 2007 are expected to show continued growth, particularly in the UK and CEE markets. However the rate of growth in the Irish construction market should inevitably slow down. Raw material prices are also expected to be less predictable during the current year. The Group is conscious that competition is likely to increase in its main markets as more companies are alerted to the environmental and sustainable drivers in the construction industry. These developments make it more imperative that the Group continues to differentiate itself from competitors through an enhanced product development programme. Whilst we are not anticipating growth rates throughout the Group in line with the last few years, good momentum has nevertheless continued into the current year. This momentum together with the Group's presence in new and embryonic markets gives us confidence that 2007 will be another year of progress at Kingspan.

Gene M. Murtagh
Chief Executive
5th March 2007

Financial Review

Results

Turnover for the year ended 31st December 2006 was €1,461.2 million, an increase of 18% on 2005. Acquisitions completed during the course of the year generated €35.0 million in additional turnover.

Profit before tax was €185.2 million, 37% up on the €135.0 million achieved in 2005. Earnings attributable to ordinary shareholders were €151.0 million (2005: €111.4 million). Cash generation remained strong with earnings before interest, tax, depreciation and amortisation (EBITDA) of €236.0 million, which represented a 33% increase on the €177.6 million out-turn in 2005. The amortisation charge for the year amounted to €2.7 million (2005: €1.9 million).

Turnover and Margins

Group turnover increased by 18% or €217.8 million compared to 2005. The tables on the next page detail the Group's turnover by Class of Activity and Geographical Area and the year on year growth achieved.

In continuing operations the gross profit margin was 31.5%, up from 30.3% last year. Acquisitions completed in 2006 had an equivalent margin of 21.6%, which had the effect of diluting the overall gross profit margin to 31.2%.

The operating margin, being earnings before interest and tax as a percentage of turnover, was 13.3% in the year, up from 11.7% last year. This improvement reflected the increase in gross margin and favourable leverage on the operating cost base which represented 18.0% of turnover compared with 18.7% in 2005.

Taxation

The effective tax rate in the year at 18.1% compares with 17.5% last year, a reflection of the growing overseas business.

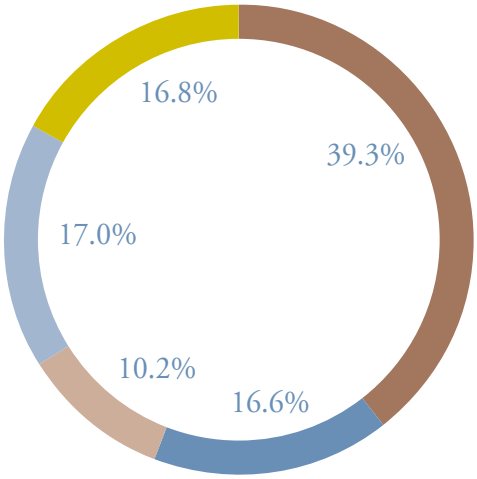
Earnings Per Share

Basic earnings per share at 89.8 cent shows an increase of 35% over the previous year. This figure has grown at an annual compound rate of just over 25% over the ten year period 1996 to 2006.

Dividends

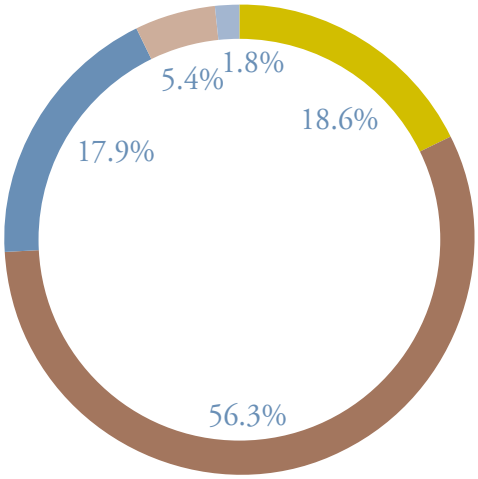
Subject to shareholder approval at the 2007 Annual General Meeting, it is proposed that the dividend for 2006 will be 19.0 cent per share. This consists of an interim dividend of 6.0 cent per share paid on 6th October 2006, and a final dividend of 13.0 cent per share proposed to be paid on 8th June 2007 to shareholders on the register on 23rd March 2007. This represents a 42% increase on the previous year. The dividend for the year is covered 4.7 times by earnings which compares to 5.0 times in 2005, which is in line with previously given management guidance of a progressive dividend policy so as to bring dividend cover to a level closer to industry norms.

Analysis by Class of Activity



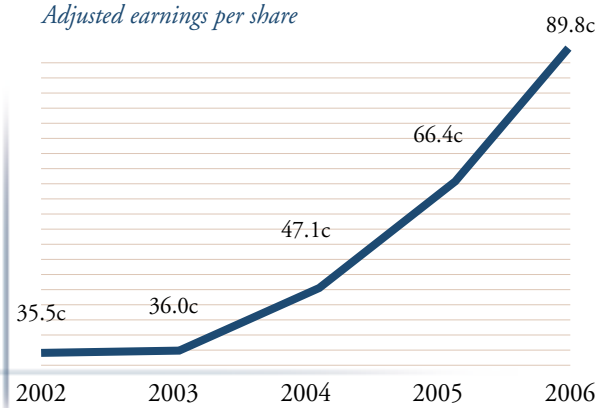
	Year ended 31.12.06 €m	Year ended 31.12.05 €m	% Change 2006-2005	€m increase
Insulated Panels	574.1	472.4	+21%	+101.7
Insulation Boards	242.4	217.0	+12%	+25.4
Insulated Panels & Boards	816.5	689.4	+18%	+127.1
Raised Access Floors	149.5	130.0	+15%	+19.5
Environmental	249.0	220.1	+13%	+28.9
Off-Site & Structural	246.2	203.9	+21%	+42.3
	1,461.2	1,243.4	+18%	+217.8

Analysis by Geographical Area



	Year ended 31.12.06 €m	Year ended 31.12.05 €m	% Change 2006-2005	€m increase
Republic of Ireland	261.5	215.3	+21%	+46.2
Britain and Northern Ireland	822.1	753.3	+9%	+68.8
Mainland Europe	272.1	196.4	+39%	+75.7
Americas	78.9	63.7	+24%	+15.2
Other	26.6	14.7	+81%	+11.9
	1,461.2	1,243.4	+18%	+217.8

Adjusted earnings per share



Adjusted earnings per share for 2006, 2005 and 2004 are presented under IFRS with all other years presented under Irish GAAP

Funds Flow

The table below summarises the Group's funds flow for 2006 and 2005:

	2006 €million	2005 €million
Operating profit	**194.0**	145.1
Depreciation	**39.3**	30.6
Amortisation	**2.7**	1.9
Working capital increase	**(48.5)**	(9.4)
Pension contributions	**(4.6)**	(2.9)
Interest	**(8.4)**	(7.5)
Taxation paid	**(25.5)**	(28.2)
Others	**17.7**	13.8
Free cash	**166.7**	143.4
Acquisitions	**(107.3)**	(141.7)
Net capital expenditure	**(57.7)**	(42.2)
Dividends paid	**(25.1)**	(17.8)
	(190.1)	(201.7)
Cash flow movement	**(23.4)**	(58.3)
Debt translation	**(0.7)**	2.9
(Increase) in net debt	**(24.1)**	(55.4)
Net debt at start of year	**(163.5)**	(108.1)
Net debt at end of year	**(187.6)**	(163.5)

The free cash flow for the year, representing operating cash flow less interest and taxation paid, amounted to €166.7 million, which was up 16.3% on last year. This was used to fund spending of €107.3 million on ten bolt-on deals, net capital expenditure of €57.7 million and dividends of €25.1 million.

Operational working capital at the year end was €229.7 million (2005: €172.1 million) and represented 15.7% of turnover (2005: 13.8%). This is higher than the company target of 15.0% reflecting the second half bias to acquisition spend and a busy end to the year. Working capital expressed as days sales (which takes into account the phasing of sales) was up slightly at 35 days compared to 33 days for the prior year end.

Overall, net debt at the end of the year was up slightly on the previous year at €187.6 million (2005: €163.5 million), which represents gearing of 34.3%.

Return on Capital Employed

The return on capital employed, being profit before interest and taxation as a percentage of shareholders' funds plus net debt at the year end, was 26.4% compared to 25.0% in 2005.

Treasury

At 31st December 2006 the Group had total facilities of €537 million, comprising syndicated bank facilities of €300 million, €151.5 million loan notes and €85.5 million of overdraft and other facilities. The syndicated facilities include a €75 million term loan with repayments of €25 million per annum to 16th December 2009 and a €225 million revolving credit which will also mature at that date. The Group's private placement of US$200.0 million (€151.5 million) loan notes matures in March 2015 (US$158.0 million) and March 2017 (US$42.0 million).

The drawn down bank facilities and loan notes at 31st December 2006 were €232.5 million, comprising €186.6 million EUR debt, €44.6 million of STG debt and €1.3 million of other debt.

The loan notes which represent 65% of the drawn down facilities are fixed out to maturity in Euro terms at 4.15%. The remainder of the drawn down facilities are subject to floating rates.

Currently the Group does not enter into any external hedges to limit the exposure on translating non-Euro earnings.

Foreign exchange transaction exposures are internally hedged as far as possible and to the extent that they are not, such material residual exposures are hedged on a rolling 12 month basis. Based on current cash flow projections for the existing businesses to 31st December 2007, it is estimated that the Group has the need to sell the equivalent of €120 million in Sterling for Euro and sell the equivalent of US$13 million in Sterling for US Dollar. As at 31st December 2006, given hedges in place, these currency exposures have been reduced to €60 million at a weighted average rate of £0.677, and reduced to US$3 million at a weighted average rate of £0.522.

Pension Deficit

The Group has two legacy defined benefit pension schemes in the UK. These schemes have been closed and the liability relates only to past service. As at 31st December 2006 there were assets in the schemes of €61.3 million and actuarial assessed pension liabilities of €82.2 million, giving a net deficit of €20.9 million. The corresponding deficit at 31st December 2005 was €24.0 million. The main drivers in this deficit movement were:

	Assets €m	Liabilities €m	Net €m
Opening balance	52.4	(76.4)	(24.0)
Translation	0.6	(1.0)	(0.4)
Contribution paid	4.6	-	4.6
Benefits paid	(1.6)	1.6	0.0
Actuarial gain/(losses)	2.1	(2.8)	(0.7)
Net return on asset	3.2	-	3.2
Interest cost	-	(3.6)	(3.6)
Closing balance	61.3	(82.2)	(20.9)

Summary

As the Key Financial Performance Indicators below show, Kingspan performed strongly in 2006 delivering an improvement in both margins and returns on capital employed. The strong cash generation during the year has left the balance sheet conservatively geared with interest cover significantly above banking covenants and company targets. This will enable the Group to comfortably fund its anticipated growth, through both organic means and bolt-on acquisitions. Overall the Group is in a strong financial position going into 2007 and is well positioned for continued growth.

Key Financial Performance Indicators

	2006	2005
Interest Cover - EBITDA Basis (times)	**26.7**	17.6
Net debt as percentage of total Equity	**34.3%**	39.2%
Working Capital as percentage of sales	**15.7%**	13.8%
Working Capital- Days	**35**	33
EBITDA margin	**16.2%**	14.3%
EBIT margin	**13.3%**	11.7%
Return on Capital Employed	**26.4%**	25.0%

Dermot Mulvihill
Finance Director
5th March 2007

Business Risk Analysis

Financial Risks

In the normal course of business Kingspan Group has exposures to foreign currency, interest rate and credit risks. The Group's focus is to understand these risks and to put in place policies that minimise the economic impact on the Group's performance. On a regular basis meetings are held to review the results of the risk assessment, approve recommended risk management strategies and monitor the effectiveness of such polices.

Funding and Liquidity Risks

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 meet its liabilities when due. This is in addition to the Group's high level of free-cashflow generation.

The Group's core funding is provided by a private placement of $200 million, of which $158 million matures in March 2015 and the remaining $42 million in March 2017. In addition, the Group has syndicated facilities comprising a €75 million term loan with repayments of €25 million per annum to 16th December 2009 and a €225 million revolving credit facility which also matures at the same date. The Group also has in place a number of uncommitted bilateral working capital facilities to service its working capital requirements.

The Group's credit facilities are subject to covenants which are based on net debt to EBITDA and EBITDA interest cover multiples. These covenants are less restrictive than Group internal targets. For the 12-months to the end of December 2006, the Group's net debt to EBITDA ratio was 0.79 times and EBITDA interest cover was 26.7 times.

Foreign Exchange Risk

The Group is exposed to foreign currency risks on sales, purchases and borrowings that are denominated in a currency other than the Euro. The currencies giving rise to this risk are primarily Pounds Sterling and U.S. Dollars. Through the use of foreign exchange contracts, the Group hedges an appropriate proportion of its estimated foreign currency exposure in respect of forecasted sales and purchases over the following 12 months.

Balance sheet exposure in relation to foreign currency is hedged as far as possible by borrowing in the same currency.

Interest Rate Risk

The Group has a policy of minimising its exposure to interest rate movements by ensuring that an appropriate proportion of its borrowings are on a fixed rate basis. Interest rate swaps are entered into to achieve an appropriate mix of fixed and floating exposure that is consistent with the Group's policy. To this end, at the balance sheet date just over 60% of the Group's interest bearing loans and borrowings were classified as being fixed at a weighted interest rate of 4.15% for a weighted average period of 8.7 years. The interest on the remaining financing facilities is subject to floating rates which are repriced at intervals of less than one year.

Credit Risk

Credit risk encompasses all forms of counterparty exposure relating to potential counterparty default on their obligations to Kingspan in relation to lending, hedging, settlement and other financial activities. Kingspan mitigates its exposure to counterparty credit risk through minimum counterparty credit guidelines, diversification of counterparties, working within agreed counterparty limits and restricting transactions to financial institutions which have a minimum designated rating. Based on these factors, Kingspan considers the risk of counterparty default at 31st December 2006 to be minimal.

Other Risks and Uncertainties

There are a number of other risks and uncertainties that can impact the performance of the Group, many of which are beyond the control of Kingspan and its Board. The Group's businesses closely monitor market trends and risks on an ongoing basis which are discussed at monthly management meetings where the business unit's performance is assessed versus budget, forecast and prior year. Such meetings are rotated around the different locations of the business unit and at least one Group Executive Director is present. An assessment of trends and risks is also an integral part of the business unit's annual review of its strategic plan and budget which are then submitted to the Group Board for approval.

Market Conditions

Kingspan's products are targeted to both the residential and non-residential (including retail, commercial and high-rise offices) construction sectors. As a result demand is dependent on activity levels in these respective segments, which varies by geographic market and is subject to the usual drivers of construction activity (i.e. general economic conditions, interest rates, business/consumer confidence levels, unemployment, population growth etc). While construction markets are inherently cyclical, changing building and environmental regulations continue to act as a positive structural trend for demand for many of the Company's products. The exposure to the cyclicality of any one construction market is also mitigated by the Group's diversification, both geographically and by product.

Input Prices and Availability

The Group's operating performance is impacted by the pricing and availability of its key inputs, which include steel, chemicals and timber. Pricing of such goods can be quite volatile at times due to the respective industries' limited ability to adjust supply immediately to changes in demand. The Group looks to minimise the adverse effect of such movements through strong long-term relationships with suppliers, economies of purchasing, multiple suppliers and inventory management.

Competitive Pressures

Kingspan continually faces competition in each of the markets in which it has a presence. The competitive environment in any one market is a function of a number of local factors including number of competitors, production capacity and the economic / demand characteristics of that market. While such competitive forces can impact profitability in the short-term, each of Kingspan's operations looks to offset such adverse effects by the following: (i) Ensuring a low cost manufacturing base through economies of scale, investment in modern and efficient plant and a programme of continuous process improvement; (ii) A permanent emphasis on

product development which allows the Group's companies to be leading edge providers of innovative building solutions, and therefore helps Kingspan to differentiate itself from competitors; and (iii) Provide a best in class service to customers by offering expert technical support, short delivery times and products that come with a guaranteed performance.

Customer Credit Risk

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. Each of the business units has established procedures around managing its receivables and takes action where necessary. Trade receivables are also managed by having credit insurance polices and credit limits. All major outstanding and overdue balances are reviewed regularly and are discussed at monthly meetings at which Group Executive Directors are present. At a Group level no one customer represents more than 5% of sales and the bad debt charge has averaged 0.4% of sales over the last five years.

Regulation

Following the expansion of Kingspan over the last decade the Group now has manufacturing and distribution operations in 30 countries worldwide, each having its own statutes, taxes, regulations and laws.

Each business unit closely monitors regulations across its markets to ensure any adverse impacts are minimised. However, certain changes are positive for the Group, in particular those pertaining to building and environment regulations which are becoming ever more stringent and harmonised across countries, especially in Europe, and as a result are increasing the demand for the Company's products.

R&D and Quality Control

There is an ongoing risk that through product innovation by competitors Kingspan looses market share as new improved solutions come to the market and as a result profitability comes under pressure. To counter this and ensure continued differentiation Kingspan places significant emphasis on R&D and is planning to spend over €40 million on such activities over the next five years. Given the importance of product development and bringing new products to the market, all such activities are co-ordinated through the Group R&D Centre, which reports on a quarterly basis with financial reports and progress reports against budgets.

A key risk to Kingspan's business and its reputation is the potential for functional failure of products when put to use, thereby leading to warranty costs. Quality control procedures in relation to both inputs and Kingspan's own manufactured products are, therefore, an essential part of the process before the product is delivered to the customer. With the support of external audits, quality control systems are reviewed and improved on an ongoing basis to ensure each business unit is addressing the whole control environment around product and process development and the formal signing off from development to manufacturing. The majority of new products have also to 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 the market. Such increased rigour around quality control is manifesting itself in reduced warranty charges across the Group. To ensure that Kingspan meets the highest standards ISO accreditation is a tool that is used across the Group and this is summarised in the Corporate Social Responsibility Statement on page 47. At any one time 100% accreditation is unlikely as several of the

sites are small operations and could be rationalised in the short to medium term. In addition there will be sites that have just been acquired and therefore are still in the process of being integrated into the Kingspan model.

Expansion and Acquisition

A key element of the Group's strategy is to grow the business through both broadening its product offering and geographic expansion. This requires management to identify suitable investment opportunities both in the form of capital investment projects and acquisitions. Such expansion has its associated risks in terms of valuation, timing, integration / set-up and management resources. All investment proposals undergo a rigorous internal evaluation process incorporating a detailed market / competitive analysis, strategic rationale, external due diligence and pay-back evaluation which targets double-digit pre-tax returns by year two. Kingspan has in place procedures for approving investments at local, divisional and Group level depending on their size.

Information Technology / Business Continuity

Kingspan uses a range of computer systems across its business units for efficient processing of orders, control procedures and financial management. These systems are constantly reviewed and updated accordingly to meet the growing needs of the Group. Currently an extensive review of business continuity planning is taking place across the Group which is considering issues like personnel, manufacturing and disaster management. This has already been completed for the Insulation Board division and will be rolled out into the other divisions during the course of the current year.

Dermot Mulvihill
Finance Director

The Board

Executives

Gene M. Murtagh (Age 35)	Gene M. Murtagh was appointed Chief Executive Officer in January 2005, having previously been Chief Operating Officer since 2003. Prior to that he was Managing Director of the Group's Insulated Panel business and of the Environmental business. He joined the Group in 1993.
Dermot Mulvihill (Age 57)	Dermot Mulvihill is the Group Finance Director. He is a qualified Chartered Accountant (F.C.A., M.B.A). He joined the Group in 1986.
Brendan Murtagh (Age 61)	Brendan Murtagh is Head of Corporate Development and is the Group's co-founder. He is also a Non-executive Director of Howard Holdings plc.
Peter Wilson (Age 50)	Peter Wilson is Managing Director of the Group's Insulation business and has worked for the Group since 1981.
Russell Shiels (Age 46)	Russell Shiels is responsible for the Group's Access Floors and Insulated Panels businesses in North America. He was previously Managing Director of the Group's Building Components and Raised Access Floors businesses in the UK. He joined the Group in 1996.
Noel Crowe (Age 48)	Noel Crowe is Managing Director of the Group's Environmental division. He joined the Group in 2001, having previously held a number of senior management positions in the ABB Group.

Non-Executives

Eugene Murtagh (Age 64)	Eugene Murtagh is the Group Chairman and Group's co-founder. He was the Group Chief Executive Officer until stepping down from his executive role in 2005.
Kevin O'Connell B.E., C.Eng., F.I.E.I., M.B.A. (Age 69)	Kevin O'Connell joined the Board in 1983. His career in general management spanned industry and banking.
Brian Joyce B.A., B.Comm., F.C.M.A. (Age 66)	Brian Joyce joined the Board in 2003. He was formerly Managing Director of the Irish Dairy Board, and is currently chairman of Clancourt Holdings Ltd. and Celtic Anglian Water Ltd., and is a Non-executive Director of the Mater Private Hospital and several private companies.
Tony McArdle (Age 58)	Tony McArdle joined the Board in 2003. He was previously a Director of Ulster Bank where he had been Head of Corporate Banking and Chief Executive of Retail Banking as well as holding a number of other senior positions. He is a Non-executive Director of several large private companies.
Eoin McCarthy (Age 65)	Eoin McCarthy first joined the Group over thirty years ago. He was appointed to the Board in 1982 and became a Non-executive Director in 2001. He continues to work on special projects for the Group.
David Byrne S.C. (Age 59)	David Byrne was appointed to the Board in January 2005. He served as EU Commissioner with responsibility for Health and Consumer Protection from 1999 to 2004. Prior to becoming EU Commissioner, he served as Attorney General for two years. He has been a Senior Counsel since 1985. Currently he is a Non-executive Director of Irish Life plc., chairman of the Board of the National Concert Hall and Chancellor of Dublin City University.
Brian Hill B.E., C.Eng., F.I.Mech.E., M.Eng.Sc., M.B.A. (Age 62)	Brian Hill joined the Board in 2005. He was formerly a Director of CRH Plc where he was Head of the Europe Products & Distribution division. He is also a Non-executive Director of Wavin NV.

Secretary

Lorcan Dowd (Age 38)	Lorcan Dowd qualified as a solicitor in 1992. He was appointed Group Company Secretary in 2005.

Board Committees

Acquisitions	Brian Hill (Chairman), Tony McArdle, Gene M. Murtagh, Dermot Mulvihill.
Audit	Tony McArdle (Chairman), Brian Joyce, David Byrne, Kevin O'Connell.
Nominations	Eugene Murtagh (Chairman), Gene M. Murtagh, Brian Joyce, Tony McArdle.
Remuneration	Brian Joyce (Chairman), Brian Hill, Eoin McCarthy, David Byrne, Kevin O'Connell.
Senior Independent Director	Brian Joyce.

Company Information

Registered Office	Dublin Road, Kingscourt, Co. Cavan.
Principal Bankers	IIB Bank, ABN AMRO Bank, Allied Irish Banks, Bank of Ireland, Barclays Bank, Bayern LB, Ulster Bank, Wachovia Bank
Auditors	Grant Thornton, Registered Auditors and Chartered Accountants, 24-26 City Quay, Dublin 2.
Solicitors	McCann FitzGerald, Riverside One, Sir John Rogerson's Quay, Dublin 2. Macfarlanes, 10 Norwich Street, London, EC4A 1BD.
Registrar and Transfer Office	Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18.
Stockbrokers	Goodbody Stockbrokers, Ballsbridge Park, Ballsbridge, Dublin 4. Investec Bank (UK) Limited, 2 Gresham Street, London EC2V 7QP.

Report of the Directors

The Directors have pleasure in presenting their report with the audited financial statements for the year ended 31st December 2006 which are set out on pages 58 to 95.

Principal Activities

Kingspan Group is a leading manufacturer of an integrated range of products for the construction industry. The Group's principal activities comprise the manufacture of insulated panels, rigid insulation boards, raised access floors, steel frame and timber frame off-site solutions, and environmentally protective fuel and water storage solutions.

Results and Dividends

Group turnover was €1,461.2 million (2005: €1,243.4 million), operating profit was €194.0 million (2005: €145.1 million), and earnings per share were 89.8 cent (2005: 66.4 cent).

An interim dividend of 6.00 cent (2005: 4.45 cent) was paid on the 6th October 2006. The Directors recommend payment of a final dividend of 13.00 cent per share (2005: 8.95 cent). This will give a total dividend for the year of 19.00 cent (2004: 13.4 cent) per ordinary share. The final dividend (if approved at the Annual General Meeting) will be paid on the 8th June 2007 to shareholders on the register at close of business on the 23rd March 2007.

Research & Development

The Group continues to place considerable emphasis on research and development of existing and new products and on the improvement of the production processes. This enables the Group to differentiate itself from its competitors, reduce production costs, and give its customers an improved product offering.

Accounting Records

The Directors are responsible for ensuring that proper books and accounting records, as outlined in Section 202 of the Companies Act 1990, are kept by the Group. The Directors have appointed suitable accounting personnel, including a professionally qualified Finance Director, in order to ensure that those requirements are complied with. The books and accounting records of the Group are maintained at the principal executive offices located at Dublin Road, Kingscourt, Co. Cavan.

Corporate Governance

The Directors are committed to achieving the highest standards of corporate governance and a detailed statement describing how the Principles of Good Governance set out in the Combined Code on Corporate Governance have been applied by the Company is set out on pages 43 to 46.

Corporate Social Responsibility

The Group's Corporate Social Responsibility Statement is set out on pages 47 to 51 of the Annual Report.

Directors and Secretary

The Directors and Secretary of the Company at the date of this report are shown on page 26. There were no Board appointments or resignations during the year.

Conflicts of Interest

Save as set out in this Annual Report, none of the Directors has 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.

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:

	31st December 2006	31st December 2005
Eugene Murtagh	**35,120,000**	35,000,000
Gene M. Murtagh	**78,000**	78,000
Brendan Murtagh	**7,525,965**	7,525,000
Dermot Mulvihill	**701,795**	900,830
Russell Shiels	**280,330**	280,330
Peter Wilson	**100,670**	100,670
Noel Crowe	**-**	-
Eoin McCarthy	**3,000,000**	3,000,000
Kevin O'Connell	**26,130**	26,130
Brian Joyce	**20,000**	-
Tony McArdle	**14,250**	14,250
David Byrne	**2,200**	200
Brian Hill	**1,000**	1,000
Lorcan Dowd	**506**	-
	46,870,846	46,926,410

There have been no changes in these interests between 31st December 2006 and the date of this report.

Details of the Directors share options are set out in the report of the Remuneration Committee on pages 36 and 37.

The Directors have been notified of the following other substantial shareholdings as at 23rd March 2007:

Institution	Shares held	%
Capital Group	8,085,000	4.74
Bank of Ireland Asset Management	7,175,111	4.21
AIB Investment Managers	6,263,416	3.67
Davy, Stockbrokers	5,368,901	3.15

Political Donations

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

Significant Events since Year End

There have been no significant events since the year end.

Subsidiary Companies

The Group operates from 57 manufacturing sites and bases in 30 countries worldwide.

The Company's principal subsidiary undertakings at 31st December 2006, country of incorporation and nature of business are listed on pages 93 to 95.

Going Concern

The Directors have reviewed budgets, projected cash flows and other relevant information, and, on the basis of this review, are confident that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

Auditors

In accordance with Section 160(2) of the Companies Act, 1963 the auditors, Grant Thornton, Registered Auditors, will continue in office.

On behalf of the Board
Gene M. Murtagh, Chief Executive
Dermot Mulvihill, Finance Director
5th March 2007

Annual General Meeting and Shareholder Information

The Annual General Meeting of the Company will be held at The Herbert Park Hotel, Ballsbridge, Dublin 4 on Thursday 24th May 2007 at 11.00 a.m. The Notice of the Meeting together with a Proxy Form are being sent to shareholders with this Annual Report.

Re-election of Directors

Noel Crowe, Brian Joyce and Tony McArdle retire by rotation, and offer themselves for re-election at the Annual General Meeting.

Eugene Murtagh and Eoin McCarthy, Non-executive Directors, who have both served on the Board for a period greater than nine years, offer themselves for election.

The Chairman, having regard to the performance and contribution of all of the above Directors during the year, is of the view that each of the above Directors continues to be effective and committed to the role, and recommends their re-election.

Special Business at the Annual General Meeting

Shareholders are being asked to renew, until the Annual General Meeting in 2008, the authority to allot any unissued share capital of the Company. No issue of shares will be made which could effectively alter control of the Company without prior approval of the shareholders in General Meeting. At present the Directors do not intend to issue any shares other than in connection with the Group's approved share option schemes.

Shareholders are being asked to renew, until the Annual General Meeting in 2008, the power of the Directors to disapply the statutory pre-emption provisions applying to ordinary shares in the event of a rights issue or in any other issue for cash up to an aggregate of 5% of the nominal value of the Company's issued ordinary share capital.

Finally, shareholders are being asked to approve amendments to the Group's 1998 Share Option Scheme, and the Group's 2001 Second Tier Share Option Plan (LTIP). The effect of the amendments would be to amend the cap on the granting of options which is linked to the grantee's remuneration, to bring it into line with current IAIM guidelines. The Remuneration Committee consider such an amendment to be necessary as part of a remuneration strategy which is capable of attracting, retaining and incentivising Senior Executives. The Company has consulted with the IAIM regarding the proposed amendment, and the IAIM has indicated that they have no objections to the proposal.

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

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.

Financial Calendar

Preliminary Results announced:
5th March 2007

Annual General Meeting:
24th May 2007

Payment date for 2006 Final Dividend:
8th June 2007

Ex dividend date:
21st March 2007

Announcement of Interim Results for 2007:
Early September 2007

Payment date for 2007 Interim Dividend:
Early October 2007

Shareholder Analysis as at 5th March 2007

Shareholding range	Number of accounts	% of total	Number of shares held	% of total
1 - 1,000	3,297	50.77	1,683,698	0.99
1,001 - 10,000	2,690	41.43	8,562,350	5.02
10,001 - 100,000	391	6.02	11,536,825	6.76
100,001 - 1,000,000	83	1.28	25,009,464	14.67
Over 1,000,000	32	0.50	123,720,733	72.56
	6,493	100.00	170,513,070	100.00

Report of the Remuneration Committee

Role and composition of the Remuneration Committee

Responsibility for determining the levels of remuneration of the Executive Directors has been delegated by the Board to the Remuneration Committee. It is the aim of the Remuneration Committee to ensure that the remuneration policy attracts, retains and motivates the Executive Directors, and links rewards to corporate and individual performance and enhanced shareholder value. The principle terms of reference of the Remuneration Committee are:

- to establish the remuneration policy applicable to the Executive Directors, including bonuses and other incentive payments, to encourage an enhanced performance and reward individuals for their contribution to the success of the Group;
- to approve the grant of share options to Executive Directors;
- to determine the policy and scope of pension arrangements for the Executive Directors;
- to set performance objectives for the Chief Executive and other Executive Directors;
- to report to shareholders on the Company's compliance with the Combined Code and best practice, in so far as concerns the Company's remuneration policies.

The Remuneration Committee consists entirely of Non-executive Directors, membership of which is set out on page 26. The Committee invites the Chairman and Chief Executive to attend Committee meetings when deemed appropriate.

Policy on Remuneration of Executive Directors

In setting remuneration levels the Remuneration Committee aims to ensure that the Executive Directors' remuneration reflects market rates, and takes into consideration the remuneration practices of other Irish quoted companies of similar size and scope. It takes independent professional advice in this regard.

The various elements of the remuneration package for Executive Directors comprise the following:

- Basic salary and benefits. In addition to the basic salary determined as above, Executive Directors' benefits relate to health insurance premiums and to the use by the Executive Directors of company cars.
- Annual bonus. Executive Directors receive bonus payments based on the attainment of Group and/or divisional profit targets set at the start of the year by the Remuneration Committee. The Remuneration Committee considers that a significant proportion of the Executive Directors' total package is linked to corporate and individual performance.
- Pension scheme. The Group operates a defined contribution pension scheme for Executive Directors. Pension contributions are calculated on basic 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.

- Share options. Executive Directors are entitled to participate in the Group share option scheme. In addition, there is a long-term incentive plan for Directors and Senior Executives. Details of both schemes are set out on the following page.

The bonus and share option incentives are designed to provide rewards for achieving objectives that will increase shareholder value. The overall packages (details of which are set out below) are reviewed annually by the Remuneration Committee, having regard to personal performance, competitive market practice and comparative information.

Directors' Remuneration

Executive Directors	Basic Salary €'000	Benefit in kind €'000	Performance related bonus €'000	Pension contributions €'000	2006 Total €'000	2005 Total €'000
Gene M. Murtagh	490	4	294	74	**862**	719
Brendan Murtagh	422	34	253	409	**1,118**	1,021
Dermot Mulvihill	340	24	204	330	**898**	765
Jim Paul[1]	-	-	-	-	**-**	464
Russell Shiels	308	23	166	29	**526**	475
Peter Wilson	266	23	160	53	**502**	430
Noel Crowe	237	14	104	36	**391**	352
	2,063	122	1,181	931	**4,297**	4,226

Non-executive Directors' Fees

	2006 Non-executive fees €'000	2005 Non-executive fees €'000
Eugene Murtagh[2]	**158**	150
Eoin McCarthy[3]	**58**	55
Kevin O'Connell	**58**	55
Brian Joyce	**58**	55
Tony McArdle	**58**	55
David Byrne	**58**	55
Brian Hill[4]	**58**	32
	506	457

1 Mr Jim Paul retired as Executive Director on 31st December 2005.
2 The company also paid a contribution to Mr Eugene Murtagh's personal pension scheme of €118,500.
3 Mr Eoin McCarthy was also paid €32,000 in respect of other services provided to the Group.
4 Mr Brian Hill was appointed as a Non-executive Director on 1st June 2005.

Standard Share Option Scheme

Under the terms of the share option scheme approved by shareholders in May 1998, (the Standard Scheme), share options may be awarded to Executive Directors. Such options are exercisable only when earnings per share (EPS) growth exceeds growth of the Irish Consumer Price Index over a period of at least three years subsequent to the granting of the options, by at least 2% per annum compound. The percentage of share capital which can be issued under the scheme and individual grant limits comply with I.A.I.M. guidelines. Grants of share options are awarded annually to ensure a smooth progression over the life of the scheme and at the market price of the Company's shares at the time of the grant. Under the share option scheme, options become exercisable three years after they are granted and remain exercisable for seven years. Details of the options granted to the Executive Directors under the Standard Scheme are set out on page 36.

Long-Term Incentive Plan

The objective of the long-term incentive plan, approved by shareholders in May 2001, is to motivate and reward Executive Directors and senior executives for exceptional performance. Share options granted to an individual under the terms of the plan are exercisable only if certain performance criteria are achieved in the three year period following the end of the accounting period ending prior to that in which the options were granted. These conditions are:

- EPS growth must increase by at least the composite inflation index plus 10% per annum compound over the three years; and
- For 100% of the award to vest, EPS growth must be at or above the third quartile of companies in the FTSE 250. If EPS growth is at the second quartile, 50% of the award will vest, and if EPS growth is between the second and third quartiles, between 50% and 100% of the award on a sliding scale will vest.

Otherwise the shares do not vest.

Details of Share Options granted to the Directors and Secretary under the Standard Share Option Scheme

Director	At 31st Dec 2005	Granted during year	Exercised during year	At 31st Dec 2006	Option price Cent	Average option price Cent	Earliest exercise date	Expiry date
Eugene Murtagh	120,000		120,000[1]	-	245		11/10/2004	11/10/2011
	120,000		**120,000**	**-**				
Gene M. Murtagh	62,500			62,500	267		25/09/2001	25/09/2008
	40,000			40,000	235		29/03/2002	29/03/2009
	40,000			40,000	310		28/04/2003	28/04/2010
	100,000			100,000	245		11/10/2004	11/10/2011
	100,000			100,000	135		09/10/2005	09/10/2012
	66,000			66,000	330		18/09/2006	18/09/2013
	200,000			200,000	565		23/09/2007	23/09/2014
	36,195			36,195	1090		05/09/2008	05/09/2015
	-	48,115		48,115	1418		05/09/2009	05/09/2016
	644,695	**48,115**		**692,810**		**460**		
Brendan Murtagh	120,000			120,000	245		11/10/2004	11/10/2011
	120,000			120,000	135		09/10/2005	09/10/2012
	125,000			125,000	330		18/09/2006	18/09/2013
	250,000			250,000	565		23/09/2007	23/09/2014
	10,097			10,097	1090		05/09/2008	05/09/2015
	625,097			**625,097**		**382**		
Dermot Mulvihill	100,000			100,000	245		11/10/2004	11/10/2011
	100,000			100,000	135		09/10/2005	09/10/2012
	125,000			125,000	330		18/09/2006	18/09/2013
	115,000			115,000	565		23/09/2007	23/09/2014
	10,856			10,856	1090		05/09/2008	05/09/2015
	-	29,930		29,930	1418		05/09/2009	05/09/2016
	450,856	**29,930**		**480,786**		**413**		
Russell Shiels	100,000			100,000	245		11/10/2004	11/10/2011
	24,000			24,000	135		09/10/2005	09/10/2012
	50,000			50,000	565		23/09/2007	23/09/2014
	22,571			22,571	1090		05/09/2008	05/09/2015
	-	15,562		15,562	1418		05/09/2009	05/09/2016
	196,571	**15,562**		**212,133**		**484**		
Peter Wilson	125,000		-125,000[2]	-	278		25/09/2001	25/09/2008
	100,000			100,000	565		23/09/2007	23/09/2014
	11,884			11,884	1090		05/09/2008	05/09/2015
	-	20,462		20,462	1418		05/09/2009	05/09/2016
	236,884	**20,462**	**-125,000**	**132,346**		**744**		
Noel Crowe	55,000		-55,000[3]	-	245		11/10/2004	11/10/2011
	30,000			30,000	135		09/10/2005	09/10/2012
	30,000			30,000	330		18/09/2006	18/09/2013
	50,000			50,000	565		23/09/2007	23/09/2014
	38,192			38,192	1090		05/09/2008	05/09/2015
	-	40,000		40,000	1418		05/09/2009	05/09/2016
	203,192	**40,000**	**-55,000**	**188,192**		**747**		
Lorcan Dowd	7,638			7,638	1090		05/09/2008	05/09/2015
	-	10,000		10,000	1418		05/09/2009	05/09/2016
	7,638	**10,000**		**17,638**		**1276**		

1 The share price on exercise date was €13.04.
2 The share price on exercise date was €15.67.
3 The share price on exercise date was €13.50.

Details of Share Options granted to the Directors and Secretary under the Long-Term Incentive Share Option Plan

Director	At 31st Dec 2005	Granted during year	Exercised during year	At 31st Dec 2006	Option price Cent	Average option price Cent	Earliest exercise date	Expiry date
Eugene Murtagh	-			-				
	-			-				
Gene M. Murtagh	30,000			30,000	13		18/09/2006	18/09/2010
	37,000			37,000	13		23/09/2007	23/09/2011
	25,437			25,437	13		05/09/2008	05/09/2012
	-	23,526		23,526	13		05/09/2009	05/09/2013
	92,437	**23,526**		**115,963**		**13**		
Brendan Murtagh	35,000			35,000	13		18/09/2006	18/09/2010
	41,000			41,000	13		23/09/2007	23/09/2011
	23,689			23,689	13		05/09/2008	05/09/2012
	99,689			**99,689**		**13**		
Dermot Mulvihill	30,000			30,000	13		18/09/2006	18/09/2010
	29,000			29,000	13		23/09/2007	23/09/2011
	17,864			17,864	13		05/09/2008	05/09/2012
		16,415		16,415	13		05/09/2009	05/09/2013
	76,864	**16,415**		**93,279**		**13**		
Russell Shiels	30,000			30,000	13		18/09/2006	18/09/2010
	27,000			27,000	13		23/09/2007	23/09/2011
	15,977			15,977	13		05/09/2008	05/09/2012
		13,338		13,338	13		05/09/2009	05/09/2013
	72,977	**13,338**		**86,315**		**13**		
Peter Wilson	24,000			24,000	13		23/09/2007	23/09/2011
	14,842			14,842	13		05/09/2008	05/09/2012
		12,920		12,920	13		05/09/2009	05/09/2013
	38,842	**12,920**		**51,762**		**13**		
Noel Crowe	20,000			20,000	13		23/09/2007	23/09/2011
	12,394			12,394	13		05/09/2008	05/09/2012
		11,532		11,532	13		05/09/2009	05/09/2013
	32,394	**11,532**		**43,926**		**13**		
Lorcan Dowd	-			-				
	-			-				

The Company's Register of Directors' Interests, which is open to inspection at the Company's registered office, contains full details of Directors' shareholdings and share options.

Non-executive Directors

The Non-executive Directors each receive a fee which is determined by the Board to reflect the time commitment involved in the performance of their duties. The Non-executive Directors do not have service contracts and do not participate in any bonus or share option schemes. The Non-executive Directors do not receive any pension or other benefits apart from Mr Eugene Murtagh in respect of whom the Company paid a contribution to his personal pension scheme.

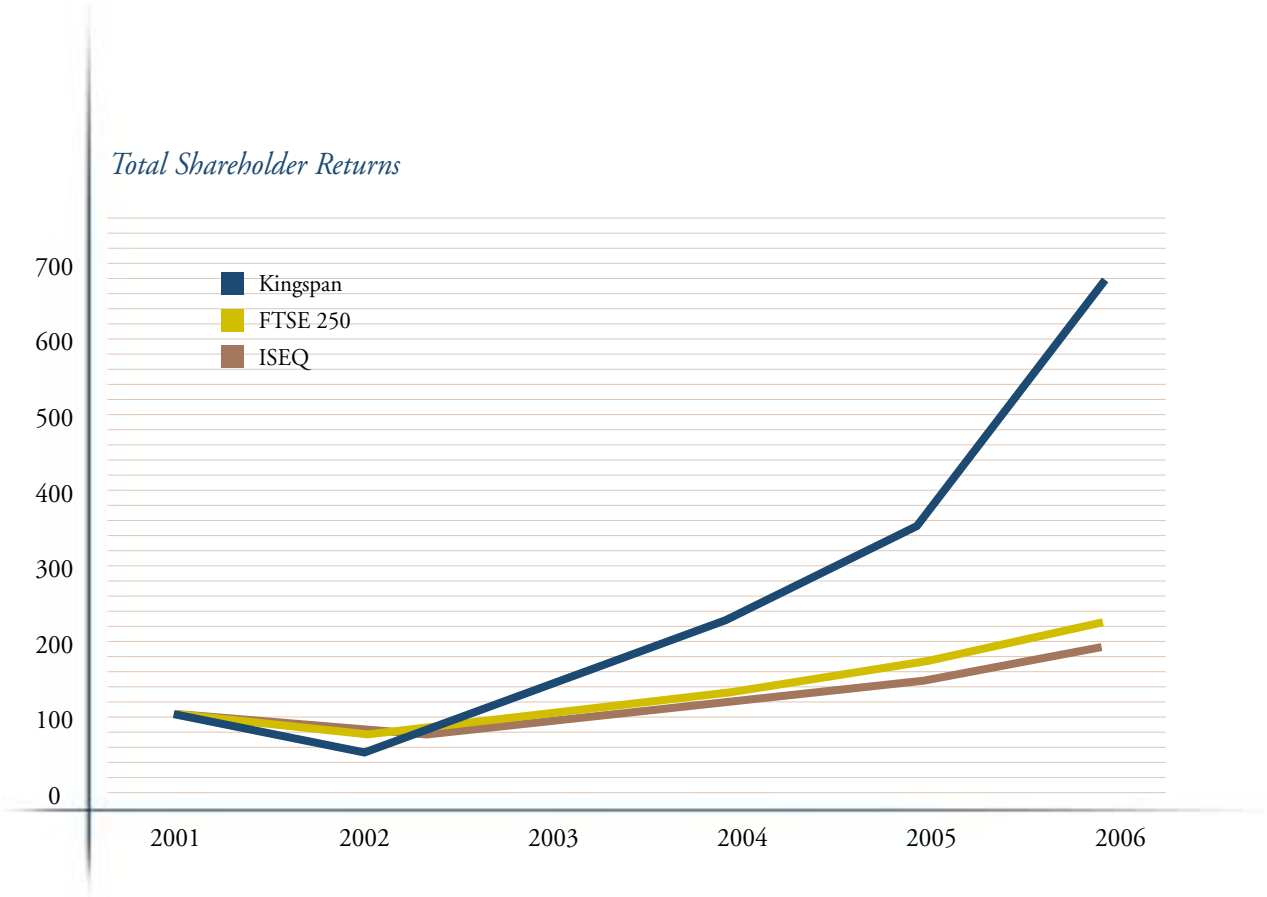
Service Contracts

No Director has a service contract in excess of one year.

Performance Graph

This graph shows the Company's TSR performance against the performance of the ISEQ and the FTSE 250 Indices over the five-year period to 31st December 2006. The ISEQ and FTSE 250 Indices have been chosen as being markets consisting of companies comparable in size and complexity to Kingspan.

Brian Joyce
Chairman, Remuneration Committee



Report of the Audit Committee

Role and composition of the Audit Committee

The Board has delegated responsibility for establishing, monitoring and reviewing the financial reporting arrangements and internal control principles, together with monitoring and maintaining the relationship with the Company's external auditors, to the Audit Committee. The main responsibilities of the Audit Committee include:

- Monitoring the integrity of the Group's financial statements and reviewing significant financial reporting judgements contained in them;
- Reviewing the Group's internal controls and risk management systems;
- Monitoring and reviewing the effectiveness of the Group's internal audit function;
- Making recommendations to the Board in relation to the re-appointment or, if considered appropriate, removal of the external auditors and approving the remuneration and terms of engagement of the external auditors;
- Monitoring the independence and objectivity of the external auditors and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
- Determining policy for the engagement of the external auditors to supply non-audit services;
- Reporting to the Board, identifying any matters in respect of which it considers that action is needed and making recommendations as to the steps to be taken.

The Audit Committee consists entirely of Non-executive Directors, membership of which is set out on page 26. It meets a minimum of three times per year. The external auditors attend these meetings as required and have direct access to the Committee at all times. The Finance Director, Head of Internal Audit and other Group executives attend these meetings as and when required. The Committee also meets the external auditors without management present to discuss matters relating to its remit and any issues arising from the audit generally.
The Committee also periodically meets the head of internal audit independent of Group management.

The head of internal audit reports directly to the chairman of the Audit Committee and both internal audit and external auditors have direct access to the committee chairman at all times.

Functions of the Audit Committee

The committee discharges its responsibilities in the following manner:

- Prior to their release, it reviews the preliminary and full year financial results, announcements and Annual Reports and questions the external auditor, the internal auditors and the Group Finance Director on these. It compares the results with

management accounts and budgets, and reviews reconciliations between these and final results. It receives a report from the external auditors at that meeting identifying any accounting or judgemental issues arising from the audit requiring its attention.

- It reviews Group accounting policies on an ongoing basis.
- Prior to their release, it reviews the preliminary and interim results announcements, and the Interim Reports. It compares the results with management accounts and budgets,
- It reviews the performance of the external auditors, considering the quality of the reports and advice provided to the committee. It also considers the level of understanding of the Group's business, the objectivity of the auditors' views of the Group's internal controls and their ability to complete the audit within specified deadlines.
- It reviews the external auditors' work plan both before and after the audit. It reviews audit findings, adjustments, management letters and recommendations together with monitoring action taken by management as a result of any recommendations.
- It reviews and approves the annual internal audit plan, and carries out a regular assessment of the resources available to deliver on the plan in a timely fashion.
- It reviews reports from the internal auditors and management responses to such reports together with action points arising from them.
- It reviews relevant reports and recommendations from external consultants on an exception basis.
- It reviews annually the Group risk analysis and management action together with strategy to deal with identified risks.

Auditor Objectivity and Independence

The auditors are permitted to provide non-audit services that are not, or are not perceived to be, in conflict with auditor independence, provided that they have the skills and integrity to carry out the work and are considered subject to Group policy to be the most appropriate to undertake such work in the best interests of the Group. The Audit Committee ensures that the independence of the external audit is not compromised by:

- Seeking confirmation from the external auditors that in their professional judgement they are independent from the Group;
- Obtaining an account of all relationships between the external auditors and Group;
- Reviewing the economic importance of the Group to the external auditors by monitoring the audit fees as a percentage of total fee income generated from the relationship with the Group in light of ethical guidelines set down by the Institute of Chartered Accountants in Ireland.

Internal Control

The Board of Directors has overall responsibility for the Group's system of internal control and has delegated responsibility for the implementation of this system to executive management. This delegation ensures the embedding of the system of internal control throughout the Group's operations, and ensures that the organisation is capable of responding quickly to evolving business risks, and that significant

internal control issues, should they arise, are reported quickly to appropriate levels of management. Such a system of internal control by its nature is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide reasonable, but not absolute, assurance against material misstatement or loss.

The key elements of the Group's system of internal control include the following:

- a clearly defined organisation structure with formal lines of authority, accountability and responsibility;
- a formal schedule of matters specifically reserved for decision by the Board;
- regular assessment of major business, investment and financing risks;
- a comprehensive annual budgeting process and a review by the Board of actual performance compared with budget on a monthly basis;
- clearly defined and appropriate levels of authorisation for all transactions;
- the Audit Committee and the internal audit function;
- the chairman of the Audit Committee reports to the Board on all significant issues considered by the committee, and the minutes of its meetings are circulated to all Directors;
- Systematic monitoring and assessment of risk areas through management and Board reviews.

The Directors confirm that they have conducted an annual review of the effectiveness of the system of internal control up to and including the date of approval of the financial statements. The process used by the Board for this review includes:

- The review by the Audit Committee of the external and internal auditors' work plans, reports and internal control recommendations;
- Review by the Board and Audit Committee of the specific identified risk areas;
- Consideration of reports from management, internal and external auditors on the system of internal control and on material control weaknesses;
- Discussions with management on the implementation of strategies on any internal control and risk areas identified;
- Consideration by the Board on the impact of relevant legislation on the Group.

The approach by the Board is proactive in identifying possible weaknesses and obtaining the relevant degree of assurance on specific areas of internal control and not merely reporting by exception.

Code of Conduct

The Group has a Code of Conduct, setting the standard by which all employees across the Group are expected to conduct themselves. The Code of Conduct is available on the Group's website www.kingspan.com. Procedures have been adopted and notified to all employees, by which staff are encouraged to raise any concerns about possible improprieties or breaches of the Code of Conduct in any area of the Group. All breaches are reported to the head of internal audit, who reports to the Audit Committee.

Risk Assessment

The Directors confirm that the Group's ongoing process for identifying, evaluating and managing its significant risks is in accordance with the Turnbull guidance (Internal Control; Guidance for Directors on the Combined Code). The process has been in place throughout the accounting period and up to the date of approval of the Annual Report and financial statements, and is regularly reviewed by the Board.

As part of the annual risk assessment, the Audit Committee assesses the risks to the business under the following headings: business; financial; compliance; human resources; operational; inventory; Research & Development / Quality Control; purchasing; sales; fixed assets; IT; and other. The principal risks facing the business identified by the Committee are set out in the Business Risk Analysis on pages 22 to 25 of this Report.

Tony McArdle
Chairman, Audit Committee

Corporate Governance

The Directors continue to endorse and apply the principles of good corporate governance set out in the Combined Code. This statement describes how the principles of the (revised) 2003 FRC Combined Code on Corporate Governance have been applied by the Company.

The Board

The Board provides the Company with entrepreneurial leadership and effective controls. It sets the Company's strategic aims, and establishes the Company's values and standards.

The Board currently consists of 13 Directors whose names and other details appear on page 26. Six of the Directors are Executives, and seven including the Chairman are Non-executive Directors. 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 Director's skills. All of the Directors bring an objective judgement to bear on issues of strategy, resources and standards of performance. The Directors believe that the Board includes an appropriate balance of skills and ability to provide effective leadership and control to the Group.

The Board meets formally 10 times a year, as well as informally as and when required. Attendance at Board and committee meetings is set out in the table on the next page. The Board reserves for itself a formal schedule of matters on which it takes the ultimate decision. These include adopting the Group's rolling 5 year strategic plan and the annual budget, approving all major capital expenditure and material contracts, acquisitions and disposals of businesses and other investments, appointments of Senior Executives and succession planning, reviewing management's corporate and financial performance, and overall review of the Group's internal controls. Certain other matters are delegated to the Board committees, the roles and responsibilities of which are set out below.

The Chairman also meets separately with the Non-executive Directors (without the Executive Directors present); and the Non-executive Directors met (without the Chairman) once during the year to appraise the workings of the Board.

The Chairman and Chief Executive

There is a clear division of responsibility set out in writing between the Non-executive Chairman, Eugene Murtagh, and the Chief Executive, Gene M. Murtagh. The Chairman is responsible for the efficient and effective working of the Board. He ensures that the Board addresses key strategic issues confronting the Group, that all members of the Board, including in particular the Non-executive Directors, have an opportunity to contribute effectively, and that there is appropriate and timely communication with shareholders.

Attendance at Board and Committee meetings
during the year ended 31st December 2006

	Board		Acquisition		Audit		Nomination		Remuneration	
	A	B	A	B	A	B	A	B	A	B
Eugene Murtagh	10	10					1	1		
Gene M. Murtagh	10	10	11	11						
Brendan Murtagh	10	10					1	1		
Dermot Mulvihill	10	10								
Russell Shiels	10	6								
Peter Wilson	10	9								
Noel Crowe	10	10								
Kevin O'Connell	10	10			3	3	1	1	6	6
Brian Joyce	10	10			3	3	1	1	6	6
Eoin McCarthy	10	10			3	2	1	1	6	5
Tony McArdle	10	10	11	11	3	3	1	1	6	6
David Byrne	10	9			3	2				
Brian Hill	10	9	11	11						

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.

The Board has delegated executive responsibility for running the Company to the Chief Executive.

Board Balance and Independence

The Board has determined the following Non-executive Directors to be independent: Brian Joyce, Brian Hill, David Byrne, Tony McArdle and Kevin O'Connell. In reaching this conclusion, the Board considered a number of factors that might appear to affect the independence of Kevin O'Connell including his length of service on the Board, and determined that the independence of his character and judgement was not compromised.

Brian Joyce is currently nominated as the senior independent director of the Company.

Appointments to the Board

All appointments to the Board are made on the recommendation of the Nomination Committee. In addition the Nomination Committee reviews the various committees and makes recommendations to the Board on the appointment of the chairman and the membership of each.

The standard terms of appointment of Non-executive Directors are available, on request, from the Company Secretary.

Information and Professional Development

All Directors are supplied with appropriate and timely information for Board and committee meetings, and are given the opportunity to probe and question the executives and to seek such further information as they consider appropriate. The Group's professional advisors are available for

consultation with the Board and attend Board meetings as required. All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed. He is also responsible for advising the Board, through the Chairman, on all governance matters. Individual Directors may seek independent professional advice at the expense of the Company in furtherance of their duties as a director. 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 about the Company's business operations and systems, and continuous training relating to the discharge of their duties as Directors and (as appropriate) management.

Performance Evaluation

During the year the Chairman carried out a review of the performance of individual Directors, and provided them with feedback gathered from other members of the Board. The Senior Independent Director through discussions with other Directors conducted a review of the Board, its committees and its corporate governance.

Re-election of Directors

The Company's Articles of Association provide that newly appointed Directors are subject to election at the Annual General Meeting following their appointments. Excluding any such newly appointed Directors, one third of the Board is subject to re-election at each Annual General Meeting. Non-executive Directors are appointed to the Board for an initial term of three years, renewable with the Board's agreement, but subject to re-election by the shareholders on the normal rotation basis. Any non-executive director who has served more than nine years from the time of first election is subject to annual re-election thereafter.

Board Committees

The Board has established the following committees: Acquisitions, Audit, Remuneration and Nominations Committees. All Committees of the Board have written terms of reference setting out their authorities and duties and these terms are available on the Company's website www.kingspan.com. The Chairman and members of each Committee are set out on page 26.

Acquisitions Committee

The Acquisitions Committee has been established by the Board to consider and appraise all acquisition proposals made by the Group within its authorised limits, and to approve any investments, joint ventures, and capital expenditure within those limits which it considers to promote the Group strategy. The committee also carries out a periodic review of investments made within the previous year to review actual performance against forecast targets.

Audit Committee

The Board has established an Audit Committee to monitor the integrity of the Company's financial statements, and the effectiveness of the Company's internal financial controls. The members of the Audit Committee bring considerable financial and accounting experience to the committee's work, and in particular the Board considers that the Chairman of the Audit Committee 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 39 to 42.

Nominations Committee

The Nominations Committee assists the Board in ensuring that the composition of the Board and its committees is appropriate for the needs of the Group. The committee meets at least once a year, and additionally if required, to consider the Board's membership, to identify any additional skills or experience which might benefit the Board's performance and recommend appointments to or, where necessary, removals from, the Board.

Remuneration Committee

The Remuneration Committee has responsibility for setting remuneration for all Executive Directors and for the Chairman, including pension contributions 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 on pages 33 to 38.

Communication with Shareholders

The Company 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 Company's website, www.kingspan.com in a timely fashion. The Company encourages communication with all shareholders, and welcomes their participation at Annual General Meetings. 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.

Statement of Compliance

The Directors confirm that the Company, except in the respects more fully described below, has throughout the accounting period ended 31st December 2006 complied with the provisions of the Combined Code:

- During the year less than half the Board, excluding the Chairman, were independent Non-executive Directors. It is the view of the Board that the range and blend of skills match the needs of the business and facilitate a sound decision-making process and control environment. It is also their view that there is sufficient balance in the Board, including a strong and independent non-executive element, so that no individual or group of individuals can dominate decision making.

Corporate Social Responsibility Statement

Kingspan Group recognises the importance of conducting its business in a socially responsible manner. This is demonstrated in the way we deal with our employees, customers and the wider community where we operate. The Group considers that corporate social responsibility is an integral element of good business management.

Sustainability Policy

To this end, Kingspan has formalised and adopted its sustainability policy which is in the process of being implemented across the Group. The vision is for Kingspan Group:

"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."

Striving for sustainability in all our business products and operations is our corporate and personal responsibility. Kingspan Group aims to adopt and apply best practice sustainability principles by ensuring environmental, social and economic parameters are considered in an integrated way in product and service delivery.

To deliver on this vision Kingspan Group will:

- Incorporate the ethos of sustainability into the vision and values of the organisation;
- Continually improve operational performance through the setting of long-term objectives and targets related to sustainability and review progress regularly;
- Comply or exceed applicable legal and policy requirements related to the environmental and social aspects of the organisation;
- Optimise energy and raw material usage and prevent or minimise pollution and environmental damage;
- Develop a framework to continually monitor sustainability performance and actively communicate progress annually in the form of a published Sustainability report, using the Global Reporting Initiative (GRI) guidelines;
- Communicate and actively promote awareness and acceptance of this policy to everyone working for or on behalf of the organisation (including employees, shareholders, suppliers / sub-contractors and customers);
- Ensure employees are given adequate training in sustainability issues and are fully involved in helping deliver the Sustainability Vision and Policy;
- Implement a Code of Conduct and supporting sustainability guidelines for key suppliers and contractors and other interested parties to ensure they comply with the Kingspan Group Sustainability Policy.

Commitment to Corporate Social Responsibility

The recent formalisation of a Group policy is not in response to increased market attention on the issue, as sustainability has for some time been very much to the fore in the decision making process of each division. This is clearly illustrated by examples of some of the initiatives which business units within Kingspan are already involved in.

Independent Review of Business – Since 2004 Insulation Boards has commissioned Arup (a global firm of designers, engineers, planners and business consultants) to conduct annual sustainability appraisals of its largest manufacturing facility using the SPeAR (Sustainability Project Appraisal Routine) tool. This methodology developed by Arup allows for the sustainability of a project, plan or product to be appraised and illustrated graphically. Furthermore, Arup provides an action plan after each appraisal so that the manufacturing site can further optimise its key areas (environmental, social, economic and natural resource use), thereby ensuring continuing improvement of the sustainability of the site's manufacturing processes.

Arup SPeAR Appraisals for the Pembridge Insulation Manufacturing Site

2004 Appraisal

2005 Appraisal

2006 Appraisal

CERTIFIED

SPeAR® ARUP

In terms of rolling this out across the Group, the second largest plant within the Insulation Board business is about to have a SPeAR evaluation, while Insulated Panels has committed to start the process with its largest manufacturing facility in the UK.

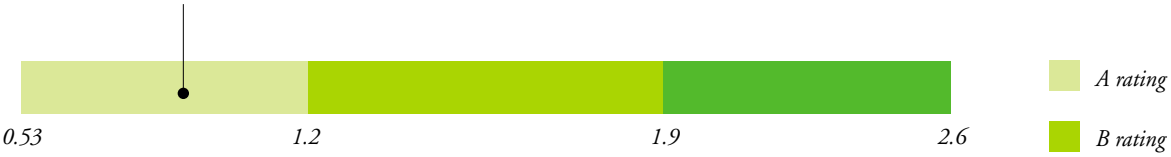
Sustainability Reporting – Insulated Panels (the largest business within the Kingspan Group) in the UK is nearing completion of an extensive sustainability performance assessment. The target is for the division to publish a report in 2007 using the GRI guidelines, which will cover its largest manufacturing sites in the UK and Ireland.

Environmental Impact Measurement – Kingspan continues to work with BRE (Building Research Establishment) in the UK to measure the environmental profile of its key Insulated Panel and Insulation Board products. The BRE environmental profiling methodology was originally developed through a UK Government funded project to enable robust and reliable comparison between different construction systems. The methodology is ISO 14041 compliant and to date Certified Environmental profiles have been awarded to key Insulated Panel and Insulation Board products. Work is ongoing to extend certification to all key products.

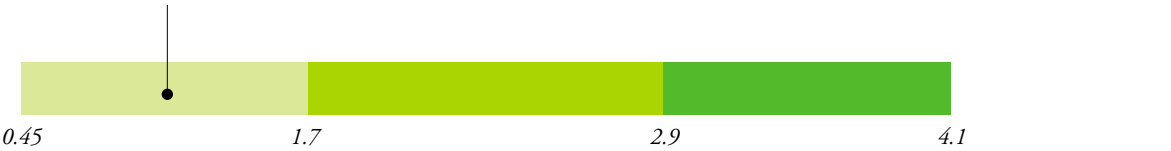
The ratings achieved are based on a detailed 60 year cradle to grave assessment of the environmental impact of the product. 'A' rated products gain additional credits for buildings assessed by environmental assessment methodologies such as BREEAM. Such a rating will enable customers of Kingspan to compare the environmental impact of the Group's products with alternatives and it will allow the Group to identify areas of improvement. Since the Insulation Boards business started this process in 2002 it has seen the score on the Kingspan Therma™ range of products improve by 40%.

Rolling out ISO 14001 – In terms of striving for ongoing environmental improvement, a quarter of the Group's manufacturing plants have now achieved the ISO14001 environmental standard. A further 20% of the Group's sites are currently working towards achieving it. Such a commitment to ongoing improvement was also highlighted by Kingspan Century (part of the Group's Off-site & Structural business) in 2006 by winning a national environmental award at the Annual Chambers of Commerce of Ireland Corporate Social Responsibility Awards. This award was for the positive environmental contribution by a large indigenous company.

Kingspan KS 600/900/1000 AWP Panel with EcoSafe insulation core: 0.91 Ecopoints



Kingspan KS 1000 RW Panel with EcoSafe insulation core: 0.82 Ecopoints



A rating
B rating
C rating

Health & Safety

The Group is committed to achieving the best practicable standards of health and safety for our employees, customers and visitors to our offices worldwide. Health and safety is considered to be an integral element in the overall management of our businesses and as a result is a daily priority of line management. Designated Health and Safety Officers are in place at each division and actively work to identify and minimise health and safety risks. Where incidents occur they are thoroughly investigated and corrective action taken to ensure they do not reoccur.

Health and safety incidents for each division are monitored and reported at each monthly divisional management meeting. They are also summarised and reported to the Group Board.

In 2006, for the Group as whole, the number of accidents resulting in more than three days absence per 100 employees was 3.3 (2005: 3.9), compared to EU-15 average for the construction sector of 6.5 (source: European Statistics on Accidents at Work publication by Eurostat).

To ensure the Group meets the highest standards it looks to achieve ISO 18001 accreditation across the Group. Currently 30% of the Group's manufacturing facilities has achieved ISO 18001 with a further 40% actively working for the standard.

Community

Building a strong relationship between Kingspan companies and the communities in which they operate, has been a long tradition of the Group. These links have been forged in many and various ways. Through the sustainability programme, Kingspan actively promotes sourcing from local suppliers for business operations. Other community involvement includes:

- Supporting local initiatives;
- Sponsoring local sport;
- Contributing to a variety of good causes both locally and overseas where we feel we can make a difference.

ISO Accreditation

Location	Total No. of sites	ISO 14001 (Environmental)			Accredition ISO 18001 (Health & Safety)			ISO 9001 (Quality)		
		Achieved	Working for standard	%	Achieved	Working for standard	%	Achieved	Working for standard	%
Insulated Panels	15	4	2	40%	4	3	47%	5	2	47%
Insulation Boards	4	1	2	75%	2	1	75%	2	0	50%
Off-Site & Structural	15	5	6	73%	4	8	80%	9	3	80%
Environmental Containers	20	4	2	30%	7	11	90%	18	0	90%
Raised Access Floors	3	1	0	33%	0	1	33%	3	0	100%
Total	57	14	12	46%	17	23	70%	34	5	68%

A recent example of a community initiative has been the setting up of a Community Trust by Insulation Board's largest plant in Pembridge (UK), which will sponsor local community and environmental projects. Further information on this initiative can be accessed at the following website, www.kingspaninsulationcommunitytrust.org.

Kingspan Group is committed to corporate social responsibility and dedicated to supporting the implementation of the sustainability policy. This is clearly demonstrated by some of the initiatives that are already taking place across the Group. The responsibility for implementing this vision and strategy lies with the Group's Chief Executive, Gene M. Murtagh. This policy forms a framework for our activities, product design, services and decision-making and promotes engagement of the entire organisation and will be reviewed annually.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and IFRS as adopted by the European Union.

Company law in Ireland requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group 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;
- Disclose and explain any material departures from applicable accounting standards;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland, and comply with the Companies Acts, 1963 to 2006 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 Group's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of Kingspan Group plc

We have audited the Group and parent company financial statements of Kingspan Group plc for the year ended 31st December 2006 which comprise the Group income statement, Group and parent company balance sheets, Group and parent company cash flow statements, Group and parent company statements of recognised income and expense and the related notes 1 to 41. These financial statements have been prepared under the accounting policies set out in notes 1 to 4.

Respective Responsibilities of Directors and Independent Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. 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 auditors' 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 this report, or for the opinions we have formed.

We report to you our opinion as to whether the Group financial statements give a true and fair view and are properly prepared in accordance with IFRSs as adopted for use in the European Union. We report to you our opinion as to whether the parent financial statements give a true and fair view and are properly prepared in accordance with IFRSs as adopted for use in the European Union, as applied in accordance with the provisions of the Companies Acts, 1963 to 2006. We also report to you whether the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006 and Article 4 of the IAS Regulation. We also report to you whether in our opinion: proper books of account have been kept by the Company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an Extraordinary General Meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the financial statements are in agreement with the books

of account. We also report to you if, in our opinion, any information specified by law or the Listing Rules of the Irish Stock Exchange regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our report.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the (revised) 2003 FRC Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Chief Executive's Review, the Financial Review, the Business Risk Analysis, the Directors' Report and the Corporate Governance Statement.
We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and parent Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The Group financial statements give a true and fair view, in accordance with the IFRSs as adopted for use in the European Union, of the state of the Group's affairs as at 31st December 2006 and of its result for the year then ended;
- The parent company financial statements give a true and fair view in accordance with the IFRSs as adopted for use in the European Union as applied in accordance with the provisions of the Companies Acts, 1963 to 2006, of the state of the parent company's affairs as at 31st December 2006;
- The financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006 and Article 4 of the IAS Regulation.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company balance sheet is in agreement with the books of account.

In our opinion the information given in the Report of the Directors on pages 28 to 30 is consistent with the financial statements.

The net assets of the Company, as stated in the balance sheet, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31st December 2006 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an Extraordinary General Meeting of the Company.

GRANT THORNTON
Chartered Accountants and Registered Auditors
24-26 City Quay
Dublin 2
5th March 2007

financial statements

Group Income Statement
for the year ended 31st December 2006

Note		Continuing Operations 2006 €'000	Acquisitions 2006 €'000	Total 2006 €'000	Total 2005 €'000
5	**REVENUE**	**1,426,134**	**35,036**	**1,461,170**	1,243,410
	COST OF SALES	**(977,151)**	**(27,462)**	**(1,004,613)**	(866,348)
	GROSS PROFIT	**488,983**	**7,574**	**456,557**	377,062
	Operating costs	**(256,499)**	**(6,013)**	**(262,512)**	(231,993)
	OPERATING RESULT	**192,484**	**1,561**	**194,045**	145,069
7	Finance costs			**(11,620)**	(11,607)
8	Finance income			**2,775**	1,535
9	**RESULT FOR THE YEAR BEFORE TAX**			**185,200**	134,997
11	Income tax expense			**(33,520)**	(23,628)
	NET RESULT FOR THE YEAR			**151,680**	111,369
	Profit attributable to:				
	Shareholders of Kingspan Group plc			**151,032**	111,378
	Minority interest			**648**	(9)
	NET RESULT FOR THE YEAR			**151,680**	111,369
	EARNINGS PER SHARE FOR THE YEAR				
12	Basic			**89.8c**	66.4c
12	Diluted			**87.8c**	64.8c

Gene M. Murtagh, Chief Executive
Dermot Mulvihill, Finance Director
5th March 2007

Group Balance Sheet
as at 31st December 2006

Note		2006 €'000	2005 €'000
	ASSETS		
	NON-CURRENT ASSETS		
13	Goodwill	**287,580**	217,736
14	Other intangible assets	**17,117**	12,265
16	Property, plant and equipment	**294,875**	250,757
17	Financial assets	**227**	755
25	Deferred tax assets	**2,694**	2,366
		602,493	483,879
	CURRENT ASSETS		
18	Inventories	**130,868**	97,323
19	Trade and other receivables	**357,966**	268,124
	Cash and cash equivalents	**69,060**	120,165
		557,894	485,612
	TOTAL ASSETS	**1,160,387**	969,491
	LIABILITIES		
	CURRENT LIABILITIES		
20	Trade and other liabilities	**259,112**	193,368
24	Provisions for liabilities and charges	**42,554**	30,252
	Deferred consideration	**5,659**	16,777
21	Interest bearing loans and borrowings	**34,631**	38,864
	Current tax liabilities	**26,130**	16,366
		368,086	295,627
	NON-CURRENT LIABILITIES		
38	Pension and other employee obligations	**20,958**	24,009
21	Interest bearing loans and borrowings	**205,979**	226,799
25	Deferred tax liabilities	**8,212**	5,173
	Deferred consideration	**10,355**	1,241
		245,504	257,222
	TOTAL LIABILITIES	**613,590**	552,849
	NET ASSETS	**546,797**	416,642
	EQUITY		
	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF KINGSPAN GROUP PLC		
26	Called-up share capital	**22,161**	22,003
27	Additional paid-in share capital	**26,341**	22,803
28	Other reserves	**(25,601)**	(23,650)
29	Revaluation reserve	**713**	713
30	Capital redemption reserve	**513**	513
31	Retained earnings	**519,390**	393,898
		543,517	416,280
33	Minority interest	**3,280**	362
	TOTAL EQUITY	**546,797**	416,642

Gene M. Murtagh, Chief Executive
Dermot Mulvihill, Finance Director
5th March 2007

Statement Of Recognised Income And Expense as at 31st December 2006

GROUP	2006 €'000	2005 €'000
Profit for financial year attributable to Group Shareholders	**151,032**	111,378
Currency translation	**(4,657)**	15,032
Cash flow hedging in equity	**(337)**	18
Actuarial losses in defined benefit pension scheme	**(685)**	(2,979)
Income taxes relating to items charged or credited to equity	**206**	891
Total recognised income and expense for the year	**145,559**	124,340

COMPANY	2006 €'000	2005 €'000
Profit for financial year attributable to Company Shareholders	**54,550**	4,022
Total recognised income and expense for the year	**54,550**	4,022

Group Cash Flow Statement
for the year ended 31st December 2006

Note		2006 €'000	2005 €'000
	OPERATING ACTIVITIES		
	Result for the year before tax	**185,200**	134,997
34	Adjustments	**54,393**	46,625
	Change in inventories	**(18,446)**	8,032
	Change in trade and other receivables	**(68,313)**	(5,627)
	Change in trade and other liabilities	**48,669**	(4,392)
	Pension contributions	**(4,561)**	(2,873)
	Cash generated from operations	**196,942**	176,762
	Taxes paid	**(25,498)**	(28,159)
	Net cash flow from operating activities	**171,444**	148,603
	INVESTING ACTIVITIES		
	Additions to property, plant and equipment	**(59,420)**	(46,802)
	Proceeds from disposals of property, plant and equipment	**1,747**	4,654
	Proceeds from financial assets	**528**	29
36	Purchase of subsidiary undertakings	**(70,815)**	(142,970)
	Net cash acquired with acquisitions	**(7,073)**	18,910
	Payment of deferred consideration in respect of acquisitions	**(16,102)**	(1,441)
	Dividends paid to minorities	**(14)**	(44)
	Interest received	**2,654**	1,606
	Net cash flow from investing activities	**(148,495)**	(166,058)
	FINANCING ACTIVITIES		
	Proceeds from bank loans and loan notes	**-**	151,458
	Repayment of bank loans	**(35,998)**	(89,862)
	Discharge of finance lease liability	**(2,406)**	(413)
	Proceeds from share issues	**3,288**	2,749
	Interest paid	**(11,087)**	(9,138)
	Dividends paid	**(25,103)**	(17,713)
	Net cash flow from financing activities	**(71,306)**	37,081
	CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**110,231**	85,201
	Net increase in cash and cash equivalents	**(48,357)**	19,626
	Translation adjustment	**(10)**	5,404
	CASH AND CASH EQUIVALENTS AT END OF YEAR	**61,864**	110,231
	Cash and cash equivalents as at 1st January 2006 were made up of:		
	Cash and cash equivalents	**120,165**	87,791
	Overdrafts	**(9,934)**	(2,590)
		110,231	85,201
	Cash and cash equivalents as at 31st December 2006 were made up of:		
	Cash and cash equivalents	**69,060**	120,165
	Overdrafts	**(7,196)**	(9,934)
		61,864	110,231

Company Balance Sheet
as at 31st December 2006

Note		2006 €'000	2005 €'000
	ASSETS		
	NON-CURRENT ASSETS		
17	Financial assets	**11,960**	11,960
	CURRENT ASSETS		
19	Trade and other receivables	**96,348**	99,160
	Cash and cash equivalents	**-**	1,440
		96,348	100,600
	TOTAL ASSETS	**108,308**	112,560
	LIABILITIES		
	CURRENT LIABILITIES		
20	Trade and other liabilities	**-**	40,480
	TOTAL LIABILITIES	**-**	40,480
	NET ASSETS	**108,308**	72,080
	EQUITY		
	Equity attributable to Shareholders of Kingspan Group plc		
26	Called-up share capital	**22,161**	22,003
27	Additional paid-in share capital	**25,934**	22,803
30	Capital redemption reserve	**513**	513
31	Retained earnings	**59,700**	26,761
	TOTAL EQUITY	**108,308**	72,080

Gene M. Murtagh, Chief Executive
Dermot Mulvihill, Finance Director
5th March 2007

Company Cash Flow Statement
for the year ended 31st December 2006

Note		2006 €'000	2005 €'000
	OPERATING ACTIVITIES		
	Result for the year before tax	**54,550**	4,022
	Adjustments - Employee equity-settled share options	**3,492**	-
	Change in trade and other receivables	**2,813**	(11,184)
	Change in trade and other liabilities	**(40,480)**	22,190
	Net cash flow from operating activities	**20,375**	15,028
	FINANCING ACTIVITIES		
	Proceeds from share issues	**3,288**	2,749
	Dividends paid	**(25,103)**	(17,713)
	Net cash flow from financing activities	**(21,815)**	(14,964)
	CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,440**	1,376
	Net increase in cash and cash equivalents	**(1,440)**	64
	CASH AND CASH EQUIVALENTS AT END OF YEAR	**-**	1,440
	Cash and cash equivalents as at 1st January 2006 were made up of:		
	Cash and cash equivalents	**1,440**	1,376
	Cash and cash equivalents as at 31st December 2006 were made up of:		
	Cash and cash equivalents	**-**	1,440

Notes to the Financial Statements as at 31st December 2006

ACCOUNTING POLICIES (NOTES 1 TO 4)

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Commission, which comprise standards and interpretations approved by International Accounting Standards Board (IASB) and International Accounting Standards and Standing Interpretations Committee interpretations approved by the predecessor International Accounting Standards Committee that have been subsequently authorised by IASB and remain in effect.

These financial statements, which are presented in Euro, have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and the measurement of fair value share options, employee benefits and derivative instruments. The carrying value of recognised assets and liabilities that are hedged are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The accounting policies set out below have been applied consistently by all the Groups' subsidiaries. The financial period-ends of the Group's subsidiaries are coterminous.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. In addition it requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, relate primarily to the accounting for defined benefit pension schemes, share-based payments, receivable provisions, guarantees & warranties, tangible assets, intangible assets, goodwill impairment and acquisition deferred consideration and are documented in the relevant accounting policies below.

Kingspan Group plc is a public limited company registered and domiciled in Ireland.

2. STATEMENT OF COMPLIANCE

Standards adopted during the Financial Year

The Group has adopted the following standards during the financial year ended 31st December 2006:

Amendments to IAS 21	The Effects of Changes in Foreign Exchange Rates: Net Investment in a Foreign Operation
Amendments to IAS 39	Financial Instruments: Recognition and Measurement: Cash Flow Hedge Accounting of Forecast IntraGroup Transactions
Amendments to IAS 39	Financial Instruments: Recognition and Measurement: The Fair Value Option

The implementation of the above amendments to IAS have not given rise to any material adjustments.

The following standards and interpretations which are effective for the current financial year have been reviewed and deemed to be not applicable:

IFRS 6	Exploration for and Evaluation of Mineral Resources
Amendments to IFRS 4	Insurance Contracts
Amendments to IAS 39	Financial Instruments: Recognition and Measurement: Financial Guarantee Contracts
IFRIC 4	Determing whether an arrangement contains a lease
IFRIC 5	Rights to interests arising from decommissioning restoration and environmental rehabilitation funds
IFRIC 6	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies

IFRSs and IFRIC Interpretations which are not yet effective.

The Group has applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors

The Group has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective and are deemed not to have a material impact:

IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11 & IFRS 2	Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
Amendment to IAS 1	Presentation of financial statements: Capital Disclosure
IFRS 7	Financial Instrument: Disclosure
IFRS 8	Operating Segment

The Group has reanalysed Other Reserves (Note 28) to allocate out certain movements into separate reserves classifications in line with IFRS.

Notes to the Financial Statements as at 31st December 2006

3. BASIS OF CONSOLIDATION

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

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where a subsidiary is acquired or disposed of during the financial year, the Group financial statements include the attributable results from or to the effective date of acquisition or disposal. All intra-group balances and transactions, including unrealised profit arising from intra-group transactions, are eliminated on consolidation.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The Group's share of results and net assets of jointly controlled entities are incorporated into the consolidated financial statements using the proportionate consolidation method. The Group combines its share of the joint ventures individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are expressed in Euro, being the Group's functional and presentational currency.

Exchange rates of material entities used were as follows:

	Average rate		Closing Rate	
Euro =	**2006**	2005	**2006**	2005
Pound Sterling	**0.682**	0.684	**0.670**	0.678
US Dollar	**1.256**	1.245	**1.313**	1.185
Canadian Dollar	**1.425**	1.510	**1.525**	1.390
Australian Dollar	**1.668**	1.633	**1.670**	1.620
Czech Koruna	**28.367**	29.836	**27.590**	28.920
Polish Zloty	**3.906**	4.029	**3.840**	3.830

4. SIGNIFICANT ACCOUNTING POLICIES

Goodwill

Goodwill arising in respect of acquisitions completed prior to 1st January 2004 (being the transition date to IFRS) is included at its deemed cost, which equates to its net book value recorded under previous GAAP. In line with the provisions applicable to a first-time adopter under IFRS the accounting treatment of business combinations undertaken prior to the transition date has not been reconsidered in preparing the opening IFRS balance sheet as at 1st January 2004, and goodwill amortisation has been ceased with effect from the transition date.

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. 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. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. The impairment testing review is performed annually.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets (other than goodwill)

Intangible assets acquired separately are capitalised at cost. Intangible assets acquired from a business acquisition are capitalised at fair value as at the date of acquisition. Following initial recognition, the intangible asset is carried at its cost less any accumulated amortisation and accumulated impairment losses. Amortisation is charged on assets with finite lives and this expense is taken to the income statement.

Notes to the Financial Statements as at 31st December 2006

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The amortisation rates generally applied are:

Trademark & Brands	2-10 years on a straight line basis
Technological know how	5-10 years on a straight line basis

Intangible assets, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Impairment

The carrying values of non-financial assets are reviewed annually for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The recoverable amount of non-financial assets is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. Impairment losses are recognised in the income statement as an exceptional item.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

Deferred Consideration

Deferred consideration relating to acquisitions represents the liability associated with a performance related target as evaluated by management, taking into account the terms of the earn out.

Any revision in the deferred consideration provision is accounted for by an adjustment to the carrying value of goodwill.

Revenue

Revenue comprises the total amount receivable by the Group in the ordinary course of business with outside customers for goods supplied, exclusive of trade discounts and value added tax.

In general, revenue is recognised to the extent that it is subject to reliable measurement, that it is probable that economic benefits will flow to the Group and that the significant risks and rewards of ownership have passed to the customer, whether that be at point of delivery or collection.

No revenue is recognised if there is uncertainty regarding the recovery of the consideration due at the outset of the transaction, associated costs or the possible return of goods.

Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns different to those of other segments. Stemming from the Group's internal organisational and management structure and its system of internal financial reporting, segmentation by business is regarded as being the predominant source and nature of the risks and returns facing the Group and is thus the primary segment. Geographical segmentation is therefore the secondary segment.

Inventories

Inventories are stated at the lower of cost and net realisable value. In the case of raw materials, cost means purchase price including transport and handling costs, less trade discounts, calculated on a first in first out basis. For work in progress and finished goods, cost consists of direct materials, direct labour and attributable production overheads.

Net realisable value comprises the actual or estimated selling price (less trade discounts), less all further costs to completion, and less all costs to be incurred in marketing, selling and distribution.

Income Tax

Current tax:

Current tax for the current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount payable, the excess is recognised as an asset. The benefits relating to a tax loss that can be carried back to recover current tax of a previous period are held as an asset.

Deferred tax:

Deferred income taxes are calculated using the liability method on temporary differences.

In accordance with IAS 12 no deferred taxes are recognised in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Notes to the Financial Statements as at 31st December 2006

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax liabilities are provided in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at the tax rates that are expected to apply to their respective periods of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets and liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets and liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

Grants

Capital grants received in respect of the purchase of tangible assets are treated as a reduction in the purchase price of the tangible asset.

Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value. Certain items of property that had been revalued to fair value prior to the date of transition to IFRS (1st January 2004) are measured on the basis of deemed cost, being the revalued amount as at the date the revaluation was performed.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Tangible fixed assets, excluding freehold land, are depreciated at appropriate rates in order to write them off over their expected useful life. The depreciation rates generally applied are:

Freehold buildings	2% on cost
Plant and machinery	10% to 20% on cost
Fixtures and fittings	10% to 20% on cost
Computer hardware	25% to 33% on cost
Motor vehicles	20% to 25% on cost
Leased assets	10% to 25% on cost
Leasehold property improvements	Over the period of the lease

Amortisation of Patents

Purchased patents are amortised on a straight line basis over their estimated useful economic life. The amortisation rate generally applied is 12.5% on cost.

Leasing

Assets held under leasing arrangements, that transfer substantially all the risks and rewards of ownership to the Group, are capitalised. The capital element of the related rental obligation is shown on the balance sheet. The interest element of the rental obligation is charged to the income statement so as to produce a constant periodic rate of charge. Any liability associated with onerous leasing agreements is recognised immediately.

Rentals in respect of operating leases are charged to the income statement as incurred.

Pension Costs

The Group operates a number of defined benefit pension schemes which are closed to new members and a number of defined contribution pension schemes.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of fixed contributions.

The liability recognised in the balance sheet for defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the balance sheet date less the fair value of plan assets, together with adjustments for recognised actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected credit unit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Notes to the Financial Statements as at 31st December 2006

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In accordance with IFRS actuarial gains and losses are recognised in the statement of recognised income and expense.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

Interest expenses related to pension obligations are included in "finance costs" in the income statement. All other pension related benefit expenses are included in "employee compensation and benefit expense".

Provisions

A provision is recognised in the balance sheet when the Group has a 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.

Research and Development

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred. Development costs not meeting the criteria for capitalisation are expensed as incurred.

Foreign Currencies

Transactions in foreign currencies are recorded at the rate issued applicable to the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date and revenues, costs and non-monetary assets, at the exchange rates ruling at the dates of the transactions. Profits and losses arising from foreign currency are dealt with through the income statement. Monetary assets are amounts held or receivable in money; all other assets are non-monetary assets. On consolidation, the assets and liabilities of overseas subsidiary companies are translated into Euro at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the restatement of the opening balance sheets of these subsidiary companies are dealt with through reserves. The operating results of overseas subsidiary companies are translated into Euro at the average rates applicable during the year.

Share-Based Payment Transactions

Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a recognised valuation methodology for the pricing of financial instruments (i.e. the trinomial model). The cost of equity-settled transactions is recognised over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors of the Group and based on the best available estimates at that date, will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest. The cost of all equity-settled transactions is recognised in the income statement of Kingspan Group plc.

Dividends

Final Dividend on Ordinary Shares will be recognised in the Group's financial statements as a charge in the following years reserves.

Interim Dividend paid Ordinary Shares is recognised in the Group's financial statements as a charge in the current year reserves.

Hedging

The Group uses fair value hedges and cash flow hedges in its treasury activities. For the purposes of hedge accounting, hedges are classified either as fair value hedges (which entail hedging the exposure to movements in the fair value of a recognised asset or liability) or cash flow hedges (which hedge exposure to fluctuations in future cash flows derived from a particular risk associated with a recognised asset or liability, a firm commitment or a highly probable forecast transaction).

In the case of fair value hedges any gain or loss stemming from the re-measurement of the hedging instrument to fair value is reported in the income statement.

In the case of cash flow hedges the effective part of any gain or loss on the derivative financial instrument is recognised as a separate component of equity. Any ineffective or over effective portion of a cash flow hedge is reported in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or liability, the associated gains or losses that were recognised directly to equity shall be reclassified to the profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. To the extent it is expected that all or a portion of a loss recognised directly in equity will not be recovered in one or more future periods, the loss is reclassified into retained earnings.

Notes to the Financial Statements as at 31st December 2006

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash and Cash Equivalents

Cash and cash equivalents mainly comprise cash on hand, bank accounts, and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

Borrowing Costs

The Group capitalises legal fees, arrangement fees and other issuance costs relating to the drawdown of new bank facilities. The capitalised borrowing costs are amortised over an appropriate period to reflect the life of the facility.

Financial Assets

Financial assets are divided into the following categories: loans and receivables; financial assets at fair value through profit or loss; available-for-sale financial assets; and held-to-maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the income statement.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Financial Liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in the income statement. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

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

Significant Judgements, Key Assumptions and Estimates

Defined Benefit Pension Scheme (Note 38)

The Group has a number of legacy defined benefit pension schemes which, whilst closed to new entrants and further accrued service, require valuing. The Group use the services of professional actuaries to determine the assets and liabilities of the schemes, and as part of this review certain judgements are required to produce the valuation.

Share Based Payments (Note 6)

The Group grants options as part of certain employee's remuneration which under IFRS 2 are subject to valuation. The Group employs professional valuers to assess the cost of each option grant by use of the trinomial model and the key assumptions are set out in note 6.

Guarantees & Warranties (Note 24)

Certain products carry a formal guarantee 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. The benefit of any insurance cover and any relevant guarantees from suppliers of inputs to the Group are accounted for once the relevant recognition criteria are met. These provisions are reviewed on a regular basis by members of the Group Executive and the overall warranty performance and required provisions are incorporated into the Group Board papers.

Notes to the Financial Statements as at 31st December 2006

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment (Note 13)

The Group is required to judge when there is sufficient objective evidence to require the impairment of non financial assets. It does this on the basis of a review of the budget and rolling 5 year strategic plans, which by their nature are based on a series of assumptions.

In accordance with IFRS the Group has performed impairment reviews on those cash generating units which have a carrying value of goodwill or intangible assets with indefinite useful lives, which are deemed significant in comparison with the Group's total carrying amount of goodwill or intangibles with indefinite useful lives. The key assumptions associated with these reviews are detailed in note 13.

Deferred Consideration (Note 22)

The Group is required to judge the probable liability relating to post completion performance related payments to vendors under the terms of the relevant acquisition sale and purchase agreement.

5. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and liabilities.

Business Segments

The Group operates in the following four business segments:

Insulated Panels & Boards	Manufacture of insulated panels and rigid insulation products.
Off-Site & Structural	Manufacture of offsite solutions, timber frame buildings and structural products.
Environmental	Manufacture of environmental and pollution control products.
Access Floors	Manufacture of raised access floors.

Geographical Segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customer.

Segment assets are based on the geographical location of the assets.

Notes to the Financial Statements as at 31st December 2006

5. SEGMENT REPORTING (cont'd)

Analysis by class of business

Segment Revenue	Insulated Panels & Boards €m	Off-Site & Structural €m	Environ-mental €m	Access Floors €m	TOTAL €m
Total Revenue - 2006	816.5	246.2	249.0	149.5	**1,461.2**
Total Revenue - 2005	689.4	203.9	220.1	130.0	1,243.4

Intersegment revenue is not material and is thus not subject to separate disclosure in the above analysis. Intersegment transfers are priced using an appropriate transfer pricing methodology.

Segment Result (profit before finance costs)

	Insulated Panels & Boards €m	Off-Site & Structural €m	Environ-mental €m	Access Floors €m	TOTAL 2006 €m	TOTAL 2005 €m
Operating result - 2006	128.0	27.5	20.9	17.6	**194.0**	-
Operating result - 2005	94.2	22.7	18.4	9.8		145.1
Finance costs (net)					**(8.8)**	(10.1)
Result for the year before tax					**185.2**	135.0
Income tax expense					**(33.5)**	(23.6)
Net result for the year					**151.7**	111.4

Segment Assets and Liabilities

	Insulated Panels & Boards €m	Off-Site & Structural €m	Environ-mental €m	Access Floors €m	TOTAL 2006 €m	TOTAL 2005 €m
Assets - 2006	534.8	216.0	201.2	136.6	**1,088.6**	-
Assets - 2005	413.3	134.6	161.2	137.9	-	847.0
Liabilities - 2006	(163.8)	(77.5)	(50.5)	(30.9)	**(322.7)**	-
Liabilities - 2005	(131.2)	(50.2)	(40.2)	(26.1)	-	(247.7)
Total assets less total liabilities					**765.9**	599.3
Cash and cash equivalents					**69.1**	120.2
Deferred tax asset					**2.7**	2.3
Interest bearing loans and borrowings (current and non-current)					**(240.6)**	(265.7)
Deferred consideration (current and non-current)					**(16.0)**	(18.0)
Income tax liabilities (current and deferred)					**(34.3)**	(21.5)
Total Equity as reported in Group Balance Sheet					**546.8**	416.6

Notes to the Financial Statements as at 31st December 2006

5. SEGMENT REPORTING (cont'd)

Other Segment Information

	Insulated Panels & Boards €m	Off-Site & Structural €m	Environ-mental €m	Access Floors €m	TOTAL €m
Capital Investment - 2006	77.8	56.4	21.8	8.8	**164.8**
Capital Investment - 2005	61.3	73.6	45.9	5.8	186.6
Depreciation included in segment result - 2006	(19.7)	(6.8)	(6.5)	(6.3)	**(39.3)**
Depreciation included in segment result - 2005	(14.8)	(5.0)	(6.3)	(4.5)	(30.6)
Amortisation included in segment result - 2006	(0.9)	(1.3)	(0.4)	(0.1)	**(2.7)**
Amortisation included in segment result - 2005	(0.8)	(0.8)	(0.3)	-	(1.9)
Non cash items included in segment result - 2006	(0.1)	-	-	-	**(0.1)**
Non cash items included in segment result - 2005	(1.9)	(0.1)	0.2	-	(1.8)

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 - 2006	261.5	822.1	272.1	78.9	26.6	**1,461.2**
Revenue - 2005	215.3	753.3	196.4	63.7	14.7	1,243.4
Balance Sheet Items						
Assets - 2006	162.6	653.2	171.1	87.2	14.5	**1,088.6**
Assets - 2005	119.2	532.8	127.6	66.1	1.3	847.0
Other segmental information						
Capital Investment - 2006	21.6	87.5	21.1	21.5	13.1	**164.8**
Capital Investment - 2005	76.7	65.0	37.7	4.5	2.7	186.6

6. EMPLOYEE COMPENSATION

a) Employee Numbers

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

	2006	2005
Production	**3,322**	2,847
Sales and distribution	**974**	923
Management and administration	**794**	666
	5,090	4,436

b) Employee Costs

The staff costs were:

	2006 €'000	2005 €'000
Wages and salaries	**186,846**	158,859
Social welfare costs	**18,179**	14,797
Pension contributions - defined contribution	**7,396**	5,521
Pension contributions - defined benefit	**4,561**	2,876
Share based payments	**3,492**	2,256
	220,474	184,309

Notes to the Financial Statements as at 31st December 2006

6. EMPLOYEE COMPENSATION (cont'd)

c) Employee Share Based Compensation

As at 31st December 2006 the Group maintained two share-based payment schemes for employee compensation.

The first arrangement, the Long-Term Incentive Plan, is part of the remuneration package of Kingspan's Executive Directors and Senior Executives.

The second arrangement, the Standard Share Option Scheme, is part of the remuneration package of Kingspan's key personnel.

The details of both schemes are outlined on page 35 in the Report of the Remuneration Committee.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options.

Share options and weighted average exercise price are as follows for the reporting periods presented:

	2006 Number of options	**2006 Weighted average exercise price €**	2005 Number of options	2005 Weighted average exercise price €
Outstanding at 1st January	**7,066,825**	**4.66**	7,830,421	3.04
Granted	**1,450,730**	**13.13**	1,277,505	9.80
Cancelled	**(160,997)**	**5.19**	(467,000)	0.59
Exercised	**(1,223,306)**	**2.69**	(1,574,101)	1.75
Outstanding at 31st December	**7,133,252**	**6.64**	7,066,825	4.66

The weighted average share price during the year was €14.07 (2005 €9.63). All remaining share options as at 31st December 2006 have been accounted for under IFRS 2. Kingspan has granted the following outstanding share options and exercise prices:

Earliest exercise date	**2006 Number of options**	**2006 Weighted average exercise price €**	2005 Number of options	2005 Weighted average exercise price €
2007 Option range				
€0.13	**303,000**	**0.13**	303,000	0.13
€1.12-€2.95	**1,400,335**	**2.05**	2,655,513	2.56
€3.10-€5.65	**2,759,307**	**4.86**	2,830,807	4.88
	4,462,642	**3.65**	5,789,320	3.57
2008 Option range				
€0.13	**110,203**	**0.13**	139,203	0.13
€9.35-€10.90	**1,150,115**	**10.68**	1,138,302	10.98
	1,260,318	**9.76**	1,277,505	9.80
2009 Option range				
€0.13	**77,731**	**0.13**		
€12.26-€14.18	**1,332,561**	**14.09**		
	1,410,292	**13.32**		
	7,133,252	**6.64**	7,066,825	4.66

Notes to the Financial Statements as at 31st December 2006

6. EMPLOYEE COMPENSATION (cont'd)

The fair values of options granted during year were determined using the trinomial valuation model. Significant inputs into the calculation include:

Date of Grant	**05/09/2006**	**05/09/2006**	**21/03/2006**	**05/09/2005**	**05/09/2005**	**07/04/2005**
Exercise price at grant	€0.13	€14.18	€12.46	€0.13	€10.90	€9.35
Kingspan dividend yield	1.14%	1.14%	1.14%	1.74%	1.74%	1.74%
Risk free rate at date of grant	3.64%	3.64%	3.49%	2.78%	2.78%	3.30%
Expected volatility of the Kingspan share price	33%	33%	33%	33%	33%	33%
The expected life of the option in years	5.5	5.5	5.5	6.0	6.0	6.0

The expected volatility factor used for both 2006 and 2005, to estimate the fair values is based on the annualised rate of daily change of the share price measured over periods consistent with the expected life of the options.

7. FINANCE COSTS

	2006 €'000	2005 €'000
Bank loans	**11,143**	10,880
Hire purchase and finance leases	**59**	23
Net defined benefit pension scheme	**418**	704
	11,620	11,607

Borrowing costs capitalised during the year amounted to €nil (2005: €618,000).

8. FINANCE INCOME

	2006 €'000	2005 €'000
Interest income	**2,775**	1,535

9. RESULT FOR THE YEAR BEFORE TAX

	2006 €'000	2005 €'000
The result for the year is stated after charging:		
Distribution expenses	**79,590**	71,582
Operating lease payments	**2,214**	2,163
Non payroll product development costs	**7,748**	6,398
Depreciation	**39,252**	30,579
Amortisation of intangible assets	**2,705**	1,936
Loss on sale of tangible assets	**99**	1,782
Auditors' Remuneration		
Audit services:		
Statutory Audit	**960**	900
Audit related regulatory reporting	**116**	197
Tax services:		
Compliance services	**142**	94
Advisory services	**28**	89
Other	**424**	365

Notes to the Financial Statements as at 31st December 2006

10. DIRECTORS' REMUNERATION

Executive Directors	Basic Salary €'000	Benefit in kind €'000	Performance related bonus €'000	Pension contributions €'000	2006 Total €'000	2005 Total €'000
Gene M. Murtagh	490	4	294	74	**862**	719
Brendan Murtagh	422	34	253	409	**1,118**	1,021
Dermot Mulvihill	340	24	204	330	**898**	765
Jim Paul[1]	-	-	-	-	**-**	464
Russell Shiels	308	23	166	29	**526**	475
Peter Wilson	266	23	160	53	**502**	430
Noel Crowe	237	14	104	36	**391**	352
	2,063	122	1,181	931	**4,297**	4,226

Non-executive Directors

	2006 Non-executive fees €'000	2005 Non-executive fees €'000
Eugene Murtagh[2]	**158**	150
Eoin McCarthy[3]	**58**	55
Kevin O'Connell	**58**	55
Brian Joyce	**58**	55
Tony McArdle	**58**	55
David Byrne	**58**	55
Brian Hill[4]	**58**	32
	506	457

1 Mr Jim Paul retired as Executive Director on 31st December 2005.
2 The company also paid a contribution to Mr Eugene Murtagh's personal pension scheme of €118,500.
3 Mr Eoin McCarthy was also paid €32,000 in respect of other services provided to the Group.
4 Mr Brian Hill was appointed as a Non-executive Director on 1st June 2005.

Number of Directors at year-end

	2006	2005
Executive Directors	**6**	6
Non-executive Directors	**7**	7
Total	**13**	13

Average number of Directors during the year

	2006	2005
Executive Directors	**6**	7
Non-executive Directors	**7**	7
Total	**13**	14

- Benefits relate to health insurance premiums and to the use by Directors of company cars.
- Pension contributions represent payments made under defined contribution pension schemes operated by the Group.

Notes to the Financial Statements as at 31st December 2006

11. INCOME TAX EXPENSE

The charge for taxation, based on profits for the year, comprises:	**2006 €'000**	2005 €'000
Current tax expense		
- Irish	**8,898**	5,666
- Overseas	**27,325**	18,795
Adjustment in respect of prior years	**(1,999)**	(1,538)
	34,224	22,923
Deferred taxation	**(704)**	705
	33,520	23,628

Reconciliation of average effective tax rate to applicable tax rate	**2006 €'000**	2005 €'000
Result for the year before tax	**185,200**	134,997
Tax charge expressed as a percentage of profit before tax:		
- current tax expense only	**18.5%**	17.0%
- total income tax expense (current and deferred)	**18.1%**	17.5%

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

Irish corporation tax rate	**12.5%**	12.5%
Expenses not deductible for taxation purposes	**5.6%**	4.9%
Depreciation in excess of capital allowances	**0.4%**	(0.1%)
Items not subject to tax	**(4.4%)**	(3.5%)
Manufacturing relief	**(0.5%)**	(0.4%)
Losses utilised	**(0.2%)**	(0.1%)
Adjustment to charge in respect of prior years	**(0.7%)**	(0.7%)
Net effect of differing tax rates	**5.3%**	5.8%
Other timing differences	**0.1%**	(0.9%)
Total effective tax rate	**18.1%**	17.5%

Factors that may affect future tax charges and other disclosure requirements

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. The current tax charges will also be impacted by changes in the excess of tax depreciation (capital allowances) over accounting depreciation and the use of tax credits.

12. EARNINGS PER SHARE

The calculations of earnings per share are based on the following:	**2006 €'000**	2005 €'000
Profit attributable to ordinary shareholders	**151,032**	111,378

	Number of shares ('000) 2006	Number of shares ('000) 2005
Weighted average number of ordinary shares for the calculation of basic earnings per share	**168,149**	167,625
Dilutive effect of share options	**3,936**	4,269
Weighted average number of ordinary shares for the calculation of diluted earnings per share	**172,085**	171,894

Notes to the Financial Statements as at 31st December 2006

12. EARNINGS PER SHARE (cont'd)

	2006	2005
	€cent	€cent
Basic earnings per share	**89.8**	66.4
Diluted earnings per share	**87.8**	64.8

13. GOODWILL

As at 31st December 2006	**Goodwill**
	€'000
At 1st January	**217,736**
Additions	**72,784**
Net exchange difference	**(2,940)**
At 31st December	**287,580**

As at 31st December 2005	**Goodwill**
	€'000
At 1st January	110,039
Additions	101,023
Net exchange difference	6,674
At 31st December	217,736

IMPAIRMENT TESTING OF GOODWILL

Specifically for each cash generating unit for which the carrying amount of goodwill allocated to that unit is significant in comparison with the Group's total carrying amount of goodwill, an impairment review is performed annually.

The cash generating units listed below have a carrying amount of goodwill allocated to that unit which is deemed significant in comparison with the Group's total carrying amount of goodwill or intangible assets with indefinite useful lives. All have been subject to an annual impairment review performed on a Value in Use basis incorporating a 5 year forecast, with year 1 extracted from budget, and years 2-5 from the strategic plan. All forecasts incorporate a 1% terminal growth factor.

The discount factor, determined specifically for each jurisdiction, is based on a weighted average cost of capital incorporating relevant government bonds for risk free rate, and using an appropriate beta as a proxy for the particular asset, applied to 5% as the premium over risk free.

For certain assets a small cap premium of 2% is applied to the weighted average cost of capital.

Cash Generating Unit	Tate	Kingspan Access Floors	Century	Kingspan Controlled Environments
Carrying value of of goodwill at period end €'m	33.0	35.3	47.8	26.2
Key assumptions:				
WACC	10.4%	10.5%	9.6%	10.5%
Working capital as % of revenue	13.9%	8.0%	11.0%	18.0%

It is deemed that there is no material change in a key assumption on which management has based its determination of the unit's (group of units) recoverable amount which would cause the unit's (group of units) carrying amount to exceed its recoverable amount. The Group hold the view that the above values broadly reflect past experience.

Notes to the Financial Statements as at 31st December 2006

14. OTHER INTANGIBLE ASSETS

As at 31st December 2006

	Patents €'000	Brands €'000	Technical Know-how €'000	Other Intangibles €'000	2006 Total €'000
At 1st January	1,347	9,599	1,099	220	**12,265**
Additions	-	6,305	-	1,323	**7,628**
Amortisation	(424)	(1,873)	(119)	(289)	**(2,705)**
Net exchange difference	-	(66)	(4)	(1)	**(71)**
At 31st December	923	13,965	976	1,253	**17,117**

As at 31st December 2005

	Patents €'000	Brands €'000	Technical Know-how €'000	Other Intangibles €'000	2005 Total €'000
At 1st January	2,180	-	-	-	**2,180**
Additions	89	10,637	1,188	519	**12,433**
Amortisation	(424)	(1,116)	(89)	(307)	**(1,936)**
Impairment loss recognised	(503)	-	-	-	**(503)**
Net exchange difference	5	78	-	8	**91**
At 31st December	1,347	9,599	1,099	220	**12,265**

15. JOINTLY CONTROLLED ENTITIES

The following are jointly controlled entities, in which the Group holds 50% of the voting shares, which have been incorporated into the consolidated financial statements using the proportionate consolidation method.

Kingspan Tarec Industrial Insulation Limited
Kingspan Tarec Industrial Insulation NV

The aggregate amounts relating to these entities that have been included in the consolidated financial statements are as follows:

	2006 €'000	2005 €'000
Non-current assets	**5,365**	2,947
Current assets	**6,865**	2,723
	12,230	5,670
Non-current liabilities	**(1,097)**	-
Current liabilities	**(6,701)**	(311)
	(7,798)	(311)
Revenue	**18,120**	-
Expenses	**(16,280)**	-
Net result for the year	**1,840**	-

Notes to the Financial Statements as at 31st December 2006

16. PROPERTY, PLANT AND EQUIPMENT

GROUP - 2006 Cost or valuation	Land and buildings €'000	Plant and Machinery €'000	Motor vehicles €'000	Total €'000
At 1st January	134,211	298,917	8,654	**441,782**
Acquisitions of business entities	9,417	30,327	2,345	**42,089**
Additions	23,697	34,677	2,051	**60,425**
Disposals	(487)	(7,530)	(1,690)	**(9,707)**
Translation adjustment	596	(1,117)	51	**(470)**
At 31st December	167,434	355,274	11,411	**534,119**
Depreciation				
At 1st January	(23,006)	(164,466)	(3,553)	**(191,025)**
Acquisitions of business entities	(1,551)	(15,167)	(1,450)	**(18,168)**
Provision for year	(4,323)	(33,049)	(1,880)	**(39,252)**
Disposals	105	6,520	1,236	**7,861**
Translation adjustment	163	1,233	(56)	**1,340**
At 31st December	(28,612)	(204,929)	(5,703)	**(239,244)**
Net book value at 31st December 2006	138,822	150,345	5,708	**294,875**

Included within the net book value is €676,699 (2005: €397,354) relating to assets held under finance lease agreements.
The depreciation charged to the financial statements in the year in respect of such assets amounted to €255,594 (2005: €338,819).

GROUP - 2005 Cost or valuation	Land and buildings €'000	Plant and Machinery €'000	Motor vehicles €'000	Total €'000
At 1st January	108,824	260,846	6,350	**376,020**
Acquisitions of business entities	12,232	11,268	1,452	**24,952**
Additions	10,975	33,430	2,255	**46,660**
Disposals	(657)	(16,354)	(1,547)	**(18,558)**
Translation adjustment	2,837	9,727	144	**12,708**
At 31st December	134,211	298,917	8,654	**441,782**
Depreciation				
At 1st January	(18,995)	(143,212)	(2,915)	**(165,122)**
Acquisitions of business entities	-	-	-	**-**
Provision for year	(3,235)	(25,583)	(1,761)	**(30,579)**
Disposals	9	10,922	1,190	**12,121**
Translation adjustment	(785)	(6,593)	(67)	**(7,445)**
At 31st December	(23,006)	(164,466)	(3,553)	**(191,025)**
Net book value at 31st December 2005	111,205	134,451	5,101	**250,757**

Notes to the Financial Statements as at 31st December 2006

16. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Certain land and buildings of the Group were revalued at 31st December 1980 on a depreciated replacement cost basis. Additions since that date have been included at cost. Land and buildings would have been stated as follows under the historical cost convention:

	2006	2005
	€'000	€'000
Cost	**166,631**	133,409
Accumulated depreciation	**(27,017)**	(21,429)
Net book value	**139,614**	111,980

17. FINANCIAL ASSETS

	GROUP		**COMPANY**	
	2006	2005	**2006**	2005
	€'000	€'000	**€'000**	€'000
Unlisted investments (at cost)	**227**	755	**-**	-
Shares in subsidiaries at cost - unlisted	**-**	-	**11,960**	11,960
	227	755	**11,960**	11,960

18. INVENTORIES

	2006	2005
	€'000	€'000
Raw materials and consumables	**93,097**	63,166
Work in progress	**2,423**	1,288
Finished goods	**35,348**	32,869
	130,868	97,323

The replacement cost of stock is not considered to be materially different from the amounts shown above.

19. TRADE AND OTHER RECEIVABLES

	GROUP		**COMPANY**	
	2006	2005	**2006**	2005
	€'000	€'000	**€'000**	€'000
Amounts falling due within one year				
Trade receivables	**329,183**	255,383	**-**	-
Other receivables	**20,209**	6,911	**-**	-
Prepayments	**8,574**	5,830	**-**	-
Amounts due from subsidiaries	**-**	-	**96,348**	99,160
	357,966	268,124	**96,348**	99,160

20. TRADE AND OTHER LIABILITIES

	GROUP		**COMPANY**	
	2006	2005	**2006**	2005
	€'000	€'000	**€'000**	€'000
Amounts falling due within one year				
Trade payables	**139,503**	109,222	**-**	-
Accruals and deferred income	**90,356**	65,521	**-**	-
Irish income tax and social welfare	**861**	995	**-**	-
Other income tax and social welfare	**8,391**	5,991	**-**	-
Value Added Tax	**20,001**	11,639	**-**	-
Amount due to subsidiaries	**-**	-	**-**	40,480
	259,112	193,368	**-**	40,480

Notes to the Financial Statements as at 31st December 2006

21. INTEREST BEARING LOANS AND BORROWINGS

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	€'000	€'000	**€'000**	€'000
Current financial liabilities				
Bank loans and overdrafts	**34,110**	38,587	-	-
Finance lease and hire purchase obligations	**521**	277	-	-
	34,631	38,864	-	-
Non-current financial liabilities				
Bank loans repayable:				
between one and two years	**25,000**	25,969	-	-
- between two and three years	**28,207**	25,026	-	-
- between three and four years	**-**	24,177	-	-
- between four and five years	**-**	25	-	-
- after more than five years	**152,772**	151,602	-	-
	205,979	226,799	-	-

22. DEFERRED CONSIDERATION

For each transaction for which deferred consideration has been provided, an annual review takes place to evaluate if the appropriate conditions are likely to be met.

The deferred consideration liability is derived from a review of the acquisition proposal and subsequent budget and rolling 5 year strategic plans, which by their nature are based on a series of assumptions.

There are no material assumptions which require disclosure under IAS 36, Impairment of Assets.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Terms, conditions and risk management policies
Exposure to foreign currency, interest rate, and credit risk arises in the normal course of Kingspan's business. The Group's focus is to understand these risks and to define and implement strategies to manage the economic impact on the Group's performance. Regular meetings are held to review the results of the risk assessment, approve recommended risk management strategies and monitor the financial risk management policies.

Some of the Group's risk management strategies include the use of derivatives, mainly forward exchange contracts, interest rate swaps and cross currency interest rate swaps. Kingspan's policy prohibits the use of derivatives in the context of trading.

Funding and liquidity risks
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 meet its liabilities when due.

The Group's core funding is provided by a private placement of $200 million, of which $158 million matures in March 2015 and a further $42 million in March 2017. In addition the Group holds the following committed syndicated bank facilities:

- A €75 million multi-currency amortising term facility expiring in December 2009
- A €225 million multi-currency revolving credit facility expiring in December 2009

The Group also has in place a number of uncommitted bilateral working capital facilities to serve its working capital requirements.

Foreign exchange risks
The Group is exposed to foreign currency risks on sales, purchases and borrowings that are denominated in a currency other than the Euro. The currencies giving rise to this risk are primarily Pounds Sterling and U.S. Dollars. The Group hedges an appropriate proportion of its estimated foreign currency exposure in respect of forecasted sales and purchases over the following twelve months. The Group uses forward exchange contracts to hedge its foreign currency risk. The Group's forward exchange contracts are classified as cash flow hedges and are stated at fair value. Balance sheet exposure in relation to foreign currency is hedged as far as possible by borrowing in the same currency.

Notes to the Financial Statements as at 31st December 2006

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

The table below provides an indication of the Group net foreign currency positions as regards firm commitments and forecasted transactions as at 31st December 2006 for the most important currency pairs. The open positions are the result of the application of Kingspan's risk management policy. Positive amounts indicate that the company is long (net future cash inflows) in the first currency of the currency pair while negative amounts indicate that the company is short (net future cash outflows) in the first currency of the currency pair.

	(EUR)/GBP in €'m	(USD)/GBP in US$'m
Net internal exposure	(120)	(13)
External hedges	60	10
Residual exposure	(60)	(3)

Cash flow hedge accounting

The Group enters into forward foreign exchange contracts as hedging instruments related to the underlying gross risk of the hedged item. In conformity with the IAS 39 hedge accounting rules, hedges of firm commitments and highly probable forecasted transactions are designated as cash flow hedges. Consequently, the portion of the gain or loss on the hedging instrument that qualifies as an effective hedge is recognised directly in equity. On these cash flow hedges a net loss before tax of €336,700 has been recognised directly in equity during 2006 and recognised within accruals and deferred income representing the closing fair value of the instrument (2005: Gain €18,000).

Interest Rate Risk

The Group adopts a policy of ensuring that an appropriate proportion of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Interest rate swaps are entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy.

US Dollar Loan Notes

The Group had a private placement of US$158 million fixed interest 10 year bulletin repayment loan notes maturing on 29th March 2015, and US$42 million fixed interest 12 year bulletin repayment loan notes maturing on 29th March 2017.

To hedge the risk the company entered into US dollar fixed / EUR fixed cross currency interest rate swaps for the full amount of the private placement with semi annual interest payments with a weighted interest rate of 4.15%. The maturity date of these cross currency interest rate swaps is identical to the maturity date of the private placement in conformity with IAS 39. These hedges were designated as fair value hedges. Consequently, the changes in fair value of the cross currency interest rate swaps as well as the change in fair value of the private placement are recognised in the income statement.

Analysis of interest rate exposure

In respect of interest bearing loans and borrowings, the following table indicates the effective average interest rates at the balance sheet date and the periods in 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.

As at 31st December 2006

	Weighted average effective interest rate	Total €'000	At fixed interest rate €'000	At floating interest rate €'000	Under 5 years €'000	Over 5 years €'000
Bank overdrafts	6.25%	7,575	-	7,575	7,575	-
Bank loans	5.07%	75,440	-	75,440	75,440	-
Loan notes	4.15%	151,458	151,458	-	-	151,458
Other loans	5.21%	5,616	-	5,616	4,302	1,314
		240,089	151,458	88,631	87,317	152,772

	Total €'000	At fixed interest rate €'000	At floating interest rate €'000
Sterling	44,892	-	44,892
Euro	190,777	151,458	39,319
Others	4,420	-	4,420
	240,089	151,458	88,631

Weighted average fixed period 8.67

Notes to the Financial Statements as at 31st December 2006

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Credit Risk

Credit risk encompasses all forms of counterparty exposure relating to potential counterparty default on their obligations to Kingspan in relation to lending, hedging, settlement and other financial activities.

Kingspan mitigates its exposure to counterparty credit risk through minimum counterparty credit guidelines, diversification of counterparties, and working within agreed counterparty limits. Based on these factors, Kingspan considers the risk of counterparty default at 31st December 2006 to be minimal.

Kingspan has established minimum counterparty credit ratings and enters into transactions only with financial institutions with the designated rating, or better. To minimise the concentration of counterparty credit risk, the company enters into derivative transactions with a portfolio of financial institutions. There was no significant concentration of credit risks with any single counterparty at 31st December 2006.

In order to efficiently manage funding requirements, the Group has a series of master netting agreements with bilateral providers of working capital facilities. At the year end such agreements did not materially impact on the Group's credit risk.

Fair Value

The 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. In conformity with IAS 39 all derivatives are recognised at fair value in the balance sheet. The fair value of derivative financial instruments is either the quoted market price or is calculated using pricing models taking into account current market rates. These pricing models also take into account the current creditworthiness of the counterparties.

The fair value of these instruments generally reflects the estimated amount that Kingspan would receive on the settlement of favourable contracts or be required to pay to terminate unfavourable contracts at the balance sheet date, and thereby takes into account any unrealised gains or losses on open contracts.

Trade Receivables

Trade receivables do not bear any effective interest rate. All trade receivables are subject to credit risk exposure, which where appropriate is managed by having credit insurance policies. However, Kingspan does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised resemble a large number of receivables from various customers.

The Group is required to judge when there is sufficient objective evidence to require the impairment of individual trade receivables. It does this on the basis of a regular review of aged receivables, which incorporates the insured trading limits derived from the Group's credit insurance policy.

Cash and cash equivalents

Cash and cash equivalents have a maturity range from daily deposits to 1 month and are eligible for immediate cancellation without receiving any interest for the last deposit period.

24. PROVISIONS FOR LIABILITIES AND CHARGES

	At 01.01.06 €'000	Acquisitions €'000	Provided during year €'000	Claims paid €'000	Provisions released €'000	Translation adjustment €'000	At 31.12.06 €'000
Guarantees and warranties	30,252	2,142	29,664	(16,425)	(2,802)	(277)	**42,554**

Guarantees and Warranties

Some products carry formal guarantees of satisfactory performance of varying periods following their purchase by customers. Provision is made for the estimated cost of honouring unexpired warranties, firstly in relation to claims already received and secondly management evaluate, by product, the history of claims and the output from quality control evaluations, to determine an unexpired warranty provision.

Tate Access Floors Inc., self-insures certain risks as a shareholder in an insurance captive. Generally, the company's exposure is limited to the company's premium plus an additional assessment. Unused premiums are refundable back to the company in the form of a dividend. The company has accrued its estimate of probable loss at 31st December 2006.

Notes to the Financial Statements as at 31st December 2006

25. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities arising from temporary differences and unused tax losses can be summarised as follows:

	Assets		Liabilities		Net	
	2006	2005	**2006**	2005	**2006**	2005
	€'000	€'000	**€'000**	€'000	**€'000**	€'000
Property, plant and equipment	**(1,719)**	(1,256)	**(14,093)**	(12,112)	**(15,812)**	(13,368)
Other timing differences	**4,411**	3,622	**(577)**	(192)	**3,834**	3,430
Pension obligations	**2**	-	**6,418**	7,202	**6,420**	7,202
Unused tax losses	**-**	-	**40**	(71)	**40**	(71)
	2,694	2,366	**(8,212)**	(5,173)	**(5,518)**	(2,807)

Deferred tax arises from differences in the timing of the recognition of items, principally depreciation and capital allowances, in the financial statements and by the tax authorities. There was an unrecognised deferred tax asset of €0.2 million (2005: €3.6 million). The asset will be recognised when it has been determined that it is more likely than not that the benefit will be realised through future taxable income.

Deferred tax credited to equity during 2006 was €206,000 (2005: €891,000) representing the tax effect of the movement in the Defined Benefit pension liability. €704,000, (2005: €705,000) was credited (2005: charged) to the income statement with the remaining movement of €3,621,000 (2005: €685,000) representing the effect of acquisitions and foreign exchange movements.

26. CALLED-UP SHARE CAPITAL

	2006	2005
	€'000	€'000
Authorised		
220,000,000 Ordinary shares of €0.13 each		
(2005: 220,000,000 Ordinary shares of €0.13 each)	**28,600**	28,600
Issued and fully paid		
Ordinary shares of €0.13 each		
Opening balance - 169,245,429 shares	**22,003**	21,797
Share options exercised - 1,223,306 shares	**158**	206
Closing balance 170,468,735 shares	**22,161**	22,003

At 31st December 2006, the Group held 1,620,000 (2005: 1,620,000) of the Company's shares.

27. ADDITIONAL PAID-IN SHARE CAPITAL

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	€'000	€'000	**€'000**	€'000
At 1st January	**22,803**	20,260	**22,803**	20,260
Employee share based compensation released on exercise (Note 31)	**407**	-	**-**	-
Premium on shares issued	**3,131**	2,543	**3,131**	2,543
At 31st December	**26,341**	22,803	**25,934**	22,803

Notes to the Financial Statements as at 31st December 2006

28. OTHER RESERVES

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	€'000	€'000	**€'000**	€'000
At 1st January	**23,650**	38,868	**-**	-
Reanalysed to Retained Earnings (Note 31)	**(3,043)**	-	**-**	-
Exchange adjustments	**4,657**	(15,032)	**-**	-
Cash flow hedging	**-**	-	**-**	-
- in equity	**337**	(18)	**-**	-
Defined benefit pension scheme	**-**	2,979	**-**	-
Income taxes relating to items charged or credited to equity	**-**	(891)	**-**	-
Employee share based compensation	**-**	(2,256)	**-**	-
At 31st December	**25,601**	23,650	**-**	-

29. REVALUATION RESERVE

	2006	2005
	€'000	€'000
At beginning and end of year	**713**	713

30. CAPITAL REDEMPTION RESERVE

	2006	2005
	€'000	€'000
At beginning and end of year	**513**	513

The capital redemption reserve arose on the cancellation of Kingspan Group plc shares in 2003.

31. RETAINED EARNINGS

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	€'000	€'000	**€'000**	€'000
At 1st January	**393,898**	300,233	**26,761**	40,452
Reanalysed from Other Reserves (Note 28)	**(3,043)**	-	**-**	-
Retained profit for the year	**151,032**	111,378	**54,550**	4,022
Defined benefit pension scheme	**(685)**	-	**-**	-
Income tax relating to items charged or credited to equity	**206**	-	**-**	-
Employee share based compensation	**3,492**	-	**3,492**	-
Employee share based compensation released on exercise (Note 27)	**(407)**	-	**-**	-
Dividends	**(25,103)**	(17,713)	**(25,103)**	(17,713)
At 31st December	**519,390**	393,898	**59,700**	26,761

The Group has reanalysed Other Reserves (Note 28) to allocate out certain movements into separate reserves classifications in line with IFRS.

In accordance with Section 148 (8) of the Companies Act, 1963 and Section 7 (1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual profit and loss account to the Annual General Meeting and from filing it with the Registrar of Companies.

Notes to the Financial Statements as at 31st December 2006

32. DIVIDENDS

The Final Dividend on Ordinary Shares for 2005 (€15.0 million) was approved by shareholders in May 2006 and, in accordance with IFRS, was recognised as a charge to Reserves in the year ended 31st December 2006. The Interim Dividend on Ordinary Shares for 2006 (€10.1 million) was recognised as a charge to reserves in the year ended 31st December 2006.

The Final Dividend on Ordinary Shares for 2006 (€22.0 million) is being proposed at the Group's AGM and, in accordance with IFRS, will be recognised as a charge to reserves in the year ended 31st December 2007.

DIVIDENDS

Ordinary dividends

		2006 €'000	2005 €'000
Paid:	2005 Final dividend 8.95c per share (2004: 6.20c per share) on 167,760,629 shares	**15,007**	10,300
	2006 Interim dividend 6.00c per share (2005: 4.45c per share) on 168,244,464 shares	**10,096**	7,413
		25,103	17,713

33. MINORITY INTEREST

	2006 €'000	2005 €'000
At 1st January	**362**	415
Arising on acquisition	**2,284**	-
Dividends paid to minorities	**(14)**	(44)
Profit and loss account	**648**	(9)
At 31st December	**3,280**	362

34. CASH FLOW STATEMENT

The following non-cash adjustments have been made to the pre-tax result for the year to arrive at operating cash flow:

	2006 €'000	2005 €'000
Depreciation, amortisation and impairment charges of fixed and intangible assets	**41,957**	32,515
Employee equity-settled share options	**3,492**	2,256
Finance income	**(2,775)**	(1,535)
Finance cost	**11,620**	11,607
Loss on sale of tangible assets	**99**	1,782
Total	**54,393**	46,625

35. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2006 €'000	2005 €'000
(Decrease)/increase in cash and bank overdrafts	**(48,357)**	19,626
Decrease/(increase) in debt, lease finance and deferred consideration	**54,506**	(59,742)
Change in net debt resulting from cash flows	**6,149**	(40,116)
Loans and lease finance acquired with subsidiaries	**(15,365)**	(6,314)
Deferred consideration arising on acquisitions in the period	**(14,086)**	(11,383)
New finance leases	**(67)**	(45)
Translation movement	**(679)**	2,472
Net movement	**(24,048)**	(55,386)
Net debt at start of the year	**(163,516)**	(108,130)
Net debt at end of the year	**(187,564)**	(163,516)

Notes to the Financial Statements as at 31st December 2006

36. ACQUISITIONS

The Group made acquisitions in the year which gave rise to goodwill and intangibles, which are analysed below by relevant segment:

	Goodwill €'000	Other intangible assets €'000	Total €'000
Insulated Panels & Boards	20,249	1,610	21,859
Environmental	12,023	1,411	13,434
Off-Site & Structural	36,617	4,607	41,224
Revision of fair values on prior years acquisitions	3,895	-	3,895
	72,784	7,628	80,412

Insulated Panels & Boards Name of company/business acquired	% Voting shares Acquired	Fair value €'000	Consideration €'000	Goodwill €'000	Other intangible assets €'000
Eurobond Pacific - Insulated Panel manufacturer in Australia acquired 12th May 2006	51%	523	6,146	5,623	-
İzopoli - Insulated Panel manufacturer in Turkey acquired 28th September 2006	51%	(781)	3,177	2,818	1,140
Zer-o-loc Enterprises - Insulated Panel manufacturer in Canada acquired 14th September 2006	100%	3,112	13,710	10,128	470
Other		(1,075)	80	1,155	-
Revision of fair values on prior years acquisitions		(86)	439	525	-
		1,693	23,552	20,249	1,610

A summary of the effect of acquisitions during the year is as follows:

	Book value at acquisition €'000	Fair value adjustments €'000	Fair value to the Group €'000
Tangible fixed assets	11,978	-	11,978
Stocks	7,007	-	7,007
Debtors	6,832	-	6,832
Cash at bank and in hand	(10,516)	-	(10,516)
Creditors	(4,943)	(763)	(5,706)
Finance leases	(126)	-	(126)
Bank loans	(5,492)	-	(5,492)
Minority interest	(2,284)	-	(2,284)
Total net assets acquired	2,456	(763)	1,693
Effects of revisions of fair values above			
Goodwill			20,249
Other intangible assets			1,610
Consideration			23,552
Satisfied by:			
Consideration paid			19,749
Associated acquisition costs			852
Deferred consideration			2,951
			23,552

The goodwill arising on the above acquisitions in the Insulated Panels & Boards segment relates primarily to growth potential.

Notes to the Financial Statements as at 31st December 2006

36. ACQUISITIONS (cont'd)

Off-Site & Structural Name of company/business acquired	% Voting shares Acquired	Fair value €'000	Consideration €'000	Goodwill €'000	Other intangible assets €'000
Banro - Heavy steel section manufacturer in UK acquired 12th October 2006	100%	(5,511)	7,380	10,930	1,961
Pace - Timber frame manufacturer in UK acquired 1st December 2006	100%	(5,350)	1,987	7,188	149
Potton - Timber frame manufacturer in UK acquired 21st December 2006	100%	8,345	26,495	15,653	2,497
Other		(396)	1,812	2,208	-
Revision of fair values on prior years acquisitions		(628)	10	638	-
		(3,540)	37,684	36,617	4,607

A summary of the effect of acquisitions during the year is as follows:

	Book value at acquisition €'000	Fair value adjustments €'000	Fair value to the Group €'000
Tangible fixed assets	9,394	(122)	9,272
Stocks	5,476	-	5,476
Debtors	10,893	-	10,893
Cash at bank and in hand	2,447	-	2,447
Creditors	(20,412)	(1,469)	(21,881)
Finance leases	(2,455)	-	(2,455)
Bank loans	(7,292)	-	(7,292)
Total net assets acquired	(1,949)	(1,591)	(3,540)
Effects of revisions of fair values above			
Goodwill			36,617
Other intangible assets			4,607
Consideration			37,684
Satisfied by:			
Consideration paid			33,318
Associated acquisition costs			880
Deferred consideration			3,486
			37,684

The goodwill arising on the above acquisitions in the Off-Site & Structural segment relates primarily to growth potential.

Notes to the Financial Statements as at 31st December 2006

36. ACQUISITIONS (cont'd)

Environmental Name of company/business acquired	% Voting shares Acquired	Fair value €'000	Consideration €'000	Goodwill €'000	Other intangible assets €'000
Coppercraft - a hot water system manufacturer in Ireland acquired 27th October 2006	100%	5,859	11,914	4,937	1,118
Manco - a hot water system manufacturer in UK acquired 12th December 2006	100%	3,095	8,863	5,475	293
Other		800	1,852	1,052	-
Revision of fair values on prior years acquisitions		(318)	241	559	-
		9,436	22,870	12,023	1,411

A summary of the effect of acquisitions during the year is as follows:

	Book value at acquisition €'000	Fair value adjustments €'000	Fair value to the Group €'000
Tangible fixed assets	2,737	(66)	2,671
Stocks	2,352	-	2,352
Debtors	4,248	-	4,248
Cash at bank and in hand	4,007	-	4,007
Creditors	(3,338)	(504)	(3,842)
Total net assets acquired	10,006	(570)	9,436
Effects of revisions of fair values above			
Goodwill			12,023
Other intangible assets			1,411
Consideration			22,870
Satisfied by:			
Consideration paid			18,590
Associated acquisition costs			438
Deferred consideration			3,842
			22,870

The goodwill arising on the above acquisitions in the Environmental segment relates primarily to growth potential.

The business combinations have reported the following post acquisition profits which have been consolidated into these financial statements:	€'000
	1,561

The revenue and profit of the Group for the financial year determined in accordance with IFRS as though the acquisition dates for all business combinations effected during the year had been the beginning of that year would be as follows:

Revenue €'000	Operating profit €'000
160,518	10,960

Notes to the Financial Statements as at 31st December 2006

36. ACQUISITIONS (cont'd)

For all acquisitions completed within a six months period prior to the year end, the fair values assigned to the identified assets, liabilities, contingent liabilities and cost of acquisition are deemed provisional.

As is the norm with Kingspan's development strategy, certain business combinations have been completed after the balance sheet date, none of which are material to the Group thereby requiring disclosure either under IFRS 3, Business Combinations or IAS 10, Events After the Balance Sheet Date.

37. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

(i) Government grants
In certain circumstances, as set out in the grant agreements (the most significant of which are ceasing to trade, or the disposal of grant aided assets) grants may be repayable up to a maximum amount of €1,279,534 (2005: €1,806,543).

(ii) Guarantees and contingencies
The bank borrowings are secured by cross guarantees by Kingspan Group plc and certain of its subsidiaries.

Tate Access Floors Inc., self-insures certain risks as a shareholder in an insurance captive. Generally, the Company's exposure is limited to the Company's premium plus an additional assessment. Unused premiums are refundable back to the Company in the form of dividends. The Company has accrued its estimate of probable loss at 31st December 2006.

(iii) Leasing and hire purchase	**2006 €'000**	2005 €'000
Finance lease and hire purchase obligations net of interest are due as follows:		
- within one year	**521**	277

The above finance lease is net of future interest costs of €41,000 (2005: €21,000)

Operating lease obligations are due as follows:		
- within one year	**3,565**	1,423
- after more than one year	**4,076**	2,405
	7,641	3,828

(iv) Future capital expenditure
Capital expenditure in subsidiary entities, approved by the Directors but not provided in the financial statements, none of which relates to the holding company, is as follows:

	2006 €'000	2005 €'000
Contracted for	**23,950**	18,261
Not contracted for	**35,168**	13,721
	59,118	31,982

Capital expenditure in joint venture entities, approved by the Directors but not provided in the financial statements, none of which relates to the holding company, is as follows:

	2006 €'000	2005 €'000
Contracted for	**1,921**	-
Not contracted for	-	-
	1,921	-

Notes to the Financial Statements as at 31st December 2006

38. PENSION OBLIGATIONS

The Group operates two defined benefit and a number of defined contributions schemes, the assets of which are administered by trustees in funds independent from those of the Group. The plan assets held for the defined benefit obligations do not include any of Kingspan Group plc's shares or any assets used by the Group.

Total pension contributions for the year amounted to €11,957,000 (2005: €8,397,000) of which €4,561,000 (2005: €2,876,000) related to defined benefit schemes.

During the year €1,569,000 (2005: €1,406,000) of benefits were paid to members of the defined benefit pension scheme.

The amount recognised in the income statement relating to the defined benefit schemes has been disclosed in Note 7.

The expected contributions into the defined benefit pensions schemes during 2007 is €2,985,000.

The pension costs relating to the Group's defined benefit schemes are assessed in accordance with the advice of qualified actuaries using the attained age method. The most recent actuarial valuations were 31st March 2004 and 5th April 2004 and these have been updated to 31st December 2006 and 2005 to take account of the requirements of IAS 19, Employee Benefits.

At the year end €2,296,000 (2005: €1,642,929) was included in creditors in respect of pension liabilities and €Nil (2005: €Nil) included in debtors in respect of pension prepayments.

In general, actuarial valuations are not available for public inspection; however, the results of valuations are advised to members of the various schemes.

The major assumptions used by the actuary at each year end were:

	2006	**2005**	**2004**	**2003**	**2002**
Rate of increase in salaries	**0.00%**	0.00%	0.00%	1.73%	2.68%
Rate of increase of pensions in payment	**3.06%**	2.81%	2.77%	2.60%	2.28%
Discount rate	**5.12%**	4.75%	5.26%	5.37%	5.50%
Inflation assumption	**3.06%**	2.81%	2.77%	2.60%	2.28%

The assets in the scheme and the expected rate of return for each year end were:

	Expected rate of return	**Expected rate of return**	**Expected rate of return**	**Expected rate of return**	**Expected rate of return**
Equities	**7.14%**	7.17%	7.15%	7.35%	7.33%
Bonds	**5.00%**	5.00%	5.00%	5.00%	5.00%
Cash	**4.50%**	4.75%	4.00%	4.65%	5.00%
Other	**7.00%**	7.00%	7.00%	7.00%	4.67%

	2006 €'000	**2005 €'000**	**2004 €'000**	**2003 €'000**	**2002 €'000**
Equities	**44,502**	33,321	26,473	23,063	24,363
Bonds	**16,001**	18,554	15,066	13,214	11,717
Cash	**621**	462	469	184	283
Other	**160**	77	61	47	85
Total market value of assets	**61,284**	52,414	42,069	36,508	36,448
Actuarial value of liability	**(82,242)**	(76,423)	(64,733)	(53,732)	(51,590)
Recoverable deficit in the scheme	**(20,958)**	(24,009)	(22,664)	(17,224)	(15,142)
Related deferred tax asset	**6,287**	7,203	6,799	5,167	4,543
Net pension liability	**(14,671)**	(16,806)	(15,865)	(12,057)	(10,599)

Notes to the Financial Statements as at 31st December 2006

38. PENSION OBLIGATIONS (cont'd)

Movement in deficit during the year	2006 €'000	2005 €'000	2004 €'000	2003 €'000	2002 €'000
Deficit in fund at beginning of year	(24,009)	(22,664)	(17,224)	(15,141)	(4,920)
Movement during year:					
(Current service cost)	(35)	(29)	(27)	-	(910)
Contributions paid by the employer	4,561	2,876	2,885	170	272
Net return on assets/(interest cost) charged to income statement	(418)	(711)	(590)	(464)	320
Translation (loss)/gain	(372)	(502)	(300)	1,173	316
Actuarial loss	(685)	(2,979)	(7,408)	(2,962)	(10,220)
Deficit in fund at end of year	(20,958)	(24,009)	(22,664)	(17,224)	(15,142)

History of experience gains and losses	2006 €'000	2005 €'000	2004 €'000	2003 €'000	2002 €'000
Difference between expected and actual return on fund assets:					
amount	2,075	5,202	1,323	2,747	(7,395)
percentage of fund assets	3.4%	10.0%	3.0%	8.0%	(20.0%)
Experience gains and losses on fund liabilities					
amount	(2,731)	(6,853)	(3,727)	(72)	(958)
percentage of fund liabilities	(3.3%)	(9.0%)	(6.0%)	(0.1%)	(2.0%)
Total amount recognised in statement of total recognised income and expenditure:					
amount	(685)	(2,979)	(7,408)	(2,962)	(10,220)
percentage of fund liabilities	(0.8%)	(4.0%)	(11.0%)	(6.0%)	(20.0%)

39. RELATED PARTY TRANSACTIONS

The Group purchased the following services at arms length from companies controlled by Mr. Eugene Murtagh:

	2006 €'000	2005 €'000
Travel services	535	540
Hotel	29	8
	564	548

The Group purchased the following services at arms length from companies controlled by Mr. Brendan Murtagh:

	2006 €'000	2005 €'000
Travel services	83	-

There was no balance owed to or from any related parties at 31st December 2006. (2005: no balances)

The Company received dividends from subsidiaries of €58,042,000, and there was a movement of inter company balances of €37,668,000.

Notes to the Financial Statements as at 31st December 2006

40. GROUP COMPANIES

The principal subsidiary companies and the percentage shareholding held by Kingspan Group plc, either directly or indirectly, at the balance sheet date are as follows:

	Shareholding %	Nature of Business
Ireland		
Envirocare Pollution Control Limited	100	Sales & Marketing
Kingspan Europe	100	Holding Company
Titan Environmental Limited	100	Manufacturing
Kingspan Holdings (Irl) Limited	100	Administration
Kingspan Securities Limited	100	Finance Company
Kingspan Holdings (Overseas) Limited	100	Holding Company
Kingspan Insulation Limited	100	Manufacturing
Kingspan Limited	100	Manufacturing
Kingspan Research & Development Limited	100	Product Development
Thermal Product Developments Limited	100	Product Development
Kingspan Century Limited	100	Manufacturing
Kingspan Fabrik Limited	100	Manufacturing
Registered Office: Dublin Road, Kingscourt, Co. Cavan, Ireland		
Coppercraft Limited	100	Manufacturing
Registered Office: Kylemore Park West, Ballyfermot, Dublin 10, Ireland		
Kingspan Finance	100	Finance Company
Kingspan International Finance	100	Finance Company
Registered Office: West Block, IFSC, Dublin 1, Ireland		
United Kingdom		
Kingspan Environmental Containers Limited	100	Holding Company
Polmeric Mouldings Limited	100	Manufacturing
ROM Aqua Limited	100	Sales & Marketing
Titan Environmental Limited	100	Manufacturing
Sensor Systems (Watchman) Limited	100	Manufacturing
Registered Office: Seapatrick, Banbridge, Co. Down, Northern Ireland		
Tyrrell Tanks Limited	100	Manufacturing
Registered Office: 37 Seagoe Industrial Estate, Portadown, Co. Armagh, Northern Ireland		
Environmental Treatment Systems Limited	100	Manufacturing
Registered Office: College Road, Aston Clinton, Aylesbury, Buckinghamshire, UK		
Kingspan Holdings (Structural & Offsite) Limited	100	Holding Company
Kingspan Holdings (Panels) Limited	100	Holding Company
Kooltherm Holdings Limited	100	Holding Company
Kingspan Investments Limited	100	Holding Company
Interlink Fabrications Limited	100	Manufacturing
Kingspan Group Limited	100	Holding Company
Kingspan Limited	100	Manufacturing
Kingspan Century Limited	100	Manufacturing
Wards Insulated Panels Limited	100	Sales & Marketing
Albion Water Heater Limited	100	Manufacturing
Range Cylinders Limited	100	Manufacturing
Copperform Limited	100	Manufacturing
Manchester Coppersmiths Limited	100	Manufacturing
Potton Limited	100	Manufacturing
Banro Sections Limited	100	Manufacturing
Pace Timber Systems Limited	100	Manufacturing
Pace Timber Engineering Limited	100	Manufacturing
Pace Timber Systems (Northern) Limited	100	Manufacturing
Registered Office: Greenfield Business Park No. 2, Holywell, North Wales, UK		

Notes to the Financial Statements as at 31st December 2006

	Shareholding %	Nature of Business
Kingspan Access Floors Limited **Registered Office:** Marfleet, Hull, Yorkshire, UK	100	Manufacturing
Kingspan Insulation Limited **Registered Office:** Pembridge, Leominster, Herefordshire, UK	100	Manufacturing
Kingspan Metl-Con Limited **Registered Office:** Sherburn, Malton, North Yorkshire, UK	100	Manufacturing
Australia		
Kingspan Insulated Panels Pty **Registered Office:** 38-52 Dunheved Circuit, St Marys, Sydney, NSW 2760, Australia	51	Sales & Marketing
Austria		
Kingspan GmbH **Registered Office:** Techgate Tower, Donau-City Straße 1, 1220 Vienna, Austria	100	Sales & Marketing
Belgium		
Kingspan Door Components S.A. **Registered Office:** 1A Zone Industrielle de l'Europe 2, 7900 Leuze-en-Hainaut, Belgium	100	Manufacturing
Kingspan N.V. **Registered Office:** Bouwelen 17, Industriepark Klein Gent, 2280 Grobbendonk, Belgium	100	Sales & Marketing
Canada		
Zer-o-loc Enterprises Limited **Registered Office:** 3000 Royal Centre, PO BOX 11130, 1055 West Georgia Street, Vancouver BC, V6E 3R3, Canada	100	Manufacturing
Czech Republic		
Kingspan a.s. **Registered Office:** Vázní 465, 500 03 Hradec Králové, Czech Republic	100	Manufacturing
Denmark		
Kingspan Miljocontainere A/S **Registered Office:** Amerikaveg 1, 7000 Fredericia, Denmark	100	Sales & Marketing
Germany		
Kingspan Tek GmbH **Registered Office:** Beusterstraße 1a, 16348 Klosterfelde, Germany	100	Manufacturing
Kingspan Holding GmbH	100	Holding Company
Kingspan GmbH **Registered Office:** Am Schornacker 2, 46485 Wesel, Germany	100	Sales & Marketing
Hong Kong		
Kingspan China Limited **Registered Office**: 26 Wong Chuk Hang Road, Aberdeen, China	80	Manufacturing
Hungary		
Kingspan Kereskedelmi Kft **Registered Office:** 2367 Ujhartyan, horka Dulo 1, Hungary	100	Manufacturing

Notes to the Financial Statements as at 31st December 2006

	Shareholding %	Nature of Business
Lithuania		
UAB Kingspan	100	Sales & Marketing
Registered Office: Draugystes g.19, Kaunas, Lithuania		
Luxembourg		
Kingspan Luxembourg Sarl	100	Finance Company
Registered Office: 498 Route d'Esch, L-1471, Luxembourg		
Netherlands		
Kingspan Holdings Netherlands B.V.	100	Holding Company
Kingspan B.V.	100	Sales & Marketing
Kingspan Insulation B.V.	100	Manufacturing
Registered Office: 6669 ZG Dodewaard, Netherlands		
Poland		
Kingspan Sp.z o.o.	100	Sales & Marketing
Registered Office: ul. Przemyslowa 20, ap 27-300 Lipsko, Poland		
Titan-Eko Sp.z o.o.	100	Manufacturing
Registered Office: ul. Dabrowskiego 75/75, 60-523 Poznan, Poland		
Romania		
Kingspan S.R.L.	100	Sales & Marketing
Registered Office: B-dul lancu de Hunedoary nr. P, bl.11, sc. 2et., ap. 50, sector 1, Bucharest, Romania		
Slovakia		
Kingspan s.r.o	100	Sales & Marketing
Registered Office: Ceska 3, 831 03 Bratislava, Slovakia		
Spain		
Kingspan Suelo Technicos	50	Sales & Marketing
Registered Office: C/Guindos, 2 San Sebastian Delosreyes, 28700 Madrid, Spain		
Turkey		
İzopoli Yapı Elemanları Taahhüt San. ve Tic. A.Ş	51	Manufacturing
Registered Office: Istanbul - Besiktas, Ortakoy, Ciragan Cad. No:97, Turkey		
Ukraine		
Kingspan LLC	100	Sales & Marketing
Registered Office: Molodogvardiyska street 11, 03151 Kiev, Ukraine		
United States of America		
Kingspan Holdings US Inc.	100	Holding Company
Registered Office: c/o Entity Services Group LLC, 103 Foulk Road, Suite 202, Wilmington Delaware, 19803, USA		
Tate Global Corporation Inc.	100	Holding Company
Tate Access Floors, Inc.	100	Manufacturing
Registered Office: 7510 Montevideo Road, Jessup, Maryland, 20794, USA		
ASM Modular Systems Inc.		
Registered Office: 9500 Industrial Center Drive, Ladson, South Carolina, 29456, USA		

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Directors on 5th March 2007.

Group Five Year Summary

RESULTS (Amounts in €millions)	IFRS 2006	IFRS 2005	IFRS 2004	IRISH GAAP 2003	IRISH GAAP 2002
Revenue	1461.2	1,243.4	958.1	783.9	739.6
Operating income	194.0	145.1	103.3	71.5	73.1
Net result before tax	185.2	135.0	96.4	65.4	63.7
Operating cash flow	201.5	179.6	105.4	75.7	103.0

EQUITY (Amounts in €millions)	IFRS 2006	IFRS 2005	IFRS 2004	IRISH GAAP 2003	IRISH GAAP 2002
Gross assets	1,160.4	969.5	722.6	592.1	611.2
Working capital (stock / debtors / creditors)	229.7	172.1	152.9	113.5	102.7
Ordinary shareholders equity	543.5	416.3	304.6	248.4	235.9
Bank debt and lease obligations (net)	187.6	163.5	108.1	120.8	117.3

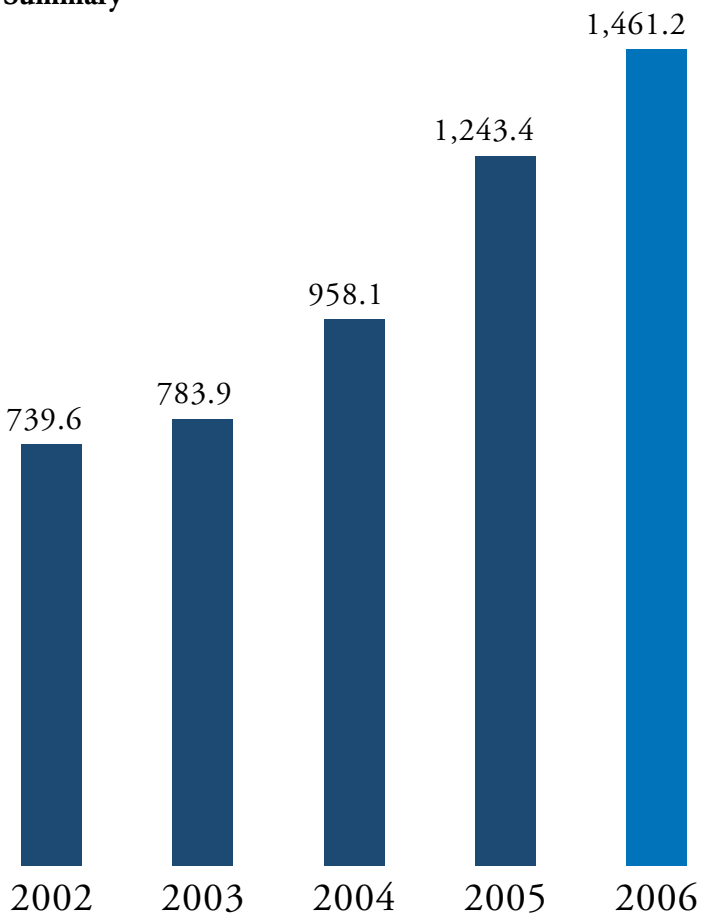
RATIOS	IFRS 2006	IFRS 2005	IFRS 2004	IRISH GAAP 2003	IRISH GAAP 2002
Net debt as % of shareholders' equity	34.5%	39.2%	35.4%	48.6%	49.7%
Current assets / current liabilities	1.52	1.64	1.31	1.52	1.55

PER ORDINARY SHARE (Amounts in €cent)	IFRS 2006	IFRS 2005	IFRS 2004	IRISH GAAP 2003	IRISH GAAP 2002
Earnings	89.8	66.4	47.1	31.2	30.2
Operating cash flows	119.8	107.2	63.6	45.9	61.6
Net assets	325.2	248.6	184.2	151.3	142.1
Ordinary dividends	19.0	13.4	9.60	7.20	5.90

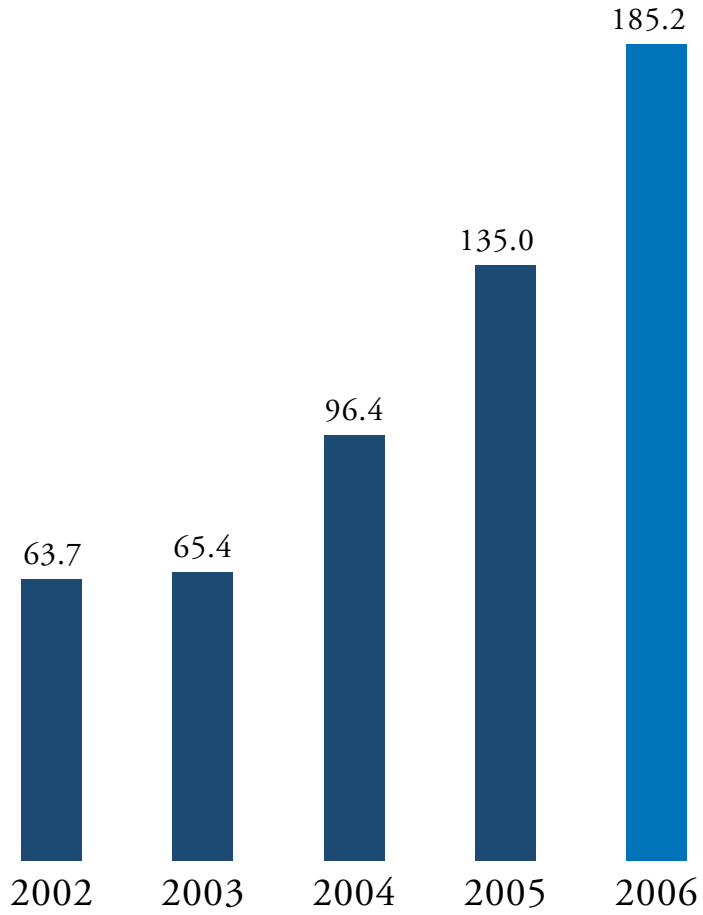
AVERAGE NUMBER OF EMPLOYEES	5,090	4,436	3,351	3,180	3,102

Group Five Year Summary

REVENUE
€million



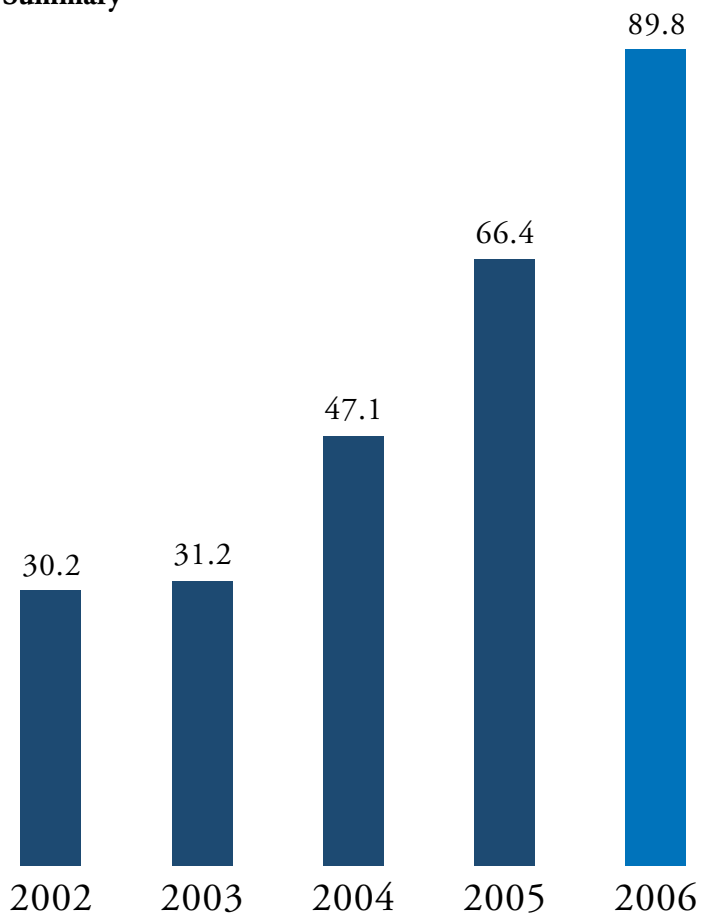
NET RESULT BEFORE TAX
€million



Revenue and results above for 2006, 2005 and 2004 are presented under IFRS with all other years presented under Irish GAAP.

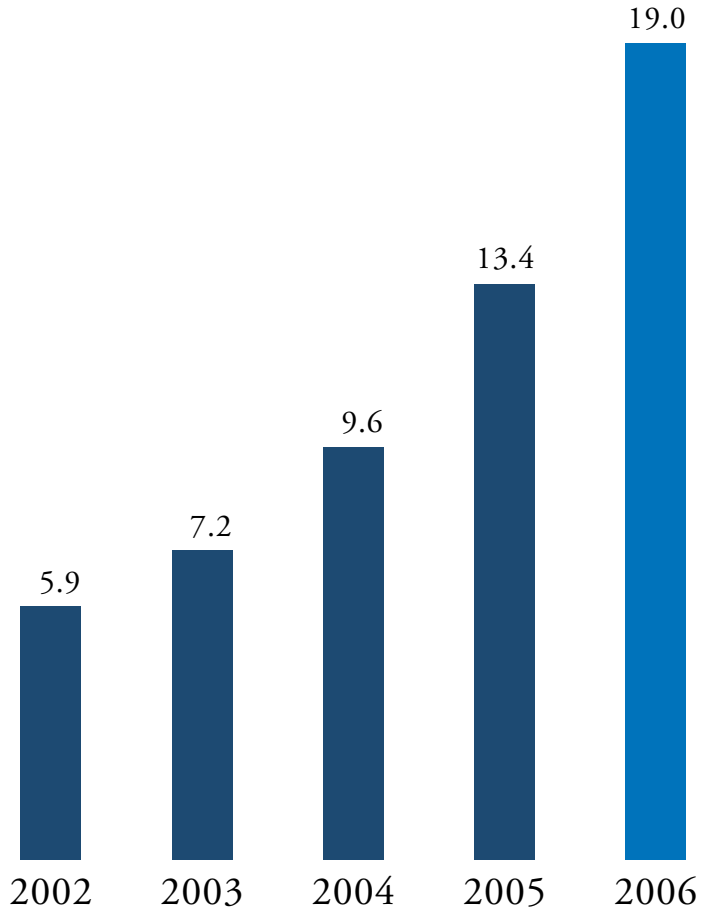
Group Five Year Summary

EARNINGS PER SHARE
€Cent



Earnings per share above for 2006, 2005 and 2004 are presented under IFRS with all other years presented under Irish GAAP.

DIVIDENDS PER SHARE
€Cent



Kingspan Group plc

Dublin Road, Kingscourt,
Co. Cavan,
Ireland

Telephone: +353 42 969 8000
Fax: +353 42 966 7501

Email: admin@kingspan.ie

www.kingspan.com