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**To the editor**

*29 March 2005*

*Annual accounts of the Rockwool Group:*

# Strong growth in turnover and profit

**Highlights:**

- Sales grew by 11% to DKK 9.1 billion
- EBITDA climbed by 21% to DKK 1.3 billion
- Profit for the year rose by 59% to DKK 405 million
- Investments totalled DKK 704 million
- Cash flow from operating activities increased by 46% to DKK 1.1 billion
- Sales growth of 8%, profit for the year of DKK 450-500 million and investments of DKK 1.1 billion are anticipated in 2005
- The dividend is proposed to be DKK 4.00 per DKK 10 share, which is an increase of 21%.

The entire annual report can be downloaded from the Group's investor-information at www.rockwool.com.

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The statements on the future in this release, including expected sales and earnings, are associated with risks and uncertainties and may be affected by factors influencing the activities of the Group, e.g. the global economic environment, including interest and exchange rate developments, the raw material situation, production and distribution-related issues, breach of contract or unexpected termination of contract, price reductions due to market-driven price reductions, market acceptance of new products, launches of competitive products and other unforeseen factors.

# Five year summary:

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|
| **Income statement items in million DKK:** | | | | | |
| Net Sales | 7.620,5 | 7.921,4 | 7.919,3 | 8.215,9 | 9,143.2 |
| EBITDA | 991,4 | 1.052,3 | 975,5 | 1.093,3 | 1,317.8 |
| Operating profit before financial items (EBIT) | 212,8 | 374,2 | 295,3 | 492,6 | 665.8 |
| Financial items | -30,9 | -65,7 | -77,5 | -98,6 | -80.1 |
| Profit before tax | 202,9 | 330,2 | 237,4 | 428,9 | 603.5 |
| Profit after tax | 120,4 | 191,3 | 142,8 | 270,1 | 403.0 |
| Profit of the year (after minority interests) | 143,4 | 204,0 | 131,1 | 254,4 | 405.5 |
| Cash flow (profit after tax plus depreciation) | 621,2 | 925,6 | 856,0 | 774,9 | 1,127.4 |
| **Balance sheet items in million DKK:** | | | | | |
| Fixed assets | 4.216,9 | 4.485,1 | 4.508,8 | 4.339,1 | 4,481.0 |
| Current assets | 2.941,5 | 2.905,6 | 2.357,7 | 2.445,9 | 2,625.0 |
| Total assets | 7.158,4 | 7.390,7 | 6.866,5 | 6.785,0 | 7,106.0 |
| Equity capital | 3.917,1 | 4.066,3 | 4.039,7 | 4.090,7 | 4,501.1 |
| Provisions | 203,3 | 239,6 | 286,9 | 330,4 | 389.6 |
| Long-term debt | 985,0 | 1.394,7 | 674,7 | 581,6 | 384.7 |
| Short-term debt | 2.030,1 | 1.656,2 | 1.780,5 | 1.734,8 | 1,830.6 |
| **Other items in million DKK:** | | | | | |
| Investments and acquisitions | 1.503,3 | 894,6 | 782,6 | 632,5 | 704.2 |
| Depreciation | 778,6 | 678,1 | 680,2 | 600,7 | 652.0 |
| Research and development costs | 131,9 | 146,5 | 147,6 | 158,7 | 161.0 |
| **Number of employees:** | | | | | |
| Number of full-time employees | 7.458 | 7.440 | 7.169 | 7.293 | 7,385 |
| **Ratios:** | | | | | |
| Profit ratio | 2,8% | 4,7% | 3,7% | 6,0% | 7.3% |
| Profit per share of DKK 10 | 6,5 | 9,3 | 6,0 | 11,6 | 18.5 |
| Dividend per share of DKK 10 | 3,3 | 3,3 | 3,3 | 3,3 | 4.0 |
| Cash earnings per share of DKK 10 | 28,3 | 42,1 | 39,0 | 35,3 | 51.3 |
| Book value per share of DKK 10 | 178,3 | 185,1 | 183,9 | 186,2 | 204.9 |
| Return on invested capital | 4,9% | 7,8% | 6,0% | 10,2% | 13.8% |
| Return on equity | 3,7% | 5,1% | 3,2% | 6,3% | 9.4% |
| Equity ratio | 54,7% | 55,0% | 58,8% | 60,3% | 63.3% |
| **Main figures in mill EUR:** | | | | | |
| Net Sales | 1.022,4 | 1.065,3 | 1.066,7 | 1.103,6 | 1,229.1 |
| Profit before tax | 27,2 | 44,4 | 32,0 | 57,6 | 81.1 |
| Profit after tax | 16,2 | 25,7 | 19,2 | 36,3 | 54.2 |
| Total assets | 959,2 | 993,9 | 924,9 | 911,4 | 955.3 |
| Equity capital | 524,9 | 546,9 | 544,1 | 549,5 | 605.1 |
| Investments and acquisitions | 201,8 | 120,3 | 105,4 | 85,0 | 94.7 |
| Depreciation | 104,5 | 91,2 | 91,6 | 80,7 | 87.6 |
| Exchange rate DKK | 7,45 | 7,44 | 7,42 | 7,44 | 7.44 |

## Annual statement for 2004

Strong growth in Central and Eastern Europe helped the Rockwool Group to generate its strongest sales growth since 1986. Sales in 2004 totalled DKK 9.1 billion, an increase of 11% on 2003, which is two percentage points higher than anticipated in the third-quarter report. Sales in December were exceptionally good due to good weather conditions.

Profit for the year was DKK 405 million, an increase of 59% on 2003 and DKK 55 million higher than anticipated in the third-quarter report. This figure comes after nonrecurring write-downs of 55 DKK million representing part of production equipment and goodwill relating to Roxul Asia.

**Insulation**
It was primarily the insulation business which was behind the improved results in 2004. The insulation markets of Central and Eastern Europe grew strongly, and the more mature markets of Western Europe and North America also saw healthy rates of growth due to good levels of residential construction activity and to rising energy prices fuelling interest in energy efficiency. Germany however once again saw a decline in the market.

The insulation divisions' sales grew by 11% to DKK 8,465 million. This was the result of both higher volumes and higher prices. Prices began to rise at the end of 2003 after almost 15 years of unchanged prices for insulation products.

EBITDA came to DKK 1,214 million, an increase of DKK 246 million or 25% on 2003. There are a number of reasons why earnings were not even better given the strong growth in sales:

Sales growth in Central and Eastern Europe, and Russia in particular, could still not be matched by the local factories, with the result that products had to be sourced from the factories in Western Europe, leading to higher costs. This situation was to some extent anticipated, and so historically large stocks were built up during the low season so that customers could be assured of supplies during the high season in the autumn. This meant that more capital was tied up in stock, and this strategy has been a success.

Energy prices also rose sharply, which is good for insulation sales in the longer term but pushes up costs in the short term. The price of coke, the key energy source, grew particularly strongly during the year.

**Systems Division**
The Systems Division is less exposed to the growth markets of Central and Eastern Europe than the insulation divisions, and so recorded more subdued growth. Sales climbed to DKK 1,630 million, an increase of 6% on 2003.

Unfortunately this growth in sales could not be matched by growth in earnings. EBITDA fell by 15% to DKK 112 million.

The main reason for this EBITDA development was the problems faced by the Grodan Group, which supplies substrate solutions for the horticultural industry. The largest customer segment – large growers in Western Europe – is battling with low profitability, which is putting pressure on the prices of Grodan substrates. Combined with high costs, this led to unsatisfactory profitability.

**Capacity utilisation**
The strong growth in demand meant that the Group's factories saw historically high levels of capacity utilisation. Many of the factories were booked solid during the second half of the year. Various steps have been taken to handle this growth.

The construction of a new factory (at the cost of DKK 500 million) near St Petersburg in Russia is on schedule. When the factory is ready at the beginning of 2006, this will result in a sharp increase in capacity and a substantial reduction in transport costs as the factory is situated close to the market.

The Tapolca factory in Western Hungary, acquired at the end of 2003, worked throughout 2004 on improving its environmental plant and increasing quality and capacity. The factory is now an important link in the supply chain to the rapidly growing markets of Hungary, the Czech Republic and Slovakia. Capacity expansion projects were also carried out at the factories in Russia, Poland and Spain in 2004.

**Strategic initiatives**
The expansion of the Group's new BuildDesk service operation was stepped up in 2004. A new subsidiary was started up in the UK in December, which means that BuildDesk is now represented in Germany, the Netherlands and the UK. BuildDesk offers architects and consulting engineers IT-based expertise which enables them to quickly perform energy calculations for buildings in accordance with complex new EU rules. This initiative should be seen in the context of the Group's general strategy of contributing to improved quality in the building sector and improved efficiency in the planning and construction of buildings.

The creation of strong central functions at Group level for purchasing, IT, production planning and logistics continued in 2004. There is considerable potential for cost savings in these areas, which were previously handled mainly locally.

**Group profit**
The Group as a whole generated EBITDA of DKK 1,318 million, an increase of DKK 227 million or 21% on 2003. EBITDA climbed from 13.3% to 14.4% of sales.

The Group's operating profit before financial items (EBIT) totalled DKK 666 million, an increase of 36% from DKK 490 million in 2003.

Financing costs totalled DKK 80 million, a decrease of DKK 19 million on 2003. The fall was a result of improved liquidity and lower interest rates.

**Investments and cash flow**
The improvement in earnings contributed to a strong cash flow. The Group has been focusing on working capital and was therefore able to maintain the capital tied up in debtors despite increased sales. Stocks grew by DKK 144 million, due primarily to the stockpiling of finished goods in Central and Eastern Europe.

The change in working capital was also affected by the fact that the use of non-interest bearing debt has been increased by DKK 105 million.

Total cash flow from operating activities was DKK 1,127 million, an increase of DKK 353 million on 2003. Investments totalled DKK 704 million, which is approximately DKK 200 million less than expected in the report on the third quarter. The deviation is primarily owing to the fact that deliveries to the factory near St. Petersburg have been invoiced later than expected. The building of the factory is however proceeding as planned with production start at the beginning of 2006.

Free cash flow was DKK 423 million, an increase of DKK 281 million on 2003 and equivalent to 4.6% of sales. The Group's long-term target is to generate free cash flow of minimum 2% of sales.

| **Profit development** | **DKK Million** |
|---|---:|
| EBITDA 2003 | 1,091 |
| Sales prices | 347 |
| Sales growth/change in product mix | 184 |
| Price increases on purchases | -375 |
| Efficiency improvements | 104 |
| Other things | -33 |
| **EBITDA 2004** | **1,318** |

**Balance sheet**
Total assets increased by DKK 321 million to DKK 7,106 million during the year, due primarily to growth of DKK 142 million in fixed assets and DKK 144 million in stocks.

Equity climbed to DKK 4,501 million, and the equity ratio from 60.3% to 61.0%.

The financial gearing – meaning the net interest-bearing debt ratio to equity – is 3.7%. Short-term debt was largely unchanged. The Group also has unused committed credit facilities of DKK 2,326 million.

**Expectations for 2005**
Continued sales growth is anticipated in 2005, albeit at a slightly lower level than in 2004. Sales are forecast to grow by 8% to DKK 9.9 billion. Again the greatest increase is expected to be in the markets of Central and Eastern Europe.

Production costs are expected to rise again in 2005 as a result of higher prices for labour, services and raw materials. World market prices for coke are now decreasing.

EBITDA is expected to grow by around 10% to DKK 1.46 billion.

Profit for the year is expected to rise to DKK 450-500 million based on the current rules for joint taxation.

Investments are expected to be at a higher level at around DKK 1.1 billion.