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newsletter

Ambitions in Southeast Europe

South East Europe is one of the fast growing market regions. With this winter's acquisition of a second factory in Hungary, the Rockwool Group is well placed for further expansion.

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► DEVELOPMENT OF THE GROUP IN 2004

Our factories run at full speed – in August People & Brands part II will be presented

At the same time last year, the Group still found itself in a situation of considerable overcapacity and very few signs in the market pointed to the fact that almost all our European factories in the first half of 2004 would be running at full speed! The Group could therefore announce a healthy sales growth of 7% from first quarter 2003 to first quarter 2004 to the Copenhagen Stock Exchange after the Rockwool International board meeting on 28 May. Sales growth is primarily carried by the Russian market but also most of our other markets in Eastern and Central Europe contribute very positively. In addition, the market situation in most Western European countries seems – as a minimum – to have stabilised after the recession which started in Germany in 1999. The picture in this part of Europe is in general characterised by healthy development of the residential markets, continued difficulties in the non-residential markets and increased insulation thicknesses in several countries due to changed building regulations.

Lots of actions in our factories

Since the summer of 2003 we have taken several measures in order to be prepared for the present strong growth in sales. Many projects were initiated in

relevant factories in order to increase capacity. In addition, the Group has from the beginning of this year built up stocks in order to be optimally prepared for the high season.

Good news: price increases

Since the reunification of Europe which started in 1989 and culminated in May this year with 8 former Eastern European countries joining the European Union, the European mineral wool industry has on average been faced by unchanged sales prices for its products. It is positive to see that this trend has now been broken and that we finally are able to recuperate some of the cost increases which we have been faced with over the past 15 years.

Value for money

It is important that we continue to focus on the area of sales prices. However, this development will have to be supported by our continuous efforts to give our customers value for money. Without increasing our own relative cost base we should develop better and more optimal logistic systems, develop new products and systems giving our customers better performance and/or reduced cost of installation, increase our level of expertise in order to contribute to a more efficient building process etc. etc.

Raw materials increased considerably

A more down to earth reason for the need to increase our sales prices extraordinarily is the fact that the price of energy related raw materials has increased considerably recently. This counts for oil, gas and electricity but in particular for coke. Due to the overheated Chinese economy there is scarcity of this raw material worldwide – a situation which hits stone wool – and steel manufacturers hard. Group Procurement has so far done a satisfactory job in securing supplies for this year at market conform prices. We are also focusing many efforts to do the same for 2005.

Increased efficiency in our factories

Efficiency improvements in our factories remain an essential corner stone in our efforts to improve the performance of the Group. So far, the year has started out at an acceptable level, no doubt supported by the fact that almost all our factories run at maximum capacity. In good co-operation between Group Technology and OPCOs, many smaller and bigger proposals for cost savings are generated continuously. Group Management is not satisfied by the speed with which good ideas are rolled out within the Group and has initiated actions

for improvement through relevant fora like steering groups, TAC (Technical Advisors Committee) etc.

Under pressure

In line with the Group's target to generate a minimum free cash flow of 2% of net sales, Group Management focuses heavily on investment expenditure as well as working capital development. The considerable need for additional capacity in the Group puts a strain on keeping to our published expenditure level of approx. DKK 800 million (EUR 107 million) for 2004 as we wish to continue our programme to initiate cost saving investments as well as investments related to introduction of new products and services and the ones required to comply with environmental regulations.

Working capital to be improved

One way to be able to afford extension of our investment expenditure is improvement of our working capital. Eliminating the effect of our programme to build up stocks for the high season, we see a slight improvement in first quarter 2004 in our debtor and creditor positions. However, continued management focus is needed to ensure on the one hand that our customers and suppliers get payment terms which comply



with local circumstances, on the other hand that these conditions are kept from both sides in a punctual way at all times.

The Group forwarded the message to the Copenhagen Stock Exchange on 28 May that it expects a profit after tax and minority interests for 2004 of approx. DKK 350 million which is approx. DKK 50 million more than previously stated.

Follow up on People & Brands

The People & Brands process so far intended to put the Groups strategy, activities and focus areas into perspective and linked these to market and competitor behaviour around us. When you read this article, the results of the employee satisfaction survey as described in the last newsletter will be available to Group Management and we will be in the process of incorporating the conclusions into People & Brands part II, which will be initiated at the company meeting to be held in Hedehusene on 25/26 August this year. I look forward to reporting from this meeting in the next newsletter edition in September.

EELCO VAN HEEL



Heathrow contract win

The world's busiest international airport – London Heathrow – is extended with a new terminal. High performance insulation products from Rockwool Ltd. help to make it a comfortable and a safe place for the passengers.

The terminal 5 project at the London's Heathrow airport is a huge project. Occupying an area equivalent to 50 football pitches. The new terminal will be 396 metres long and 176 metres wide. The work started in the autumn of 2002 with an expected completion date of spring 2008.

Rockwool Ltd. secured a major order for the roofing with the UK's leading cladding contractor Hathaway Roofing Ltd. A total of 281,000 m² of Rockwool products will be supplied during 2004 and well into 2005.

"Rockwool materials were chosen for their unique combination of thermal, acoustic and fire insulation properties", says Phil Dodd, technical sales consultant in Rockwool Ltd. "In particular Rockwool products performed well in acoustic tests of sound absorption within the building and acoustic break of aircraft noise from outside the building".

The terminal will be the largest single span building in the UK. Due to the expanse and the unusual curved shape design of the roof, it has to be manufactured in sections off site. It took a team of 12 specialist engineers 10 hours to lift the first 2,500 tonne section of the spectacular single-wave roof into place. It will take five similar lifts between now and the end of the year to complete the construction of the 18,500 tonne roof, creating the terminal's giant outer shell.

"The use of pre-fabricated elements leaves only the final layer of insulation and the weatherproof top-sheet to be installed on site", says Dodd. "The aim is to significantly reduce the level of activity on what is already a complex site with enormous logistical issues to solve. So meeting the customers' requirements in this respect was an important element in the selection process."

VANESSA HATTON

MARKETING SERVICES MANAGER | ROCKWOOL LTD.



The high growth potential of the Hungarian market has been further enhanced by the recent EU membership. The headquarter of one of the main Rockwool ESE offices is located in Budapest.

Ambitions in Southeast Europe

The Rockwool Group acquired its second Hungarian factory this winter. Managing director Hans Schreuder reports on the plans and prospects in one of the fast growing market regions.

Christmas present

When the right opportunity is there, you have to seize it! With the takeover of a new factory in Hungary, the Rockwool Group has progressed on its path of making capacity available in the right location by strengthening its base in South East Europe. After signing a purchase agreement around Christmas, the URSA group stone wool factory in Tapolca (25 km south of Goganfa) was transferred to Rockwool East South Europe (ESE) on 1 February 2004.

Thanks to this purchase, Rockwool ESE has dramatically improved the balance between continuously growing demand and its own available production. Apart from adding capacity within the ESE region, we are also very pleased to welcome

a team of 89 highly motivated employees. After a turbulent past with many changes in ownership since the Tapolca enterprise was set up in 1968, the Rockwool Group purchase is perceived as a very positive development. There is not one second of doubt about the benefits of becoming part of the Rockwool Group, a very clear WIN-WIN situation for both parties.

The Hungarian market

The purchase enables the Rockwool Group to strengthen its position in the Hungarian market with its high growth potential, a potential that has been even further enhanced by Hungary's recent entry into the EU.

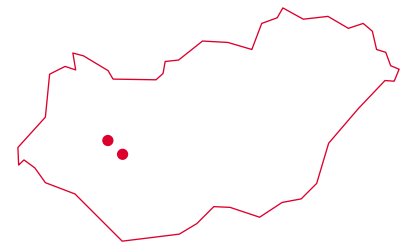
In the past, as part of the URSA group, the factory was mainly dedicated to roof-board production for export (60% of its capacity) to markets like Austria, Italy and France. As the only stone wool producing company in Hungary, the Rockwool Group expects to boost its growth in the short term. The available capacity will be mainly used to supply the Hungarian market, with any surplus being easily digested by the other ESE regions. We expect to consolidate our historically strong position in the Roof insulation sector, while accelerating our growth in the General Building insulation sector.

Almost doubling of output

A de-bottlenecking project is already underway at Tapolca which should see the output almost double by next year. Initially the operation is being run as a separate business unit within Rockwool ESE. In this way we aim to secure a phased, seamless integration with the Rockwool ESE structure, safeguarding the combined strengths of the existing operations and organisations.

After 4 months of running the factory, significant improvements – both output and quality wise – have been achieved thanks to Rockwool experience and knowledge being made available to the Tapolca team. This rapid progress is, yet again, a shining example of the strength of the Rockwool Group in action. So far, without any material investments, the current performance of the production line is

The two Rockwool factories in Hungary are placed in the western part of the country.



better than anything ever achieved in the factory's thirty year history.

This acquisition represents a very solid foundation on which to build and to realise the ambitious growth and market position targets for our region. The swift move of customers to show a preference for our products instead of the URSA 'Glasco-rock' brand, highlights the strong quality image that accompanies the Rockwool brand.

We are convinced that by establishing a firm link between our highly motivated people, our new customers and the strong Rockwool brand, we will create the opportunities to outperform the general market and thereby our competitors.

HANS SCHREUDER

MANAGING DIRECTOR | ROCKWOOL ESE, HUNGARY



After a turbulent past with many changes in ownership, the Tapolca factory is now part of the Rockwool Group. Investments of approx. EUR 13 mill. are envisaged in 2004 to lift quality and output.



Far from home

Erik Buch Procida left a job as sales division manager in Grodan, Denmark, to take up the position as responsible for the Rockwool Group's production and sales in Asia – and besides the career opportunities it was important for him that the whole family would be well settled-down.

A journey of at least six time zones to a completely different culture – to a place in the world, where the Rockwool name is not so known, and where the main argument to insulate is to protect yourself against the heat.

In brief, everything was turned upside down for Procida, when he began the job as managing director for Roxul Asia Sdn Bhd on 1 February.

“The Rockwool Group is leading in Europe, however in Asia, where our name is Roxul, we are a small supplier. And we cannot use the Rockwool brand, as this name is a generic term in most of Asia and therefore cannot be a registered trademark. We also have to be self-propelled and independent of daily support from the Group, because when the distance is six hours, we are working when our European colleagues are off work. Finally, there are major cultural differences”, says Procida.

Knowledge and local conditions are combined

Even if the distance between Europe and Asia is long in time and culture, Procida thinks that precisely experience gained from Europe makes a difference:

“The key to our success in Asia is the fact that we are developing on the basis of our knowledge and technology – but implementing on local premises. And we show our commitment by being present in Asia”, he underlines.

The management style is different, as employees in Asia traditionally expect a manager to tell them what to do, and as strategy, planning and work structures are less known concepts. But the new manager is pleased to note that the factory in Melaka has succeeded in involving its employees and give them responsibility and make them appreciate the importance of structure, if the business is to develop.

The performance reviews were the key

Procida thinks that the internal job change is like starting in a new company. He began in the Grodan Group in 1997 and was sales division manager of among others Italy and Greece – which are the countries in Europe where the cultures are closest to the Asian ones – before he came to Asia.

In earlier performance reviews he had stated that he was prepared for a new job abroad and that he was open for all opportunities:

“I had clarified the matter with my family – nevertheless it was a surprise when I was offered the job in Malaysia. But it only shows that staff development also works in the real world”.

Rockwool International A/S made an 'expatriate service package', which was very helpful for the married couple who has two girls at the age of 4 and 1 year. Several practical things are taken care of beforehand, and Procida also finds it



Malaysia is a country of contrasts - the Rockwool Group acquired a factory here in 2000.

important that he and his wife had the opportunity to visit the factory in Malaysia before they gave their final consent:

"You may hear and read a lot, but Asia is so different that you have to see it with your own eyes. And not least the chemistry has to be right. But after the visit, we were even more interested!"

Even if the 'expatriate service package' was very supportive, the family was still surprised to learn how many details they had to take care of: forwarding of mail, new correct insurances, etc.

Family and career

The organisation in Malaysia is small, but the very service minded Asians did what they could to help the family get installed. There are around 500 Scandinavians in the country, and the new network quickly was a big help to the family in practical matters:

"However, there is a risk of getting to live in an 'expatriate environment', which would be a shame. It's very useful in the beginning – but local contacts are also important. Not least from a business point of view", says Procida.

After the summer holidays, the oldest daughter will start in an English speaking school, and the family thinks that it is easier to go abroad with small children.

"Besides the technical aspect, the career opportunities, the family has been given priority. It is important that all four of us take advantage of the expatriation. And now my wife can allow herself to stay at home and look after the children. They will have a childhood which we could not give them at home".

Energy consumption down!

With 22 million inhabitants, Malaysia is one of the small Asian countries with a population like a melting pot with big contrasts: The skyscrapers in the capital of Kuala Lumpur give you the association of all big cities in the world, whereas the country population lives in primitive shacks.

However, Malaysia has made economical progress after



Erik Buch Procida is now managing director, stationed in Malaysia. International assignments will grow in importance in the future - an opportunity for challenges and personal development.

the recession in Asia some years ago, the infrastructure is good, there is political stability and agreements are usually being kept – however, seldom written down.

Most of the world agrees that one of the most important arguments for using our insulation is to keep out coldness, however, this argument is no good in Malaysia's tropical climate: Here you have to keep out the heat.

There is a tradition to use air conditioning, which means expenses for power supply and energy use. According to Procida, Asians like to save money and it is difficult to convince them of the advantages of investing in insulation. They find it more useful to invest in air conditioning, where you can see the equipment and turn the knobs, whereas insulation is hidden.

"And insulation standards are only now starting to appear in construction. Asians are beginning to understand the need for lower energy consumption if you want to avoid problems only few years ahead, when Malaysia will no longer be self-sufficient in fuel. The road is long and stony – but we have the opportunity to enter the market during this change process".

ERLING MADSEN | JOURNALIST/AJOUR PRESSEBUREAU APS

Prepared for an international assignment? – The Global Assignment Manual guides you.

The Rockwool Group operates in 35 countries and cultures all over the world, and global assignments of our employees will be even more important in the future. To help facilitate the process and to ensure a uniform treatment of international assignments across the Group, the Rockwool Global Assignment Manual was introduced on the Intranet at the beginning of May.

The list of questions is endless when starting the process of an international assignment:

- What is an international assignment?
- What is the composition of the remuneration package and how is it calculated?

- What about taxes, social security and pension?
- And the accompanying family?
- Is visa or work permit needed?
- Who does what?

With the manual in hand, all managers and employees involved in the process have an effective tool that describes the set of guidelines and rules to be followed before, during and after an international assignment.

The consistent use of the manual and an excellent, cross-company co-operation between everyone involved in both the home and the host company constitute the prerequisites for a successful international assignment!



Strategy at work

A new way ahead for R&D

More systems and solutions. Alliances with other players. Support to BuildDesk. The direction of the People & Brands strategy has changed the agenda for Group Research & Development. Focus and dedicated organisational development are essential ingredients to meet the new challenges

Few departments in the Rockwool Group are more directly affected by the People & Brands campaign than the R&D department. Development of new systems and solutions is a cornerstone in the new strategy and the tasks ahead are considerable.

The new priorities, however, do not seem to give Thomas Heldgaard sleepless nights. On the contrary, the young vice president in charge of Group R&D seems genuinely thrilled with the challenge.

“It’s an exciting period we are going through! The strong focus on value adding solutions means that we have to think hard about set-up in terms of know-how and resources. To work out building systems – e.g. a partition wall or a roof – with a range of components from other manufacturers, requires skills in many different areas and if you fail in one of them, the market will punish you!”

Defining the role and competencies of his team has taken up a lot of Heldgaard’s time since the new strategic signals were sent out. He gathered together his management team to update the strategy document for his department, based on the new approach to the market.

“To be or not to be, that **is** the question. We cannot be world champions in all fields, but must focus our resources. For the rest, we will draw on expertise from the outside world. Alliances with external partners – both research institutes and commercial players – will be an increasingly

important element in the future”, explains Heldgaard. However, the really important areas – the core competencies – will be maintained in-house.

So what are these future competencies? The new Rockwool mission provides much of the answer.

“The organisation has been streamlined according to the new mission”, says Heldgaard. “Energy efficiency, fire safety, acoustics and indoor climate – which are directly mentioned in the mission – are the four areas around which we will see business strategies and where we intend to focus our products and services development – and support to the BuildDesk organisation is an essential part of this”.

Not a load of hot air

However, Heldgaard emphasises that development takes time, so we should not expect a flood of new system solutions through the R&D pipeline over night. Instead, he expects that the changed focus will materialise over the coming years. As in all development work, the most interesting solutions are kept secret until launch, but he does unveil a fringe of the trends he sees for tomorrow’s Rockwool building solutions:

“We have a keen interest in the ‘hot climate zones’ such as the Mediterranean and Southeast Asia. Energy-efficient buildings have hitherto not been an issue in these areas. However, with the rising standards of living, you see a strong increase in the use of air-conditioning. At the moment, air-conditioning sales in Europe



“The organisation has been streamlined according to the new mission”, says Thomas Heldgaard.

are growing by 10% per year, a figure that is expected to go up following last summer’s heat wave.

“We are now developing insulation systems especially targeting these regions. The systems cannot entirely eliminate the need for air-conditioning, but our calculations from Malaysia have demonstrated that they can bring down the capacity of the air conditioning needed. The saving from buying a smaller air-con system pays for the insulation solution – which means that you have a positive pay-back from day 1”.

Another of the trends his department is following with special interest is the growth of the so-called ‘passive-house’ concept. A passive-house is defined as a house with an annual heating energy consumption of less than 1.5 litre oil per m² (for comparison, a typical German House uses 20 litres). Originally a German speciality, the concept is gaining ground across Europe and more than 5,000 passive-houses have been erected in recent years.

“The passive-house area is extremely interesting. Not just because it is growing fast, but also because passive-house building solutions create challenges by pushing us to the limits in terms of what is possible. It goes to the boundaries of building physics by demanding high performing solutions for both energy efficiency, indoor climate and – if you want people to buy it – design. Later on, many of the solutions can be adapted to suit more conventional buildings”.

Mastering the process

New products and solutions are what first come to mind when you think of R & D. However, apart from product development the R & D department is also responsible for materials science and process development all working closely together with the central product quality laboratory and patent department.

“We have shifted resources to product development which is currently our most urgent focus, but all areas are essential. Product and process are often closely intertwined. Take the development project we ran with Grodan (see casebox page 10) in order to develop a new growing block with improved homogeneity in terms of density, fibre structure and robustness. The real challenge in this case was to dive into the production process and get closer to what was causing the variations that we’d seen before. It required a deep understanding of both the human and technological factors in the production process. So process development is an absolute key competence”, explains Heldgaard.

Working with people and partners

One of the first actions Heldgaard initiated after he took over R & D in 2001 was to trim the department. He did this by converting line managers to specialists and project managers which made the organisation flatter, communication more direct and increased project speed:



Support to the Systems Division business areas is also part of Group R&D's activities. The development of the Delta block together with Grodan has resulted in a block which gives the grower several advantages. It provides a higher homogeneity in structure strength and optimal water properties, offering great advantages during the growing process. The new block is the result of dedicated R&D work and the successful implementation of new technology and control options in the production process.

Low-energy buildings – such as the R&D centre at Rockwool International – can act as benchmarks for much of the development work. Making quality solutions for both energy efficiency and indoor climate is a challenge.



“Time-to-market is an essential parameter. If projects drag on for years, we risk that our competitors will grab valuable patents ahead of us”.

Another important step was to make the organisation more market-oriented. Strong links to the business areas were built by establishing a number of dedicated business development officer positions in R&D acting as development managers for the business segments.

By way of support, a heavy organisational development programme has been undertaken to equip employees with many of the necessary skills and tools to fulfil their new roles.

“The step towards more project-oriented work is, of course, demanding”, says Heldgaard. “Especially so, because we have decided that in the future we will draw heavily on external partners. Managing these external alliances is demanding but also rewarding in the sense that you are dealing with top specialists within selected fields. So our people are really dedicated and enthusiastic about the new directions

“So a lot of our training has focused on strong project management. Indeed, this might – in the long run – be one of the most essential core competences of the department.”

THORKILD DINESS JENSEN

DEPARTMENT MANAGER | GROUP COMMUNICATIONS

Visiting Tom Kähler's 'cave'

The former Group President talks about the generational change, his new focus on the Rockwool Foundation, the »Kähler-spirit« and the importance of the long-term thinking of the family shareholders.

From big office to a »cave«

Though he has just been elected new Chairman of the Board of Rockwool International A/S, Tom Kähler emphasises that the Chairman of the Board in Rockwool International does not need an office. However, the Chairman of the Rockwool Foundation has always had an office in Hedehusene. The office of the Rockwool Foundation is now the base of Tom Kähler.

A clear change has taken place: The office is located in another building than that of the Group management, and Tom Kähler himself has also changed.

When this interview took place on 22 April he was getting installed in his new office, which he had taken over two days earlier. Not wearing any jacket or tie, the Chairman of the Rockwool Foundation received me in an open shirt:

"This is my 'cave'", he said with enthusiasm. The size of the new office is two thirds of the old one, and the meeting table has been replaced by a coffee table, making the room look more like a sitting room.

"I used to know exactly what I was going to do one year ahead – morning and afternoon. I have been looking forward to being able to work with my own projects for several days in a row. I haven't done that for 30 years! There's a freedom in that", he says.

And this is not at all an expression of discontent with his previous jobs; It is just a new world of new opportunities.

»The invisible revolution«

The cooperation with the new Group President Eelco van Heel has been – and still is – important for Tom Kähler. A Danish newspaper used the headline »The invisible revolution« – which is a good description of the change of guards:

"As Group President I had the task, from 2001 to 19 April 2004, of making the 'Centres', Group headquarters, work, whereas Eelco took care of the operating part of the business. He has become very familiar with the business. I did the same thing from 1983-86. It's a good way to start as you avoid having everything thrown on your shoulders all at once", Tom Kähler says.

As Chairman of the Board Tom Kähler will not intervene in details.

"For a transitional period I will participate in some projects, for instance I am member of the BuildDesk board. But only until the new management tells me that they would like to continue without me".

*Tom Kähler in his 'cave'
– the change is marked: The jacket and tie are gone. 95 years with a Kähler in front of the Rockwool Group ended, when Tom Kähler resigned – but as Chairman of the biggest shareholder, The Rockwool Foundation, and as Chairman of the Board in Rockwool International A/S, he still has a close contact on behalf of his family.*



The **Rockwool Foundation** was established at the end of 1981 as a non-profit foundation with the purpose of supporting scientific, humanitarian, artistic or social purposes and to contribute to the improvement of the environment and developments in society.

The Foundation was established by 6 members of the Kähler family, who transferred about 25% of the shares in Rockwool International A/S to the Foundation. The background was partly to give a considerable charitable contribution, partly to ensure the Group a competent shareholder.

The basis for making decisions is important

Working with the Rockwool Foundation is very similar to running a business:

“Making the right things happen requires the same involvement whether you are dealing with an enterprise or social conditions”.

As he is also much occupied with developments in the Danish and international societies, the work areas of the Rockwool Foundation suit him well. And as long-standing Chairman of the Foundation he knows this work extremely well. Several times during the years, the Foundation has presented studies, which have been signified as weighty for decision-making – and this without supporting specific political directions.

On several occasions Tom Kähler’s father emphasised that the Foundation should create a good basis for decisions for politicians in a world, where political decisions are too often made on a frail basis after a media debate.

The »Kähler spirit«

Tom Kähler explains that decision-making on a solid basis is one of the 'Claus Kähler values', which Tom Kähler formulated in 1987, and which is now part of the 'Rockwool values'.

“Another value is to ensure good communication throughout the company, so that everyone is occupied with the same things: What is the starting situation, and which improvements are we to achieve?”

And he points to a third element:

“The real quality of people and things has always been important to us – whereas we are not focusing on whether the wrapping is glittering... “

He also emphasises that competent employees are essential, and the Group has always done a thorough job when employing new staff:

“Employing the right people is important. You cannot use too many resources on recruiting”.

Lessons at the dinner table

As a child Tom Kähler got a good insight in the Rockwool Group during his many walks with his father and at the dinner table – in his father’s time the Group built up production in six countries. In his own »reign« the number grew to 14 countries.

The Rockwool Foundation is still the biggest shareholder in the Group – but right from the founding it has been a rule that the Foundation does not act as an 'over-board', but as a committed, big shareholder. The Foundation does not support projects in the building sector.

A common feature between the Rockwool Foundation and the Group is that both are working internationally. Among other things, the Foundation's studies about 'black' work, integration of immigrants and the reduction of unemployment have received a lot of interest from the media.

“My father told me about his challenges, and it was extremely exciting to hear about the way he solved problems. Each day I learned a new chapter at the dinner table”.

No plans of joining the family business

However, Tom Kähler had no plans of entering the family business – not even when he became MSc in engineering.

After having worked in two international companies, he started in 1974 an engineering contractors firm together with his brother-in-law, Keld Jepsen.

The company got off to a positive start, and during a couple of years the staff grew to 75.

Claus Kähler asked his son if he would join the Group. Tom declined, as his own company was in the important start-up phase. After his brother, Ivar Kähler, died in 1977, Claus Kähler returned with the offer:

“I am concerned for what is going to happen with the Group in the long term. If you decline, I will retire!” his father said.

This announcement implied a certain pressure – and as the rest of the family supported the idea, and not least as the brother-in-law, Keld Jepsen, was ready to continue the company by himself, Tom Kähler accepted the offer.

No Group President ambitions

It was not with the explicit ambition to become Group President.

“Particularly, I wanted to get to know the company better, as it is the responsibility of my family. In 1978 I did not know if I would be suited for Group President”, he recalls about his decision.

To begin with, he had a very exciting assignment from 1978 to 1983 to establish a division for the 'diversifications' – what was later to become Systems Division. Then he became Deputy Group President and Chief Operating Officer. Tom Kähler signifies the 'partnership' with his father as »some very good years« – but also emphasises that there is no preference for members of the Kähler family:

“Family members are treated like all other employees – not better – not worse”, he states with reference to the fact that it is always qualifications that count.

The good shareholder

Even though the Group has been listed on the Copenhagen Stock Exchange, the Kähler family still has the majority of the votes.

Good shareholders must allow a company to develop in the fields where the competences are, and they should be impatient for improvements, if the board and the management are not doing a good job. According to Tom Kähler, the Kähler family has solved the owner task reasonably well during the past 95 years. And he hopes that this will continue. Otherwise the company will have to be taken over by a more competent owner.

Tom Kähler finds that the expansion a few years ago was made a bit too fast:

“Obviously, when you expand as much as we did at the end of the 1990ies, earnings are influenced. As we, at the same time, experienced a downturn on the European market – and not least on the big German market – our earnings and share price went down. Today we are pleased to be established on the new potential markets that from the summer of 2003 began to live up to our expectations.

ERLING MADSEN | AJOUR PRESSBUREAU APS

One company – one brand



The Rockpanel organisation has been through a major re-branding campaign. Under the heading “QUALITY IN FRONT” the Rockpanel profile has been changed and streamlined to present a uniform image.

Some one and a half years ago, it was decided to change the Rockpanel branding. There were several very good reasons for the re-branding

project – the Rockpanel companies in Denmark, UK, Germany, the Netherlands and Belgium had slightly different brochures, different colour ranges and, most importantly, different strategies. Alongside cost synergy in marketing, re-branding became a harmonising international project for the Rockpanel operating companies.

Re-branding is not only about changing your logo, it can mean a complete change in the organisation – from the way you pick up the phone to your target group approach. And as such, in spring 2003, a number of improvement projects were started under the Rockpanel re-branding, like redefined regulation, logo, communication, etc.

A so-called ‘pitch’ was done by three selected advertising agencies and after weeks of heated discussion, the Rockpanel team finally decided, almost unanimously, on the new logo. The decision took into account not only the logo design, but also the quality of the advertising agency in its ability to deliver the communication plans. The positioning of the brand image and message through sales tools like brochures, price lists, etc., are vital elements in a re-branding process.

Six months later the Rockpanel team held its kick-off meeting, presenting the new logo plus a whole new range of brochures, packaging, technical documentation, price lists,

etc.

The most important outcome of this project was the redefined market segmentation coupled with a completely new price-structure and a combined sales and marketing plan. The initial concept of approaching the Rockpanel target groups in a different way had become a fact!

We call it QUALITY IN FRONT - not only because Rockpanel products are in front of the facade, but also because we want to be in front of the competitors. In short, QUALITY on every front, from customers and products to people and branding.

RON MOES
MARKETING MANAGER
ROCKWOOL ROCKPANEL B.V.



Report on the first quarter of 2004

Highlights

- Sales during the first quarter increased by almost 7% compared to the same period last year. With unchanged exchange rates, the increase would have been 6%.
- EBITDA totalled DKK 253 million, an improvement of DKK 57 million compared to the year before.
- Due to the positive development in first quarter, a sales growth for the total year of 7% is now foreseen, compared to the earlier expectation of 5%.
- Profit after tax and minority interests is expected to be around DKK 350 million, compared to the earlier expectation of DKK 300 million.

Developments during the first quarter

Sales during the first quarter grew by 7% compared to the same period last year to DKK 1,923 million. With unchanged exchange rates, the increase would have been 6%.

The Insulation Division's external sales grew by 7% compared to the same period last year. This was due in part to strong sales growth in Poland, Russia and Southeast Europe.

Systems Division's external sales grew by 6% compared to the same period last year.

The Group's operating profit before depreciation and amortisation (EBITDA) increased by DKK 57 million to DKK 253 million. The income statement item "Return on investments in subsidiaries and associated companies" has been reclassified and is now reported after "Operating profit before financial items". This has resulted in changes to EBITDA, operating profit, return on invested capital and the profit ratio compared to the previous classification.

The Insulation Division's operating profit before financial items increased by DKK 58 million to DKK 113 million.

Systems Division's operating profit fell by DKK 1 million to DKK -1 million.

The Group's operating profit before financial items (EBIT)

grew by DKK 57 million to DKK 97 million.

Financial items after three months showed net expenditure of DKK 19 million, an increase of DKK 2 million from last year.

Profit before tax for the first quarter was DKK 81 million, against DKK 24 million in 2003.

Due to smaller losses at the loss-making companies, a tax rate of 34% is anticipated for 2004 as a whole, against 37% in 2003. Profit after minority interests was DKK 49 million, against DKK 15 million last year.

Cash flow from operations was DKK -6 million, against DKK -115 million in 2003.

Tied-up working capital increased by DKK 229 million in the first quarter. The increase was due largely to stock-building ahead of the high season in the autumn. Free cash flow was DKK -95 million, against DKK -245 million in 2003.

Balance sheet and equity

On 31 March 2004 the Group had total assets of DKK 7,003 million, against DKK 6,785 million on 31 December 2003. Equity amounted to DKK 4,162 million on 31 March 2004, an increase of DKK 71 million from 31 December 2003. The equity ratio was 59.4% on 31 March 2004, against 60.3% on 31 December 2003.

Prospects for 2004

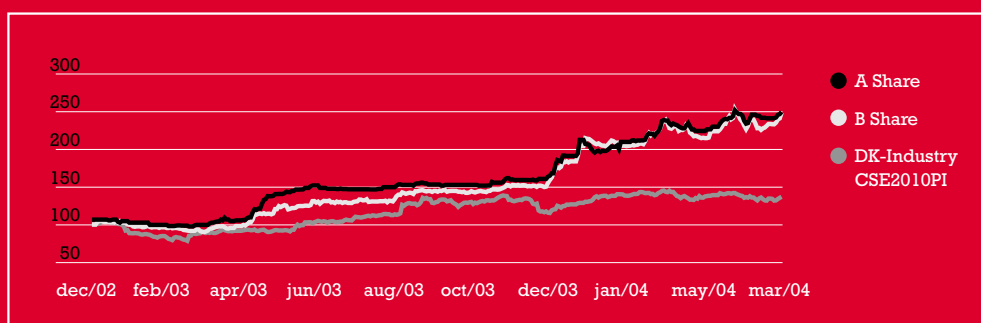
Due to the positive development in first quarter, a sales growth of 7% is now foreseen.

As set out in the annual report for 2003, a positive sales price development is still expected. This positive sales price development is however not expected to counterbalance the cost increases. There are particularly heavy cost increases on energy-related raw materials.

In total, the profit for 2004 is now expected to be around DKK 350 million, compared to the earlier expectation of DKK 300 million.

The Rockwool shares

Development in price and index (A- and B-shares)





Main figures/key figures for the Group

	1st qtr. 2003	1st qtr. 2004	Whole 2003
	Unaudited figures	Unaudited figures	Audited figures
Income statement items in million DKK:			
Net sales	1,798.2	1,923.3	8,215.9
EBITDA	195.7	252.7	1,093.3
Operating profit (EBIT)	40.2	97.3	492.6
Financial items	-17.0	-19.4	-98.6
Profit before tax	23.7	81.2	428.9
Profit after tax	14.2	53.6	270.1
Profit for the period (after minority interests)	14.7	49.4	254.4
Cash flow (from operating activities)	-115.1	-6.2	774.9
Balance sheet items in million DKK:			
Fixed assets	4,422.0	4,299.4	4,339.1
Current assets	2,823.5	2,703.8	2,445.9
Total assets	7,245.5	7,003.2	6,785.0
Equity capital	4,004.4	4,161.6	4,090.7
Minority interest	83.5	54.4	47.5
Provisions	266.3	330.9	330.4
Long-term debt	721.2	585.2	581.6
Short-term debt	2,170.1	1,871.1	1,734.8
Other items in million DKK			
Investments and acquisitions	129.5	88.8	632.5
Depreciation	155.5	155.4	600.7
Number of employees:			
Number of employees	7,151	7,287	7,293
Ratios			
Profit ratio	2.2	5.1	6.0
Profit per share of DKK 10	0.7	2.3	11.6
Book value per share of DKK 10	182.3	189.4	186.2
Equity ratio (%)	55.3	59.4	60.3

The ratios have been calculated in accordance with recommendations issued by the Danish Association of Financial Analysts.

▶ Management news

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ROCKWOOL INTERNATIONAL A/S Group Operations "GO", Hedehusene, Denmark
From 1 May 2004 Sven Møller has taken up the position as division development manager reporting to division managing director Steen Ørnslund. Mr Møller comes from a position as finance director in Rockwool Russia.

As of end August 2004 Preben Overgaard, chairman of the boards of North America, Eastern Asia and United Kingdom will retire after 44 years in the Rockwool Group.

CENTRAL DIVISION Rockwool Polska, Cigacice, Poland
As of 6 September 2004 sales director Andrzej Kielar will be appointed managing director of Rockwool Polska, reporting to division managing director Kurt Berners.

NORTH DIVISION Rockwool Scandinavia, Hedehusene, Denmark
As from end July 2004 Hans Christian Teisen will resign from his position as finance director to pursue his career elsewhere. The successor of Mr Teisen has not yet been found.

SOUTH EUROPE DIVISION Rockwool East South Europe (RW-ESE), Goganfa, Hungary
From 1 June 2004 Group chief accountant Steen Overgaard Sørensen has been appointed finance director in RW-ESE. From 3 May 2004 Kornel Banyai has taken up the position as supply chain director. Steen Overgaard Sørensen and Kornel Banyai will be reporting to managing director Hans Schreuder.

SYSTEMS DIVISION Grodan Group
As of 6 September 2004 managing director of Rockwool Polska, Nick Vince, will be appointed managing director of the Grodan Group, reporting to division managing director Theo Kooij.

The present managing director of the Grodan Group, Jack de Jonge, will be appointed deputy managing director, reporting to Nick Vince, on the same date. Mr Jonge will retire as of August 2005.

CHANGES IN THE SUPERVISORY BOARDS Rockwool Italia S.p.A., Iglesias, Spain
On 17 March 2004 Lorenzo Mastromonaco was elected member of the board of directors.

The Rockwool Newsletter is circulated to shareholders, employees, Rockwool board members, a.o.

Chief editor-in-charge:
Senior Vice President
Ole Dalby

Editor:
Thorkild Diness Jensen

Photos: Scanpix/Jens Astrup, Scanpix/Áttila Kisbenedek, Oskar Meres, Erling Madsen a.o.

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Design and production:
Boje & Mobeck as

Safety goal for 2004

In the first quarter of 2004 we have experienced 31 lost time accidents, which are 6 less than in the same period last year. Fortunately, none of the accidents were very serious.

In order to maintain the positive development we have had in the last years, Group Management has stipulated a Group objective that no factory should have a Frequency Rate of Accidents (F.R.A.) higher than 19 in 2004.

Each factory is monitoring the development closely, and action plans are made when necessary.

OLE CHRISTENSEN
FIRE PREVENTIVE & SAFETY OFFICER
ROCKWOOL INTERNATIONAL

Frequency Rate of Accidents:

