

Report of the Directors

The Directors have pleasure in presenting their report with the audited financial statements for the year ended 31st December 1999 which are set out on pages 50 to 72.

Results and Dividends

Group turnover at €532.5m was 44.4% higher than 1998. Group profit on ordinary activities before taxation amounted to €58.7m, an increase of €10.7m (or 22.4%) on the previous year. Profit attributable to ordinary shareholders showed a rise of 25.1% or €9.1m to €45.7m, while earnings per share were 27.2c representing an increase of 24.2% compared with 21.9c in the previous year.

An interim dividend of 0.93c per share was paid in November 1999. It is proposed to pay a final dividend of 1.57c per share on 26th June 2000 to shareholders registered on 26th May 2000. The total dividend of 2.50c compares with 1.71c in 1998, an increase of 46%. Retained profit for the year amounted to €41.4m.

Business Review & Future Developments

Kingspan Group is a major manufacturer of an integrated range of products for the construction industry. A detailed review of the business and commentary on the results are contained in the Chairman's Statement, Operations Review and Financial Review on pages 7 to 26.

Research & Development

The Group continues to place considerable emphasis on research and development of existing and new products and the improvement of the production process.

Board of Directors

The Directors of the company at the date of this report are shown on page 29.

Robert Barr and Gene Murtagh were co-opted to the Board on 1st November 1999 and offer themselves for election by the members at the Annual General Meeting. Rory O'Hanlon and Sam Rusk, neither of whom have service contracts, retire from the Board by rotation and, being eligible, offer themselves for re-election.

Directors' & Secretary's Interests in Shares & Debentures

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:

| Director | Holding at 31 Dec 1999 | Holding at 31 Dec 1998 |
|------------------|---------------------------|---------------------------|
| Eugene Murtagh | 40,000,000 | 40,000,000 |
| Eoin McCarthy | 3,000,000 | 3,000,000 |
| Dermot Mulvihill | 927,495 | 1,077,495 |
| Sam Rusk | 400,000 | 400,000 |
| Russell Shiels | 78,330 | 68,330 |
| Gene Murtagh | 78,000 | 78,000* |
| Kevin O'Connell | 58,330 | 58,330 |
| Pat Molloy | 25,000 | 25,000 |
| Jim Paul | 23,065 | 23,065 |
| Rory O'Hanlon | 14,260 | 14,260 |
| Danny Kitchen | 3,000 | 3,000 |
| Secretary | | |
| Gordon Murphy | 17,500 | 17,500 |

* Represents shares held at the time of appointment to the Board in November 1999

Between 31st December 1999 and 23rd March 2000, Robert Barr purchased 10,000 ordinary shares and there were no other transactions in Directors' and Secretary's beneficial interests.

Significant Events since the Year End

There were no significant events since the year end.

Special Business at the Annual General Meeting

Shareholders are being asked to renew until the Annual General Meeting in 2001, 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. Shareholders are also being asked to renew, until the Annual General Meeting in 2001, the authority to disapply the strict statutory pre-emption provision 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.

Shareholders are also being asked to renew, until the Annual General Meeting in 2001, the powers to give the Company, or any of its subsidiaries, the authority to purchase up to 10% of the Company's own shares and to reissue such shares purchased by it and not cancelled. The Directors would only exercise the power to purchase the Company's own shares at price levels which they considered to be in the best interests of the shareholders generally, after taking account of the Company's overall financial position. The minimum price which may be paid for a purchase of the Company's own shares shall be the nominal value of the ordinary shares and the maximum price which may be paid shall be 105% of the then average market price of the ordinary shares.

A resolution to amend the Company's Articles of Association so that one third of the executive directors retire by rotation and are subject to re-election each year is also proposed.

Substantial Shareholdings

Eugene Murtagh's shareholding at the date of this report amounted to 23.8% of the issued share capital of the Company. Details of Directors shareholdings at 31st December 1999 are set out above.

The Directors have been notified of the following other substantial shareholdings at the date of this report:

| | | |
|---|------------|-------|
| AIB Custodial Nominees (<i>note</i>) | 21,677,123 | 12.9% |
| Bank of Ireland Nominees (<i>note</i>) | 17,323,380 | 10.3% |
| Standard Life Investments | 9,034,557 | 5.4% |
| Citibank Nominees (Ireland) (<i>note</i>) | 6,711,313 | 4.0% |
| Norwich Union Life Insurance | 6,581,598 | 3.9% |
| Brendan Murtagh | 6,425,000 | 3.8% |
| Scottish Provident (Irish Holdings) | 5,635,000 | 3.4% |
| Forbairt | 5,263,200 | 3.1% |
| HSBC Global Nominees (UK) (<i>note</i>) | 5,285,425 | 3.1% |

Note: AIB Custodial Nominees, Bank of Ireland Nominees, Citibank Nominees (Ireland) and HSBC Global Nominees (UK) have stated that these shareholdings are in respect of non-beneficial interests.

Apart from these holdings, the Company has not been notified of any other interest of 3% or more in its issued ordinary share capital.

Health and safety

The well being of the Group's employees is safeguarded through the strict adherence to health and safety standards and, in the opinion of the Directors, all relevant Group companies meet the requirements of the Safety, Health and Welfare at Work Act, 1989.

Subsidiary companies

The Company's principal subsidiary undertakings at 31st December 1999, country of incorporation and nature of business are listed on pages 71 to 72.

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:

E. Murtagh, Director

D. Mulvihill, Director

23rd March 2000

*Building
to the
power
of Kingspan*