

Review of the year 2008

- Sales declined by 1.5% and reached DKK 13,700 million.
- EBITDA fell by 30% and reached DKK 2,373 million.
- Profit after minority interests declined by 49% and reached DKK 1,004 million.
- This year's investments reached DKK 2,642 million.
- Cash flow from operations amounted to DKK 1,507 million down 39% on 2007.
- For 2009, we expect a sales decline of 14% with a high uncertainty. Profit after minority interests is expected at DKK 400 million also with a high uncertainty. The investment level is expected to end at DKK 900 million.
- The proposed dividend is decreased to DKK 9.60 per share.



Sales

The Rockwool Group's sales ended slightly below the level of 2007, which was an exceptionally good year. The financial crisis which turned into a global economic crisis affected our markets for new buildings in particular, while some of our markets saw a positive development in terms of energy improvement of buildings.

Profit after tax and minority interests ended at DKK 1,004 million, down 49% compared to 2007. The Group obtained a profit ratio of 11%, achieving its long-term goal of 11%.

From a geographical perspective, the markets in Central and Eastern Europe declined the most due to a significantly worsened economic climate. Net sales in this region fell by 10% to DKK 3,168 million or 23% of Group net sales with Russia as the best performing market but with a strongly declining trend towards the end of the year. In Western Europe, our main region with 68% of Group net sales, the markets showed more resilience to the expanding economic crisis with Spain and the UK as the main exceptions. A satisfactory development in Germany, France and the Netherlands in particular secured a reasonable development in this region bringing net sales in Western Europe to DKK 9,294 million.

In the markets outside Europe, growth was satisfactory with 4%, and net sales reached DKK 1,238 million. The North American operations continued to perform well despite the

crisis in the US building sector, and also the activities in the Far East showed a good development but with a downward trend towards the end of the year.

The insulation area had the most challenging environment of the Group's business areas and net sales declined by 2% to DKK 12,543 million. The decrease was primarily due to lower volumes. Sales prices held up well in Western Europe whereas price erosion was seen in Central and Eastern Europe, especially in the second half of the year.

The insulation market benefits from increased efforts to bring down energy consumption and CO₂ emissions. Insulation of buildings has been found to be one of the most cost-effective ways to reduce CO₂ emissions and save energy costs. Energy requirements for both new and existing buildings are continuously tightened by legislation but it often takes several years before tightenings have any positive effect on the volume of insulation used. The first effects of stricter regulations in the wake of the EU Energy Performance of Buildings Directive (EPBD) are now seen. In the meantime, the EU Commission has already approved a revision and further tightening of this EPBD.

Sales outside the insulation area, organised in five companies under the Systems Division, showed solid growth though also with a somewhat hesitant trend towards the end of the year. Net sales grew by 9% to DKK 2,281 million. The Rockfon activities benefited from the



Spain has a long tradition for outstanding architecture, but the Spanish building market went through a tough period in 2008.

relatively strong development in the public sector. Despite challenging market conditions, the Grodan Group improved the profitability of their activities which are directed towards the greenhouse industry.

The BuildDesk activities were regrouped during the year following the 2007 acquisition of the CEA group. BuildDesk Group is now headquartered in the Netherlands. The BuildDesk strategy focuses on high-level consultancy to national and regional authorities, municipalities, building societies and other major players in the design and development of energy-efficient urban environments.

Production

Lower factory utilisation in 2008 was a contributing factor to the decrease in operating result compared to 2007. Also increases in raw material prices pulled in the wrong direction, but towards the end of the year many raw material prices started to drop sharply. The spot price of coke - the main energy raw material used for melting stone in most of the factories - peaked during the summer and came down fast in the last part of the year. However, due to the Group's hedging policy, the positive effects of lower coke prices will only begin to be seen towards the second half of 2009.

A cost reduction plan was executed in 2008 with the aim of adapting the organisation to more challenging market conditions in 2009. Unfortunately, this made redundancies necessary in most countries, both at the factories and in

the administrative functions. In Hungary, the smaller of two factories was closed in December.

The level of investments to be implemented in future is drastically reduced.

The expansion of the production platform continues in March 2009 with the inauguration of a new line in the Toronto area in Canada. Despite the current economic downturn, the Group firmly believes that the long-term demand for more energy-efficient buildings will lead to increased insulation demand in the regions where the Group has expanded its capacity. Furthermore, the new production lines significantly improve competitiveness as the new facilities have the most modern and efficient production technology.

Sales for the Rockwool Group

Sales distributed on countries

Germany		15%
France		13%
Russia		10%
The Netherlands		10%
Poland		7%
Denmark		6%
Belgium		5%
Other countries		34%

In 2008, two new lines were commissioned, one in Eastern Poland and one in the UK. Construction of the new line in Canada progresses according to plan and is expected to start in Q1 2009. When this project is executed only one project of the original plan – a new plant in the Volga region in Russia – remains to be implemented. The Group has decided not to pursue the construction of a factory in Ukraine. In August, the Group announced its intention to build a plant in north-western India in order to establish a production platform for technical insulation to service the expanding Indian economy as well as the Gulf region. The project is a joint venture with the German Kaefer Group, which has operated in India for many years.

In Croatia, the factory has been operated since August. It operates on a temporary permit.

Profit for the year

In 2008, the Group generated EBITDA of DKK 2,373 million, 30% less than in 2007, which was an exceptional year. EBITDA was 17% of net sales, corresponding to the average level of the last five years. EBIT amounted to DKK 1,502 million, a decrease of DKK 1,204 million or 44% caused mainly by the contraction of margins affected by high raw material prices and lower production capacity utilisation.

Financial items showed a net income of DKK 8 million, which is slightly below last year.

The effective tax rate for the year was 30.1% amounting to a tax amount for the year of DKK 465 million. The effective tax rate was 4.7 percentage points higher than last year as a result of tax rule changes in some countries and lower earnings in countries with low taxes.

Profit after tax and minority interests was DKK 1,004 million, a decrease of DKK 962 million. The result was affected by net costs and provisions for restructuring and reorganising the Group amounting to DKK 75 million.

Investments and cash flow

Cash flow from operations amounted to DKK 1,507 million, a decrease of 39%. The decrease was primarily caused by the decline in profits. The change in working capital of DKK 138 million was primarily caused by price increases in raw material inventory.

Investments in 2008 reached DKK 2,642 million, up 63% on last year. The investments are in line with the long-term plan to improve competitiveness and expand capacity.

Free cash flow amounted to DKK -1,135 million, down DKK 1,994 million on last year primarily due to lower profits and higher investments.

Balance sheet

At the end of 2008 total assets amounted to DKK 11,643 million, an increase of DKK 749 million compared to the end of 2007. The increase in non current assets (DKK 1,150 million) was partly offset by a decrease in cash of DKK 813 million. Trade receivables decreased by DKK 28 million corresponding to average debtor days at 42 days. Available cash at the end of 2008 amounted to DKK 368 million.

Equity at the end of 2008 amounted to DKK 7,964 million, corresponding to an equity ratio of 68%.

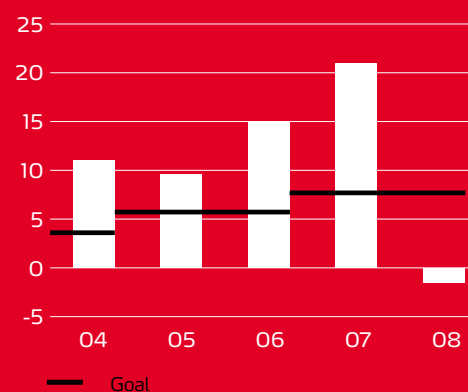
Large investments in 2008 reduced cash in the group and increased interest-bearing debt. At the end of 2008, net interest bearing debt amounted to DKK 440 million, up DKK 1,584 million on last year. By the end of the year the Group had unused committed credit facilities of DKK 726 million.

Expectations

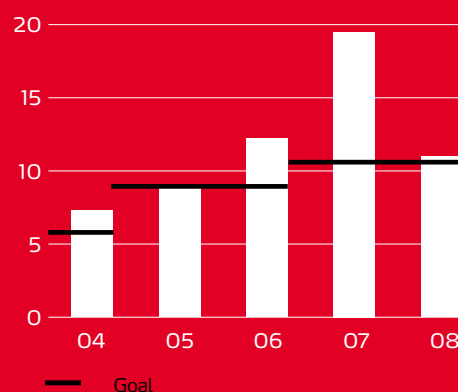
The financial crisis has spiralled into a global economic downturn which is showing its negative effects in most markets where the Group operates. Sales in the first quarter of 2009 are expected to be 14% below 2008 as a result of a steep decline in building activities and poor weather conditions in Europe compared to the same period in 2008.

Financial goals for the Rockwool Group

Average sales growth of 8%



Profit ratio of 11% of turnover





The market decline, which is most severe in Central and Eastern Europe as well as the UK, Ireland and Spain, will primarily affect the new construction segment whereas the renovation market is assumed to be more resilient. Many government programmes to revive the bank sector, to stimulate the economy, to reduce unemployment, and to increase energy efficiency in buildings and reduce CO₂ emissions have been announced and will support the insulation markets in the renovation and public segments, however with a limited effect in 2009. The Rockwool Group is advocating long-term incentives in order for relevant market players to be able to plan ahead. We foresee a sales decline of 14% in 2009 with a high uncertainty.

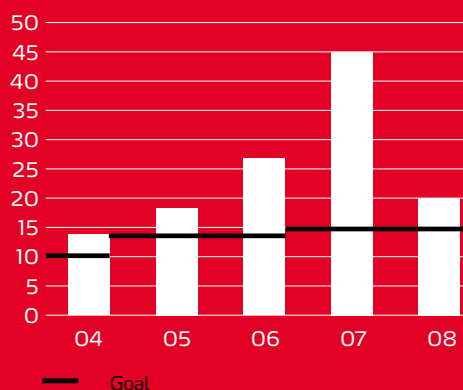
The benefit of the Group's cost reductions that were initiated in 2008 and the expected deflation of input costs will not

be sufficient to maintain the margins at the 2008 level. Net profit after minorities is expected at DKK 400 million also with a high uncertainty due to the extreme market conditions.

The tax rate is expected to increase from 30.1% to 32.0% as a consequence of the expected reduction of profit in countries with lower tax rates.

Investment expenditures will be reduced significantly throughout the year. However, finalising large projects initiated earlier will entail significant investments in 2009. Expectation for total investments in 2009 is DKK 900 million.

Return on invested capital of 15%



Equity ratio of min. 50% of the assets

