

▶ N° 4 / 2004

news**letter**

Back in Sweden

Two years after being defined as a strategic focus area, the Swedish organisation has shown rapid growth on the way to achieve its goal – to become a major player in the Swedish market.

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▶ PEOPLE & BRANDS – STRATEGIC PILLAR INTERNATIONAL HUMAN RESOURCES

People & Brands forms the framework within which the Rockwool Group prioritises, develops and implements its strategies. We have for the time being chosen 8 strategic pillars to focus on of which we short-term give highest priority to the following:

- Strategic marketing.
- BuildDesk.
- Norms & standards.
- International Human Resources.

The first 3 issues have been given full attention for quite a while and the urgency of the work to be done embedded and enforced in the organisation. In order to be able to get full speed ahead with the 4th issue – International Human Resources – an important matter was announced on 30 October this year concerning the reorganisation of parent company department Group Human Resources and Communication.

This department has historically concentrated its efforts both on human resource management in parent company, co-ordination between parent company and Danish operating companies (OPCOs) as well as human resource matters concerning the Group. By separating the first two activities from the third and placing this last one including attached employees under management of Jakob Sørensen ("GL") we envision strong focus on the urgent need to implement professional human resource tools of high quality (many

of which already available in certain parts of the company) in a uniform way all over the Group.

Why this move? Because People & Brands is about adapting the Group and its organisation to the new world of internationalisation of customer, market and competitor structures as well as building methods. Because this requires more and more of our employees to work and think internationally as we already today can see in the increased number of foreign assignments, commuter cases, satellite organisations and international projects.

As our organisation gets more international, the demand to management to execute professional and uniform cross border human resource policies increases. Therefore, we have decided to prioritise the following areas in the first phase after the reorganisation:

1. Uniform Group position classification.

For quite some years the Rockwool Group has utilised – in various degrees of professionalism dependant on the geographical area – the IPE position classification system developed by the company Mercer. We now envision an obligatory and uniform roll out all over the Group. The purpose of the system is to enable management to evaluate (and re-evaluate on a yearly basis) and classify indirect positions in the organisation. In this

way it becomes transparent to management how positions within and across borders are valued, facilitates a proper evaluation of appropriate remuneration packages and supports efficiency in succession planning as well as foreign assignments.

It is our intention to execute the roll out during first half of 2005.

2. Foreign assignment etc.

More and more employees take up positions outside their home OPCO. Management strongly supports this process as we in almost all cases generate a win/win situation: quick transfer of expertise and competences across borders as well as a unique chance for the employee in question to develop his/her personality as well as career potential.

We have a professional Group policy in the area of foreign assignment. This policy shall be enforced in all instances in order to promote efficiency and speed, however, relevant exceptions from the general rule will always be taken into consideration.

Commuters are those employees who are employed in their home OPCOs but spend longer periods of time working in/for host OPCOs in other countries. The various tax authorities in many instances make life complicated for these employees. We intend soon to publish a policy in this area with the intention to streamline and support.

3. Key position planning.

One of the most important features of any successful company is its ability to develop and promote managers with the right qualities, taking a long-term scope into consideration. As we more and more develop into one international Group instead of many autonomous OPCOs, the need for management to have transparent and consistent career development and succession planning tools is increasing. We anticipate having appropriate systems in place during 2005, leading to a more proactive approach in this field.

4. Personnel Managers' Meeting.

The first Personnel Managers' Meeting after the reorganisation has been held recently and the feedback regarding prioritisation and expected speed of execution has been positive. Personnel managers have joined various working groups which will further specify the requirements for the work to be done and facilitate subsequent implementation all over the Group.

I would like to express the firm wish that the International Human Resource initiatives are carried and supported by the total organisation and put on the agenda of management team meetings everywhere. Remember: People & Brands is for all of us and not an issue the personnel department will take care of!

Russia ratifies Kyoto Protocol

At last! For seven years the world has been wondering if enough countries would ratify the UN Climate Convention. On 6 November President Putin put his crucial signature to the Kyoto Protocol. Without Russia's signature, the international commitment to reduce greenhouse gas emissions could not formally come into force.

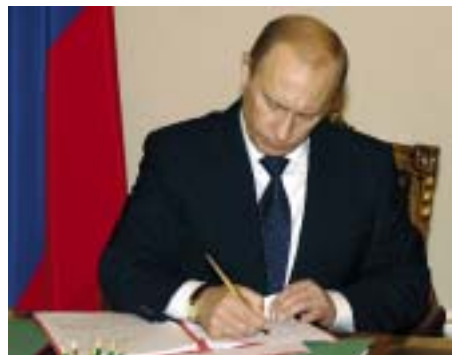
"This is an important step in the struggle for CO₂ savings. Now the challenge is to put the commitment to reduce CO₂ emissions into practice. Insulation of buildings is a very efficient way of reducing energy consumption and thereby CO₂ emissions. Buildings are the biggest energy consumer and CO₂ polluter, and numerous buildings and industrial processes need to be insulated better. The increased focus on energy efficiency and CO₂ reduction will in this way not only create better thermal comfort in our homes, but will also be beneficial because of lower energy costs for both individuals and society at large", says senior vice president in Rockwool International A/S, Jakob Sørensen.

According to the Kyoto Protocol, the industrialised countries must, before the year 2012, reduce their CO₂ emissions on average by 5.2% compared to 1990 levels. The EU has committed itself to save 8% (266 million tonnes), but is currently behind target (see illustration). More action is needed to reach this goal.

First step

However the Kyoto Protocol is not the solution to the problem of climate change, it is but one of the first steps.

According to a discussion paper by the Dutch EU Chairmanship, the industrialised countries must, before the year 2020, reduce their CO₂ emissions by 30% compared



With President Putin's ratification, the Kyoto Protocol on greenhouse gas reductions can formally come into force. Rockwool insulation installed this year will, in its lifetime, save more than 100 million tonnes of CO₂ emissions from buildings around the world.

to the level in 1990. Before the year 2050 a 60-80% reduction is necessary, if the average temperature is 'only' to rise by 2°C.

The buildings sector holds some of the greatest potential for economically sustainable energy and CO₂ savings.

Thomas Nordli
Group Communications

Kyoto commitment – status 2002

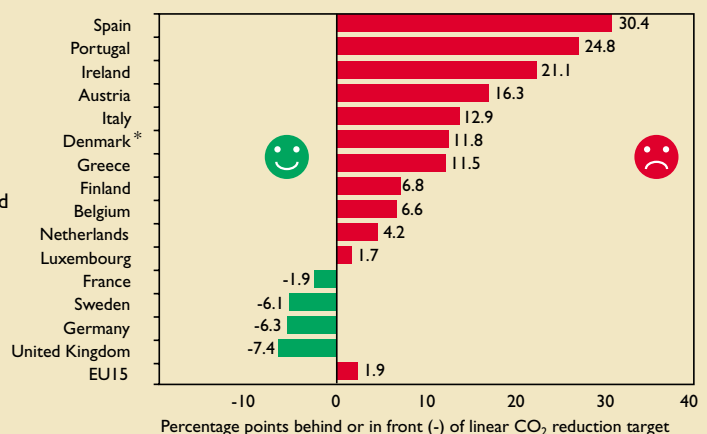
Distance to go

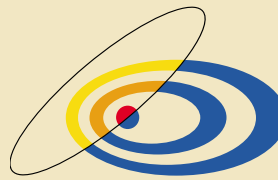
Behind target

Most EU countries need to speed up CO₂ savings in order to meet their Kyoto Protocol commitment. On average the 15 'old' EU countries emitted 1.9 percentage points more CO₂ in 2002 than they ought to with a linear greenhouse gas reduction plan.

Source: The European Environment Agency, 2003.

*) Adjusted for electricity trade in 1990.





No ordinary venture

The Rockwool Group's new service venture BuildDesk is a bold strike for an up-and-coming market. After 18 months of operation, the third BuildDesk country organisation is now in place. Interview with the driving force of the BuildDesk organisation, vice president Peter Homes Boynton.

On 1 December 2004, the latest addition to the BuildDesk organisation - BuildDesk UK – made its first market introduction. BuildDesk is now in business in Germany, the Netherlands and the UK. As the target date 1 January 2006 draws ever closer, the world of the architect, engineer and public authority will be turned upside-down as the EU Energy Performance of Buildings Directive comes into force with its new demands for the energy design of buildings.

BuildDesk provides software and consulting services that help engineers and architects to design energy-efficient structures. BuildDesk's cornerstone is its competences within Energy Design supported by an outstanding family of software, which performs a wide variety of previously time-consuming tasks, such as calculating the energy efficiency of new and existing buildings and generating the necessary documentation for a building permit.

"What has been happening in BuildDesk over the last year?"

"2004 has been the year where we have really begun the push into the market. We finalised the software technical platform for Germany and the Netherlands late in 2003 and early in 2004, and at the same time finalised our marketing and communication platform – both in terms of our corporate branding, but also with regard to how we would be communicating with our key target groups of architect, engineer and public authority".

"We have seen over the last 11 months that the response has been slower than anticipated, but there are now positive signs to read – we have recently signed a number of key agreements with public authorities and other key customers".

"Did the slow market reaction surprise you?"

"We knew from the out-set that the building sector would be a slow mover. It takes time for new initiatives to take roots in the market.

That being said, we are still a little surprised by the lack of attention nationally to the local regulations that have their origins in the new EU regulation. Remember they are compulsory, you can't get a building permit without the proper energy calculations!

Nevertheless, we have continued to influence the market. In the last couple of months, however, we have noticed a growing awareness, perhaps fuelled by the increased interest in energy saving due to rising oil prices. So we are well positioned when the ketchup comes out of the bottle – probably in 2005".

"Is it possible for BuildDesk to give neutral advice and software tools to its customers?"

"Absolutely! The Rockwool Group as a whole has a reputation in all of its dealings for being honest and reliable. Our target groups demand an objective and neutral approach – and this is what we in BuildDesk are committed to deliver to them. In the BuildDesk product databases you will find all the major insulation companies, major plasterboard companies – basically all the major players in the building materials industry. You see more and more examples of 'product companies' entering into consulting – where the business driver is providing optimal value to the customer".

"I guess IBM is a good example of just that. Ten years ago they were mainly hardware providers. Today their consulting service is a major and growing part of their business. Is that the way we should follow?"

"Exactly! And just like IBM, we expect more and more of our business to be 'soft', to consist of know-how and customised solutions and not just hardware. Much of the knowledge – be it energy efficiency, indoor environment, fire safety or acoustics – is already embedded in our organisation, but it needs to be activated and refined by closer dialogue with architects and consulting engineers".



“The BuildDesk project is closely tied to the strategic direction we want to move in. The Rockwool Group has excelled in selling products. Moving into systems and solutions is a different ball game”, says vice president Peter Homes Boynton.

“But IBM didn’t launch a whole new brand. It’s a costly affair to build up a pan-European image – even when you’re in the business-to-business market. Why not propel the business by taking advantage of the Rockwool name? After all, it is one of the most well-known brands in the European building industry!”

“This is actually one of the things we are doing. At present the by-line ‘a Member of the Rockwool Group’ is used in connection with BuildDesk. If we can piggy-back on the Rockwool brand – without compromising its values – we can reach a market position that we would otherwise only dream of – and conversely we have seen evidence that we are enhancing the Rockwool image as well.

At the same time, however, we should be aware that BuildDesk is a whole new venture for the Rockwool Group and therefore needs to signal something different. From the outset, we have focused on the independent nature of our consultancy, and kept a certain distance from the Rockwool brand, an “arms length” if you will. Experience has shown that our affiliation with the Rockwool Group is a “mark” of credibility rather than a disadvantage.”

“What are the market goals of BuildDesk?”

“Our market goals are quite simple: In every major market, we want architects, building engineers, public authorities and other interested parties to choose BuildDesk as their preferred supplier of Energy Design services. Through this, we will be bringing an added focus to building systems and solutions”.

“So the BuildDesk mission is not simply selling software.”

“Absolutely not! BuildDesk is a strategic pillar in the Rockwool Group strategy. We have chosen to also develop and market software as this is a natural first means to get into dialog with and help key decision makers in the building process with their challenges related to Energy Design.

Having said this, BuildDesk of course has the ambition of being the best in what we choose to do, which naturally also includes our software”.

“And more systems and solutions are an essential part of the Rockwool Group strategy...”

“Yes! The Rockwool Group has excelled in selling products – and will continue to do so. But moving into systems and solutions is a different ball game which demands new competencies. This brings us to a key in the Rockwool Group strategy, namely the ability of the Rockwool companies to utilise the competencies and tools offered by BuildDesk. A simple example could be that Rockwool, as all other manufacturers, will be able to present their energy efficient systems and solutions to architects, consulting engineers, building owners, etc. through the BuildDesk software tools”.

“Could there be a risk that we compete with our own customers – e.g. the consulting engineers?”

“That’s a question I’ve been asked over and over again. The answer is ‘no!’ The purpose of BuildDesk is to improve our customers’ efficiency and even expand their businesses, allowing them to take on tasks they would otherwise not be equipped to do. The software platform will, among other things, provide for collaboration between key customer groups like architects, engineers and public authorities. Our consultancy will be aimed not so much at technical issues, but rather addressed at helping customers improve their own businesses – through training, knowledge transfer and much more”.

Thorkild Diness Jensen
Department manager
Group Communications



▼
 An example of the advertising in Dutch building magazines .



The customers are satisfied

The Ingenieurbüro Cleven in Uedem has been a BuildDesk customer since March 2004. They have invested in the most advanced software package available from BuildDesk - the BuildDesk Expert Energy Design:

“We have been very satisfied”, says Dipl.-Ing. Lamers and continues: “We work intensively with the databases in BuildDesk and are especially impressed with fast import of geometry data based on the dxf-import”.

The experience gained from working for 8 months with the software has shown that the software is easy to use thanks to the clear and self-explaining structure and the built-in project assistants. These features make it possible to prepare the energy certificate very fast.

“And in those few cases where we have been in doubt, we have been impressed by the professionalism and availability of the BuildDesk employees”, Mr Lamers ends.

Ingenieurbüro Cleven is a small consulting engineer bureau with 3 employees. The annual number of energy certificates for building projects is more than 100.

Grodan No.1 at Horti Fair

Digital solutions for crop management and new products were at the core of the prize-winning Grodan stand at the Horti Fair 2004. With 55,000 visitors from more than 50 countries the Fair is the shop window for the horticultural industry worldwide.

The horticultural market is currently experiencing tough times. Energy costs are a major factor in glass house production and the increase in world oil prices has hit growers hard. Worse still are the crop prices. Tomatoes in Europe are being sold well below the cost of production, forcing some growers to go out of business.

Despite the difficult market situation, Grodan were determined to make a strong showing at the Horti Fair 2004, particularly in view of increasing competition from alternative substrates, e.g. perlite and coco. Therefore the stand focused on Grodan's No.1 position in terms of the company as partner to the grower, offering not just products, but also services such as paid consultancy advice from Substratus.

New products and solutions

Grodan has also introduced an improved range of stone wool slabs based on the new Delta technology.

This production technology achieves a considerably improved homogeneity in the slabs by achieving a reduced variance in density of the basic material. As a result, watering is more controlled, the grower is better able to steer the water and nutrient supply to the plant roots, which directly affects the quality of the fruits. The new slabs will be ready for the growers as of March 2005.

Additionally, a new module has been introduced to the digital management program Gronow. It gives growers a quick and easy insight into their growing conditions. This module, named Gronow Crop, shows tomato growers the relation between climate, water management and the development of the crop. Gronow Crop facilitates the management of the crop with a noticeable improvement in growth performance.



The prize winning stand at the Horti Fair 2004.



No.1 award

The event is vast and spread over 11 halls to accommodate the 900 exhibitors. The organisers and advisory council of the Horti Fair judged all stands on a range of criteria, including:

- Design and structure
- Conduct of the stand staff
- Use of communications technology
- Overall look and feel

The jury selected Grodan as the 'Best Stand Award Horti Fair 2004'. This is a great testament to the professionalism and performance of all the Grodan Sales and Marketing staff who have worked very hard to make it a success.

More importantly, our customers and competitors felt the power of Grodan as we were, once again, independently recognised as the leader in our industry.

Nick Vince

Managing director Grodan Group

Back in Sweden

Two years after being defined as a strategic focus area, the Swedish organisation has shown rapid growth on the way to achieve its goal – to become a major player in the Swedish market.



It's been interesting times in Rockwool Scandinavia over the past few years. Rapid changes in market conditions, declining markets along with over capacity, have all challenged the organisation. With both Norway and Denmark being relatively mature markets, the growth of Rockwool Scandinavia had to come from Sweden. In order to supply Sweden efficiently, larger investments in Moss were made.

"In 2002 Sweden was defined as a strategic focus area. The goal was to achieve a significant increase in sales before 2006", explains sales and marketing director Johan Prior Knock, who is responsible for the Nordic and Baltic markets. He continues: "Sweden had for some years showed stagnation with an insignificant market share. However since 2002 we have made the necessary changes in order to succeed in the Swedish market. After only two years we are achieving our growth goals faster than expected".

Restructuring the organisation

One of the main challenges has been to create an overall centralised, yet still flexible, Scandinavian organisation. Basic functions such as marketing, finance, logistics, distribution, product development etc. are now being managed centrally.

"It has been essential for our expansion in Sweden to build a solid platform from the beginning with central coordination of important common functions", Knock says, and adds: "Before we operated as independent national companies. The new organisation has, so to speak, made us bigger locally. We've been able to create a stronger market impact, especially in a market like Sweden, thanks to synergies throughout the organisation".

The new organisation has also been advantageous for sharing best practice and bright ideas from one market to another. New products and marketing concepts have been introduced successfully in Sweden that were originally developed elsewhere.

"Another important benefit from the Nordic organisation

is that we have been able to adjust the way of working with our customer organisations. National borders are falling and many of our customers have also centralised their operations covering the Nordic region. There is now a strong demand for having one partner to cover all Nordic markets, so good customer relations in Denmark and Norway have been a great benefit to us in Sweden", explains Knock.

Broader customer base

The improved presence in distribution centres seems to be one of the key elements in the Swedish expansion. Two years ago the company was only represented in one nationwide chain store of building materials, now Roxull products can be found in a much broader range of distributors. This has resulted in a considerably stronger customer base.

"Better distribution makes it easier for contractors to get our products locally, which is essential in a large geographical area like Sweden" says Knock. "Some of our closest competitors are now only represented in one chain which has, in certain situations, caused concern for large national contractors, to our ultimate benefit. In tandem with our efforts on distribution, we have worked extensively with contractors and their projects. Today we are much closer to the end user than we were two years ago, seeking business opportunities for us and our distributors", Knock enthuses.

Brand building and positioning

One of the key factors in the expansion was a significant strengthening of the brand.

"Two years ago we acknowledged that our brand awareness was limited and our positioning and evaluation by customers was not satisfactory", admits Knock. "You shouldn't disappoint a customer, so our first efforts were not about spending valuable resources on campaigns, but rather ensuring that the substance of our market offer was in place. Our delivery service had to be improved as well as product



“Sweden is a strategic focus area in Rockwool Scandinavia’s growth strategy”, says Johan Prior Knock.

quality. At the same time, efforts were spent developing our local organisation as well as introducing new products and concepts. Only when these things are in place does it make sense to work on awareness and positioning via marketing campaigns.

“According to our latest market research, Roxull A/B is now considered to be one of the most professional suppliers in the Swedish market with the Roxull brand being positioned as innovative, flexible and dynamic in the eyes of the customers as compared to our closest competitors.

Strong brands are the result of well functioning companies capable of fulfilling promises to their customers and setting new standards – not necessary huge marketing budgets”, says Knock.

Continuing growth

Now that the organisation has been restructured and a platform has been established in specific markets, it is time to take the next steps to further growth.

Knock says he doesn’t expect the Swedish insulation market to expand as such. “Future growth has to come from new market sectors. We are still narrowly focused in market terms, and future growth will have to come from entering new sectors where we are not present today. Growth and profitability in these sectors will need support and creativity from the whole organisation.

From being a small player in the Swedish market, Roxull A/B should develop into one of the leading players setting new standards in the insulation market”, Knock confidently predicts.

Helle Thrysoe Hansen
Group Communications



Listen and Learn

In 2001 Roxull AB conducted a “Lyssna & Lär” (Listen & Learn) survey in Sweden. Customers were interviewed and asked to point out the areas in which they believed Roxull A/B should improve, so as to become an even better partner. As a follow-up, a similar analysis was conducted in 2004 in order to see how the customers’ perception of Roxull AB had changed. And the conclusion is clear: Roxull A/B has become a preferred supplier of insulation products.

A professional partner

Since the first survey in 2001, Roxull A/B has spent a lot of energy on strengthening its platform. These efforts are now paying off. The latest analysis shows the perception of Roxull A/B has changed substantially.

“The feedback we get from the market is that they now see us as a professional, flexible and active partner. Previously we were being perceived as the third player behind our two main competitors. In many areas we are now considered better than the more established suppliers”, comments Johan Prior Knock.

Committed and service minded

Compared to the closest competitors, Roxull A/B is especially doing well in the ‘softer’ categories like sales, service and technical support. Technical support also includes the Swedish website that has been redesigned. It now includes online product purchase via e-business, numerous construction guides, and an advanced calculation program where different products and constructions can be calculated during the design process.

“In terms of size, we are No. 3 in Sweden. However winning customers and building future business is not about size but rather about commitment to customers and our dedication to making constant improvements”, concludes Knock.

The capacity puzzle

A small team in Group Logistics coordinate multiple product flows across the Group. With high capacity utilisation and more transnational operations, the task is getting more and more complex.

*"We will operate and co-operate in a Group optimal way"
The Rockwool Code of Conduct*

Making demand, production and logistics match is a challenging job! In the past, when the national Rockwool companies were more or less separate entities, life was easier. Today, however, with more and more products moving across borders, the need for coordination is paramount.

"It is the total result of the Group that counts. However, we make the decisions together so that all local interests are balanced", says Vice President Ejvind Pedersen, who has been in charge of building up a stronger coordination function to meet the challenges." Instead of internal competition we are joining our force for challenges in the markets – a nice result of the People & Brands strategy".

Forecasting demand

The need for a strong coordination unit was recognised some four years ago:

"During the summer of bouyant 2000 the Group built up big seasonal stocks, but suddenly the demand came to a standstill. How could we immediately reduce production quickly enough to bring down the large indoor stocks before winter? That became the task", explains Pedersen, "and the task was performed. However, it all illustrates how complex a task logistics is".

With the experience gained in 2000, Group Logistics is now an active sparring partner for the Rockwool subsidiaries, when seasonal stocks have to be planned well – and managed accordingly.

"When we plan the production capacity, we calculate in tonnage and production hours", Ejvind Pedersen explains. However, when planning the stocks, we have to focus on the exact product – down to the article number and how much we expect to sell per week during the peak season. That's much more complicated and we are relying heavily on the forecasts from the local marketing departments".

Satisfying the East

In the summer of 2003 there was again a sudden change in demand but this time to the positive side. The Group suddenly saw brisk demand in Central and Eastern Europe and had to source products from Western Europe, and this situation has continued until today:

"The Group's sales success in the European markets increases demand faster than we are able to increase our capacity", says Pedersen and continues: "Up to a point, the Group has succeeded in compensating for this by increasing the use of the free capacity among the subsidiaries. A conservative estimate says that we have thereby saved the acquisition of a large factory", says Pedersen. "When we can create greater sales and a larger profit by using the same production facilities, this directly influences the return on our already invested capital".

New organisational tools

The high capacity utilisation makes it more challenging to



The Capacity Coordination team in action.



run a competitive delivery service and to have efficient logistics. The build-up of a central function has helped meet this challenge and has paved the way for a more efficient cooperation with and between the operating companies (OPCOs).

The forum for cooperation is the Capacity Coordination Team (CCT) consisting of technical managers representing the European OPCOs. Technical director of Rockwool Germany, Volker Christmann, senses the gain in efficiency relating to the new style collaboration:

“During the first few years we met to discuss and negotiate inter-company trade. However when we returned home, we didn't all manage to implement the results to which we'd committed to our colleagues from the sister companies.

Now all managers from the OPCOs know the rules and the importance of achieving results on time”.

Pedersen explains that there is close dialogue – four to five annual meetings with OPCOs supplemented with six to seven conference calls. Besides that, every month Group Logistics sends out a briefing which keeps all OPCOs up-to-date.

“The speed and efficiency of our logistics work has improved significantly. We are now able to react quickly on surprises. However, this will not keep us from improving the forecasting skills”.

Group Communications

Report on the third quarter of 2004

Highlights

- Sales grew by 10% compared to the first nine months of 2003. With unchanged exchange rates, the increase would have been 11%.
- EBITDA came to DKK 846 million, an improvement of DKK 152 million or 22% compared to the same period last year.
- Expectations for the year as a whole are unchanged from the first-half report. Thus sales growth of 9% and profit after tax and minority interests of around DKK 350 million are still anticipated.

Developments during the first nine months

The healthy sales growth continued during the third quarter, with the result that sales for the first nine months grew by 10% compared to the same period in 2003 to DKK 6,404 million. Exchange rate movements were limited: the increase would have been 11% with unchanged exchange rates.

The positive growth in sales prices seen during the first half of the year continued in the third quarter, with the result that sales prices during the first nine months of the year were more than three percentage points higher than during the same period in 2003.

The Insulation Division's external sales grew by 10% compared to the same period last year. In Systems Division external sales grew by 5% compared to the same period last year. The Group's operating profit before depreciation and amortisation (EBITDA) increased by DKK 152 million to DKK 846 million. The reason why there was not even better earnings growth despite the healthy increase in sales prices and sales volumes was that growth in costs offset the growth in sales prices.

The Insulation Division's operating profit before financial items increased by DKK 167 million to DKK 393 million. The Systems Division's operating profit increased by DKK 10 million to DKK 19 million.

The Group's operating profit before financial items (EBIT) grew by DKK 170 million to DKK 383 million. Financial items after nine months show net expenditure of DKK 65 million, which is DKK 5 million higher than last year. Profit before tax for the first nine months was DKK 329 million, against DKK 172 million in 2003. Profit after minority interests was DKK 205 million, against DKK 95 million last year. Cash flow from operations was DKK 789 million, against DKK 389 million in 2003.

Tied-up working capital decreased by DKK 84 million during the period, after increasing by DKK 215 million during the same period last year. The improvement was due in part to better management of trade accounts receivable. This also contributed to an improvement in free cash flow from a negative figure of DKK -3 million for the first nine months of

2003 to a positive figure DKK 352 million for the same period in 2004.

Balance sheet and equity

On 30 September 2004 the Group had total assets of DKK 6,972 million, against DKK 6,785 million on 31 December 2003. Equity amounted to DKK 4,270 million on 30 September 2004, an increase of DKK 179 million from 31 December 2003. The equity ratio was 61.2% on 30 September 2004, against 60.3% on 31 December 2003.

Prospects for 2004

Expectations for the year as a whole are unchanged from the half-year report, with the exception of the level of investment anticipated. Sales are forecast to grow by 9% over the year as a whole, so continuing the trend begun in the second half of 2003. This growth is due to a combination of higher volumes and better sales prices.

Profit after tax and minority interests is forecast to be around DKK 350 million, after non-recurring writedowns of production equipment totalling around DKK 50 million which will reduce profit after tax and minority interests by around DKK 30 million. A tax rate of 34% is still anticipated for 2004 as a whole, against 37% in 2003. The Danish government has announced that it is considering a change in the Danish joint taxation scheme. The new rules are not known at this time, so it is not possible to predict the influence of such consideration.

The DKK 100 million increase in earnings compared to 2003 is forecast to come primarily from the insulation segment, while the Systems Division is expected to report earnings on a par with last year as a result of the impact on Grodan's sales of poor market conditions in the horticultural sector.

The year's investments are now expected to total around DKK 900 million, which is higher than the previous forecast of in excess of DKK 800 million. The increase is due primarily to supplies of machinery for the new factory in St Petersburg in Russia being brought forward.



Main figures/key figures for the Group

	3rd qtr. 2004	3rd qtr. 2003	Acc. 3rd qtr. 2004	Acc. 3rd qtr. 2003	Full year 2003
	Unaudited figures		Unaudited figures		Audited
Income statement items in million DKK:					
Net sales	2,307.2	2,086.2	6,403.7	5,819.7	8,215.9
EBITDA	321.9	264.4	845.7	693.3	1,093.3
Operating profit before financial items (EBIT)	169.7	113.5	382.7	233.1	492.6
Financial items	-20.2	-15.2	-65.3	-60.8	-98.6
Profit before tax	154.8	98.2	329.1	172.3	428.9
Profit after tax	102.2	58.9	217.2	103.4	270.1
Profit for the period (after minority interests)	94.8	51.5	205.1	95.1	254.4
Cash flow (from operating activities)	538.5	361.4	789.1	389.0	774.9
Balance sheet items in million DKK:					
Fixed assets			4,382.0	4,322.1	4,339.1
Current assets			2,589.9	2,551.4	2,445.9
Total assets			6,971.9	6,873.5	6,785.0
Equity			4,270.3	3,993.8	4,090.7
Minority interest			43.1	84.3	47.5
Provided obligations			354.4	289.5	330.4
Long-term debt			513.4	715.6	581.6
Short-term debt			1,790.7	1,790.3	1,734.8
Other items in million DKK					
Investments and acquisitions			437.4	392.2	632.5
Depreciation			463.0	460.2	600.7
Number of employees:					
Number of employees			7,288	7,201	7,293
Ratios					
Profit ratio			6.0	4.0	6.0
Profit per share of DKK 10			9.3	4.3	11.6
Intrinsic value per share of DKK 10			194.3	181.8	186.2
Equity ratio (%)			61.2	58.1	60.3

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

Rockwool Polska wins Reliable Employer prize

Rockwool Polska is among the most desirable workplaces in Poland.



Rockwool Polska has just been awarded the prize 'Reliable Employer 2004' in their region, Lubuskie. Companies from all over Poland - up to ten companies from each of the 16 regions - were chosen as nominees for the event. Crucial criteria for the selection were:

- Conditions and atmosphere at work (safety regulations, labour law)
- On time payment of salaries
- Social conditions
- Career paths, promotion possibilities, employee training programmes

The jury for the award contacted randomly selected employees to verify their satisfaction with working for the Rockwool Group. Many factors were mentioned including:

- Stability of employment
- Prestige of working for a well known international company

- Friendly atmosphere
- Attractive remuneration package
- Possibility of professional development and challenges at work

"Rockwool Polska has taken the 'People and Brands Strategy' very seriously and is putting a lot of effort into developing its staff and creating a rewarding and challenging workplace", explains Robert Wałeccki, Personnel Director of Rockwool Polska. "Over the last few years, a wide range of initiatives have been introduced, and the proof of their success is reflected in achieving this award."

Daria Stasinska
Corporate Relations Manager
Rockwool Polska Sp. z o.o.

Internet milestone reached

All subsidiaries are now using the same software. The advantages in operational efficiency and branding are substantial.

The Rockwool Group today operates around 80 different Internet websites, where the various branded solutions and services are available.

All 80 websites are based upon the same Internet tools and technology, but this has not always been the case. When the Internet started growing in importance in the mid-1990s, local sites were started by operating companies (OPCOs), which could see the business potential. Consequently, very different software tools were used in the various subsidiaries, and the design of the sites varied considerably.

In 2001 Group Management decided that a Group solution was needed. The many different platforms were an obstacle to reap synergies in terms of shared experiences and competence building and economies of scale.

"The mission is now accomplished", explains Leif Druedahl, vice president for Internet Marketing. "On 31 October the last remaining site was transferred to the Group standard. The standardisation has cut operational costs to only a fraction of what they otherwise would have been. Even more important, we now have a uniform design so that the Rockwool brand is presented in the same way to our customers around the world, and at the same time we have an excellent platform for further business exploitation of the Internet media".

Each year the Rockwool websites are visited more than 1.8 million times, visitors looking at 12 million web pages. This gives a very large exposure of the solutions and expertise offered by the Rockwool Group in an extremely cost efficient way compared to the use of alternative media.

Group Communications

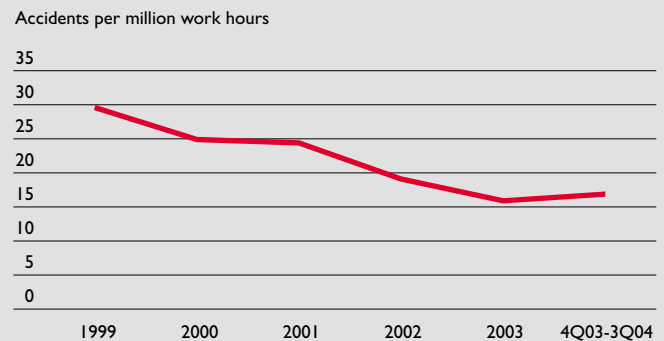
Increasing number of accidents

Unless we see only few accidents in the 4th quarter, the frequency rate of accidents in 2004 will be higher than that of 2003. The fact that the positive trend has now stopped should make everybody in the Group consider which initiatives can help reverse this development.

A relevant question that you should ask yourself and your colleagues is: how can I contribute to a higher level of safety for myself and for my colleagues? Safety in the workplace is everybody's responsibility!

Ole Christensen
Fire preventive & safety officer
Rockwool International A/S

Frequency Rate of Accidents:



▶ Management news

ROCKWOOL INTERNATIONAL A/S Production & Environment ("PE"), Hedehusene, Denmark

From 6 December 2004 Jens Ranløv has been appointed vice president of "PE", taking over from Bjørn Rici Andersen. Jens Ranløv will be reporting to senior vice president Carsten Winther.

Group Human Resources and Communication – new organisation.

On 30 September 2004 senior vice president Ole Dalby resigned from his position to seek early retirement. Consequently the department Group Human Resources and Communication has been discontinued and reorganised as follows:

1. Personnel Department Parent Company (RI) is part of Group Technology

"GT" The personnel department "HR" headed by Birthe Hammer Boe has been transferred to "GT", and Birthe Hammer Boe will report to senior vice president Carsten B. Winther.

2. International Human Resources and Group Communications are part of Group Corporate Affairs

"GL" International HR Development "GLI" headed by Ole Hesislev, International HR Administration "GLI" headed by Annelise Klarlund Østergaard and Group Communications "GLC" headed by Thorkild Diness Jensen - and their departments - have been transferred to "GL", reporting to senior vice president Jakob Sørensen.

3. Internal Services is part of Group Finance

"GC" Internal Services

"CFT" headed by Arne Damsgaard Olsen has been transferred to "GC", and Arne Damsgaard Olsen will report to vice president Jens Krogsgaard.

CENTRAL DIVISION New world-wide marine organisation

With the main purpose of further developing and strengthening the world-wide marine market it has been decided to reorganise the marine business set-up within the Group. From 1 October 2004 Klaus Franz has been appointed business director marine – reporting to division managing director Central Division, Kurt Berners. Klaus Franz' present responsibilities in Germany and Austria remain unchanged.

RTI Group

From 1 October 2004 Bert

Geerinckx has taken up the position as sales director, responsible for the home markets Benelux and France. From 1 October 2004 business development manager Benelux, Ben Verhoeff, has been appointed marketing and business development manager of the RTI Group. Bert Geerinckx and Ben Verhoeff will be reporting to managing director RTI, Dirk Bogaert. The management team of the RTI Group will consist of Volker Thies, Ben Verhoeff, Rob Meevis, Bert Geerinckx and Dirk Bogaert.

NORTH DIVISION Roxul Inc., Ontario, Canada

From 1 October 2004 Anthony (Toby) Torchia has been appointed sales manager, USA. Until further notice Toby Torchia will be reporting to president, Roxul Inc., Trent Ogilvie.

▶ Management news

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Rockwool Russia, Moscow, Russia

From 18 October 2004 the employment of sales and marketing director Ilya Sidorov has been terminated. Until further notice general director Franck Troquay will be in charge of the sales and marketing department.

As of 1 January 2005 Steve Hurley will take up the position as technical director in Rockwool Russia. Steve Hurley comes from a position as technical director in Rockwool Ltd., UK, and he has worked previously in Roxul Canada and Rockwool Poland.

Rockwool Limited, Bridgend, United Kingdom

As of 1 January 2005 Bjørn Rici Andersen has been appointed technical director of Rockwool Limited, taking over from Steve Hurley. Bjørn Rici Andersen will be reporting to managing director Brian V. Roberts.

Rockwool Scandinavia, Hedehusene, Denmark

As of 1 January 2005 Jørgen Amtoft will take up the position as technical director in Rockwool Scandinavia. Jørgen Amtoft comes from a position as technical director in Rockwool Russia.

Roxul Asia Sdn Bhd, Melaka, Malaysia

As of 1 January 2005 technical director Rockwool Scandinavia, Peter Bredsten, will take up a new position as technical director in Roxul Asia. Peter Bredsten will be reporting to managing director Roxul Asia, Erik Buch Procida.

SYSTEMS DIVISION Grodan Group

As of 1 February 2005 Maurice Husson, currently business manager for Rockwool Rockpanel B.V., has been appointed director of Production & Efficiency within the Grodan Group. Mr Husson will be reporting to managing director Nick Vince.

CHANGES IN THE SUPERVISORY BOARDS

Agro Dynamics, Inc, Texas, USA

On 26 February 2004 Jerry Christian, former executive vice president of ConAgra Agra Products, was elected member of the board of directors.

Ecotech, Linz, Austria

Following Rockwool International A/S' acquisition of all remaining shares of Ecotech Bauphysik und Energietechnik Software GmbH on 20 September 2004, Herbert Krippner, representing a former major shareholder, resigned from the board of directors.

Roxul Asia, Melaka, Malaysia

Jørgen Dan Jensen, senior advisor in IFU (The Danish Industrialisation Fund for Developing Countries), has been elected member of the board of directors. Mr Jensen replaces Martin M. Kristensen who resigned from the board in October 2004.

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

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Thorkild Diness Jensen

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