

Release no. 10 – 2005
Report on the first half of 2005
To the Copenhagen Stock Exchange

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31 August 2005

Report on the first half of 2005
for Rockwool International A/S

Today the Board of Rockwool International A/S discussed and approved the following report on the first half of 2005.

Highlights:

- Decision to build a factory on a greenfield site in Croatia at a cost of around DKK 600 million.
- BuildDesk turned into an independent business segment.
- Sales up 10% on first half of 2004.
- EBIT up DKK 107 million or 50% on first half of 2004 at DKK 320 million.
- Expectations for profit for the year upgraded from DKK 450-500 million to around DKK 500 million.

Further information: Knud Jørning, Chief Financial Officer

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Main figures / key figures for the Group

| | 2 nd qtr. 2005 | 2 nd qtr. 2004 | Acc. 2 nd qtr. 2005 | Acc. 2 nd qtr. 2004 | Full year 2004 |
|--|------------------------------|------------------------------|--------------------------------------|--------------------------------------|-------------------|
| | Unaudited figures | | | | Audited |
| Income statement items in million DKK: | | | | | |
| Net sales | 2,429.6 | 2,173.2 | 4,489.6 | 4,096.5 | 9,143.2 |
| EBITDA | 365.2 | 270.5 | 621.9 | 522.0 | 1,317.8 |
| Operating profit before financial items (EBIT) | 217.4 | 115.7 | 320.3 | 213.1 | 665.8 |
| Financial items | 4.5 | -25.8 | -17.9 | -45.2 | -80.1 |
| Profit before tax | 227.8 | 93.1 | 309.2 | 174.3 | 603.5 |
| Profit after tax | 153.2 | 61.4 | 207.8 | 115.0 | 403.0 |
| Cash flow (from operating activities) | 419.1 | 256.8 | 355.8 | 250.6 | 1,127.4 |
| Balance sheet items in million DKK : | | | | | |
| Fixed assets | | | 4,689.8 | 4,359.0 | 4,481.0 |
| Current assets | | | 3,248.2 | 2,679.2 | 2,625.0 |
| Total assets | | | 7,938.0 | 7,038.2 | 7,106.0 |
| Equity | | | 4,700.8 | 4,154.2 | 4,501.1 |
| Provided obligations | | | 368.3 | 342.5 | 389.6 |
| Long-term debt | | | 554.2 | 577.4 | 384.7 |
| Short-term debt | | | 2,314.7 | 1,910.1 | 1,830.6 |
| Other items in million DKK: | | | | | |
| Investments and acquisitions | | | 449.4 | 300.3 | 704.2 |
| Depreciation and amortisation | | | 301.6 | 310.8 | 652.0 |
| Number of employees: | | | | | |
| Number of employees | | | 7,371 | 7,248 | 7,385 |
| Ratios: | | | | | |
| Profit ratio | | | 7.1 | 5.2 | 7.3 |
| Profit per share of DKK 10 | | | 9.5 | 5.2 | 18.3 |
| Intrinsic value per share of DKK 10 | | | 213.9 | 189.1 | 204.9 |
| Equity ratio (%) | | | 59.2 | 59.0 | 63.3 |

The ratios have been calculated in accordance with recommendations issued by the Danish Association of Financial Analysts (2005 edition).

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Management report for the period 1 January to 30 June 2005

The first half of 2005 brought growth in most of the markets in which the Group operates. The exceptions were Germany and Poland, which fell back. Since the insulation market is expected to continue growing in the coming years, not least as a result of the EU's requirements for more energy-efficient buildings, it was decided at the end of the period to build a new Rockwool factory on a greenfield site in Croatia with the newest Rockwool technology. The factory will supply the surrounding region and is scheduled to come into operation in mid-2007. The total cost of building the factory is expected to be around DKK 600 million.

In order to meet the authorities' growing requirements for better calculation and documentation of buildings' energy efficiency, the Group has been expanding its BuildDesk service and consulting concept. BuildDesk services and consultant assistance are currently being marketed in Germany, the Netherlands and the UK, and a launch in Denmark is planned. At the end of the period BuildDesk was turned into an independent business segment.

Income statement

Sales totalled DKK 4,490 million, an increase of 10% on the same period last year, which brought sales of DKK 4,097 million. The sales growth can be attributed to both higher sales prices and a general increase in sales volumes. Around one percentage point of the increase is due to exchange rate movements.

Sales grew by 10% to DKK 4,244 million at the Insulation Division, fuelled in particular by growth in Scandinavia and Russia, and by 9% at the Systems Division.

EBITDA came to DKK 622 million, equivalent to 13.9% of sales. This is an increase of 19% on last year, when EBITDA amounted to 12.7% of sales. The increase of DKK 100 million is due primarily to growth in sales prices, as can be seen from the following breakdown:

| | DKK m |
|-------------------------|-------|
| EBITDA, first half 2004 | 522 |
| Growth in sales prices | +199 |
| Growth in sales volumes | +61 |
| Inflation | -234 |
| Production improvements | +65 |
| Others | +9 |
| EBITDA, first half 2005 | 622 |

EBIT came to DKK 320 million, equivalent to 7.1% of sales. This is an increase of 50% on last year, when EBIT amounted to 5.2% of sales.

EBIT grew by 31% to DKK 297 million at the Insulation Division and by 63% to DKK 16 million at the Systems Division.

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Net financial costs were affected by the strengthening of several Eastern European currencies during the period. This led to substantial gains on loans denominated in EUR, and so net financial costs fell from DKK 45 million last year to DKK 18 million this year.

An effective tax rate of 32.8% is anticipated for the year as a whole and has been assumed when calculating the half-year results.

Profit after tax was DKK 208 million, an improvement of DKK 93 million or 81% on the same period last year.

Cash flow

The stockpiling of finished goods ahead of the high season carried out in the first half of the year contributed to a rise in working capital of DKK 314 million during the period. Stocks – primarily of finished goods – at the end of the period were DKK 287 million higher than last year.

Accounts receivable at the end of the period were unchanged from last year despite the growth in sales.

Cash flow amounted to DKK 156 million, a decrease of DKK 95 million on last year.

Free cash flow

An increase in investments to DKK 449 million from DKK 300 million last year contributed to that free cash flow fell to DKK -294 million from DKK -50 million in 2004.

Balance sheet and equity

Total assets amounted to DKK 7,938 million at the end of the period. The increase of DKK 832 million since the beginning of the year can be attributed to the stockpiling of finished goods during the first quarter and to investments in tangible fixed assets.

After the transfer of the profit for the period and the payment of the dividend approved by the general meeting on 18 April, equity totalled DKK 4,701 million, corresponding to an equity ratio of 59.2%.

Expectations for 2005

Sales are expected to continue to grow healthily, although the rate of growth is predicted to flatten out slightly relative to the first half of the year. Sales are still forecast to grow by 8% over the year as a whole.

Net financial costs over the year as a whole will be boosted by the exchange gains already made, but interest costs will be higher during the second half of the year due to the conversion of several loans to local currency during the first half. Assuming unchanged exchange rates, net financial costs are forecast to be around DKK 60 million.

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The Danish parliament's adoption of revised rules on joint group taxation is expected to mean that the Rockwool Group will no longer include foreign subsidiaries in the group taxation scheme. This change is not expected to result in a need to make provisions for future taxes, and so the effective tax rate for the year is still expected to be 32.8%.

In the light of these factors, we now anticipate profit for the year of around DKK 500 million. This is an increase from the forecast of DKK 450-500 million published previously.

Investments are expected to be around DKK 1.0 billion.

Management statement

The Supervisory Board and Group Management have today approved this interim report for the first half of 2005.

This interim report has been prepared in accordance with International Financial Reporting Standards (IFRS) and additional Danish requirements for financial reporting by listed companies.

We believe that the accounting policies applied – which are unchanged from those applied in the annual report for 2004 – are appropriate and that the accounting estimates made are reasonable. In our opinion this interim report presents a true and fair view of the Group's assets, liabilities and financial position on 30 June 2005 and of earnings and cash flows during the period.

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.

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Copenhagen, 31 August 2005

Management

Eelco van Heel

Knud Jørning

Carsten B. Winther

Board

Tom Kähler

Henrik Nyegaard

Birthe Bækman

Preben Damgaard

Lars Elmekilde Hansen

Jan W. Hillege

Arne Kraglund

Gustav Kähler

Jürgen Sengera

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Income statement

| Million DKK | 2 nd qtr. | 2 nd qtr. | Acc. | Acc. | Full year |
|--|----------------------|----------------------|----------------------|----------------------|----------------|
| | 2005 | 2004 | 2 nd qtr. | 2 nd qtr. | |
| | Unaudited figures | | | | Audited |
| Net sales | 2,429.6 | 2,173.2 | 4,489.6 | 4,096.5 | 9,143.2 |
| Operating income | 2,455.1 | 2,201.7 | 4,553.8 | 4,162.7 | 9,357.5 |
| Operating costs | 2,237.7 | 2,086.0 | 4,233.5 | 3,949.6 | 8,691.7 |
| EBITDA | 365.2 | 270.5 | 621.9 | 522.0 | 1,317.8 |
| Operating profit before financial items (EBIT) | 217.4 | 115.7 | 320.3 | 213.1 | 665.8 |
| Income from associated companies | 5.7 | 3.2 | 6.9 | 6.4 | 17.8 |
| Financial items | 4.5 | -25.8 | -17.9 | -45.2 | -80.1 |
| Profit before tax | 227.8 | 93.1 | 309.2 | 174.3 | 603.5 |
| Tax on profit for the period | 74.6 | 31.7 | 101.4 | 59.3 | 200.5 |
| Profit after tax | 153.2 | 61.4 | 207.8 | 115.0 | 403.0 |

Statement of funds

| Million DKK | 2 nd qtr. | 2 nd qtr. | Acc. | Acc. | Full year |
|--|----------------------|----------------------|----------------------|----------------------|----------------|
| | 2005 | 2004 | 2 nd qtr. | 2 nd qtr. | |
| | Unaudited figures | | | | Audited |
| Profit after tax | 153.2 | 61.4 | 207.8 | 115.0 | 403.0 |
| Adjustments | 247.2 | 205.8 | 438.1 | 408.2 | 940.6 |
| Change in net working capital | -77.5 | 29.2 | -313.6 | -200.2 | 8.1 |
| Funds flow from operations before financial items and tax | 322.9 | 296.4 | 332.3 | 323.0 | 1,351.7 |
| Funds flow from operations activity | 219.1 | 256.8 | 155.8 | 250.6 | 1,127.4 |
| Funds flow from investments activities | -297.4 | -211.5 | -449.4 | -300.3 | -704.2 |
| Funds flow from operating and investments activities (free cash flow) | -78.3 | 45.3 | -293.6 | -49.7 | 423.2 |
| Funds flow from finance activities | -16.3 | -97.8 | 59.8 | -116.7 | -250.2 |
| Change in funds available | -94.6 | 52.5 | -233.8 | -166.4 | 173.0 |
| Funds available – opening balance | 295.7 | 145.1 | 432.3 | 257.2 | 257.2 |
| Adjustments to exchange rates | 3.3 | 0.6 | 5.9 | 2.4 | 2.1 |
| Funds available – end balance | 204.4 | 93.2 | 204.4 | 93.2 | 432.3 |
| Unutilised committed credit facilities | | | 2,307.0 | 2,225.5 | 2,325.5 |

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 30 June.

Segment reporting (primary segment distribution)

| Million DKK | 2 nd qtr. | 2 nd qtr. | Acc. | Acc. | Full year |
|--|----------------------|----------------------|----------------------|----------------------|----------------|
| | 2005 | 2004 | 2 nd qtr. | 2 nd qtr. | |
| | Unaudited figures | | | | Audited |
| Net sales per business segment | | | | | |
| Insulation | 2,304.2 | 2,042.8 | 4,244.2 | 3,854.7 | 8,464.6 |
| Systems Division | 378.5 | 346.4 | 716.1 | 659.0 | 1,629.9 |
| Group eliminations and holding companies | -253.1 | -216.0 | -470.7 | -417.2 | -951.3 |
| The Group | 2,429.6 | 2,173.2 | 4,489.6 | 4,096.5 | 9,143.2 |
| Operating profit before fin. Items per business segment | | | | | |
| Insulation | 181.8 | 113.3 | 297.0 | 225.9 | 621.9 |
| Systems Division | 16.8 | 10.9 | 16.0 | 9.8 | 109.6 |
| Group eliminations and holding companies | 18.7 | -8.5 | 7.3 | -22.6 | -65.7 |
| The Group | 217.3 | 115.8 | 320.3 | 213.1 | 665.8 |

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| Balance sheet | 30 June | 30 June | 31 Dec. |
|---|-------------------|----------------|----------------|
| Million DKK | 2005 | 2004 | 2004 |
| | Unaudited figures | | Audited |
| Assets | | | |
| Intangible fixed assets | 86.6 | 72.2 | 86.2 |
| Tangible fixed assets | 4,408.3 | 4,117.2 | 4,170.1 |
| Financial fixed assets | 150.2 | 145.9 | 149.8 |
| Deferred tax assets | 44.7 | 23.7 | 74.9 |
| Fixed assets | 4,689.8 | 4,359.0 | 4,481.0 |
| Stocks | 1,062.4 | 775.7 | 782.7 |
| Receivables | 1,574.7 | 1,573.7 | 1,355.4 |
| Cash funds | 611.1 | 329.8 | 486.9 |
| Total current assets | 3,248.2 | 2,679.2 | 2,625.0 |
| Total assets | 7,938.0 | 7,038.2 | 7,106.0 |
| Liabilities and equity | | | |
| Share capital | 219.7 | 219.7 | 219.7 |
| Other reserves | 4,437.9 | 3,934.5 | 4,251.0 |
| Minority interests | 43.2 | 54.0 | 30.4 |
| Total equity | 4,700.8 | 4,208.2 | 4,501.1 |
| Total provided obligations | 368.3 | 342.5 | 389.6 |
| Long-term debt | 554.2 | 577.4 | 384.7 |
| Short-term debt | 2,314.7 | 1,910.1 | 1,830.6 |
| Total long-term and short-term debts | 2,868.9 | 2,487.5 | 2,215.3 |
| Total liabilities and equity | 7,938.0 | 7,038.2 | 7,106.0 |

Changes in equity

| Million DKK | Acc. | Acc. | Full year |
|--|----------------------------|----------------------------|------------------|
| | 2nd qtr. | 2nd qtr. | 2004 |
| | 2005 | 2004 | |
| Equity as of 1 January | 4,501.1 | 4,138.2 | 4,138.2 |
| Profit for the period | 207.8 | 110.3 | 403.0 |
| Redemption of minority interest | - | - | -14.3 |
| Acquisition of own shares | 20.8 | - | -14.5 |
| Expensed value of options issued | 2.8 | - | 3.3 |
| Exchange rate adjustments regarding foreign subsidiaries | 54.7 | 24.1 | 56.3 |
| Paid dividend | -86.4 | -70.9 | -70.9 |
| Equity as of end of period | 4,700.8 | 4,201.7 | 4,501.1 |