

Annual Report 2004



ROCKWOOL®
FIRESAFE INSULATION

The statements on the future in this report, 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.



Contents

| | | | |
|---|----|---|----|
| Mission | 3 | The Group's management of financial risks | 38 |
| Five-year summary | 4 | Accounting policies applied | 40 |
| Group profile | 5 | Income statement | 45 |
| Goals for the Rockwool Group | 6 | Balance sheet - Assets | 46 |
| Annual statement for 2004 | 8 | Balance sheet - Liabilities | 47 |
| Board & Group Management | 12 | Statement of funds | 48 |
| Corporate governance | 13 | Statement of equity | 49 |
| Shareholder information | 14 | Segmented accounts | 50 |
| Human capital | 16 | Notes | 51 |
| Growth in environmental solutions | | Management's and auditors' report | 57 |
| – sharper focus on buildings' energy efficiency | 22 | Addresses | 58 |
| Construction market trends | 28 | | |
| Insulation | 30 | | |
| Systems Division | 34 | | |

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The Rockwool Group will be the preferred supplier to its customers of our competitive branded solutions – including expertise – enhancing energy efficiency, fire safety, acoustics and improving indoor climate.

Five year summary

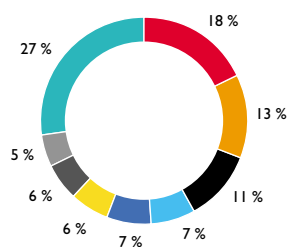
| | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|---------|---------|---------|---------|----------------|
| Income statement items in million DKK | | | | | |
| Net Sales | 7,620.5 | 7,921.4 | 7,919.3 | 8,215.9 | 9,143.2 |
| EBITDA | 991.4 | 1,052.3 | 975.5 | 1,093.3 | 1,317.8 |
| Operating profit before financial 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 | 3,939.9 | 4,100.2 | 4,124.4 | 4,138.2 | 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 million 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 |

The Rockwool Group's operations are concentrated in Europe but it also has production, sales and services in North America and Asia. Together with a broad network of business partners, this ensures that the Group's products and solutions reach almost every corner of the globe.



The Group is the world's leading supplier of products and solutions based on stone wool. Solutions which first and foremost make for energy-efficient and fire-safe buildings with good acoustics and a comfortable indoor climate, but which also include substrates for the horticultural industry, special fibres for brake linings and gaskets, and noise and vibration control systems for roads and railways. In 2004 the Group generated sales of DKK 9.1 billion.

Sales distributed on countries



Financial goals for the Rockwool Group



Sales growth

Generate sales growth of 5-10% per year, assuming an unchanged level of construction activity in Western Europe.

In 2004 growth of 11% was realised. The organic growth was primarily driven by the development in Central and Eastern Europe. The goal is specified to be 6% in future.

Earnings

A profit ratio (operating profit/sales) of 6% of turnover.

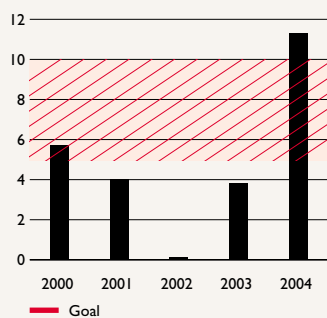
A profit ratio of 7% was realised. In 2003 the profit ratio was 6%. The increase can be related to the effect of introduced price increases and improved capacity utilisation. The goal is changed from 6% to 9% in future.

Return on invested capital

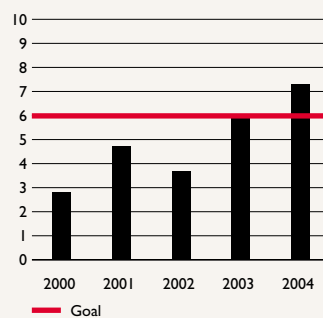
A return on invested capital of 10%.

In 2004 a 14% return on invested capital was achieved. The increase compared to last year's 10% can be attributed to the fact that the improved result has been achieved without an equivalent increase in invested capital. The goal is changed to 14% in future.

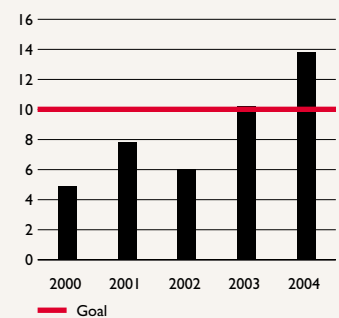
Sales growth



Profit ratio



Return on invested capital



The Rockwool Group has set several financial goals for the Group's long-term development. Compared to last year the goals are unchanged, but for 2005 the sales target has been specified and the profitability targets have been upgraded, increasing the profit ratio goal from 6% to 9% and increasing the goal for return on invested capital from 10% to 14%.



Investments and cash flow

Invest in increased efficiency and environmental improvements at the factories. The goal is however that the free cash flow be at least 2% of net sales.

In 2004 investments of DKK 704 million were made. This is on a par with 2003. The free cash flow was 5% of turnover.

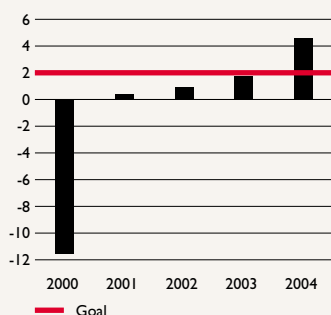
The long-term goal to allocate at least 2% of the turnover as a free cash flow is maintained.

Equity ratio

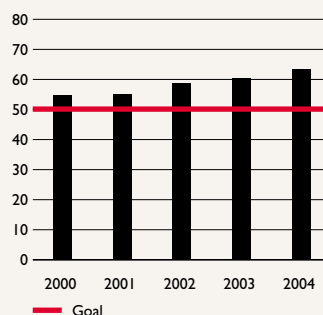
Maintain an equity ratio of at least 50% of the assets.

At the end of 2004 the equity ratio of the Rockwool Group was 61%. Last year the equity ratio was 60%. The goal for 2005 is maintained at 50%.

Free cash flow as a percentage of net sales



Equity ratio



Management report for 2004

- 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%.

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 non-recurring write-downs of DKK 55 million representing parts 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 in-

The rate of utilisation at the Rockwool factories in 2004 was historically high, which contributed to the improved performance. Caparros, Spain.



sulation 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 decrease 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.

Board & Group Management



Board

(From left)

Jürgen Sengera

Former chairman of the management board of WestLB AG.

Henrik Nyegaard, Deputy Chairman

Chairman of the supervisory boards of Contex A/S, Danfoss A/S, Gylkendal A/S and ProActive A/S. Deputy Chairman of the supervisory boards of VELUX A/S and VKR A/S. Member of the supervisory boards of Biomega A/S and MAN B&W A/S.

Gustav Kähler

Member of the supervisory board of A/S Saltbækvig.

Lars Elmekilde Hansen

Elected by employees.

Tom Kähler, Chairman

Chairman of the board of A/S Saltbækvig. Vice chairman of the board of Danfoss A/S.

Birthe Bækman

Elected by employees.

Jan W. Hillege

Member of the supervisory boards of Burgers Ergon, Geo Delft, Delft Hydraulics, Enza. Member of the board of The Hogeschool van Utrecht.

Preben Damgaard

Managing director of Damgaard Company A/S. Chairman of the board of Dannebrog Rederi A/S. Member of the boards of Bang & Olufsen A/S, TDC A/S, Proactive A/S, DTU-Innovation A/S, ERP International 2 A/S, Giritech A/S and Heart Made A/S.

Arne Kraglund

Elected by employees.

Group Management

(From left)

Claude Brasero, South Europe Division

Steen Ørnslund, North Division

Kurt Berners, Central Division

Theo Kooij, Systems Division

Eelco van Heel, President
Member of the supervisory board of Junckers Industrier A/S

Stig Damgaard Pedersen, Marketing

Knud Jørrning, Finance

Carsten B. Winther, Technology

Jakob Sørensen, Corporate Affairs

Corporate governance

The Board of Directors' role

The Board of Directors decides on matters of substantial importance for the Group's activities. Such matters include decisions on strategic guidelines, approval of periodic plans, and decisions on major investments and divestments.

An important part of the Board of Directors' work is monitoring the risk factors associated with the company's operations. The boards of all of the various Rockwool companies are charged with gaining an overview of the main risks associated with their activities, which can then be consolidated into a Group risk profile for regular evaluation.

The Board of Directors appoints the Group President and the other members of Group Management who handle the day-to-day management of the business.

Committees

In 2004 two committees were established: An Audit Committee and a Compensation Committee.

Election of members of the Board of Directors

According to its Articles of Association, the company is to have a Board of Directors with five to eight members elected by the general meeting. Additional members are elected by employees in accordance with Danish legislation.

Board members must step down at the first general meeting following their 70th birthday.

Members elected by the general meeting are elected for a period of one year.

The Board of Directors appoints its Chairman and Deputy Chairman from among its members. Both are appointed for one year at a time.

When members are elected to the Board of Directors, emphasis is given to candidates' ability to contribute to the Group's strategic development. Board members with good knowledge of the market, in which the Group operates, is also a priority. The members of the Board of Directors appointed by the general meeting currently comprise one German, four Danes and one Dutchman.

Meetings of the Board of Directors

The Board of Directors met on six occasions in 2004. Meetings are held in English.

Composition of the Board of Directors in 2005

The Board of Directors intends to propose to the general meeting on 18 April 2005 that the number of members of the Board of Directors elected by the general meeting be kept at six, and that all of the existing members be re-elected.

Share classes

The company's share capital is made up of two classes of share: A shares (59.5% of the capital) carrying ten votes each, and B shares (40.5% of the capital) carrying one vote each. Removing the distinction between these share classes is not currently on the agenda. Given the interesting but capital-intensive growth opportunities that the Group is set to encounter over the next few years, these two share classes provide the necessary platform for the long-term planning that can best create shareholder value.

Shareholders' agreements

The company's Board of Directors and Group Management are not aware of the existence of any shareholders' agreements containing pre-emption rights or restrictions in voting rights. As mentioned in the Prospectus from 1995 an agreement exists between certain members of the Kähler family to the effect that they shall meet regularly to coordinate the family's interest in the company, including their voting strategy at the company's general meetings, although the agreement does not require them to vote jointly.

Shareholder information

Share price

Rockwool shares are listed on the Copenhagen Stock Exchange. The price of Rockwool shares increased in 2004 – the A share gained 31.7% and the B share 35.5%. Thus the shares outperformed the benchmark index for industrial shares, which climbed 14.7%, for the fourth year in succession. The A share ended the year at DKK 280 and the B share at DKK 277.2.

On 1 July 2003 the B share was included in the Copenhagen Stock Exchange MidCap+ index. Since the launch, the B share has gained 111.7%, whereas the MidCap+ index grew by 95.4% during the same period. In 2004 the MidCap+ index rose by 50.7%.

The share trading increased considerably and reached DKK 922 million against DKK 328 million in 2003.

Dividend

The Rockwool Group's goal is to pay a stable dividend to its shareholders.

A dividend of DKK 3.30 per share was paid for the 2003 financial year. The Board of Directors will propose to the annual general meeting that the dividend for the 2004 financial year is raised to DKK 4.00. This corresponds to 1.4% of the company's market value and amounts to DKK 86 million. The dividend will be paid on 22 April 2005.

Investor relations policy

The Rockwool Group's financial communication aims to provide institutional and private investors, analysts and the business press with comprehensive and accurate information so that the value of Rockwool shares reflects the company's position and expectations as closely as possible.

The Rockwool Group aims to maintain an open and active dialogue with the players in the stock market. The means of achieving this include:

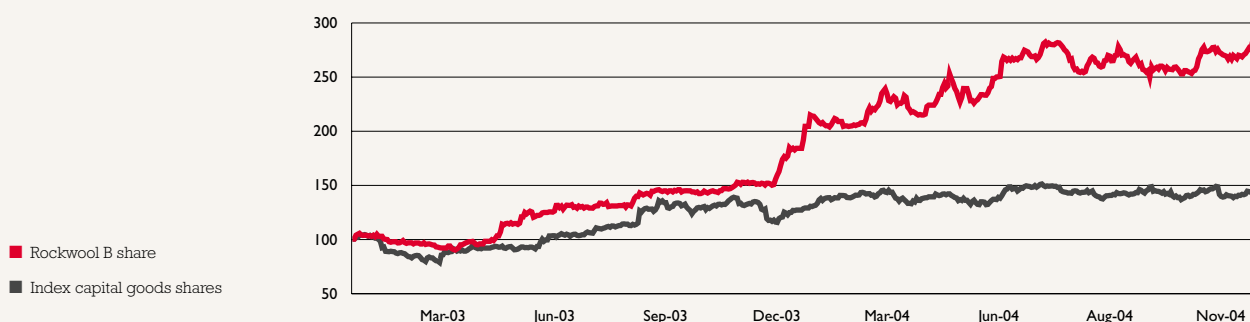
- Presentations for large groups of investors and analysts
- Individual meetings with large investors and analysts
- Stock exchange releases
- Quarterly reports
- The annual report
- A newsletter sent to shareholders
- The company's website
- The general meeting

In the 2-week period up to the presentation of accounts the financial communication is stopped.

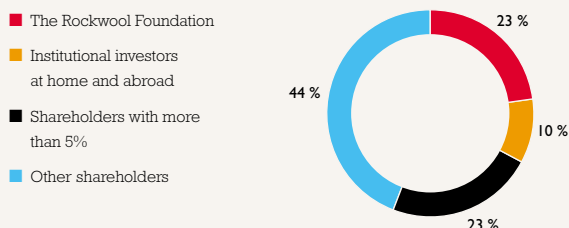
Shareholders holding more than 5% of the share capital:

| | |
|--|--------|
| Rockwool Foundation, 2640 Hedehusene | 22.85% |
| Elisabeth Kähler, 2900 Hellerup | 10.86% |
| Gustav Kähler, 2942 Skodsborg | 7.11% |
| ATP Invest, 1780 København V | 5.26% |
| The estate left by Gerda Kähler, 4220 Korsør | 5.13% |

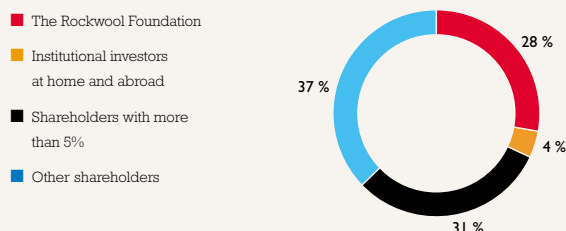
Share development



Ownership per shareholder group



Votes per shareholder group



Financial calendar 2005

| | |
|-------------------------------------|------------------|
| Annual report 2004 | 29 March 2005 |
| Investor meeting | 30 March 2005 |
| General meeting | 18 April 2005 |
| Report on the 1st quarter of 2004 | 26 May 2005 |
| Report on the 1st half-year of 2004 | 31 August 2005 |
| Investor meeting | 1 September 2005 |
| Report on the 3rd quarter of 2004 | 29 November 2005 |

Facts

| | 2004 | 2003 |
|----------------------------------|------------|------------|
| Shareholders | 3,741 | 3,125 |
| A shares (10 votes) | 13,072,800 | 13,072,800 |
| B shares (1 vote) | 8,902,123 | 8,902,123 |
| Price per A share 31.12 (DKK) | 280.00 | 212.67 |
| Price per B share 31.12 (DKK) | 277.2 | 204.55 |
| Market value 31.12 (DKK million) | 6,128 | 4,601 |
| Dividend per share (DKK) | 4.00 | 3.30 |
| Turnover of shares (DKK million) | 922.2 | 327.7 |

Below analysts follow the Rockwool shares

| | | | |
|--------------------------------|---------------------|-----------------|--------------------------------|
| Carnegie Bank A/S | Christian Reinholdt | +4532880274 | creinholdt@carnegie.dk |
| Danske Equities | Michael W. Hybholt | +4533440444 | michael.hybholt@danskebank.com |
| Gudme Raaschou Investment Bank | Jesper Ilsøe | +4533449002 | jil@gr.dk |
| Handelsbanken Securities | Thomas Hundebøll | +4533418587 | thhu01@handelsbanken.se |
| Zuercher Kantonalbank | Roland Wöhr | +41(0)442923411 | roland.woehr@zkb.ch |
| Bank Sarasin & Co. Ltd. | Gabriella Ries | +41612777166 | gabriella.ries@sarasin.ch |

Releases to the Copenhagen Stock Exchange in 2004*

| | | |
|--------|--------|---|
| 9.1. | No. 1 | Financial calendar for 2004 |
| 19.3. | No. 2 | Annual report 2003 |
| 26.3. | No. 3 | Rockwool International A/S' holding of own shares |
| 1.4. | No. 4 | Notification of convention of ordinary general meeting in Rockwool International A/S |
| 19.4. | No. 5 | The annual general meeting of Rockwool International A/S was held on 19 April 2004 in Roskilde-hallerne |
| 28.5. | No. 6 | Report on the first quarter of 2004 for Rockwool International A/S |
| 21.6. | No. 7 | Rockwool International A/S' holding of own shares |
| 30.8. | No. 8 | Report on the first half of 2004 for Rockwool International A/S |
| 6.10. | No. 9 | Change of date for the presentation of accounts for the 1st-3rd quarters of 2004 |
| 26.11. | No. 10 | Report on the third quarter of 2004 for Rockwool International A/S |
| 30.11. | No. 11 | Financial calendar for 2005 |
| 1.12. | No. 12 | Rockwool International A/S' holding of own shares |

* To these releases should be added the stock exchange releases issued in relation with trade with the company's shares according to § 37 in the Danish Securities Trading Act.

Human capital



Closer to customers' needs

The Rockwool Group is the world leader in the production and marketing of stone wool. This leading position is the result of a sustained focus on research and development of production processes and products over many years. We aim to retain this strength, but also to increase our knowledge of other parts of the overall solution for optimal energy design, indoor climate, fire safety and acoustics in buildings.

The goal is that the Rockwool Group is increasingly used as a partner to resolve fundamental issues, rather than being brought in only once all the important decisions on the building process have been taken, and only the quantities and prices of individual components are up for negotiation.

The Rockwool Group does not aim to make everything or be an expert in everything, but we want to contribute to better quality and better processes within the building sector through alliances and partnerships with other expert players in the construction sector. In 2004 the Group collaborated on the development of architec-

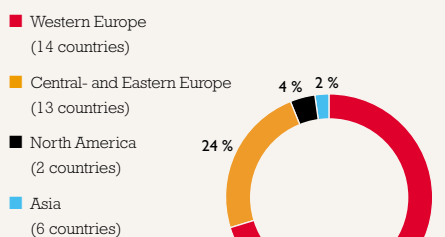
tural and user-friendly low-energy houses with a good indoor climate, and in 2005 our partner will begin selling the first turnkey houses in Denmark.

BuildDesk

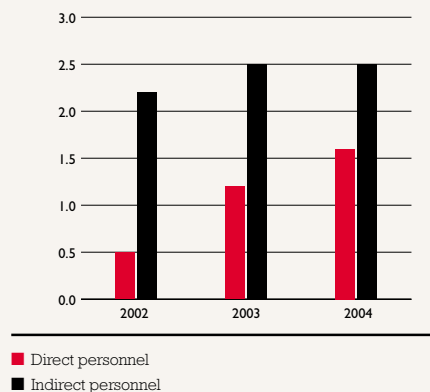
BuildDesk – the Group's latest business area – launched another company in 2004. With the establishment of a company in Great Britain, BuildDesk now operates in three countries, as there are already activities in Germany and the Netherlands.

BuildDesk is an activity based on a unique software and service platform. Here authorities, architects, consulting engineers and other interested parties may get help to easily calculate and optimise the energy efficiency of buildings. The BuildDesk software combines a strong calculation tool with an extensive database of building materials – also from producers who are competing with the Rockwool companies. The software also provides the most commonly used constructions. The BuildDesk software makes it easy for engineers and architects to make designs in accordance with the new

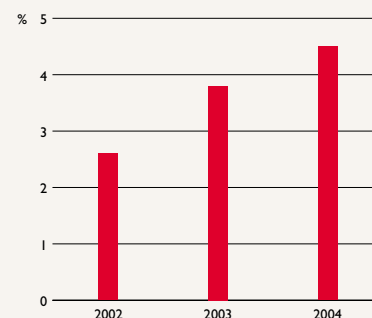
Employees allocated geographically



Number of training days per employee



Staff turnover (indirect personnel)



In 2004 the Group's latest activity – BuildDesk – was launched in Great Britain. BuildDesk now operates in three countries, as activities have already been established in Germany and the Netherlands.

very complex requirements which are the result of the new EU directives. BuildDesk also offers training in the handling of building regulation requirements and consulting services within the optimisation of energy efficiency in buildings.

The portfolio of BuildDesk services and software is a strong offer to the market, but it is also a strategic initiative in the Rockwool Group's work to become more focused on markets and solutions. As a consequence several countries completed in 2004 courses for the employees in energy-efficient building design.

Expertise in efficient methods

Expertise in efficient production methods will continue to be vital to the Group's competitiveness. The mineral wool industry is a sector that requires heavy capital investment. The price of a new stone wool factory can easily run to more than DKK 500 million. Expenditure on raw materials accounts for a substantial proportion of costs.

The Group's employees are the world leaders in the development and efficient production of stone wool

products. The Group's profitability depends largely on these persons' ability to use resources efficiently and generate savings of many millions of Danish kroner every year.

Our know-how has been clearly in evidence at the many factories that we have acquired and improved in recent years. We have typically been able to halve energy consumption per unit produced in just two to three years. There have also been substantial improvements in quality, productivity, delivery precision, personal safety and environmental performance.

The Group also plays an important role when it comes to industrial symbiosis. Waste from other industries can – to some extent – be recycled by the Group. Materials such as slags, grinding sand and combustible waste can be melted down or used as energy source in the factories' cupola furnaces rather than being landfilled, so replacing raw materials such as stone or coke. This benefits the environment and also saves on the cost of waste management and raw material production. More than 300,000 tonnes of secondary raw materials were used in 2004.

The capacity challenge

The Rockwool Group faced major challenges meeting demand in 2004. The Group Logistics function was – in close cooperation with the subsidiaries – successfully able to squeeze as much extra capacity as possible out of the factories, warehousing and transport systems. One key factor for customers' efficiency and loyalty is for them to receive the right goods in the right place at the right time. Despite surging demand, the Group achieved delivery precision of 97.5% in 2004, which is an upswing compared to the 96.4% recorded in 2003.

Research and development

Research and development costs totalled DKK 160.9 million in 2004, against DKK 158.7 million in 2003. A total of 36 patent applications for new process, machinery, product and system solutions were filed in 2004, making the Rockwool Group one of Denmark's active patentees.

The Rockwool Group has a strict policy for protecting its knowledge. Know-how about processes and plant is made available only to our own companies and the associated company Flumroc in Switzerland. Vital machinery and control systems are developed specially by Group Technology, which is home to the parent company's 200-plus experts in process optimisation, engineering, environmental management, and research and development.

Skills and career development

The Rockwool Group's competitiveness depends on the systematic development and retention of employees – from the production worker so important for quality and efficiency on a day-to-day basis, to the researcher developing the technology of tomorrow to safeguard the Group's future growth.

All indirect personnel in the Rockwool Group are to have an employee appraisal with their manager at least once a year. Here the employee's performance over the last year is evaluated, and the key priorities and targets for the coming year are discussed along with working relationships and training/development needs.

73.1% of indirect personnel had an annual appraisal in 2004. This is unchanged from 73.1% in 2003.

Career opportunities and new personal challenges within the Group increase the company's ability to motivate and retain skilled and ambitious employees. The Group is keen to recruit internally when filling positions in its three career paths: management, project management, and specialist.

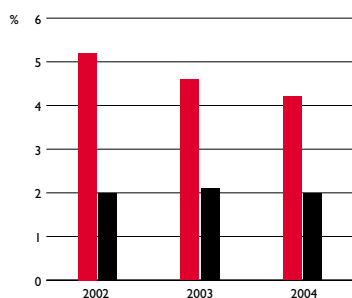
International knowledge transfer

The Rockwool Group has employees in 35 countries. International knowledge transfer is important, and provides a better basis for growth. It also improves understanding and cooperation within the Group.

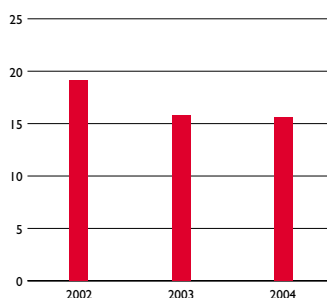
All of the Group's skills and job profiles in the three uppermost management tiers were systematically mapped in 2004 to provide an important planning tool when filling international positions.

At the end of the year 31 (2003: 33) employees at Group companies were seconded to sister companies in other countries. Besides long-term secondments, Rockwool International A/S has a mobile team of specialists who service the Group's factories in Europe, North America and Asia. Experienced process operators also assist in training up new colleagues. Like their colleagues at other new factories, the new production personnel at the factory under construction in Vyborg near St Petersburg will undergo extensive training.

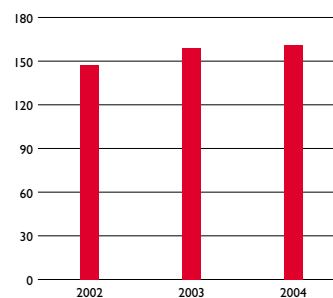
Absenteeism
(%)



Employee protection
(Occupational injuries per million working hours)



Research and development costs
(Million DKK)



■ Direct personnel
■ Indirect personnel



The inclusive labour market

Social responsibility does not stop at the gate of the factory. Even though the Rockwool companies cannot solve all social problems, whole-hearted efforts are made to give people with special needs a new start. During recent years Rockwool Italia in Sardinia have helped more than 50 young people with different kinds of social problems by giving them the chance to experience that there is a need for them.

Training

The average number of training days for indirect personnel was unchanged 2.5 in 2004, while the average number of training days for direct personnel was 1.6 in 2004, against 1.2 in 2003.

Besides local courses, managers and other employees proficient in English are offered training at the Rockwool University in areas such as project management, technology and general management, specially tailored to Rockwool needs.

Staff turnover and absenteeism

Absenteeism and staff turnover are key indicators of employee motivation and are also important for efficiency.

The Group managed to maintain low staff turnover in 2004. The proportion of resignations among indirect personnel was 4.5%.

Efficient utilisation of our human capital depends on a continued low level of absenteeism. Absenteeism fell

from 2.1% to 1.6% among indirect personnel and fell from 4.6% to 4.2% among direct personnel.

Staff survey

Employee satisfaction surveys and exit interviews are used by several companies to improve our ability to retain our human capital. 2004 saw the first survey at Group level, covering 650 senior employees. The survey also looked at how the Group's new strategy, People & Brands, is rooted and accepted. The results were satisfactory, but also revealed clear room for improvements, which will be assessed and implemented at each individual company.

An equivalent survey will be carried out in 2005, covering all indirect personnel in the Group.





Energy and society

Energy consumption for the heating of houses can be reduced by more than 70% by using the correct technology. The possibilities for energy savings in the building stock are considerable and probably the most obvious way to a more energy-efficient society.

Growth in environmental solutions – sharper focus on buildings' energy efficiency



These days insulation is about far more than just a pleasant indoor climate for the people in a building – in the coming decades energy efficiency will be one of the global community's big challenges. A number of political initiatives to reduce buildings' energy losses have been launched, and more are on the way. New building regulations are expected to increase demand for insulation considerably over the next five years – in several EU countries standards are set to be raised by up to 30%.

Cheap energy under pressure

Cheap fossil fuels such as oil, coal and natural gas are the lifeblood of modern society as we know it today. But the massive increases in energy prices in 2004 fired a warning shot. When demand for key energy sources exceeds supply, prices increase, which eventually will have considerable consequences for the whole of society.

More than 86% of the world's energy supply is currently based on non-renewable sources. The USA, the EU and many other economies have also become increasingly dependent on imported energy, often from politi-

cally unstable countries. Vulnerability to supply shortages and rising energy prices is growing.

Energy wastage causes environmental problems

The sharper focus on energy efficiency is not just about supply security. Unnecessary combustion of fossil energy results in atmospheric pollution and emissions of greenhouse gases. The Earth's climate is getting warmer. According to the UN's Intergovernmental Panel on Climate Change, man-made greenhouse gases are accelerating this change.

In 2004 Russia ratified the Kyoto Protocol, so removing the last barrier preventing this international agreement on reducing greenhouse gas emissions from entering into force. The EU has pledged to reduce its emissions of greenhouse gases by 8% from 1990 to 2010, corresponding to an annual reduction of 265 million tons of CO₂.

Building regulation raises standards

The EU's Energy Performance of Buildings Directive is due to be implemented in the 25 EU member states, Norway and Switzerland by January 2006. Several EU countries have announced increases in minimum energy performance requirements for buildings of up to 30% in connection with the implementation of the directive. Sales of insulation for newbuilds, the Rockwool Group's largest market, will therefore grow substantially from the end of 2006 and in subsequent years. The key changes introduced by the new directive include:

- The energy performance requirements in each country's building regulations must be updated at least every five years in the future, rather than every ten to 20 years as has previously been the case in some member states

- All buildings built, sold, let or offering public access in the EU must have an energy certificate
- Large buildings (more than 1,000 m²) must be brought up to modern energy standards when they undergo major renovations

According to calculations made by the consulting service Ecofys, if this last requirement for cheap energy modernisation were to be extended to include all buildings, the potential savings would rise from EUR 11 to EUR 55 billion in energy costs and from 82 to almost 400 million tons of CO₂ a year, and up to 100,000 jobs would be created.

Buildings the biggest energy guzzler

Buildings are the biggest energy guzzler and source of CO₂ pollution. Buildings account for more than 40% of energy consumption in the EU, the bulk of it being used for heating and cooling.

A building can easily last a century or more, but very few buildings are insulated to standards commensurate with tomorrow's energy situation. The potential for improving energy efficiency is far from spent. It is now possible to build at a sensible price a well insulated "passive house" with a good indoor climate which uses 90% less energy for heating than the average European house – and 70% less than a standard modern house complying with Denmark's latest building regulations, which are among the most stringent in the world.

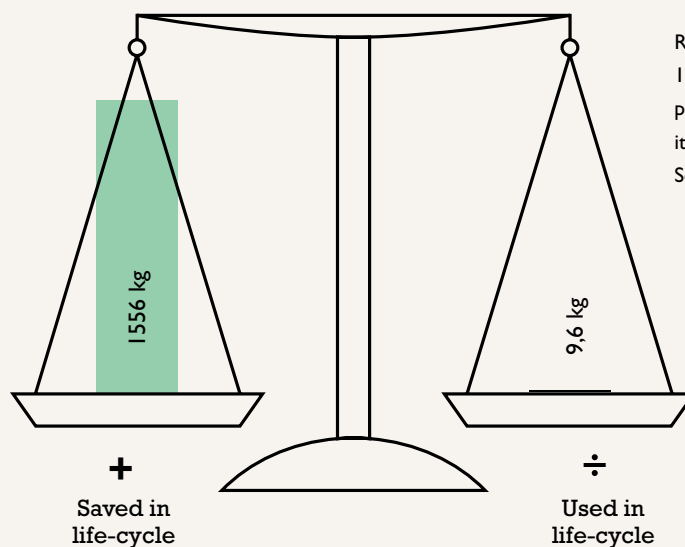
Untapped energy-saving potential in old buildings

However, the greatest potential for energy savings lies in the existing building stock, which is often badly insulated.

Each year approximately EUR 102 billion could be saved in unnecessary energy losses from buildings in the EU-15 countries alone. Even in the first decades, where investments in energy savings have to be made, the average payoff will be EUR 55 billion per year. This is according to a survey carried out in 2004 by Ecofys, which advises the European Commission. The EU-15 could therefore profitably cut around 55% of the CO₂ emissions from buildings simply by investing in energy efficiency when buildings are renovated.

These new profitability calculations are making more and more politicians and decision-makers in the construction industry aware of the wisdom of energy efficiency and environmental improvements. In several countries parliaments are discussing new energy plans to remove the barriers to reducing costly energy wastage.

Rockwool Eco-balance: CO₂



Rockwool insulation saves more than 100 times more energy, CO₂ and atmospheric pollution during its lifetime than are involved in its production, transport and disposal.
Source: dk-Teknik/FORCE TECHNOLOGY 2003.

Better insulation would fulfil the Kyoto Protocol

Rockwool insulation is one of the few products that can save hundreds of times more CO₂ during their lifecycle than is emitted in their production and disposal. Rockwool insulation for hot pipes in the process industry can in fact save more than 10,000 times more CO₂.

During its lifetime, the insulation produced by Rockwool in 2004 will save more than 100 million tons of CO₂. But the potential for savings is still far from spent. Calculations from Ecofys show that better insulation of European buildings alone could save 363 million tons of CO₂ a year, which is more than the EU's Kyoto obligations.

Sustainable production

Life-cycle assessments show that the negative environmental impact of Rockwool's production is relatively modest, and typically equivalent to less than 1% of the positive environmental impact of the resulting insulation. Nevertheless it is very important for us as a large manufacturing operation to have our own house in order. The Rockwool Group has signed up to the International

Chamber of Commerce (ICC) "Business Charter for Sustainable Development – Principles for Environmental Management". Rockwool environmental policy includes an environmental management system with clearly defined responsibilities, Group standards, guidelines and control procedures. The Group's environmental work over the years has won it a series of environmental and safety prizes in Poland, the UK, Denmark, Canada and elsewhere.

Responsibility for the environment rests with each individual company, while the parent company's environmental specialists advise and audit the subsidiaries and coordinate the Group's environmental policy and strategy. Companies with certified environmental management systems (ISO 14001 and EMAS) are also audited by external auditors. The Group is not involved in any environmental cases in the courts.

Many of the investments in best-practice environmental technology that the EU will be requiring through its Integrated Pollution Prevention and Control (IPCC) Directive over the next decade have already been im-

In 2004 the Kyoto Protocol was finally ratified. This agreement is an important but small first step. For global warming to increase by only another 2°C, according to the EU the industrialised world needs to cut its CO₂ emissions by 60-80% by 2050.



plemented by the Group. The updating of national legislation in the new EU member states is nevertheless expected to bring forward and increase the scope of environmental investments in the Group's factories in these countries. The Group typically makes environmental investments of DKK 70-120 million a year.

2004 brought a continued focus on reducing the Group's own energy consumption and CO₂ emissions. Specific and detailed energy audits were carried out at the production plants.

The Group has considerable experience of working on energy efficiency, and has typically halved energy consumption and CO₂ emissions per unit of insulation at the newly acquired and modernised factories in Eastern Europe. The Group as a whole is also continuously reducing the amount of energy consumed per unit produced.

More information on the Group's environmental situation can be found in Rockwool International A/S's environmental report, which is also available at www.rockwool.com.





Better homes in Eastern Europe

The need for renovation of homes in Central and Eastern Europe is huge. Activity is high in the region's building sector, but it is primarily new builds that have added to the growth. Renovation of the old building stock has not yet started.

Construction market trends

Trends and activity in the construction sector have a major impact on sales in the insulation divisions. Sales of Rockfon acoustic ceilings and Rockpanel facade panels in the Systems Division are also affected. Construction activity is particularly dependent on changing macro-economic trends, such as economic growth and real interest rates, and so varies over time. However, variations from country to country also occur frequently, so the Rockwool Group's growing internationalisation is making it less exposed to fluctuations in individual markets.

However, the Group's sales of products, systems and services for the building sector are even more influenced by requirements stipulated by the authorities, e.g. for sound absorption, fire safety and energy savings. Environmental standards and energy awareness are currently driving the sales growth in otherwise mature insulation markets such as Western Europe (see pages 22-25).

The Rockwool Group has sales worldwide. Western Europe is its dominant market, while Central and Eastern Europe and overseas markets have the greatest growth potential.

Below information is primarily based on Euroconstruct.

Western Europe

Western Europe is the Rockwool Group's largest market, accounting for 66% of sales.

The Western European economy improved in 2004, especially in the first half of the year. Increased economic activity had a positive impact on construction activity in almost every country. In the large countries particular growth was seen in France, and construction activity remained high in the UK and Spain (the residential market). Activity in Germany, the largest European market, continued to decline, and this situation is not expected to change in 2005.

The total Western European construction market is worth an estimated EUR 800 billion, which divides into residential construction worth EUR 480 billion and non-residential construction (commercial and public sector) worth EUR 320 billion.

The residential construction market in turn divides equally between newbuilds and the renovation of existing buildings. Traditionally more insulation is used in newbuilds than in renovations.

The value of the residential newbuild market in Western Europe grew strongly by 4.4% in 2004. Record numbers of new homes were built in France, and strong growth in countries like the UK, Ireland, Finland and Norway was also recorded.

The value of the residential renovation market in Western Europe grew by 2.1% in 2004. We anticipate a similar increase in 2005.

The non-residential construction market has decreased considerably in Western Europe during the past five years. We expect this development to be replaced by an upswing in 2005.

Central and Eastern Europe

Central and Eastern Europe is the Rockwool Group's second largest market, accounting for 26% of sales.

This is the region with the greatest growth potential for the Group, and demand here influenced the strong financial performance in 2004. Russia continued to grow strongly in 2004, but several of the new EU member states – led by Poland and the Czech Republic – also contributed to the growth. Poland in particular seems to have turned around several years of decline in construction activity, showing growth of 3.3% in 2004, and further growth is anticipated in 2005.

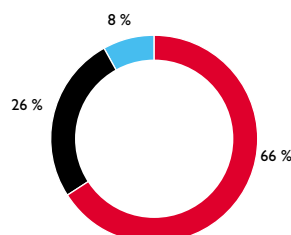
The construction market in the four big Eastern European markets of Poland, Hungary, the Czech Republic and Slovakia is worth EUR 29 billion, and divides into 30% residential construction and 70% non-residential construction.

The market for residential newbuilds in these four countries grew by 2.9% in 2004. There was strong growth in the Czech Republic, but activity was flat in Poland. The renovation of the existing housing stock is still at a very low level despite the vast potential. However, 2004 saw an upswing of approximately 6%.

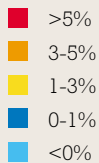
The market for non-residential construction in these four countries saw growth of 4.5% in renovations and 6.1% in newbuilds. Here too the Czech Republic pulled up the average.

Sales in geographical markets (secondary segments)

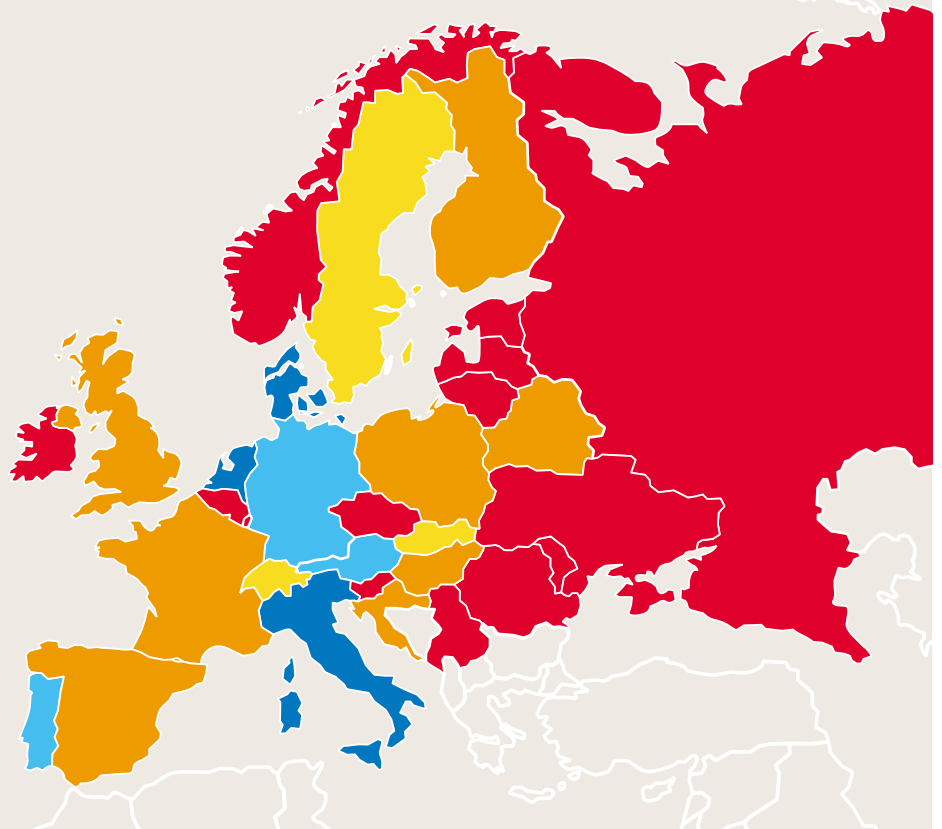
■ Western Europe
■ Central- and Eastern Europe
■ Overseas



Growth of the European construction markets in 2004



Sources: Euroconstruct a.o.



Overseas markets

The Rockwool Group exports worldwide and has factories in North America and Malaysia. Overseas markets accounted for 8% of the Group's sales in 2004. North America is by far the most important of these markets.

The US Census Bureau puts the value of the US construction market at around USD 1,000 billion. In 2004 low interest rates helped to fuel strong growth in residential construction, which grew by around 14%. This growth was down to newbuilds, as the market for renovations has been contracting slightly.

Growth in non-residential construction in the US was more moderate at around 3.6%.

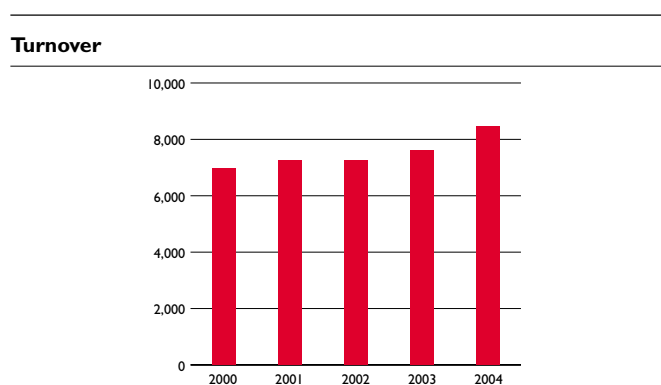
In Canada, like the US, the non-residential construction market grew slowest in 2004, by 1.3%, while residential construction grew by 7.8%, according to Canadian Construction Association figures.

The Insulation business

The insulation business is the Rockwool Group's largest business area, accounting for 83% of sales. Most of the Group's insulation solutions are sold to the construction sector, but the insulation of ships and the insulation of industrial and technical plant are also important applications. The insulation business is organised into three geographical divisions.

The insulation divisions are responsible for the operation of the Group's 22 factories – 19 in Europe, two in North America and one in Asia. Besides insulation, the divisions also produce all of the Systems Division's products.

| Million DKK | 2003 | 2004 |
|--|--------------|--------------|
| Profit | | |
| External net turnover | 6,726.4 | 7,571.9 |
| Internal net turnover | 870.7 | 892.7 |
| EBITDA | 967.6 | 1,213.7 |
| Depreciation | 553.5 | 591.8 |
| Operating profit (before financial items) | 414.1 | 621.9 |
| Financial costs, net | -97.4 | 80.3 |
| Profit before taxation | 316.7 | 541.6 |
| Tax of the year's profit | 96.9 | 151.5 |
| Profit after taxation and minority interests' share | 191.8 | 379.2 |





Demand for insulation products in the principal European markets was generally good in 2004. Sales were stimulated by rising energy prices, a sharper focus on buildings' energy efficiency, and a better construction market. Construction activity was particularly high in Central and Eastern Europe, and several Western European markets saw improvements, particularly in residential construction. Sales also grew healthily in North America thanks to high levels of construction activity, although the Group was hit to some extent by the depreciation of the US dollar against the Canadian dollar as our factories are on the Canadian side of the border. All in all, the insulation divisions generated sales of DKK 8,465 million, up 11% on 2003.

This increase was due to growth of 7% in sales volumes and 4% in sales prices. The growth in sales prices should be seen against the background of rising energy prices, which boosted demand for energy-saving solutions, and generally high utilisation of production capacity in the industry. This growth is expected to continue,

as there is still a lot of ground to be made up after almost 15 years of unchanged prices for insulation products. Unfortunately growth in wages and raw material costs – especially energy-related raw materials – served to limit the impact of this growth in sales prices in 2004. The area's net profit was improved by DKK 187 million from DKK 192 million in 2003 to DKK 379 million in 2004.

Building insulation

Sales of general building insulation and facade insulation grew healthily, helped along by a stronger residential construction market in Europe. In Central and Eastern Europe the greatest growth was in Russia, Poland and Hungary, while in Western Europe the market was boosted by strong growth in the UK, France and Spain. The launch of new product solutions in recent years – such as Klemmrock for lofts with pitched roofs and Jetrock and Rockprime for insulating unused loft space – has meant that the Group has generated stronger growth than the market as a whole in selected segments. Com-

- 1 In April 2004 the Queen Mary II left Cherbourg on her maiden European cruise, well fire-proofed with Rockwool marine insulation. The world's largest cruise liner was built at the shipyard in Saint-Nazaire in France, but more and more of the world's shipbuilding industry is relocating to the Far East. The business area was reorganised in 2004 in response to this trend.
- 2 The building of a new terminal at the Heathrow Airport in London was one of the big projects of the year.
- 3 The courthouse in Antwerp. The special roof construction with sail-shaped elements symbolises the town's maritime history. Optimum insulation solutions were ensured by Rockwool Benelux.



petitors are however also active with new product solutions. In 2004 a glass wool producer introduced a new roll product - it combines high compression ability with increased fire safety. So far, this product has only a limited distribution in the market.

Insulation solutions for flat roofs is an area where the Group is particularly strong. Here stone wool has a natural advantage when producing boards which are strong enough to walk on. This market is particularly sensitive to levels of commercial construction activity, which was weak in Western Europe in 2004 but grew nicely in Central and Eastern Europe. Despite these somewhat mixed market conditions, sales grew healthily. There was particularly high growth in Russia, Poland and Hungary.

Insulation cores for prefabricated walls – sandwich panels – are also sold primarily for commercial construction. This area saw strong growth in 2004 despite the market climate. Attitudes are slowly changing here, with the owners and users of buildings demanding increased

safety in the form of more firesafe insulation. This trend is being boosted by demands from insurers.

The strong growth in sales of building insulation is expected to continue in 2005.

Industrial and technical insulation

Industrial and technical insulation consist primarily of insulation for pipes, boilers and the like at power stations and in the process industry, and insulation of pipe installations and ventilation ducts in public, commercial and, to a lesser extent, residential buildings. This market has been hit hard by the very small number of power stations built in recent years, as these have traditionally been important projects. The market for insulation for the process industry is also subdued as a result of low growth in European industry. The market for insulation products and solutions for heating and ventilation systems fared slightly better in 2004.

The market for industrial and technical insulation is believed to have bottomed out, and a slow recovery in sales is anticipated in 2005.

- 4 Sales in Russia and the neighbouring countries increased drastically again in 2004. Warm summers and cold winters make good insulation a necessity. Here apartment buildings in Kazakhstan have been façade insulated.
- 5 Despite low activity in Western European non-residential construction, sales of roof insulation grew healthily.
- 6 Old meets new in Vilnius, where the Rockwool Group supplied façade insulation for the Baltic States' highest skyscraper. Today the Eastern European insulation market only makes up a fraction of the Western European insulation market, even though the two regions have the same size in terms of population. The need for insulation is huge.



Marine and offshore insulation

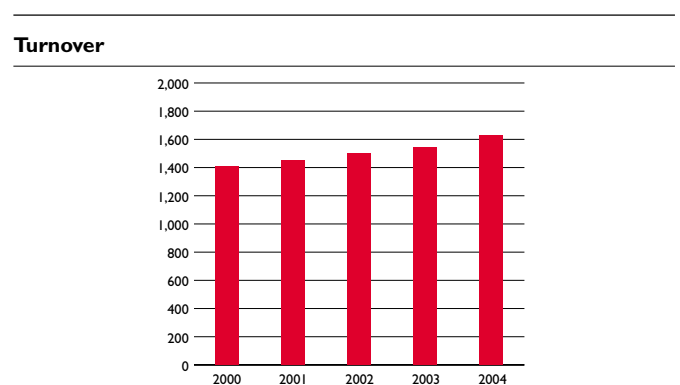
The market for marine insulation and insulation solutions for fireproofing offshore installations was moderate in 2004. The global shipbuilding industry has been undergoing major structural changes in recent years, and more and more of the world's tonnage is now being built in the Far East. In response to this, it was decided in 2004 to re-organise this area and set up a Marine and Offshore Business Centre to coordinate activities globally. Increased sales work in the Far East and developing new systems and solutions will be key focus areas.

As a result of this stronger organisation we anticipate healthy growth in sales in 2005.

Systems Division

Systems Division covers the five non-insulation business areas of the Rockwool Group: Rockfon ceilings, Grodan crop management solutions, Rockpanel façade panels, Lapinus Fibres engineered reinforcement fibres and RockDelta outdoor noise and vibration control solutions. The division accounts for 17% of the Group's sales. The division's companies buy their products from the insulation business area's companies.

| DKK mio. | 2003 | 2004 |
|--|--------------|--------------|
| Profit | | |
| External net turnover | 1,487.7 | 1,570.6 |
| Internal net turnover | 54.7 | 59.3 |
| EBITDA | 131.1 | 111.5 |
| Depreciation | 20.5 | 1.9 |
| Operating profit (before financial items) | 110.6 | 109.6 |
| Financial costs, net | -5.0 | -4.2 |
| Profit before taxation | 105.6 | 105.4 |
| Tax of the year's profit | 37.1 | 28.0 |
| Profit after taxation and minority interests' share | 70.1 | 78.2 |



New products have helped the Rockfon Group gain market share on a declining market. The Mono ceiling – which was introduced in 2002 – gradually gains an increasing popularity among architects. Sergels Torg, Stockholm, Sweden.



Market conditions were unfavourable for the Systems Division, with the two main business areas – the Grodan Group and the Rockfon Group – both seeing declining demand in their main markets in Western Europe. Overall the division managed to grow sales by 5.7% to a total of DKK 1,630 million.

Profit before tax was hit considerably harder than sales and amounted to DKK 105 million, which is at the same level as in 2003. The Grodan business had a very negative impact on the Systems Division's earnings. Despite stable sales, the Grodan Group lost profitability because of an unfavourable product mix, increased fixed costs and extraordinary provision for uncollectable claims. Profitability improved at the other four businesses in the Systems Division – Rockfon, Rockpanel, Lapinus Fibres and RockDelta.

The Systems Division's profitability was also negatively influenced by the strengthening of the euro. The division's main cost base is in euro, but several of its business areas – especially the Grodan activity – have major sales in North America and Asia.

Rockfon ceiling solutions

The Rockfon Group develops and markets integrated ceiling solutions that can actively improve the aesthetic attraction, the indoor environment and acoustic performance in buildings. The Group is one of the main suppliers of suspended ceiling systems in Europe. Rockfon products are produced at the Rockwool factories in France, Poland, Denmark and the Netherlands.

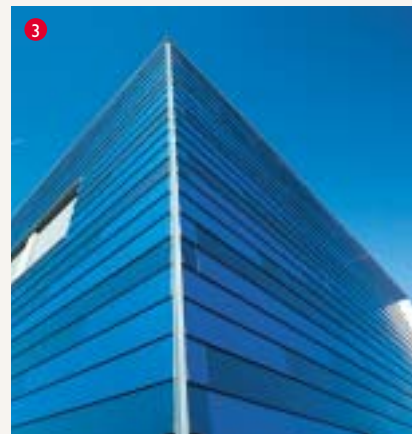
Despite a declining market in the important Western European region, the Rockfon Group managed to grow its sales by gaining market share in all major markets.

The Rockfon Group continued the campaign launched in 2003 to further strengthen the Rockfon brand. Under the slogan "Activate your ceiling", a uniform European strategy is to be pursued and an expanded product range offered to the market.

Rockfon ceilings are positioned as integrated ceiling solutions which cover a wide range of functions that can be performed by an active ceiling. The Fusion ceiling launched in Scandinavia in 2004 is the best example of

- 1 RockDelta vibration insulation of tracks for railways and trams was successful in 2004 – Scandinavia saw several big projects.
- 2 Lapinus Fibres' market position within friction materials in the automotive industry was improved.

- 3 Sales of Rockpanel cladding boards showed a satisfactory growth, especially the core markets in the Netherlands and Denmark performed well.
- 4 Consulting services became an even more important part of the Grodan business in 2004. The Group's specialists offer the horticultural sector advice on fertilisation, irrigation, plant diseases, etc.



this new trend, offering built-in systems for lighting and ventilation integrated into the overall ceiling design.

After four years of decline in Western Europe, it is now believed that the market has bottomed out and will remain stable in 2005. We expect continued sales growth in this stable market. The Rockfon Group will continue its focus on Central and Eastern Europe, and anticipates strong sales increases in these growth markets.

Grodan crop management solutions

The Grodan Group develops and provides sustainable and profitable crop management solutions for the horticultural greenhouse industry. These solutions form the basis for cultivating safe, healthy and high-quality vegetables and plants. The Grodan Group is the world's leading supplier of substrates. Production takes place at the Rockwool factories in the Netherlands, Denmark, Spain and Poland.

2004 turned out to be a difficult year for the Grodan

Group, with stagnating sales and a sharp decline in profit.

In Europe the profitability of vegetable growers in general – and tomato growers in particular – was put under severe pressure in 2004 because of increasing labour and energy costs and historically low average vegetable prices. Furthermore growers' margins continue to come under pressure because of the retail chains' price pressure.

As a result of this, the Grodan Group has not been able to raise its sales prices. The Grodan production costs have increased because of a changed product mix and higher energy costs. The Grodan Group stabilised its market share.

The markets in North America and Mexico, which are serviced by the Grodan Group's wholly owned distribution company Agro Dynamics Inc., developed satisfactorily. Consumer interest in North America in safe, healthy and high-quality vegetables grown on substrates is in-

creasing year by year, and offers the Grodan activity great growth potential. The weakening of the US dollar, however, had a negative impact on the Grodan Group's profitability in the US market.

In order to improve the Grodan Group's profitability, initiatives have been launched to reassess the product mix and related production costs as well as the fixed cost level. Organisational changes aiming at efficiency improvements have been made in early 2005.

The market outlook continues to be positive and is supported by global trends for food safety and environmentally friendly production systems.

Rockpanel boards for all purposes

Rockwool Rockpanel B.V. markets decorative panels based on compressed stone wool for the detailing of complete facades or partial cladding around, for instance, roof lines or windows and doors. Rockpanel boards have the workability of wood and have high durability. They are relatively lightweight and can easily be fitted by tradesmen, which saves on time and construction costs. Rockpanel cladding boards are used both in new buildings and in refurbishment projects where a solution with good maintenance properties is demanded.

The Rockpanel business grew more than anticipated in 2004 with encouraging market share gains in several of the main markets in Northern and Western Europe. Particularly strong performances were seen in the Netherlands and Denmark.

The strong growth is expected to continue in 2005, helped by the introduction of a complete new range of profiles. This launch will make it possible to offer a total solution for cladding and roof line from panels to profiles and fixings.

Lapinus Fibres reinforcement fibres

Lapinus Fibres B.V. develops and markets engineered mineral fibres for the reinforcement of friction materials, gaskets, plastics and other special applications. The company has established a global leadership position in its field through dedicated efforts to provide customers with innovative and cost-effective solutions.

Lapinus Fibres saw good sales growth in 2004. The most important activity – reinforced mineral fibres for brake linings in cars – enjoyed healthy growth along with the speciality areas.

Lapinus Fibres has a global customer portfolio, and performed well both in Europe and in North America and Asia.

Lapinus Fibres' profitability was negatively affected

by the weakened dollar, as the production cost base is in euro. Overall profit was up on last year and exceeded expectations.

R&D activities were strengthened by investments in new laboratory facilities and test equipment.

Lapinus Fibres B.V. is set to continue its geographical expansion in North and South America as well as in Asia, and stable sales growth is expected in 2005.

RockDelta noise and vibration control

RockDelta a/s supplies solutions to control outdoor noise and vibration problems from road and rail traffic.

RockDelta a/s' two business areas both lived up to expectations in 2004, resulting in improved profitability. Sales of sound-absorbing walls were on a par with 2003, with an increase in Western Europe and an equivalent decrease in Eastern Europe. Sales of vibration control systems in the railway segment showed a significant increase in 2004, as a number of large-scale projects were supplied. RockDelta a/s increased its market share in the Scandinavian market considerably within the vibration insulation segment.

Steady growth is expected in both business areas in 2005. The growth in sound-absorbing walls is expected to come primarily from Central and Eastern Europe. The vibration control business is also expected to continue its positive development through further penetration of established markets as well as through geographical expansion.

Overall RockDelta a/s is expected to continue in the same positive vein as in 2004.

The Group's management of financial risks



As a consequence of the Rockwool Group's extensive international activities the Group's profit and loss account and equity are subject to a number of financial risks. The Group manages these risks in the following categories:

- Exchange-rate risk.
- Interest-rate risk.
- Liquidity risk.
- Credit risk.

The Group's policy is to identify and hedge all significant financial risks on an ongoing basis. This is the responsibility of the individual companies in which financial risks might arise. The parent company continuously monitors the Group's financial risks in accordance with a framework determined by the Group management.

Exchange-rate risk

As a consequence of the Group's structure, revenue and expenditure in foreign currency are to a significant de-

gree set off against each other, so that the Group is not exposed to major exchange-rate risks.

Commercial exchange-rate risks in the companies which cannot be set off are hedged on a continuous basis, to the extent that they will significantly affect the results of the individual company in a negative direction, using currency loans, currency deposits and/or financial derivatives. Exchange-rate risks are hedged in the individual companies.

The Group's policy is not to hedge exchange-rate risks which are a consequence of long-term investments in subsidiaries.

Financial derivatives are used only to hedge commercial risks.

External investment loans and Group loans are, as a general rule, established in the local currency of the company involved, while cash at bank and in hand are placed in the local currency. In countries with ineffective financial markets loans can be raised and surplus liquid-

ity placed in DKK, EUR or USD, subject to the approval of the parent company's finance function.

Group loans that are not established in DKK or EUR are hedged in the parent company via the SWAP market.

The bond portfolio solely comprises bonds denominated in DKK and EUR.

Since only a minor part of the Group's activities take place in Denmark, the Group's turnover and result will be subject to exchange-rate fluctuations on conversion to Danish kroner.

Interest-rate risk

The Group's interest-rate risk primarily comprises the interest-bearing debt since the Group does not currently have significant interest-bearing assets of longer duration.

The Group's policy is to finance investments primarily by raising 5- to 7-year loans at fixed interest rates.

Drawings on credit facilities at variable interest rates generally match the liquid assets, and all Group loans are symmetrical in terms of interest rates.

The Group's policy is for the bond portfolio's total overall duration not to exceed 4 years.

As a consequence of the aforementioned, changes in interest rates will not have a rapid effect on the result of the Group.

Liquidity risk

In order to ensure financial reserves of an acceptable size, investment loans are raised on a continuous basis to partly cover new investments and to refinance existing loans. Only to a limited scale the parent company is liable for the investment loans of subsidiaries, and has thus not issued any sureties, guarantees or similar for investment loans of essential amounts.

Guarantee are provided for credit facilities on a minor scale, while the parent company has issued ownership clauses and/or withdrawal declarations in connection with the establishment of loans in the Group's companies which are equivalent to the equity.

On an ongoing basis the parent company ensures that flexible, unutilised committed credit facilities of adequate size are established with major sound banks.

The Group's financial reserves also consist of stock-exchange-listed bonds, cash at bank and in hand, and unused overdraft facilities.

The current surplus and deficit liquidity in the Group's companies is set off, to the extent that this is profitable, via the parent company, which acts as intra-Group bank.

Where considered appropriate, underlying cash pool systems are established in foreign companies.

To the extent that the financial reserves are of an appropriate size, the company also acts as lender to the companies in the Group.

Credit risk

As a consequence of the considerable customer spread in terms of geographical area and by number the credit risk is fundamentally limited. To a minor degree, when considered necessary, insurance or bank guarantees are used to hedge outstanding debtors.

Losses on debtors have been moderate in the last three financial years.

As a consequence of the international diversification of the Group's activities there are business relations with a number of different banks in Europe, North America and Asia. In order to minimise the credit risk on placement of liquid funds and on entering into agreements on derived financial instruments, only major sound financial institutions are used.

Investments are made only in bonds issued or guaranteed by European sovereign issuers and/or issued by Danish mortgage-credit institutes.

Accounting policies applied

The annual accounts and Group accounts have been presented in accordance with all published and accepted international accounting standards (IFRS), the Danish Financial Statements Act 2001, and the Copenhagen Stock Exchange's accounting requirements for listed companies, including applicable Danish accounting guidelines. As a consequence of the implementation of IFRS, there are deviations from the Danish Financial Statements Act 2001 with regard to the classification and presentation of individual items.

As a consequence of the implementation of IFRS 2 and the update of a number of current international accounting standards the accounting policies applied have been changed in the following areas:

Previously subsidiaries in the parent company were valued according to the equity method. With effect from

1 January 2004 subsidiaries are valued at cost price less write downs as a result of permanent decreases in the earning capacity of the company in question. In the profit and loss account received dividends are credited.

IFRS 3 has been implemented retrospectively from 1 January 2004. As a consequence of this goodwill is not amortised in 2004. Instead a current assessment is made of the earning capacity of the company in question and in the event of permanent low earning capacity a write-down is carried out to recovery value.

On allotment of share options the value of the allotted options is estimated in compliance with the formula of Black & Scholes at the time of allotment and is expensed over the expected life of the option. This has not previously been charged to the profit and loss account.

The Group accounts are as a result of the above influenced as follows:

| DKK m | The group | | Parent company | |
|--|----------------|----------------|----------------|----------------|
| | 2004 | 2003 | 2004 | 2003 |
| The result for the year according to previous accounting policies | 405.4 | 254.4 | 405.4 | 254.4 |
| Share of the result for the year, subsidiaries and associated companies | 0.0 | 0.0 | -409.2 | -165.5 |
| Received dividends, subsidiaries and associated companies | 0.0 | 0.0 | 322.1 | 320.6 |
| No amortisation of goodwill | 38.7 | 0.0 | 0.0 | 0.0 |
| Write-downs as a consequence of impairment test | -35.3 | 0.0 | -62.4 | 0.0 |
| Expensed value of share options | -3.3 | -2.6 | -1.7 | -1.3 |
| The result for the year | 405.5 | 251.8 | 254.2 | 408.2 |
| Equity according to previous accounting policies | 4,467.3 | 4,090.7 | 4,467.3 | 4,090.7 |
| Regulation of shares in subsidiaries | 0.0 | 0.0 | -10.8 | 131.1 |
| Regulation of shares in associated companies | 0.0 | 0.0 | -91.2 | -86.8 |
| No amortisation of goodwill | 38.7 | 0.0 | 0.0 | 0.0 |
| Write-downs as a consequence of impairment test | -35.3 | 0.0 | -62.4 | 0.0 |
| Expensed value of share options | 0.0 | 0.0 | 0.0 | 0.0 |
| Inclusion of minority interests | 30.4 | 47.5 | 0.0 | 0.0 |
| Equity | 4,501.1 | 4,138.2 | 4,302.9 | 4,135.0 |
| Assets according to previous accounting policies | 7,102.6 | 6,785.0 | 4,983.9 | 4,468.9 |
| Regulation of shares in subsidiaries | 0.0 | 0.0 | -10.8 | 131.1 |
| Regulation of shares in associated companies | 0.0 | 0.0 | -91.2 | -86.8 |
| No amortisation of goodwill | 38.7 | 0.0 | 0.0 | 0.0 |
| Write-downs as a consequence of impairment test | -35.3 | 0.0 | -62.4 | 0.0 |
| Expensed value of share options | 0.0 | 0.0 | 0.0 | 0.0 |
| Assets | 7,106.0 | 6,785.0 | 4,819.5 | 4,513.2 |

Comparative figures for 2003 have been adjusted in accordance with the above.

Consolidation

The Group accounts cover Rockwool International A/S and the companies in which this company and its subsidiaries hold a majority of the voting rights.

The Group accounts are prepared on the basis of the audited accounts of the individual companies, compiled according to uniform accounting principles, by addition of items of identical content. Eliminations are made for dividends from subsidiaries, other internal revenue and expenditure items, internal profits, and internal-company balances and inter-company shares.

Besides shares, capital investments in subsidiaries include long term loans to subsidiaries if such loans constitute an addition to the shareholding.

Acquisition and divestment of companies

Newly acquired or newly established companies are included in the Group accounts as from the date of acquisition. On acquisition of new companies, the newly acquired companies' assets and liabilities are included in the balance sheet at market values on the date of acquisition. Provisions are made for obligations concerning the restructuring of the acquired company if these have been decided on and published as of the date of acquisition.

Any outstanding positive difference between the acquisition price and the Group's share of the net value of the identifiable assets and liabilities is goodwill and is included in the balance sheet.

Divested companies are included in the year of sale at the time of divestment.

No adjustments are made to the comparative figures for divested companies, or for companies which are acquired.

Minority interests

Minority interests are entered at the minority's share of the net assets. Minority interests' share of the Group equity and profit are identified and entered as separate items of the Group balance sheet and the Group profit and loss account.

Foreign currency

Transactions in foreign currency are stated at the exchange rate on the transaction date.

Monetary items in foreign currency are converted at the exchange rates on the balance sheet date.

Accounts of foreign subsidiaries are converted using

the exchange rates on the balance sheet date for balance sheet items, and average exchange rates for items of the profit and loss account.

All exchange rate adjustments are included in the profit and loss account under financial items, apart from the exchange rate differences arising on:

- conversion of equity in subsidiaries at the beginning of the year at the exchange rates on the balance sheet date
- conversion of the profit for the year from average exchange rates to exchange rates on the balance sheet date
- conversion of long term loans that constitute an addition to the holding of shares in subsidiaries
- conversion of the forward hedging of investments in subsidiaries
- conversion of capital interests in associated and other companies

These exchangerate differences are entered directly to the equity after deduction of tax.

Financial instruments

Financial instruments used to hedge the value of financial assets and liabilities are assessed at market value. The value adjustment is carried to the profit and loss account. Financial instruments used to hedge expected future cash flows are assessed at market value. Value adjustment is carried to the capital and reserves. The accumulated value adjustment is carried back at the time of performance of the hedged transaction by inclusion in the acquisition price in cases where the transaction results in an asset or liability, or in the profit and loss account in cases where the transaction results in revenue or expenditure items. Positive and negative market values are included in other receivables, respectively other debt.

Option programme

An equity based share option programme has been established, which is offered the executive board and managers.

On issuing of share options the value of the allotted options is estimated in compliance with the formula of Black & Scholes at the time of allotment and is expensed staff cost over the expected life of the option. The amount charged is set off against the equity.

Accounting policies applied

The effect of void options is adjusted over the profit and loss account and is set off against the equity, respectively.

Segmental data

Segmental data is stated for business areas (primary segment reporting format) and for geographical areas (secondary segment reporting format).

The division by primary segments is in accordance with the Group's internal reporting and areas of responsibility. The segmental data is presented according to the same principle as the consolidated accounts.

Segmental assets and liabilities are defined as items operationally attached to the segment. The segmental profit before financial items includes revenue and expenditure operationally related to the segment. Internal trade is calculated at cost price.

Net turnover

Net sales are included in the profit and loss account provided that delivery and risk transition has taken place before the year-end. Net sales are the value of the delivered goods excluding value added tax and less discounts and bonus.

Investment grants

Investment grants are recognised as income in step with the write down against the equivalent tangible fixed assets. Investment grants not yet recognised as income are deducted from the fixed assets to which the grant is related.

Research and development activities

The costs of research activities are carried as expenditure in the year in which they are incurred.

The costs of development projects which are clearly defined and identifiable, and of which the potential technical and commercial exploitation is demonstrated, are capitalised to the extent that they are expected to generate future revenue. Costs for development projects not fulfilling the criteria of being included as assets are carried as operational expenditure.

Financial items

Financial revenue and expenditure include interest concerning the financial year. Dividend from securities, apart from dividend from subsidiaries and associated companies, is recognised on receipt.

Financial items also include financial expenditure on financial leasing and write down of financial fixed assets, as well as realised and unrealised value adjustment of derived financial instruments, securities that are current assets and items in foreign currency.

Tax

Calculated tax, comprising tax on the taxable income for the year and the year's change in deferred tax, is included in the income statement with the part that relates to the year's profit and in equity with the part that relates to items booked directly on equity.

The current Danish tax is calculated with due consideration of the existing joint taxation between the parent company and some of the wholly owned subsidiaries. The parent company expenses and pays the tax liable for all Danish companies in the Group. For the parent company the deferred tax pertaining to the Danish companies is also carried as expenditure and set off.

Changes in deferred tax as a consequence of changes in tax rates are carried to the profit and loss account.

Provisions for deferred tax are calculated on all temporary differences between accounting and taxable values, apart from temporary differences arising at the time of acquisition of assets and liabilities, and temporary differences for goodwill, which cannot be written off.

Deferred tax provisions are also made to cover the re-taxation of losses in jointly taxed foreign companies estimated to become current on sale of the capital interests or on the basis of withdrawal from the Danish joint taxation. Deferred tax concerning capital investments in subsidiaries is stated in a note to the accounts.

Deferred tax assets are recognised when it is probable that the assets will reduce tax payments in coming years.

Deferred tax is allocated on the basis of current tax rules at the tax rate, which is expected to apply after equalisation of the temporary differences.

Intangible fixed assets

Intangible fixed assets, apart from goodwill, are entered at acquisition or cost price, less accumulated amortisation and write downs. Amortisation of the following intangible fixed assets is made on a straight line basis over the expected future lifetime of the assets, which is:

| | |
|----------------------|----------------|
| Development projects | 2-10 years |
| Patents | up to 10 years |
| Software | 2-4 years |

Goodwill arisen from acquisition of companies and activities are appraised at cost price less write downs as a result of permanent decreases in the earning capacity of the company in question.

Minor assets are fully depreciated in the year of acquisition.

Tangible fixed assets

Tangible fixed assets are assessed at acquisition cost less depreciation on a straight line basis according to the physical and financial lifetime of the assets and are distributed by the straight-line method.

The acquisition cost of technical plant and machinery manufactured by the Group comprises the acquisition cost, expenditure directly related to the acquisition, and engineering hours, including indirect production costs.

Financial leased assets are included in the balance sheet at the market value on the date of acquisition, and are written off at depreciation rates equivalent to those for the same category of owned assets.

Financial amortisation is based on current assessment of the amortisation history of the assets, the useful lives and scrap value. The expected lifetimes are:

| | |
|---|-------------|
| Buildings | 20-40 years |
| Technical plants and machinery | 5-15 years |
| Operating equipment and fixtures and fittings | 3-10 years |

Minor assets are written off in full in the year of acquisition.

On sale or scrapping of assets any losses or gains are included under depreciation for the year.

Write down of assets

The book value of both intangible and tangible fixed assets is reviewed annually in order to determine whether there are any indications of value deterioration. If this is the case, write down is made to the estimated net sale price or the useful value, if greater.

Write downs of intangible and tangible fixed assets are carried as expenditure under the same item as the equivalent amortisations and write downs.

Investment in subsidiaries and associated companies

The parent company's shares in subsidiaries and associated companies are assessed at cost price less write downs as a result of permanent decreases in the earning capacity of the company in question. At transactions with companies within the group intercompany profit margins are eliminated.

Received dividends are included in the profit and loss account of the parent company.

Securities

Stock exchange listed shares are valued at listed market value, while other shares are valued at estimated market value.

Bond portfolios are valued at market value.

Both realised and unrealised capital gains and losses are included in the profit and loss account.

Stocks

Stocks are valued at the lowest of historical cost price (compiled by the FIFO principle) and net realisation value. The costs of finished goods and goods in manufacture include the direct costs of production materials and wages, as well as indirect production costs.

Receivables

Receivables are valued after reservation for risks on the basis of an assessment of the individual claims.

Equity

Upon approval at the General Assembly, the dividend is included as a liability. Dividend that is expected to be paid for the year is shown separately under equity.

Own shares acquired by the parent company or subsidiaries are included at cost price directly at the equity under transferred profit. Correspondingly, sales fees and dividend are included directly at the equity.

Debt

Interest bearing debt is valued at amortised cost price compiled on the basis of the effective interest rate on the date of inclusion. The proceeds from the loan are compiled after deduction of loan costs.

Accounting policies applied

Pension

Defined contribution plans are financed through current premium payments to independent insurance companies responsible for the pension obligations. When pension payments for defined contribution plans have been paid the group has no further pension obligations towards current or former employees covered by these schemes. Pension payment concerning defined contribution plans are charged to the profit and loss account at payment.

Defined benefit plans in foreign subsidiaries are assessed at the current value at the balance sheet date and included in the Group accounts. Adjustments of the provisions are carried out on a regular basis in accordance with underlying actuarial assessments of the obligations. The adjustments are charged to the profit and loss account. The result of changes in the actuarial assumptions is included over the average remaining expected working period of the employees. The actuarial assessment is carried out regularly, however at least every third year.

For certain defined benefit plans is applicable that the connected assets are placed in pension funds outside the Group accounts. The payments to the pension funds are based on usual actuarial assessments and are charged after maturity. Provided that the actuarial assessments of pension obligations show noticeable excess solvency or insolvency in relation to the pension fund's assets the differential value is entered in the balance sheet and the future payments are adjusted in accordance with this. It also applies for these schemes that the actuarial assessment is carried out regularly, however at least every third year.

Other provisions

Provisions are made for liabilities, which are certain, or probable on the balance sheet date, and the size of the liability can be compiled on a reliable basis. The liability is calculated as the amount expected to be paid.

Leasing obligations

Leasing obligations concerning financial leasing are assessed at the current value of the remaining leasing remunerations including any possible guaranteed residual value based on the internal interest rate of each lease agreement.

Statement of Funds

The statement of funds is presented by the indirect method on the basis of the profit after tax. The statement of funds shows cash flows for the year, as well as funds available at the beginning and end of the year.

Fund flows from operations are compiled as the profit for the year after tax adjusted for non liquid operating items, liquid financial items, corporation tax paid and changes in working capital.

Fund flows from investments comprise payments on acquisition and divestment of companies and other fixed assets.

Fund flows from financing comprise borrowing and redemptions of loans, dividend payments and the proceeds from share capital augmentations.

Funds available comprise cash funds, as well as bonds, after deduction of short term bank debt.

Five-year summary and ratios

The ratios have been calculated in accordance with the guidelines issued by the Danish Association of Finance Analysts in 2005. The key figures mentioned in the five-year summary and ratios are calculated as described in the five-year summary.

Income statement

| Million DKK | Note | The Group | | Parent Company | |
|--|------|----------------|----------------|----------------|--------------|
| | | 2004 | 2003 | 2004 | 2003 |
| Net sales | | 9,143.2 | 8,215.9 | 227.7 | 333.4 |
| Other operating income | 1 | 214.3 | 222.6 | 250.7 | 228.7 |
| Operating income | | 9,357.5 | 8,438.5 | 478.4 | 562.1 |
| Raw material costs and production material costs | | 2,973.6 | 2,448.6 | 143.1 | 241.5 |
| Delivery costs and indirect costs | | 1,724.9 | 1,656.7 | 50.7 | 48.0 |
| Other external costs | | 933.9 | 909.3 | 110.6 | 96.4 |
| Personnel costs | 2 | 2,407.3 | 2,333.2 | 172.3 | 152.0 |
| Depreciation | 3 | 652.0 | 600.7 | 15.9 | 13.4 |
| Operating costs | | 8,691.7 | 7,948.5 | 492.6 | 551.3 |
| Operating profit before financial items | | 665.8 | 490.0 | -14.2 | 10.8 |
| Return on investments in subsidiaries and associated companies | 4 | 17.8 | 34.9 | 263.0 | 329.2 |
| Interest income and similar income | 5 | 66.9 | 83.7 | 50.4 | 73.7 |
| Interest costs and similar costs | 6 | 147.0 | 182.3 | 30.3 | 27.6 |
| Profit before tax | | 603.5 | 426.3 | 268.9 | 386.1 |
| Tax on the year's profit | 7 | 200.5 | 158.8 | 14.7 | -22.1 |
| Profit after tax | | 403.0 | 267.5 | 254.2 | 408.2 |
| Minority interests' share in net profit | | -2.5 | 15.7 | 0.0 | 0.0 |
| Profit of the year | | 405.5 | 251.8 | 254.2 | 408.2 |
| Distribution of profit: | | | | | |
| Dividend | | 86.0 | 71.1 | 86.0 | 71.1 |
| Transferred to reserves according to book value method | | 0.0 | -149.9 | 0.0 | 0.0 |
| Transferred profit | | 319.5 | 330.6 | 168.2 | 337.1 |
| | | 405.5 | 251.8 | 254.2 | 408.2 |
| Dividend per share of DKK 10.00 | | 4.0 | 3.3 | 4.0 | 3.3 |
| Profit per share | | 18.5 | 11.5 | 11.6 | 18.6 |
| Profit per share diluted | | 18.5 | 11.5 | 11.6 | 18.6 |

Balance sheet - Assets

| Million DKK | Note | The Group | | Parent Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2004 | 2003 | 2004 | 2003 |
| Goodwill | | 56.9 | 78.0 | 0.0 | 0.0 |
| Other intangible fixed assets | | 29.3 | 8.3 | 24.2 | 0.0 |
| Intangible fixed assets | 11 | 86.2 | 86.3 | 24.2 | 0.0 |
| Buildings and sites | | 1,425.3 | 1,401.2 | 66.0 | 69.9 |
| Plant and machinery | | 2,291.2 | 2,383.0 | 0.0 | 0.0 |
| Other operating equipment | | 157.6 | 153.0 | 15.4 | 20.0 |
| Prepayments and fixed assets in course of construction | | 296.0 | 151.1 | 0.0 | 2.4 |
| Tangible fixed assets | 12 | 4,170.1 | 4,088.3 | 81.4 | 92.3 |
| Shares in subsidiaries | 13 | 0.0 | 0.0 | 3,199.3 | 2,928.8 |
| Shares in associated companies | 13 | 149.5 | 133.6 | 30.0 | 29.9 |
| Loans to subsidiaries | 13 | 0.0 | 0.0 | 297.4 | 345.2 |
| Participating interests | 13 | 0.3 | 0.2 | 0.2 | 0.2 |
| Frozen bank deposits | | 0.0 | 0.0 | 0.0 | 72.6 |
| Deferred tax assets | 16 | 74.9 | 30.7 | 0.0 | 0.0 |
| Financial fixed assets | | 224.7 | 164.5 | 3,526.9 | 3,376.7 |
| Total fixed assets | | 4,481.0 | 4,339.1 | 3,632.5 | 3,469.0 |
| Raw material and consumables | | 426.4 | 337.5 | 22.5 | 5.0 |
| Work in progress | | 7.5 | 7.6 | 97.5 | 28.4 |
| Finished goods and trade goods | | 348.8 | 294.0 | 0.0 | 0.0 |
| Stocks | | 782.7 | 639.1 | 120.0 | 33.4 |
| Trade accounts receivable | | 1,140.8 | 1,119.8 | 0.0 | 0.0 |
| Amounts owed by subsidiaries and associated companies | | 0.0 | 7.5 | 853.4 | 891.9 |
| Other receivables | | 177.0 | 178.9 | 20.2 | 9.6 |
| Prepayments | | 37.6 | 56.1 | 0.4 | 1.2 |
| Receivables | | 1,355.4 | 1,362.3 | 874.0 | 902.7 |
| Bonds | | 1.9 | 5.8 | 0.0 | 0.0 |
| Cash funds | | 485.0 | 438.7 | 193.0 | 108.1 |
| Total current assets | | 2,625.0 | 2,445.9 | 1,187.0 | 1,044.2 |
| Total assets | | 7,106.0 | 6,785.0 | 4,819.5 | 4,513.2 |

Balance sheet - Equity and liabilities

| Million DKK | Note | The Group | | Parent Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2004 | 2003 | 2004 | 2003 |
| Share capital | 15 | 219.7 | 219.7 | 219.7 | 219.7 |
| Share premium account | | 0.0 | 11.3 | 0.0 | 11.3 |
| Proposed dividend regarding the financial year | | 86.0 | 71.1 | 86.0 | 71.1 |
| Profits carried forward | | 4,165.0 | 3,788.6 | 3,997.2 | 3,832.9 |
| Minority interests | | 30.4 | 47.5 | 0.0 | 0.0 |
| Total equity | | 4,501.1 | 4,138.2 | 4,302.9 | 4,135.0 |
| Deferred tax | 16 | 223.6 | 168.9 | 21.3 | 9.6 |
| Pension obligations | 17 | 140.0 | 131.3 | 0.7 | 0.8 |
| Other obligations | 18 | 26.0 | 30.2 | 0.0 | 0.0 |
| Total provided obligations | | 389.6 | 330.4 | 22.0 | 10.4 |
| Mortgage loans | | 31.8 | 172.0 | 174.5 | 175.0 |
| Bank loans | | 352.9 | 409.6 | 0.0 | 0.0 |
| Long-term debt | 19 | 384.7 | 581.6 | 174.5 | 175.0 |
| Short-term portion of long-term debt | 19 | 212.2 | 176.3 | 0.0 | 0.0 |
| Bank debt | | 54.6 | 187.3 | 5.0 | 0.7 |
| Trade accounts payable | | 744.2 | 639.2 | 45.8 | 21.8 |
| Amounts owed to subsidiaries and associated companies | | 0.0 | 0.0 | 186.3 | 100.7 |
| Company tax | 20 | 79.8 | 27.4 | 9.7 | 9.9 |
| Other accounts payable | | 739.8 | 704.6 | 73.3 | 59.7 |
| Short-term debt | | 1,830.6 | 1,734.8 | 320.1 | 192.8 |
| Total long-term and short-term debts | | 2,215.3 | 2,316.4 | 494.6 | 367.8 |
| Total equity and liabilities | | 7,106.0 | 6,785.0 | 4,819.5 | 4,513.2 |
| Commitments and contingent liabilities | 21 | | | | |

Statement of funds

| Million DKK | Note | The Group | | Parent Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2004 | 2003 | 2004 | 2003 |
| Profit after tax | | 403.0 | 267.5 | 254.2 | 408.2 |
| Adjustments | 8 | 940.6 | 818.8 | 74.5 | -57.3 |
| Change in net working capital | 9 | 8.1 | -156.5 | 64.1 | 5.1 |
| Funds flow from operation before financial items and tax | | 1,351.7 | 929.8 | 392.8 | 356.0 |
| Interest payments received | | 68.3 | 93.2 | 52.0 | 64.3 |
| Interest payments made | | -151.5 | -187.2 | -30.6 | -26.6 |
| Taxes paid | 20 | -141.1 | -60.9 | -3.3 | -1.2 |
| Funds flow from operating activities | | 1,127.4 | 774.9 | 410.9 | 392.5 |
| Acquisition of companies | | 0.0 | 0.0 | 0.0 | 0.0 |
| Purchase of tangible fixed assets, net | | -641.0 | -562.7 | -3.6 | -12.1 |
| Change in investment creditors | | 3.6 | 0.0 | 0.0 | 0.0 |
| Subsidiaries and associated companies | | 0.0 | 0.0 | -277.6 | -517.4 |
| Acquisition of shares | | -7.6 | 0.0 | 0.0 | 0.0 |
| Acquisition of intangible assets | | -42.9 | -26.7 | -25.6 | 0.0 |
| Redemption minority interests | | -16.3 | -43.1 | -10.1 | 0.0 |
| Funds flow from investment activities | | -704.2 | -632.5 | -316.9 | -529.5 |
| Funds flow from operating and investment activities (free cash flow) | | 423.2 | 142.4 | 94.0 | -137.0 |
| Dividend paid | | -70.9 | -71.1 | -70.9 | -71.1 |
| Capital paid-in | | 0.0 | 0.0 | 0.0 | 0.0 |
| Purchase of own shares | | -14.5 | 0.0 | -14.5 | 0.0 |
| Addition of minority interests | | 2.0 | 0.0 | 0.0 | 0.0 |
| Change in long-term debt | | -166.8 | -123.8 | -0.5 | 103.2 |
| Change in long-term receivables | | 0.0 | 0.0 | 72.6 | -10.8 |
| Funds flow from finance activities | | -250.2 | -194.9 | -13.3 | 21.3 |
| Changes in funds available | | 173.0 | -52.5 | 80.7 | -115.7 |
| Funds available 1/1 | | 257.2 | 323.2 | 107.3 | 223.0 |
| Adjustments to exchange rates 31/12 | | 2.1 | -13.5 | 0.0 | 0.0 |
| Funds available 31/12 | 10 | 432.3 | 257.2 | 188.0 | 107.3 |
| Unutilised, committed credit facilities 31/12 | | 2,325.5 | 2,325.0 | 2,325.5 | 2,325.0 |

Individual items in the statement of funds cannot be directly deduced from the consolidated balance sheet, as balance sheet items of the foreign companies at the beginning of the year have been converted at the rates of exchange on 31 December.

Statement of equity

| | The Group | | | | | | |
|---|----------------------|------------------------------|---|--------------------------|------------------------|--------------------------|----------------|
| | Share capital | Share premium account | Reserve according to book value method | Proposed dividend | Profits carried | Minority interest | Total |
| Million DKK | | | | | | | |
| Equity as of 1 January 2003 | 219.7 | 11.3 | 100.7 | 71.1 | 3,636.9 | 84.7 | 4,124.4 |
| Paid dividend to the shareholders | | | | -71.1 | | | -71.1 |
| Redemption of minority interest | | | | | | -43.1 | -43.1 |
| Exchange rate adjustment regarding foreign subsidiaries | | | -126.6 | | | -9.8 | -136.4 |
| Exchange rate adjustment regarding foreign associated companies | | | -5.7 | | | | -5.7 |
| Expensed value of options issued | | | | | 2.6 | | 2.6 |
| Transfer | | | 181.5 | | -181.5 | | 0.0 |
| Profit of the year | | | -149.9 | 71.1 | 330.6 | 15.7 | 267.5 |
| Equity as of 31 December 2003 | 219.7 | 11.3 | 0.0 | 71.1 | 3,788.6 | 47.5 | 4,138.2 |
| Equity as of 1 January 2004 | 219.7 | 11.3 | 0.0 | 71.1 | 3,788.6 | 47.5 | 4,138.2 |
| Paid dividend to the shareholders | | | | -71.1 | 0.2 | | -70.9 |
| Redemption of minority interest | | | | | | -14.3 | -14.3 |
| Exchange rate adjustment regarding foreign subsidiaries | | | | | 56.6 | -0.3 | 56.3 |
| Expensed value of options issued | | | | | 3.3 | | 3.3 |
| Acquisition of own shares | | | | | -14.5 | | -14.5 |
| Transfer | | -11.3 | | | 11.3 | | 0.0 |
| Profit of the year | | | | 86.0 | 319.5 | -2.5 | 403.0 |
| Equity as of 31 December 2002 | 219.7 | 0.0 | 0.0 | 86.0 | 4,165.0 | 30.4 | 4,501.1 |
| Parent company | | | | | | | |
| Equity as of 1 January 2003 | 219.7 | 11.3 | 100.7 | 71.1 | 3,636.9 | | 4,039.7 |
| Adjustments regarding subsidiaries | | | | | -176.9 | | -176.9 |
| Adjustments regarding associated companies | | | | | -66.2 | | -66.2 |
| Adjusted equity as of 1 January 2003 | 219.7 | 11.3 | 100.7 | 71.1 | 3,393.8 | | 3,796.6 |
| Paid dividend to the shareholders | | | | -71.1 | | | -71.1 |
| Expensed value of options issued | | | | | 1.3 | | 1.3 |
| Transfer | | | -100.7 | | 100.7 | | 0.0 |
| Profit of the year | | | | 71.1 | 337.1 | | 408.2 |
| Equity as of 31 December 2003 | 219.7 | 11.3 | 0.0 | 71.1 | 3,832.9 | | 4,135.0 |
| Equity as of 1 January 2004 | 219.7 | 11.3 | 0.0 | 71.1 | 3,832.9 | | 4,135.0 |
| Paid dividend to the shareholders | | | | -71.1 | 0.2 | | -70.9 |
| Exchange rate adjustment regarding foreign subsidiaries | | | | | -2.6 | | -2.6 |
| Expensed value of options issued | | | | | 1.7 | | 1.7 |
| Acquisition of own shares | | | | | -14.5 | | -14.5 |
| Transfer | | -11.3 | | | 11.3 | | 0.0 |
| Profit of the year | | | | 86.0 | 168.2 | | 254.2 |
| Equity as of 31 December 2002 | 219.7 | 0.0 | 0.0 | 86.0 | 3,997.2 | | 4,302.9 |

Segmented accounts

Business segments (primary segment distribution)

| Million DKK | Insulation | | Systems Division | | Group eliminations and holding companies | | The Rockwool Group | |
|---|----------------|----------------|------------------|--------------|--|---------------|--------------------|----------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Profit | | | | | | | | |
| External net turnover | 7,571.9 | 6,726.4 | 1,570.6 | 1,487.7 | 0.7 | 1.8 | 9,143.2 | 8,215.9 |
| Internal net turnover | 892.7 | 870.7 | 59.3 | 54.7 | -952.0 | -925.4 | 0.0 | 0.0 |
| EBITDA | 1,213.7 | 967.6 | 111.5 | 131.1 | -7.4 | -8.0 | 1,317.8 | 1,090.7 |
| Depreciation | 591.8 | 553.5 | 1.9 | 20.5 | 58.3 | 26.7 | 652.0 | 600.7 |
| Operating profit (before financial items) | 621.9 | 414.1 | 109.6 | 110.6 | -65.7 | -34.7 | 665.8 | 490.0 |
| Financial costs, net | -80.3 | -97.4 | -4.2 | -5.0 | 22.2 | 38.7 | -62.3 | -63.7 |
| Profit before taxation | 541.6 | 316.7 | 105.4 | 105.6 | -43.5 | 4.0 | 603.5 | 426.3 |
| Tax of the year's profit | 151.5 | 96.9 | 28.0 | 37.1 | 21.0 | 24.8 | 200.5 | 158.8 |
| Profit after taxation | 390.1 | 219.8 | 77.4 | 68.5 | -64.5 | -20.8 | 403.0 | 267.5 |
| Minority interests' share | 10.9 | 28.0 | -0.8 | -1.6 | -12.6 | -10.8 | -2.5 | 15.7 |
| Profit of the period | 379.2 | 191.8 | 78.2 | 70.1 | -51.9 | -10.1 | 405.5 | 251.8 |
| Balance sheet - assets | | | | | | | | |
| Fixed assets | 4,190.2 | 4,082.4 | 66.8 | 62.5 | 224.0 | 194.2 | 4,481.0 | 4,339.1 |
| Current assets | 3,324.7 | 3,041.3 | 534.7 | 567.7 | -1,234.4 | -1,163.1 | 2,625.0 | 2,445.9 |
| Total assets | 7,514.9 | 7,123.7 | 601.5 | 630.2 | -1,010.4 | -968.9 | 7,106.0 | 6,785.0 |
| Balance sheet - liabilities | | | | | | | | |
| Equity | 3,514.1 | 3,254.8 | 180.8 | 184.6 | 806.2 | 698.8 | 4,501.1 | 4,138.2 |
| Provided obligations | 379.2 | 320.1 | 2.4 | 2.7 | 8.0 | 7.6 | 389.6 | 330.4 |
| Debt, total | 3,621.6 | 3,548.8 | 418.3 | 442.9 | -1,824.6 | -1,675.3 | 2,215.3 | 2,316.4 |
| Total liabilities | 7,514.9 | 7,123.7 | 601.5 | 630.2 | -1,010.4 | -968.9 | 7,106.0 | 6,785.0 |
| Fixed asset investments | 661.4 | 535.9 | 0.3 | 6.1 | 42.5 | 90.5 | 704.2 | 632.5 |

Geographical segments (secondary segment distribution)

Net turnover distributed on geographical segments

| Million DKK | The Group | |
|------------------|----------------|----------------|
| | 2004 | 2003 |
| Scandiavia | 1,151.7 | 1,093.5 |
| Northwest Europe | 4,869.6 | 4,533.3 |
| Others | 3,121.9 | 2,589.1 |
| Total | 9,143.2 | 8,215.9 |

Balance sheet items distributed on geographical segments

| Million DKK | Fixed assets | | Current assets | | Total assets | | Investments | |
|------------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|--------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Scandinavia | 641.0 | 829.7 | 801.3 | 516.5 | 1,442.3 | 1,346.2 | 165.6 | 114.7 |
| Northwest Europe | 1,664.3 | 2,063.8 | 574.1 | 1,099.3 | 2,238.4 | 3,163.1 | 162.9 | 287.6 |
| Others | 2,175.7 | 1,445.6 | 1,249.6 | 830.1 | 3,425.3 | 2,275.7 | 375.7 | 230.2 |
| Total | 4,481.0 | 4,339.1 | 2,625.0 | 2,445.9 | 7,106.0 | 6,785.0 | 704.2 | 632.5 |

Above balance sheet items are distributed according to the position of the assets.

Notes

1. Other operating income

| Million DKK | The Group | | Parent Company | |
|--|--------------|--------------|----------------|--------------|
| | 2004 | 2003 | 2004 | 2003 |
| Change in stocks of finished goods and goods in progress | 45.9 | 48.5 | 0.0 | 0.0 |
| Plant and machinery produced by the Group | 84.6 | 91.9 | 0.0 | 0.0 |
| Royalties and others | 83.8 | 82.2 | 250.7 | 228.7 |
| Total | 214.3 | 222.6 | 250.7 | 228.7 |

2. Personnel costs

| Million DKK | The Group | | Parent Company | |
|----------------------------------|----------------|----------------|----------------|--------------|
| | 2004 | 2003 | 2004 | 2003 |
| Wages and salaries | 2,065.2 | 2,024.4 | 156.1 | 137.6 |
| Expensed value of options issued | 3.3 | 2.6 | 1.7 | 1.3 |
| Other social security costs | 338.8 | 306.2 | 14.5 | 13.1 |
| Total | 2,407.3 | 2,333.2 | 172.3 | 152.0 |
| Average number of employees | 7,385 | 7,293 | 263 | 243 |

Above items include:

| | | | | |
|----------------------------------|-------------|------------|-------------|------------|
| Remuneration to Management | 11.3 | 5.4 | 11.3 | 5.4 |
| Expensed value of options issued | 0.4 | 0.3 | 0.4 | 0.3 |
| Board fee | 1.9 | 1.8 | 1.9 | 1.8 |
| Total | 13.6 | 7.5 | 13.6 | 7.5 |

3. Depreciation

| Million DKK | The Group | | Parent Company | |
|---|--------------|--------------|----------------|-----------|
| | 2004 | 2003 | 2004 | 2003 |
| Depreciation of tangible fixed assets | 566.7 | 504.4 | 12.7 | 12.5 |
| Write-down of tangible fixed assets | 33.6 | 39.7 | 0.0 | 0.0 |
| Acquisitions directly expensed | 9.6 | 15.0 | 2.5 | 2.4 |
| Net profit and loss on sales/scraping | -3.4 | -9.4 | -0.7 | -1.5 |
| Depreciation of intangible fixed assets | 7.7 | 41.5 | 1.4 | 0.0 |
| Write-down of intangible fixed assets | 35.3 | 0.0 | 0.0 | 0.0 |
| Adjustment to average exchange rates | 2.5 | 9.5 | 0.0 | 0.0 |
| Total | 652.0 | 600.7 | 15.9 | 13 |

4. Return on investments in subsidiaries and associated companies

| Million DKK | The Group | | Parent Company | |
|--------------------------------------|-------------|-------------|----------------|--------------|
| | 2004 | 2003 | 2004 | 2003 |
| Dividends received from subsidiaries | 0.0 | 0.0 | 317.0 | 316.0 |
| Write down of shares in subsidiaries | 0.0 | 0.0 | -62.4 | 0.0 |
| Interest on long-term loans | 0.0 | 0.0 | 3.3 | 8.6 |
| Net result from associated companies | 17.8 | 34.9 | 5.1 | 4.6 |
| Total | 17.8 | 34.9 | 263.0 | 329.2 |

5. Interest income

| Million DKK | The Group | | Parent Company | |
|-----------------------------------|-------------|-------------|----------------|-------------|
| | 2004 | 2003 | 2004 | 2003 |
| Yield on bonds | 0.1 | 2.3 | 0.0 | 2.0 |
| Interest income | 15.2 | 42.4 | 2.8 | 10.8 |
| Interest income from subsidiaries | 0.0 | 0.0 | 36.3 | 55.1 |
| Exchange gains | 51.6 | 39.0 | 11.3 | 5.8 |
| Total | 66.9 | 83.7 | 50.4 | 73.7 |

6. Interest expenses and similar expenses

| Million DKK | The Group | | Parent Company | |
|-----------------------------------|--------------|--------------|----------------|-------------|
| | 2004 | 2003 | 2004 | 2003 |
| Interest expenses | 84.9 | 106.9 | 15.5 | 16.3 |
| Interest expenses to subsidiaries | 0.0 | 0.0 | 0.8 | 1.1 |
| Exchange losses | 62.1 | 75.4 | 14.0 | 10.2 |
| Total | 147.0 | 182.3 | 30.3 | 27.6 |

Notes

7. Tax on the year's profit

| Million DKK | The Group | | Parent Company | |
|--|--------------|--------------|----------------|--------------|
| | 2004 | 2003 | 2004 | 2003 |
| Current tax | 191.3 | 63.0 | 0.0 | 0.0 |
| Tax in subsidiaries and associated companies | 2.4 | 1.1 | 0.0 | 0.0 |
| Adjustment deferred tax | 11.1 | 94.6 | 11.6 | -13.4 |
| Other taxes | -4.3 | 0.1 | 3.1 | -8.7 |
| Total tax | 200.5 | 158.8 | 14.7 | -22.1 |

Distributed between:

| | 2004 | 2003 | 2004 | 2003 |
|---------------------------------|--------------|--------------|-------------|--------------|
| Tax on the year's profit | 200.5 | 158.8 | 14.7 | -22.1 |
| Tax on equity items | 0.0 | 0.0 | 0.0 | 0.0 |

Reconciliation of effective tax percentage

| Million DKK | The Group | |
|---|--------------|--------------|
| | 2004 | 2003 |
| Danish tax percentage | 30.0% | 30.0% |
| Deviation in non-Danish subsidiaries' tax compared to 30% | 1.9% | 2.4% |
| Non deductible goodwill amortization | 0.0% | 1.2% |
| Non deductible write downs | 1.6% | 0.0% |
| Other permanent deviations | 0.8% | 0.0% |
| Tax assets not included | 0.3% | 1.3% |
| Adjustments to previous years | -0.4% | 0.0% |
| Decrease of corporate income tax rate | -1.4% | 0.0% |
| Other adjustments | 0.4% | 2.1% |
| Actual tax percentage | 33.2% | 37.0% |

8. Adjustments

| Million DKK | The Group | | Parent Company | |
|---|--------------|--------------|----------------|--------------|
| | 2004 | 2003 | 2004 | 2003 |
| Interest income and similar | -67.0 | -83.7 | -50.4 | -73.7 |
| Interest expenses and similar | 147.0 | 182.3 | 30.3 | 27.6 |
| Calculated tax | 200.5 | 158.8 | 14.7 | -22.1 |
| Provisions | 2.2 | -6.8 | -0.1 | 0.0 |
| Expensed value of options issued | 3.3 | 2.6 | 1.7 | 1.3 |
| Adjustments re. subsidiaries | 0.0 | 0.0 | 62.4 | -3.8 |
| Adjustments re. associated companies | -8.4 | -25.7 | 0.0 | 0.0 |
| Depreciation and write-down | 651.9 | 600.7 | 15.9 | 13.4 |
| Exchange adjustments of operating items to exchange rates 31/12 | 11.1 | -9.4 | 0.0 | 0.0 |
| Adjustments | 940.6 | 818.8 | 74.5 | -57.3 |

9. Change in net working capital

| Million DKK | The Group | | Parent Company | |
|--------------------------------------|------------|---------------|----------------|------------|
| | 2004 | 2003 | 2004 | 2003 |
| Change in trade accounts receivable | -137.0 | -81.4 | -86.6 | -4.9 |
| Change in stocks | -4.7 | -143.3 | 0.0 | 0.0 |
| Change in other receivables | 29.7 | -51.2 | 27.1 | 33.4 |
| Change in trade accounts payable | 102.2 | 64.7 | 24.0 | -5.4 |
| Change in other debt | 17.9 | 54.7 | 99.6 | -18.0 |
| Change in net working capital | 8.1 | -156.5 | 64.1 | 5.1 |

10. Funds available 31/12

| Million DKK | The Group | | Parent Company | |
|------------------------------|--------------|--------------|----------------|--------------|
| | 2004 | 2003 | 2004 | 2003 |
| Cash funds | 485.0 | 438.7 | 193.0 | 108.1 |
| Bonds | 1.9 | 5.8 | 0.0 | 0.0 |
| Bank debts | -54.6 | -187.3 | -5.0 | -0.7 |
| Funds available 31/12 | 432.3 | 257.2 | 188.0 | 107.4 |

11. Intangible fixed assets

| Million DKK | The Group | | | Parent Company |
|------------------------------|--------------|-------------|--------------|----------------|
| | Goodwill | Other | Total | Other |
| Cost: | 0.0 | 0.0 | 0.0 | 0.0 |
| Accumulated 1/1 | 247.2 | 36.8 | 284.0 | 0.0 |
| Exchange rate adjustment 1/1 | 0.0 | 0.5 | 0.5 | 0.0 |
| New activities | 0.0 | 0.0 | 0.0 | 0.0 |
| Additions during the year | 14.2 | 28.7 | 42.9 | 25.6 |
| Deductions during the year | -1.7 | -1.2 | -2.9 | 0.0 |
| Accumulated 31/12 | 259.7 | 64.8 | 324.5 | 25.6 |
| Amortization | 0.0 | 0.0 | 0.0 | 0.0 |
| Accumulated 1/1 | 169.2 | 28.5 | 197.7 | 0.0 |
| Exchange rate adjustment 1/1 | 0.0 | 0.5 | 0.5 | 0.0 |
| New activities | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortization during the year | 0.0 | 7.7 | 7.7 | 1.4 |
| Write down during the year | 35.3 | 0.0 | 35.3 | 0.0 |
| Deductions during the year | -1.7 | -1.2 | -2.9 | 0.0 |
| Accumulated 31/12 | 202.8 | 35.5 | 238.3 | 1.4 |
| Net book value 31/12 | 56.9 | 29.3 | 86.2 | 24.2 |

12. Tangible fixed assets

The Group

| Million DKK | Buildings and sites | Plant and machinery | Other operating equipment | Prepay-ments and fixed assets in course of construction | Investment grants | Total |
|---|---------------------|---------------------|---------------------------|---|-------------------|-----------------|
| Cost: | | | | | | |
| Accumulated 1/1 | 2,846.3 | 8,134.7 | 798.8 | 151.1 | -504.4 | 11,426.5 |
| Exchange rate adjustment 1/1 | 21.6 | 60.7 | 4.0 | 0.6 | -0.1 | 86.8 |
| Additions for the year | 82.8 | 393.1 | 96.9 | 206.9 | -6.6 | 773.1 |
| Deductions for the year | -15.9 | -377.4 | -72.9 | -62.6 | 27.0 | -501.8 |
| Accumulated 31/12 | 2,934.8 | 8,211.1 | 826.8 | 296.0 | -484.1 | 11,784.6 |
| Depreciation: | | | | | | |
| Accumulated 1/1 | 1,399.1 | 5,644.1 | 642.0 | 0.0 | -347.0 | 7,338.2 |
| Exchange rate adjustment 1/1 | 7.2 | 29.9 | 2.5 | 0.0 | -0.1 | 39.5 |
| Depreciation for the year | 62.3 | 447.2 | 77.6 | 0.0 | -20.4 | 566.7 |
| Write down for the year | 8.8 | 24.8 | 0.0 | 0.0 | 0.0 | 33.6 |
| Deductions for the year | -10.4 | -323.1 | -56.0 | 0.0 | 26.0 | -363.5 |
| Accumulated 31/12 | 1,467.0 | 5,822.9 | 666.1 | 0.0 | -341.5 | 7,614.5 |
| Net book value 1/1 | 1,447.2 | 2,490.6 | 156.8 | 151.1 | -157.4 | 4,088.3 |
| Net book value 31/12 | 1,467.8 | 2,388.2 | 160.7 | 296.0 | -142.6 | 4,170.1 |
| Investment grants | -42.5 | -97.0 | -3.1 | 0.0 | 142.6 | 0.0 |
| Net book value after investment grants | 1,425.3 | 2,291.2 | 157.6 | 296.0 | 0.0 | 4,170.1 |

Parent Company

| Million DKK | Buildings and sites | Plant and machinery | Other operating equipment | Prepay-ments and fixed assets in course of construction | Investment grants | Total |
|---|---------------------|---------------------|---------------------------|---|-------------------|--------------|
| Cost: | | | | | | |
| Accumulated 1/1 | 128.8 | 0.0 | 64.1 | 2.4 | 0.0 | 195.3 |
| Additions for the year | 0.0 | 0.0 | 5.2 | 0.0 | 0.0 | 5.2 |
| Deductions for the year | 0.0 | 0.0 | -9.8 | -2.4 | 0.0 | -12.2 |
| Accumulated 31/12 | 128.8 | 0.0 | 59.5 | 0.0 | 0.0 | 188.3 |
| Depreciation: | | | | | | |
| Accumulated 1/1 | 58.9 | 0.0 | 44.1 | 0.0 | 0.0 | 103.0 |
| Depreciation for the year | 3.9 | 0.0 | 8.8 | 0.0 | 0.0 | 12.7 |
| Deductions for the year | 0.0 | 0.0 | -8.8 | 0.0 | 0.0 | -8.8 |
| Accumulated 31/12 | 62.8 | 0.0 | 44.1 | 0.0 | 0.0 | 106.9 |
| Net book value 1/1 | 69.9 | 0.0 | 20.0 | 2.4 | 0.0 | 92.3 |
| Net book value 31/12 | 66.0 | 0.0 | 15.4 | 0.0 | 0.0 | 81.4 |
| Investment grants | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net book value after investment grants | 66.0 | 0.0 | 15.4 | 0.0 | 0.0 | 81.4 |

Net book value of the Group's sites amounts to DKK 288.5 million not subject to depreciation. Net book value of the Group's Danish properties is DKK 134.7 million, whereas the official assessments as at 1 January 2004 total DKK 387.7 million. The 1 January 2004 official assessment of property owned by the Parent Company total DKK 110.9 million.

Building acquired from finance leasing at DKK 36.0 million represents a net book value of DKK 21.8 million. Some of the received investment grants are subject to repayment obligations provided that the attached conditions are not fulfilled within a number of months. The attached conditions are fulfilled or are expected to be fulfilled.

Notes

13. Financial fixed assets

| Million DKK | The Group | | Parent Company | | | Total |
|------------------------------|-------------------------------------|------------------------|-----------------------|--------------------------------|-------------------------|----------------|
| | Shares in associated companies etc. | Shares in subsidiaries | Loans to subsidiaries | Shares in associated companies | Participating interests | |
| Cost: | | | | | | |
| Accumulated 1/1 | 48.0 | 3,627.4 | 365.9 | 32.8 | 0.7 | 4,026.8 |
| Change in accountig policies | 0.0 | 0.0 | 0.0 | -2.8 | 0.0 | -2.8 |
| Exchange rate adjustment | -0.1 | 0.0 | -3.2 | 0.0 | 0.0 | -3.2 |
| Additions for the year | 7.4 | 308.7 | 0.0 | 0.0 | 0.0 | 308.7 |
| Deductions for the year | -0.2 | 0.0 | -43.9 | 0.0 | 0.0 | -41.1 |
| Accumulated 31/12 | 55.1 | 3,393.1 | 321.6 | 30.0 | 0.7 | 4,282.4 |
| Accumulated 1/1 | 85.8 | -829.7 | 20.7 | 83.9 | -0.5 | -767.0 |
| Change in accountig policies | 0.0 | 131.1 | 20.7 | -83.9 | 0.0 | 67.9 |
| Exchange rate adjustment | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Profit after tax | 15.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividend | -7.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Adjustment | 1.3 | -38.2 | -24.2 | 0.0 | 0.0 | -62.4 |
| Accumulated 31/12 | 94.7 | -736.8 | -24.2 | 0.0 | -0.5 | -761.5 |
| Net book value 31/12 | 149.8 | 3,199.3 | 297.4 | 30.0 | 0.2 | 3,526.9 |

In "Loans to subsidiaries" addition to the share investment amounts to DKK 124.9 million. For loans in connection with the share investment deed of postponement of external loans has been given.

All companies covered in the Group Accounts are owned 100%, except for Rockwool Russia ZAO of which company Rockwool International A/S owns 78% of the share capital, Rockwool Asia B.V. of which Rockwool International A/S owns 60% of the share capital and Ecotech GmbH of which Rockwool International A/S owns 51.2% of the share capital. Shares in subsidiaries totalling DKK 3,199.3 million include goodwill of DKK 56.9 million.

In connection with the raising of loans, the Parent Company has accepted restrictions of its rights of disposal of the shares in Rockwool Polska Sp. z o.o., Rockwool Russia ZAO, Rockwool Asia Sdn. Bhd., Rockwool Asia B.V., Rockwool Italia S.p.A. and Rockwool Benelux Holding B.V. All foreign subsidiaries and associated companies are included as independent companies. Frozen bank deposit of parent company lies as security for loan insubsidiaries

14. Egne aktier (A- og B-aktier)

| Million DKK | Number of shares | Nominal value | % of the share capital |
|-------------------------|------------------|---------------|------------------------|
| Own shares 1/1 | 435,750 | 4.4 | 2.0 |
| Purchase | 334,915 | 3.3 | 1.5 |
| Sale | 303,123 | 3.0 | 1.4 |
| Own shares 31/12 | 467,542 | 4.4 | 2.0 |

Shares has been purchased a a total of DKK 14.5 million. Till now shares have been acquired to cover share option agreements.

| Year | Option agreements | Number of shares | Price | Exercise period |
|------|-------------------|------------------|-----------|------------------------|
| 1998 | 1 | 2,600 | 211 | 1/1 2003-31/12 2004 |
| 1999 | 27 | 30,300 | 215 | 1/1 2003-31/12 2005 |
| 2000 | 32 | 45,950 | 150 | 1/1 2004-31/12 2006 |
| 2001 | 66 | 92,900 | 122 | 1/1 2005-31/12 2007 |
| 2002 | 68 | 97,200 | 95 - 100 | 1/1 2006-31/12 2008 *) |
| 2003 | 75 | 100,500 | 222 - 227 | 1/1 2007-31/12 2009 *) |
| | 269 | 369,450 | | |

Of which 38,300 to Group management and 331,150 to managers

*) Options can be exercised at the lower value in the beginning of the period and at the higher value at the end of the period.

Share options

| | Number of shares | Average price |
|---------------------------|------------------|---------------|
| Options outstanding 1/1 | 405,400 | 148.6 |
| Issued during the year | 103,000 | 222.0 |
| Exercised during the year | 132,200 | 190.7 |
| Nullified during the year | 6,750 | 154.7 |
| Options outstanding 31/12 | 369,450 | 153.8 |

Value of options issued not exercised amounts to DKK 45.6 million

Options issued during 2004 were at the time they were issued valued at DKK 2.6 million

15. Share capital

| Million DKK | Parent Company | |
|---|----------------|-------|
| | 2004 | 2003 |
| A shares - 13,072,800 shares of each DKK 10 | 130.7 | 130.7 |
| B shares - 8,902,123 shares of each DKK 10 | 89.0 | 89.0 |
| Total 31/12 | 219.7 | 219.7 |

Each A share of a nominal value of DKK 10 entitles 10 votes, and each B share of a nominal value of DKK 10 entitles 1 vote.

Share capital has been unchanged for the last 6 years

16. Specification of tax assets and deferred tax

| Million DKK | The Group | | | |
|---|--------------|--------------|--------------|--------------|
| | 2004 | | 2003 | |
| | Asset | Liability | Asset | Liability |
| Fixed assets | 71.4 | 215.3 | 8.8 | 190.3 |
| Current assets | 18.6 | 7.1 | 16.3 | 8.2 |
| Provisions | 30.2 | 0.0 | 24.8 | 0.0 |
| Debt | 8.1 | 5.5 | 12.6 | 2.2 |
| Tax-related loss that can be carried forward | 8.0 | 0.0 | 58.8 | 0.0 |
| Retaxation balance | 0.0 | 57.1 | 0.0 | 58.8 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 136.3 | 285.0 | 121.3 | 259.5 |
| Set-off within legal tax entities and jurisdictions | -61.4 | -61.4 | -90.6 | -90.6 |
| Deferred tax year-end | 74.9 | 223.6 | 30.7 | 168.9 |

Tax assets not recognised amount to DKK 166.7 million

17. Pension obligations

| Million DKK | The Group |
|--|--------------|
| | 2004 |
| Defined contribution plans | |
| Pensions costs for the year | 70.7 |
| Defined benefit plans | |
| Pension costs for the year | 35.1 |
| Change in actuarial gains and losses | -1.2 |
| Interest costs | 27.3 |
| Yield on pension assets | -28.7 |
| Pension costs, total | 32.5 |
| Net present value of pension obligations | 626.0 |
| Actuarial gains and losses not included | -68.7 |
| Value of plan assets | -417.3 |
| Net present value of pension plans | 140.0 |
| The actuarial assessment of the pension obligation is based on assumptions specific to each country. The assumptions used are: | |
| Interest | 5.0% - 5.3% |
| Increase in salaries and wages | 1.5% - 3.0% |
| Discount rate | 5.0% - 5.5% |
| Expected yield on assets | 5.0% - 7.1% |

Specification of pension obligations

| Million DKK | The Group | | Parent Company | |
|--|--------------|--------------|----------------|------------|
| | 2004 | 2003 | 2004 | 2003 |
| Balance 1/1 | 131.3 | 137.3 | 0.8 | 0.8 |
| Exchange rate adjustments | 0.2 | 0.3 | 0.0 | 0.0 |
| Contributions during the year | -3.8 | -30.8 | -0.1 | -0.1 |
| Increase in pension obligation and other adjustments | 12.3 | 24.5 | 0.0 | 0.1 |
| Balance 31/12 | 140.0 | 131.3 | 0.7 | 0.8 |

18. Other provisions

| Million DKK | The Group | | Parent Company | |
|-------------------------------|-------------|-------------|----------------|------------|
| | 2004 | 2003 | 2004 | 2003 |
| Environmental measures | 10.0 | 7.9 | 0.0 | 0.0 |
| Provision regarding employees | 13.1 | 9.1 | 0.0 | 0.0 |
| Other | 2.9 | 13.2 | 0.0 | 0.0 |
| Total | 26.0 | 30.2 | 0.0 | 0.0 |

19. Long-term debt

| Million DKK | The Group | | Parent company | |
|--|--------------|--------------|----------------|--------------|
| | 2004 | 2003 | 2004 | 2003 |
| Redemption | | | | |
| Redemption within 1 year | 212.2 | 176.3 | 0.0 | 0.0 |
| Redemption between 1 and 3 years | 221.2 | 308.7 | 72.5 | 0.0 |
| Redemption between 3 and 5 years | 125.4 | 233.9 | 102.0 | 175.0 |
| Falls due after 5 years | 38.1 | 39.0 | 0.0 | 0.0 |
| Total | 384.7 | 581.6 | 174.5 | 175.0 |
| Interest assessment time | | | | |
| Reassessed under 3 months | 12.2 | 33.0 | 0.0 | 0.0 |
| Reassessed between 3 and 6 months | 0.0 | 0.0 | 0.0 | 0.0 |
| Reassessed between 6 and 12 months | 60.0 | 0.0 | 0.0 | 0.0 |
| Reassessed after more than 12 months or are fixed-interest | 312.5 | 548.6 | 174.5 | 175.0 |
| Total | 384.7 | 581.6 | 174.5 | 175.0 |
| Yield | | | | |
| Under 4% | 190.0 | 138.2 | 101.9 | 102.3 |
| Between 4% and 6% | 130.3 | 332.0 | 40.0 | 40.0 |
| Between 6% and 10% | 64.3 | 79.7 | 32.6 | 32.7 |
| More than 10% | 0.1 | 31.7 | 0.0 | 0.0 |
| Total | 384.7 | 581.6 | 174.5 | 175.0 |

Of the total debt DKK 10.1 million comprise capitalised leasing commitment.

Notes

20. Company tax

| Million DKK | The Group | | Parent Company | |
|----------------------------------|-------------|-------------|----------------|------------|
| | 2004 | 2003 | 2004 | 2003 |
| Balance 1/1 | 27.4 | 25.9 | 9.9 | 21.8 |
| Exchange rate adjustment | 2.8 | -3.0 | 0.0 | 0.0 |
| Tax paid in the year | -141.1 | -60.9 | -3.3 | -1.2 |
| Current tax provided in the year | 189.6 | 63.1 | 2.4 | -11.3 |
| Other taxes provided in the year | 1.1 | 2.3 | 0.7 | 0.6 |
| Tax on equity items | 0.0 | 0.0 | 0.0 | 0.0 |
| Total 31/12 | 79.8 | 27.4 | 9.7 | 9.9 |

21. Commitments and contingent liabilities

For the Group, commitments comprise DKK 5 million. Contingent liabilities do not exceed DKK 30 million. Operational leasing obligations for the Group amount to DKK 155.7 million of which DKK 54.4 million is due within 1 year and DKK 45.7 million is due after 5 years. The Parent Company has guaranteed for the subsidiaries' bank debts of DKK 13.6 million.

22. Auditors fee

Fees to auditors elected at the Annual General Meeting consist of:

| Million DKK | The Group | | Parent Company | |
|------------------------|-------------|-------------|----------------|------------|
| | 2004 | 2003 | 2004 | 2003 |
| Statutory audit: | 9.5 | 7.8 | | |
| Ernst & Young | | | 1 | 0.9 |
| PricewaterhouseCoopers | | | 0.2 | 0.1 |
| Other services: | 5.5 | 5.1 | | |
| Ernst & Young | | | 1.4 | 1.1 |
| PricewaterhouseCoopers | | | 0.4 | 0.1 |
| Total | 15.0 | 12.9 | 3.0 | 2.2 |

23. Related parties

The Company has no connected parties with controlling interests.

The Company's connected parties with substantial interests comprise the Company's shareholder the Rockwool Foundation, and the Company's Supervisory Board and Board of Directors.

The Company lets against a fee premises to and provides administrative functions for related parties, mainly the Rockwool Foundation, calculated according to market terms.

The parent company's related parties also include the subsidiaries and associated companies as listed in the group overview

Transactions with these companies include consultancy work - including support on establishing and expanding production capacity, use of know how etc and financing

All transactions are carried out on market terms.

Definitions of ratios

| | |
|-----------------------------------|---|
| EBITDA | Earnings before depreciations, financial items, and tax |
| Profit ratio (%) | $\frac{\text{Operating profit}}{\text{Net sales}} \times 100$ |
| Profit per share of DKK 10 | $\frac{\text{Profit of the year}}{\text{Average number of shares}}$ |
| Cash earnings per share of DKK 10 | $\frac{\text{Funds flow from operating activities}}{\text{Average number of shares}}$ |
| Dividend per share of DKK 10 | $\frac{\text{Dividend percentage} \times \text{nominal value of the share}}{100}$ |
| Book value per share of DKK 10 | $\frac{\text{Equity end of the year}}{\text{Number of shares end of the year}}$ |
| Return on invested capital (ROIC) | $\frac{\text{Operating profit}}{\text{Average operating assets}} \times 100$ |
| Return on equity (in %) | $\frac{\text{Profit of the year}}{\text{Average equity}} \times 100$ |
| Equity ratio (in %) | $\frac{\text{Equity end of the year}}{\text{Total liabilities end of the year}} \times 100$ |

Management's and auditors' report

Management's report

We have today presented and adopted the Annual Report for the year 2004.

The Annual Report has been presented in accordance with international accounting standards (IFRS) and additional national accounting requirements for listed companies.

We consider the accounting policies applied appropriate and the accounting estimates made reasonable. In our opinion, the annual report provides a true and fair view of the Company's and the Group's assets, liabilities and financial position as of 31 December 2004 and the results of operations and cash flows for the year the ended.

We recommend that the Annual General Meeting of shareholders adopt the Annual Report.

Copenhagen, 29 March 2005

Management

| | | |
|----------------|---------------|--------------------|
| Eelco van Heel | Knud Jørrning | Carsten B. Winther |
|----------------|---------------|--------------------|

Board

| | | |
|-----------------|-----------------|-----------------------|
| Preben Damgaard | Birthe Bækman | Lars Elmekilde Hansen |
| Jan W. Hillege | Arne Kraglund | Gustav Kähler |
| Tom Kähler | Henrik Nyegaard | Jürgen Sengera |

Auditors' report

To the Shareholders of Rockwool International A/S

We have audited the Annual Report of Rockwool International A/S for the financial year ended 31 December 2004, presented in accordance with International Financial Reporting Standards (IFRS) and other Danish financial reporting requirements applicable to listed companies.

The Annual Report is the responsibility of the Company's Supervisory and Executive Boards. Our responsibility is to express an opinion on the Annual Report based on our audit.

Basis of Opinion

We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in

the Annual Report. An audit also includes assessing the accounting policies used and significant estimates made by the Supervisory and Executive Boards, as well as evaluating the over-all Annual Report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2004 and of the results of the Group's and the Parent Company's operations and the cash flows for the financial year then ended in accordance with International Financial Reporting Standards (IFRS) and other Danish financial reporting requirements applicable to listed companies.

Copenhagen, 29 March 2005

Ernst & Young
Statsautoriseret Revisionsaktieselskab

Mogens Lundin
State Authorised Public Accountant

PricewaterhouseCoopers
Statsautoriseret Revisionsinteressentskab

Lars Søndergaard
State Authorised Public Accountant

Addresses

Group Management, Research & Development

Rockwool International A/S
Hovedgaden 584
DK-2640 Hedehusene
Denmark
Tel: (+45) 46 56 03 00
Fax: (+45) 46 56 33 11
www.rockwool.com
info@rockwool.com

Rockwool insulation

Austria

Rockwool Handelsges.m.b.H
Eichenstrasse 38
A-1120 Vienna
Tel: (+43) 1 79 72 60
Fax: (+43) 1 79 72 629
www.rockwool.at

The Republic of Belarus

Representative office of
Rockwool Polska in BY
(Sales office)
Kuibysheva Street 40, Office 5
BY-Minsk 220100
Tel/Fax: (+375) 17 202 12
37/57/67
www.rockwool.by
rw-by@infonet.by

Belgium

Rockwool Belgium N.V./S.A.
Bedrijvenzone Cluster Park
Romboutsstraat 7
B-1932 Zaventem - Brussels
Tel: (+32) 2 715 6800
Fax: (+32) 2 715 6870/6876
www.rockwool.be
info@rockwool.be

Canada

Roxul Inc.
551 Harrop Drive, Milton
Ontario L9T 3H3
Tel: (+1) 905 878 8474
Fax: (+1) 905 878 8077
roxul@roxul.com

Roxul (West) Inc.
6526 Industrial Parkway
P.O. Box 2890
Grand Forks
B.C. V0H 1H0
Tel: (+1) 25 0442 5253
Fax: (+1) 25 0442 5278

Czech Republic

Rockwool, a.s.
U Háje 507/26
CZ-147 00 Praha 4 - Braník
Tel: (+420) 241 029 611
Fax: (+420) 241 029 622
www.rockwool.cz
info@rockwool.cz

Rockwool, a.s.
Cihelní 769
CZ-735 31 Bohumín 3
Tel: (+420) 596 094 200
Fax: (+420) 596 033 152
www.rockwool.cz
info@rockwool.cz

Denmark

Rockwool A/S
Hovedgaden 501
DK-2640 Hedehusene
Tel: (+45) 46 56 16 16
Fax: (+45) 46 56 30 11
www.rockwool.dk
info@rockwool.dk

Finland

Rockwool A/S, Finland Branch
PL29, Piispanportti 10
FIN-02201 Espoo
Tel: (+358) 98563 5880
Fax: (+358) 98563 5889

France

Rockwool France S.A.S.
111, rue du Château
des Rentiers
F-75013 Paris
Tel: (+33) 1 40 77 82 82
Fax: (+33) 1 45 85 42 01
www.rockwool.fr

Germany

Deutsche Rockwool
Mineralwool GmbH & Co. OHG
Rockwool Strasse 37-41
D-45966 Gladbeck
Tel: (+49) 2043 408-0
Fax: (+49) 2043 408 444
www.rockwool.de
info@rockwool.de

Rockwool Mineralwolle GmbH
Flechtingen
Calvörder Strasse 19
D-39345 Flechtingen
Tel: (+49) 39054 770
Fax: (+49) 39054 77290
www.rockwool.de

Hong Kong

Rockwool A/S
Hong Kong Office
(Sales office - Marine & Off-
shore)
805, 8/F Asia Orient Tower
Town Place, 33 Lockhart Rd.
Wanchai
Tel: (+852) 2866 6180
Fax: (+852) 2866 9555

Hungary

Rockwool Hungary Kft.
(Sales office)
Alkotás u. 39/c
H-1123 Budapest
Tel: (+36) 1 225 2400
Fax: (+36) 1 225 2401
www.rockwool.hu

Rockwool Hungary Kft.
Rockwool ut 4
P.O. Box 1
H-8346 Gógánfa
Tel: (+36) 87 557 210
Fax: (+36) 87 557 290

Rockwool Hungary Kft.
Keszthelyi út 53
H-8300 Tapolca
Tel: (+36) 87 512 100
Fax: (+36) 87 322 378

Ireland

Rockwool Limited
3015 Lake Drive
Citywest
IRL-Dublin 24
Tel: (+353) 1 403 8456
Fax: (+353) 1 403 8457
info@rockwool.ie

Italy

Rockwool Italia S.p.A.
Via Mascheroni, 31
I-20145 Milan
Tel: (+39) 0249 96 181
Fax: (+39) 0249 96 1821
www.rockwool.it
rockwool.italia@rockwool.fr

Rockwool Italia S.p.A.
Via Contivecchi, 7
Z.I. Loc. Sa Stoa
I-09016 Iglesias CA
Tel: (+39) 0781 26 111
Fax: (+39) 0781 21 347

Latvia

Rockwool A/S
(Sales office)
Berzaunes iela 6A
LV-1039 Riga
Tel: (+371) 70 32 585
Fax: (+371) 70 32 586
www.rockwool.lv
office@rockwool.lv

Lithuania

Rockwool UAB
Lukiskiu 5, k. 407
LT-2600 Vilnius
Tel: (+370) 5 212 6024
Fax: (+370) 5 212 4492
www.rockwool.lt
office@rockwool.lt

Malaysia

Roxul Asia Sdn Bhd
(Head office)
175 A&B, Kawasan Perindustrian
Air Keroh
Jalan Lingkungan Usaha
MY-75450 Melaka
Tel: (+60) 6 233 2010
Fax: (+60) 6 233 2012
www.roxul.com.my
info@roxul.com.my

Roxul Asia Sdn Bhd
(Domestic & export sales
office)
B3A-12, Blok B, Kelana Square
17, Jalan SS7/26, Taman Kelana
Indah
Kelana Jaya
47301 Petaling Jaya, Selangor
Kuala Lumpur
Tel: (+60) 3 788 000 93
Fax: (+60) 3 788 020 93
www.roxul.com.my
info@roxul.com.my

Roxul Asia Sdn Bhd
(Representative office)
3 International Business Park
Unit no. #03-22, Nordic
European Centre
Singapore 609927
Tel: (+65) 6890 6238
Fax: (+65) 6890 6237
www.roxul.com.my
info@roxul.com.my

The Netherlands

Rockwool Benelux B.V.
Industrieweg 15
NL-6045 JG Roermond
Tel: (+31) 475 353 535
Fax: (+31) 475 353 763
www.rockwool.nl
info@rockwool.nl

Rockwool Lapinus
Productie B.V.
Industrieweg 15
NL-6045 JG Roermond
Tel: (+31) 475 353 535
Fax: (+31) 475 353 181
www.rockwool.nl
info@rockwool.nl

Norway

A/S Rockwool
Nydalsveien 21
Postbox 4215 Torshov
N-0401 Oslo
Tel: (+47) 22 02 40 00
Fax: (+47) 22 15 91 78
www.rockwool.no
rockwool@rockwool.no

Poland

Rockwool Polska Sp. z o.o.
ul. Kwiatowa 14
PL-66-131 Cigacice
Tel: (+48) 68 38 50 250
Fax: (+48) 68 38 50 234
www.rockwool.pl
rockwool@rockwool.pl

Malkinia Sp. z o.o.
Zakład W Malkini Górnej
ul. Jana III Sobieskiego
PL-07-320 Malkinia

Russia

Rockwool Russia
(78% owned)
RUS-143980 Moscow Region
48A, Avtozavodskaya Ulitsa
Zheleznodorozhny
Tel: (+7) (095) 748 2248
Fax: (+7) (095) 748 2244
www.rockwool.ru
rockwool@rockwool.ru

Rockwool Russia
(Sales office)
RUS-121069 Moscow
Novinskii Boulevard, 20 A
Tel: (+7) (095) 252 7752
Fax: (+7) (095) 252 7755

Rockwool North
(78% owned)
RUS-143980 Moscow Region
48A, Avtozavodskaya Ulitsa
Zheleznodorozhny
Tel: (+7) (095) 748 2248
Fax: (+7) (095) 748 2244
www.rockwool.ru
rockwool@rockwool.ru

Slovak Republic

Rockwool Slovensko s.r.o.
Trnavská cesta 50/A
SK-821 02 Bratislava
Tel: (+421) 2 49 200 911
Fax: (+421) 2 49 200 912
www.rockwool.sk
info@rockwool.sk

Spain

Rockwool Peninsular S.A.
Calle del Bruc, 50
E-08010 Barcelona
Tel: (+34) 93 318 90 28
Fax: (+34) 93 317 89 66
www.rockwool.es
info@rockwool.es

Rockwool Peninsular S.A.
Sociedad Unipersonal
Poligono Industrial de
Caparrosa
Carretera Zaragoza km 53.5
N-121
E-31380 Caparrosa
Tel: (+34) 948 730 700
Fax: (+34) 948 730 734

Sweden

Roxull AB
Box 11505
Kompanigatan 5
S-550 11 Jönköping
Tel: (+46) 36 570 52 00
Fax: (+46) 36 570 52 83
www.roxull.se
info@roxull.se

Switzerland

Flumroc AG
(Associated, 42% owned)
CH-8890 Flums
Tel: (+41) 81 734 11 11
Fax: (+41) 81 734 12 13
www.flumroc.ch
info@flumroc.ch

Ukraine

LLC «Rockwool Ukraine»
(Sales office)
18/14 Vikentiya Khvoiko Str.
UA-04080 Kiev
Tel: (+380) 44 201 49 73
Fax: (+380) 44 201 49 74
www.rockwool.com.ua
rockwoolua@rockwool.ua

United Kingdom

Rockwool Limited
Pencoed
Bridgend CF35 6NY
Tel: (+44) 1656 86 26 21
Fax: (+44) 1656 86 23 02
www.rockwool.co.uk
info@rockwool.co.uk

Rockwool Technical Insulation

France/Belux
Rockwool Technical
Insulation SA/NV
Bedrijvenzone Cluster Park
Romboutsstraat 7
B-1932 Zaventem

Tel France: (+33) 1 40 77 82 11
Fax France: (+33) 1 40 77 80 40
www.rti.rockwool.be
info-rti@rockwool.be

Tel Belux: (+32) 2 715 68 20
Fax Belux: (+32) 2 715 68 48
www.rti.rockwool.be
info-rti@rockwool.be

Germany

Deutsche Rockwool
Mineralwoll GmbH & Co. OHG
Geschäftsbereich Technische Iso-
lierung
Rockwool Strasse 37-41
D-45966 Gladbeck
Tel: (+49) 20 43 40 80
Fax: (+49) 20 43 40 85 30
www.rockwool.de
info@rockwool.de

The Netherlands

Rockwool Technical Insulation BV
Industrieweg 15
NL-6045 JG Roermond
Tel: (+31) 475 353 595
Fax: (+31) 475 353 601
www.ti.rockwool.nl
info-rti@rockwool.nl

Sales of industrial insulation in
other countries are taken care of
by local insulation companies

Rockfon Acoustic ceilings

Belgium

N.V. Rockwool/Rockfon S.A.
Bedrijvenzone Cluster Park
Romboutsstraat 7
B-1932 Zaventem
Tel: (+32) 2 715 6800
Fax: (+32) 2 715 6869
www.rockfon.be

s.a. Etablissements n.v.
Charles Wille et Co.
(associated, 49% owned)
Avenue Mozart 46
B-7700 Mouscron

Denmark

Rockfon A/S
Hovedgaden 501
DK-2640 Hedehusene
Tel: (+45) 46 56 21 22
Fax: (+45) 46 56 40 30
www.rockfon.dk

France

Rockwool France S.A.S.
111, rue du Château des Rentiers
F-75013 Paris
Tel: (+33) 1 40 77 82 82
Fax: (+33) 1 45 86 77 90
www.rockfon.fr

Germany

Deutsche Rockwool
Mineralwoll GmbH & Co. OHG
Rockwool Strasse 37-41
D-45966 Gladbeck
Tel: (+49) 2043 408 315
Fax: (+49) 2043 408 450
www.rockwool.de
service.hochbau@rockwool.de

Italy

RWV Italia S.r.l.
Via Mascheroni, 31
I-20145 Milano
Tel: (+39) 0 2 499 618 1
Fax: (+39) 0 2 499 618 21
www.rockwool.it

The Netherlands

Rockwool/Rockfon B.V.
Industrieweg 15
NL-6045 JG Roermond
Tel: (+31) 475 353 357
Fax: (+31) 475 353 773
www.rockfon.nl

Norway

A/S Rockwool
Nydalsveien 21
Postbox 4215 Torshov
N-0401 Oslo
Tel: (+47) 22 02 40 00
Fax: (+47) 22 15 91 78
www.rockfon.no

Poland

Rockfon Sp. z o.o.
ul. Postepu 1
PL-02-676 Warszawa
Tel: (+48) 2 28 43 38 10
Fax: (+48) 2 28 43 06 68
www.rockfon.com.pl

Singapore

Rockfon A/S
(Sales office)
Blk. 17C, Nassim Road
No. 2-3 Nassim Park
Singapore 258394
Tel: (+65) 6734 29 44
Fax: (+65) 6734 05 85
www.rockfon.com

Spain

Rockwool Peninsular S.A.
Calle del Bruc, 50
E-08010 Barcelona
Tel: (+34) 93 318 90 28
Fax: (+34) 93 317 89 66
www.rockwool.es

Sweden

Roxull Akustik AB
Kompanigatan 5
S-550 11 Jönköping
Tel: (+46) 36 570 52 00
Fax: (+46) 36 570 52 81
www.roxullakustik.com

United Kingdom

Rockfon Limited
Pencoed
Bridgend CF35 6NY
Tel: (+44) 1 656 86 46 96
Fax: (+44) 1 656 86 45 49
www.rockfon.co.uk

Grodan horticultural substrates

Canada

Agro-Dynamics Canada
1938 Rd 3 East
Kingsville
Ontario N9Y 2E5
Tel: (+1) 519 325 0470
Fax: (+1) 519 325 0239

Denmark

Grodan A/S
Hovedgaden 501
DK-2640 Hedehusene
Tel: (+45) 46 56 04 00
Fax: (+45) 46 56 12 11
www.grodan.com

The Netherlands

Grodan B.V.
Industrieweg 15
NL-6045 JG Roermond
Tel: (+31) 475 353 010
Fax: (+31) 475 353 566
www.grodan.com

Norway

Substra B.V.
Regenbeemd 37
NL-4825 AS Breda
Tel: (+31) 76 571 00 89
Fax: (+31) 76 581 08 99
www.substra.nl
info@substra.nl

Substratus Horticultural
Crop Consultancy
Industrieweg 15
NL-6045 JG Roermond
Tel: (+31) 475 353 322
Fax: (+31) 475 353 460

Poland

Grodan Sp. z o.o.
ul. Postepu 1
PL-02-676 Warszawa
Tel/fax: (+48) 22 843 05 27
www.grodan.com

Spain

Grodan MED S.A.
Ctra. Nacional 340, Km. 422
E-04738 Vïcar (Almería)
Tel: (+34) 950 55 72 22
Fax: (+34) 950 55 72 32
www.grodan.com

USA

Agro Dynamics, Inc.
204 Airline Drive, Suite 900
Coppell, Texas 75019
Tel: (+1) 972 829 8000
Fax: (+1) 972 829 8039

Rockpanel cladding boards

Belgium

Rockwool Rockpanel B.V.
(Sales office)
Bedrijvenzone Cluster Park
Romboutsstraat 7
B-1932 Zaventem
Tel: (+32) 2 715 6840
Fax: (+32) 2 715 6869
www.rockpanel.be
info@rockpanel.be

Denmark

Rockpanel A/S
Hovedgaden 501
DK-2640 Hedehusene
Tel: (+45) 46 56 22 11
Fax: (+45) 46 56 22 87
www.rockpanel.dk
info@rockpanel.dk

Germany

Rockwool Rockpanel B.V.
(Sales office)
Bottroper Strasse 241
D-45966 Gladbeck
Tel: (+49) (0) 2043 408185
Fax: (+49) (0) 2043 408176
www.rockpanel.de
info@rockpanel.de

The Netherlands

Rockwool Rockpanel B.V.
Konstruktieweg 2
NL-6045 JD Roermond
Tel: (+31) 475 353 349
Fax: (+31) 475 353 550
www.rockpanel.nl
info@rockpanel.nl

United Kingdom

Rockwool Rockpanel B.V.
(Sales office)
Pencoed
Bridgend CF35 6NY
Tel: (+44) 1 656 86 32 10
Fax: (+44) 1 656 86 36 11
www.rockpanel.co.uk
info@rockpanel.co.uk

Lapinus engineered fibres

The Netherlands

Lapinus Fibres B.V.
Postbus 1160
NL-6040 KD Roermond
Tel: (+31) 475 35 35 55
Fax: (+31) 475 35 36 77
www.lapinusfibres.com
lapinus@lapinusfibres.com

USA

Lapinus Fibres Inc.
204 Airline Drive, Suite 900
Coppell, TX 75019
Tel: (+1) 972 471 5050
Fax: (+1) 972 471 6060
lapinus@lapinusfibres.com

RockDelta noise & vibration control

Denmark

RockDelta a/s
Hovedgaden 584, Building 250
DK-2640 Hedehusene
Tel: (+45) 46 56 50 20
Fax: (+45) 46 56 50 80
www.rockdelta.com
sales@rockdelta.dk

Other companies

Austria

Ecotech
Bauphysik & Energietechnik
Software GmbH
Kapuzinerstrasse 84e
A-4020 Linz

Belgium

Finver s.a.
(associated, 49% owned)
Avenue Mozart 49
B-7700 Mouscron

Denmark

Rockwool Investment A/S
Hovedgaden 584
DK-2640 Hedehusene

France

Rockwool LAT S.A.S.
111, Rue du Château des Rentiers
F-75013 Paris

Germany

Rockwool Beteiligungs GmbH
Rockwool Strasse 37-41
D-45966 Gladbeck

Rockwool.com GmbH
Rockwool Strasse 37-41
D-45966 Gladbeck

BuildDesk GmbH
Rockwool Bottroper Strasse 241
D-45964 Gladbeck

The Netherlands

Rockwool Lapinus Azië B.V.
(60% owned)
Industrieweg 15
NL-6045 JG Roermond

Alërt B.V.
Schiedamsedijk 29
NL-3134 KK Vlaardingem

Rockwool Benelux
Holding B.V.
Postbus 1160
NL-6040 KD Roermond

Rockwool International
Beheer B.V.
Postbus 1160
NL-6040 KD Roermond

Rockwool/Rockpanel Produktie B.V.
Industrieweg 15
NL-6045 JG Roermond

BuildDesk Benelux B.V.
Industrieweg 15
NL-6045 JG Roermond

South Korea

Substratus Korea Co., Ltd.
937, Changpeong-Ri
Choonpo Meon, Iksan-Ri
Jeonbuk

United Kingdom

Rockwool Investments Ltd.
Pencoed
Bridgend CF35 6NY

Rockwool International A/S
Hovedgaden 584
DK-2640 Hedehusene
Denmark

CVR No. 54879415
Phone: +45 46 56 03 00
Fax: +45 46 56 33 11
www.rockwool.com
info@rockwool.com

