

Paroc now and in the future

Increasing awareness of the environment is reflected in the behaviour of both consumers and businesses as well as in the social decision-making process. Whilst the EU has agreed to cut carbon dioxide emissions by one-fifth by the year 2020, buildings – the largest single consumer of energy in Europe – waste up to 50% of the energy they use. Of all the energy consumed by buildings, 75% is spent on heating. By far the most cost-efficient solution to reducing carbon dioxide emissions and the energy consumption of buildings is to improve their insulation.

Paroc operates in a sustainable and efficient manner, developing and manufacturing insulation products and solutions for energy-efficient construction. Paroc's red-and-white-striped packages are a familiar sight at both small and large work sites. The company's building insulation, technical insulation and panels are used by architects, building contractors, resellers as well as industrial and residential house builders. Paroc's product range also covers insulation for ships and refineries, and as components in equipment and production processes and acoustic products.

Customer benefits through growth, innovations and sustainable development

Paroc's strategic thinking emphasises five elements: the creation of **customer benefits** through **growth, innovations** and **sustainable development**. At the centre of it all are competent and motivated **employees**.

For its customers, Paroc is more than just a supplier; it is a comprehensive partner and an expert consultant on energy efficiency. Thus, Paroc must be thoroughly familiar not only with the needs of its customers but also the customer's customers and their needs. This means close contacts, identification of the need for changes and the timely provision of new services and solutions.

Profitable growth enables product development, and product selection and demand for products facilitate the expansion of business operations. Paroc is growing in three ways. First of all, the company is seeking new customers in growing markets such as Russia. Secondly, it is expanding in its current markets by offering competitive products for existing and new customers. The third focus area – offering new innovations – applies to all markets and both current and new customers. 45% of Paroc's growth comes from new products, services and solutions.

Sustainable development is an important part of Paroc's own production processes, and all operations are guided by the goal of achieving the smallest possible energy consumption, low emissions and the efficient utilisation of natural resources. Products manufactured by Paroc help cut down on energy consumption and reduce the carbon dioxide footprint in the long term.

Growth in the main markets, expansion into growing markets

Expertise in the construction industry over more than 75 years has made Paroc the leading insulation supplier in the Baltic Sea region. Paroc in the 2010s is continuing the development seen in past decades:

the company is growing internationally. Paroc's head office is situated in Finland, but products are produced where the customers are. The biggest growth potential in the insulation market lies abroad. Demand far exceeds supply in Eastern Europe and especially in Russia.

Paroc's business operations have expanded in four waves. In the 1980s, the company stabilised its position in the Nordic countries before expanding to the Baltic countries and Poland over the following decades. In the 2000s Paroc grew in technical insulation in Western and Central Europe. In the 2010s the company has turned its gaze towards Eastern Europe, which is demonstrating demand for all Paroc products.

Net sales of Paroc Group increased by 6,3% in 2012 (2012: 430 MEUR, 2011: 405 MEUR). Of the net sales, Finland accounts for 22%, Sweden 27% and other countries 51%. During the same review period, the company's operating margin increased from 60,7 million euro to 72,9 million euro.

In its main markets Paroc sees growth potential in terms of both the marketplace and market share. Renovation, in particular, is expected to grow in almost all the main markets. The commitment by the EU to reduce carbon dioxide emissions is supporting the sales of energy-efficient insulation solutions in the long term. Furthermore, deliveries for the element industry are on the increase.

Market-specific differences are illustrated by, for example, the fact that growth in house building in Russia is focused on new construction, whereas in Germany and Denmark residential construction is dominated by renovation building. Paroc is already the leading insulation supplier in Finland, Sweden and the Baltic countries and, in other main markets, the company sees strong potential to increase its market share. In the course of 2013, Paroc will open a plant in the Tver region of Russia. With the help of this investment, Paroc aims to respond to the ever growing demand in Russia through local production.

Sources of further information:

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Paroc is the leading manufacturer of energy-efficient insulation solutions in the Baltic Sea region. The cornerstones of our operations are customer and personnel orientation, constant innovation, profitable growth and sustainable development. Paroc products include building insulation, technical insulation, marine and offshore insulation, construction elements and acoustic products. The products are manufactured in Finland, Sweden, Lithuania and Poland and, starting in 2013, also in Russia. The company has sales and representative offices in 14 European countries. Paroc Group is owned by a consortium of banks and other institutional investors and, as a minority shareholder, Paroc's personnel. In 2012, our net sales amounted to 430 MEUR and we employed an average of 2,019 people.

Paroc in Europe

Finland

Paroc employs approximately 700 people in Finland. The factories are located in Lappeenranta, Parainen and Oulu and the head office is in Helsinki.

Lappeenranta was the first stone wool manufacturing plant in Finland. It started operating in 1952 and is the oldest plant in Finland. Lappeenranta is producing building insulation and technical insulation mainly for the Finnish market.

Parainen started up in 1964 and is producing both Paroc sandwich elements and building insulation. Parainen is the only plant for Paroc sandwich panel's production in the entire group, so these solutions are delivered to all of Scandinavia, Baltics and even to Western Europe from Finland. Paroc Panel System solutions are purely of Finnish origin. Paroc Panel System is the market leader of sandwich panels in the Nordics.

The most northern Paroc plant in **Oulu** was founded in 1967. Oulu is the smallest of the Finnish plants with just one line of building insulation. Oulu plant has an important role in serving the customers of Northern Finland and Sweden.

Sweden

The roots of stone wool insulation production lay in Sweden, going back to 1937. Nowadays Paroc has plants at three locations: Hällekis, Hässleholm and Skövde. Sweden is the biggest single market for Paroc Group. Paroc employs ca. 400 people in Sweden.

Production at the **Hällekis** plant began in 1978. Technical insulation production began there in 2001. The new treatment plant for sulphur dioxide is built in Hällekis and it will enable the plant to reduce its emissions by ca. 80% while increasing the annual production volume by over 40%. Products from Hällekis are delivered mainly to Sweden and Norway.

Hässleholm plant with one building insulation production line is the smallest unit in Sweden. It produces insulation materials to Southern Swedish and the entire Danish market. Hässleholm plant has been operating since 1968.

In **Skövde** we have an acoustic products' plant and also the offices of most of the Swedish Paroc personnel. Skövde plant produces acoustic slabs for ceilings and walls and various other products related to acoustics. The stone wool production in Sweden, began in Skövde in 1937, and the acoustic factory is from 1965.

Poland

Since 1998 Paroc has also been producing stone wool in **Trzemeszno**. At the moment, it is the largest production unit of the Paroc Group employing ca. 600 people and being solely the biggest employer of the area. In Trzemeszno Paroc has three building insulation lines and Technical Insulation manufacturing equipment. Main markets that are served by Trzemeszno production unit are the home market of Poland and Germany, plus some Eastern and Western European countries.

Lithuania

Since 1997, Paroc has been producing stone wool in **Vilnius**. The second production line was launched in 2005. Products from the Lithuanian unit are serving Baltic, Russian, Belorussian and Kaliningrad markets. Paroc is the market leader in all the Baltic countries and Paroc products have received several Product of the Year awards in Lithuania. Paroc employs in Lithuania ca. 200 people.

Russia

Paroc is now expanding its operations to the growing Russian markets and has invested in a production plant in the **Tver** region, 150 km Northwest of Moscow. Paroc has been on the Russian market for around 20 years as an importer of insulation and established a status of a high-quality premium brand. The first phase of the investment includes one production line for building insulation products. Production on this line will start at the end of 2013 and at that time the plant will employ about 150 persons. In the long-term, the Russian plant will comprise three building insulation lines and equipment for technical insulation production. The plant will offer employment to over 600 people.

Other countries

Paroc has sales personnel and sales representation in 14 different countries from which 5 are production countries. Non-producing countries are: Germany, Norway, Denmark, Belgium, UK, Belorussia, Ukraine, Estonia and Latvia. In addition to these countries Paroc sells and delivers some products, especially technical insulation products to Far- and Middle-East, CIS-countries, France, Italy, Netherlands, Luxemburg, Czech, Switzerland, Austria and Greece.