

## Review of the year 2007

- Sales grew by 21% and reached DKK 13.9 billion.
- EBITDA grew by 60% and reached DKK 3.4 billion.
- Profit after minority interest grew by 107% and reached DKK 1,966 million.
- This year's investments were DKK 1,621 million.
- Cash flow from operations amounted to DKK 2.5 billion, up 37% on 2006.
- For 2008, we expect sales growth of 0% and a profit after minority interests around DKK 1,300 million. The investment level will be around 2.0 DKK billion.
- The Board proposes the dividend to be increased by 50% to DKK 14.40 per share.





## Sales

A strong construction market in the first half of the year led to the best result ever for the Rockwool Group. Group turnover increased by 21% - a historically high growth rate - and reached DKK 13.9 billion.

Geographically, the markets in Central and Eastern Europe (CEE) again showed the highest growth rates with the Russian market as the clear leader. Sales in the CEE region grew by 37% reaching DKK 3.5 billion or 25% of Group net sales. In Western Europe, our main region with 66% of Group sales, the market also showed a positive development with a growth of 16% bringing sales to DKK 9.2 billion. In both regions, a slowdown in most national markets was noted during the fall and winter.

In the markets outside Europe, growth was good with 14% and sales reached DKK 1.2 billion. The North American operations continued to perform well despite the crisis in the US building sector. The activities in the Far East also showed an encouraging development. A new office was established in Shanghai to manage the increasing sales to China.

The insulation area experienced the strongest growth of the Group's seven business areas with an increase in sales of 22% to DKK 11.8 billion. Sales to both the non-residential sector and the residential sector increased significantly compared to 2006 but the residential activities peaked in the spring/summer and showed a downward trend during the fall and winter.

The activities of Systems Division also showed solid growth. Sales increased by 11% and reached DKK 2.1 billion. The Rockfon activities benefited from the good development of the non-residential building markets. The Grodan horticultural business continued its progress towards better profitability despite challenging market conditions.

The Group's consultancy activities BuildDesk expanded with the acquisition of the Dutch energy consulting company CEA. The CEA Group was a leading brand in consultancy on and implementation of energy efficiency projects in the Netherlands. During 2007, the company, its products and services were integrated into the BuildDesk organisation.

## Production

The increase in demand for the Group's products meant that the factories were sold out during the first part of the year. To satisfy the market, many capacity expansion projects were carried out to increase the capacity of the existing production lines. In addition to this, the number of shifts was increased to maximise the run-time of the production lines. However, despite all efforts, customers were faced with longer delivery times in most segments.

Major projects to increase capacity included a debottlenecking of the line at our Czech factory. The new expanded line opened on schedule in June. In Croatia, the new factory opened as planned on 19th September but had to stop the running-in as the authorities took the unusual step of demanding a temporary closure due to minor deviations between the building permit and the actual construction. The dialogue with the authorities is ongoing but we are uncertain about the timetable for the reopening.

The high utilisation of the factories created a favourable background for a strong operating result. Increases in raw material prices pulled in the other direction, however. The price of coke - the main energy raw material used for melting stone in the majority of the factories - increased sharply over the year and other important energy inputs such as gas, electricity and fuel also became more expensive. Higher energy prices will have a short-term negative effect as the Group's cost base goes up but in the long run this will be beneficial for the Group as the advantage of good insulation increases. A typical insulation product will save the energy used for its production more than 100 times during its life time.

In order to meet the expected increase in demand for insulation products in the coming years, the Group has initiated an expansion programme consisting of five new production lines (two as new facilities, three at existing factories) which will add approx. 25% of capacity to the existing production apparatus before the end of 2010. In 2007, the locations for these production lines were selected: two will be in the EU (Poland, UK), one will be in Russia, one in the Ukraine and one in Canada.

### Profit for the year

In 2007, the Group generated an EBITDA of DKK 3.4 billion, up 60% compared to 2006. EBITDA was 24.4% of net sales. Operating profit before financial items (EBIT) reached DKK 2.7 billion, an increase of DKK 1.3 billion or 93%.

Financial items showed a net income of DKK 21 million, which was DKK 54 million better than the previous year.

Tax amounted to DKK 700 million corresponding to an effective tax rate of 25.4%. The effective tax rate is 5.4 percentage points lower than last year.

Profit after tax and minority interests was DKK 1,966 million, an improvement of DKK 1,016 million or 107% compared to 2006.

### Investments and cash flow

Cash flow from operations reached DKK 2.5 billion, up 37% on 2006. The positive development was primarily caused by the strong development in profits. Trade accounts receivable increased by DKK 62 million or 4%, which is less than the increase in sales. The higher working capital was



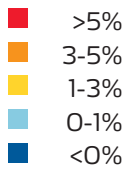
#### Sales distributed on countries

Germany		14%
France		12%
Russia		10%
The Netherlands		9%
Poland		8%
Great Britain		6%
Denmark		6%
USA, Canada		5%
Other countries		30%

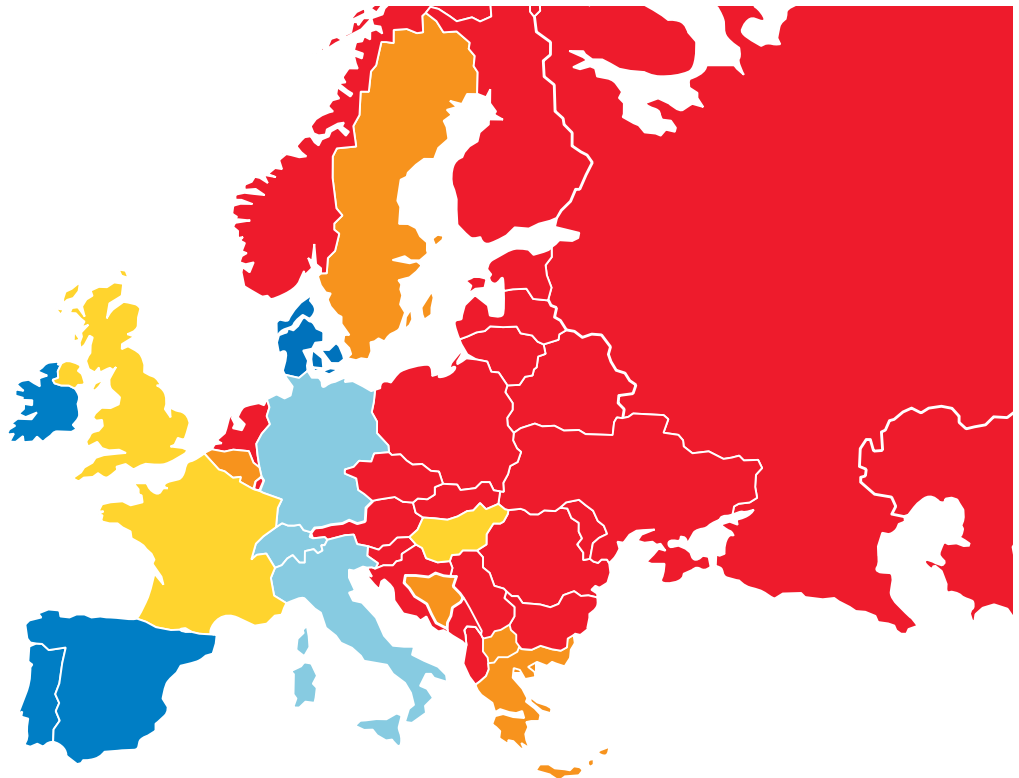
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The Russian building market continued its strong growth in 2007 and the outlooks are good. A new national programme aims at raising the level of construction to 80 million square meters from 2010, up 45% compared to today

### Growth in European construction markets in 2007



Sources: Euroconstruct for EU and own estimates for other countries.



primarily caused by an increase in stocks, which is partly due to a deliberate action to secure raw material supply and partly due to the fact that sales volumes decreased more than expected by the end of 2007.

Investments in 2007 amounted to DKK 1.6 billion, which is an increase of 61% compared to last year and slightly higher than the previously announced expectations; however still in line with the long-term plan.

Free cash flow reached DKK 859 million, which - despite an increase of investments of DKK 0.6 million - is an increase of DKK 53 million compared to 2006. The free cash flow corresponds to 6.2% of the Group's sales.

#### Balance sheet

At the end of 2007 total assets made up DKK 10.9 billion, an increase of DKK 2.3 billion compared to the end of 2006. The increase is primarily due to increased tangible fixed assets (DKK 989 million), an increase in cash (DKK 532 million) and an increase in stocks (DKK 498 million).

Equity at the end of 2007 amounted to DKK 7.8 billion, corresponding to an equity ratio of 71.4%.

The strong cash flow in 2007 was used to reduce interest-bearing debt. End-2007, interest-bearing debt amounted to DKK 112.3 million, a reduction of DKK 15.0 million compared to end-2006. By the end of 2007, the Group had unused committed credit facilities of DKK 1.5 billion.

#### Expectations

The negative sales development experienced during 4th quarter 2007 has continued in 1st quarter 2008. In this quarter we expect sales to be 3% below the exceptional 1st quarter 2007. EBIT for 1st quarter 2008 is expected to be around half the level reached in 1st quarter 2007.

The market decline – which started in the western European residential new building segment – has gradually moved to the non-residential segment in many countries and is also affecting the Group's performance in Central & Eastern Europe.

We expect the European construction market to gradually recover during 2008 in line with a general realisation that the European economy is robust and the various relevant macroeconomic parameters are positive. We foresee no sales growth for the year 2008.

Inflation on raw materials, energy, logistic costs and salaries & wages will be substantial in 2008 and by far exceed the level of efficiency improvements we can reach in our factories. Therefore, we expect a net profit level after minorities for 2008 of DKK 1.3 billion.

Regardless of the building activity, the insulation market will benefit from the increased efforts to bring down energy consumption and CO<sub>2</sub> emissions. Buildings are the biggest item on society's energy account, accounting for some 40% of total consumption in Europe and the US. Energy requirements for both new and existing buildings are continuously being improved.

In anticipation of stronger legislative pressure to reduce energy consumption and CO<sub>2</sub> emissions from buildings in Europe and North America combined with a continuous increase in energy prices, we pursue our capacity expansion programme announced in November 2006 and specified during 2007. Investment expenditure in 2008 is expected to be DKK 2.0 billion.



'Palau de les Arts Reina Sofia' by architect Santiago Calatrava