

Release no. 11 – 2013
Report on the first 9 months of 2013
To NASDAQ OMX Nordic Exchange
Copenhagen A/S

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20 November 2013

Report on the first 9 months of 2013
for ROCKWOOL International A/S

Today the Board of ROCKWOOL International A/S has discussed and approved the following report on the first 9 months of 2013.

Highlights

- Sales in the first 9 months of 2013 at actual exchange rates are on the same level as for the same period in 2012.
- EBIT in the first 9 months of 2013 amounts to DKK 886 million which is an increase of 9% compared to the same period in 2012.
- The Group confirms its expectations for 2013 net sales at current exchange rates to be slightly above the level of 2012.
- The Group now expects a net profit for the year around DKK 800 million up from the previous expectation of a net profit in the range DKK 700-750 million.
- Capital expenditure excluding acquisitions is now expected to be around DKK 1,350 million down from the previous expectation at DKK 1,500 million.

Further information: Gilles Maria, Chief Financial Officer

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Main figures / key figures for the Group

	3 rd qtr. 2013	3 rd qtr. 2012	Acc. 3 rd qtr. 2013	Acc. 3 rd qtr. 2012	Full year 2012
	Unaudited				Audited
Income statement items in DKK million					
Net sales	3,937	3,875	10,768	10,727	14,664
EBITDA	711	691	1,689	1,642	2,254
Depreciation, amortisation and write-downs	265	307	803	828	1,113
EBIT	446	384	886	814	1,141
Financial items	-6	-14	-37	-47	-55
Profit before tax	441	372	856	775	1,098
Profit for the period	309	257	602	537	774
Balance sheet items in DKK million					
Non-current assets			9,293	9,509	9,484
Current assets			3,739	3,794	3,505
Total assets			13,032	13,303	12,989
Equity			9,393	9,203	9,428
Non-current liabilities			1,090	1,198	1,033
Current liabilities			2,549	2,902	2,528
Other items in DKK million					
Cash flow from operating activities	703	895	1,059	1,247	1,772
Investments and acquisitions	777	298	1,369	723	982
Free cash flow	-74	597	-310	524	790
Net interest-bearing debt			632	302	68
Number of employees					
Number of employees at end of period			9,884	9,861	9,778
Ratios					
Profit ratio (%)			8.2	7.6	7.8
Earnings per share of DKK 10			28.0	24.9	35.8
Earnings per share of DKK 10, diluted			28.0	24.9	35.7
Cash earnings per share of DKK 10			49.2	57.7	81.5
Book value per share of DKK 10			426.3	418.2	428.0
Return on invested capital (%)			9.5	8.9	12.0
Return on equity (%)			6.5	6.0	8.6
Equity ratio (%)			72.1	69.1	72.6
Financial gearing			0.07	0.10	0.01
Stock market information					
Share capital (DKK million)			220	220	220
Price per A share (DKK)			892	543	629
Price per B share (DKK)			893	551	634
Number of A shares (10 votes)			11,231,627	11,231,627	11,231,627
Number of B shares (1 vote)			10,743,296	10,743,296	10,743,296

The ratios have been calculated in accordance with recommendations issued by the Danish Society of Financial Analysts (2010 edition).

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Management report for the period 1 January to 30 September 2013Income statement

The ROCKWOOL Group generated sales in the first 9 months of 2013 of DKK 10,768 million which is on the same level as the same period last year. Included is a negative exchange rate effect of 1.5%.

External sales in the Insulation Segment reached DKK 8,871 million in the first 9 months and is on level with last year, while Systems Segment's external sales increased by 3% to DKK 1,897 million.

During third quarter, the Western European insulation market gradually recovered from the low first quarter and slowly picked up compared to same period in 2012. With the exception of a few countries, trading conditions have improved compared to last year. Sales prices are overall stable although sensitive to competition in some countries. Sales in the region in the third quarter increased 1% compared to the same period last year.

The Eastern European insulation market has also improved during third quarter due to a continued positive development in Russia and some market recovery in Poland combined with slightly better sales prices. Sales in the region increased 3% including a negative effect from exchange rates of 4%.

Sales in North America have in third quarter continued their solid and profitable development although impacted negatively by 7% exchange rate effect. In the Far East, the South Eastern region performed well whilst sales in China continue to be disappointing. No progress was seen on future fire safety Chinese legislation concerning mandatory use of non-combustible insulation and local competition has increased.

Overall input prices are levelling off at around last year's level and the Group has continued to benefit in the third quarter from decreasing foundry coke prices.

EBITDA for the Group reached DKK 1,689 million corresponding to an EBITDA ratio of 15.7% for the first 9 months of 2013 which represents a slight improvement compared to the same period last year.

The value of the Group businesses in Western Europe was assessed considering the difficulties in some markets as well as the low capacity utilization of some Western European factories. Consequently, in the Group accounts this impairment triggers a write off by DKK 40 million which has been included in the result of the Group end of September. The value of the related subsidiary shares in the parent company balance sheet has been written off by around DKK 750 million.

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EBIT was recorded at DKK 886 million – an increase of 9% compared to same period last year. Insulation segment EBIT for the first 9 months reached DKK 626 million which is an increase of 13% compared to the first 9 months of 2012. Systems Segment generated an EBIT of DKK 229 million which is 14% higher than the same period in 2012.

Net financial costs ended at DKK 37 million which is DKK 10 million better than last year.

Net profit for the first 9 months of 2013 amounted to DKK 602 million which is DKK 65 million better than last year.

Cash flow

Cash flow from operations for the first 9 months of 2013 was recorded at DKK 1,059 million which is DKK 188 million below same period last year.

Working capital increased by DKK 328 million in the first 9 months of 2013 (versus end of 2012) as a consequence of normal seasonal effects on stock and debtor levels.

Capital expenditure in the first 9 months of 2013 was DKK 930 million of which DKK 530 million were related to capacity expansions primarily for the new green field insulation factory in the USA and the completion of the new ROCKFON and ROCKPANEL production lines in respectively Poland and Holland.

In addition, DKK 439 million has been paid in the end of third quarter as part of the acquisition price for Chicago Metallic Corporation.

Balance sheet

Total assets end of the first 9 months of 2013 amounted to DKK 13,032 million. The equity ratio at the end of the period was 72%.

Expectations for 2013

After a positive third quarter in most of the countries where the Group operates, the overall market development predictions for 2013 are confirmed with:

- Improved market conditions in Western Europe.
- Markets in Eastern Europe also expected to improve – primarily Poland and Russia.
- Positive conditions in North America where the Group's sales will continue to grow at 2-digit levels.
- Positive conditions in South East Asia while no progress is expected this year on the legislative situation concerning non-combustible insulation in China.

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Decrease in foundry coke prices has reached its end in the third quarter and are expected to stabilise during fourth quarter. For other raw materials, the easing trend is expected to continue. Sales prices during the remainder of 2013 are assumed to remain stable on average.

Chicago Metallic Corporation is expected to impact the full-year expectations with a positive effect of approximately DKK 150-200 million on net sales and approximately DKK 10 million on net profit.

The Group confirms its expectations for 2013 for net sales at current exchange rates to be slightly above the level of 2012.

Net profit for the year 2013 is now expected to be around DKK 800 million compared to the range DKK 700-750 million reported earlier.

Investment expenditure excluding acquisitions is now expected to be around DKK 1,350 million as a consequence of the decision to delay the commissioning date of the green field factory in Northern China. The green field factory in the USA will be operational in May 2014 as planned.

Disclaimer

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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Management statement

The Board and Management Board have today discussed and approved this interim report of ROCKWOOL International A/S for the first 9 months of 2013.

This interim report, which has not been audited or reviewed by the Group's auditor, has been prepared in accordance with IAS 34 Interim Financial Reporting, as approved by the EU and additional Danish interim reporting requirements for listed companies.

We believe that the accounting policies applied – which are unchanged from those applied in the annual report for 2012 except for a change in the classification of servicing equipment (see explanation in the notes) – 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 at 30 September 2013 and of the result of the Group's operations and cash flow for the period 1 January - 30 September 2013.

Furthermore we believe that the management report gives a true and fair review of the development of the Group's activities and financial matters, the result for the period and the Group's financial position as a whole as well as a description of the most significant risks and uncertainties which the Group is facing.

20 November 2013

Management Board

Eelco van Heel

Gilles Maria

Board

Steen Riisgaard

Carsten Bjerg

Thomas Kähler

Heinz-Jürgen Bertram

Claus Bugge Garn

Bjørn Høi Jensen

Søren Kähler

Dorthe Lybye

Connie Enghus Theisen

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Income statement					
DKK million	3 rd qtr.	3 rd qtr.	Acc.	Acc.	Full year
	2013	2012	3 rd qtr.	3 rd qtr.	
	Unaudited				Audited
Net sales	3,937	3,875	10,768	10,727	14,664
Operating income	3,987	3,909	10,906	10,836	14,853
Operating costs	3,541	3,525	10,020	10,022	13,712
EBITDA	711	691	1,689	1,642	2,254
Operating profit before financial items (EBIT)	446	384	886	814	1,141
Income from investments associated companies after tax	1	2	7	8	12
Financial items	-6	-14	-37	-47	-55
Profit before tax	441	372	856	775	1,098
Tax on profit for the period	132	115	254	238	324
Profit for the period	309	257	602	537	774
Attributable to:					
Minority interests	0	0	1	-1	2
Shareholders in the parent company	309	257	601	538	772
	309	257	602	537	774

Earnings per share of DKK 10	28.0	24.9	35.8
Earnings per share of DKK 10, diluted	28.0	24.9	35.7

Statement of comprehensive income					
Profit for the period	309	257	602	537	774
Exchange rate adjustments of foreign subsidiaries	-117	117	-358	243	223
Actuarial gains and losses of pension obligations	0	0	0	0	10
Hedging instruments, value adjustments	4	5	7	8	-7
Tax on comprehensive income	-1	-1	-1	-2	14
Other comprehensive income	-114	121	-352	249	240
Comprehensive income for the period	195	378	250	786	1,014
Attributable to:					
Minority interests	0	0	1	-1	3
Shareholders in the parent company	195	378	249	787	1,011
	195	378	250	786	1,014

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Segment reporting

Unaudited								
Acc. 3 rd qtr.	Insulation segment		Systems segment		Group eliminations and holding companies		The ROCKWOOL Group	
DKK million	2013	2012	2013	2012	2013	2012	2013	2012
External net sales	8,871	8,882	1,897	1,845	0	0	10,768	10,727
Internal net sales	1,092	1,084	0	0	-1,092	-1,084	0	0
Total net sales	9,963	9,966	1,897	1,845	-1,092	-1,084	10,768	10,727
EBIT	626	556	229	201	31	57	886	814
EBIT ratio	6.3	5.6	12.1	10.9			8.2	7.6

Geographical split of external net sales

DKK million	Unaudited				Audited	
	3 rd qtr. 2013	3 rd qtr. 2012	Acc. 3 rd qtr. 2013	Acc. 3 rd qtr. 2012	Full year 2012	
Western Europe	2,304	2,290	6,518	6,683	8,970	
Eastern Europe including Russia	1,038	1,008	2,497	2,400	3,380	
North America, Asia and others	595	577	1,753	1,644	2,314	
Total external net sales	3,937	3,875	10,768	10,727	14,664	

Balance sheet

DKK million	3 rd qtr. 2013	3 rd qtr. 2012	Full year 2012
	Unaudited		Audited
Assets			
Intangible assets	538	561	588
Tangible assets	8,102	8,288	8,245
Other financial assets	365	388	381
Deferred tax assets	288	272	270
Total non-current assets	9,293	9,509	9,484
Inventories	1,270	1,309	1,175
Receivables	2,118	1,982	1,846
Cash	351	503	484
Total current assets	3,739	3,794	3,505
Total assets	13,032	13,303	12,989
Equity and liabilities			
Share capital	220	220	220
Hedging	-18	-13	-24
Foreign currency translation	-489	-111	-131
Proposed dividend	0	0	220
Retained earnings	9,655	9,095	9,119
Minority interests	25	12	24
Total equity	9,393	9,203	9,428
Non-current liabilities	1,090	1,198	1,033
Current liabilities	2,549	2,902	2,528
Total liabilities	3,639	4,100	3,561
Total equity and liabilities	13,032	13,303	12,989

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Cash flow statement					
DKK million	3 rd qtr. 2013	3 rd qtr. 2012	Acc. 3 rd qtr. 2013	Acc. 3 rd qtr. 2012	Full year 2012
	Unaudited				Audited
Operating profit before financial items	446	384	886	814	1,141
Adjustments for depreciation, amortisation and write-downs	265	307	803	828	1,113
Other adjustments	2	23	14	9	-7
Change in net working capital	115	248	-328	-165	-159
Cash flow from operations before financial items and tax	828	962	1,375	1,486	2,088
Cash flow from operating activities	703	895	1,059	1,247	1,772
Cash flow from investing activities	-338	-298	-930	-723	-982
Cash flow from acquisitions	-439	0	-439	0	0
Cash flow from operating and investing activities (free cash flow)	-74	597	-310	524	790
Cash flow from financing activities	22	-28	-359	-393	-465
Change in cash available	-52	569	-669	131	325
Cash available – beginning of period	-430	-563	189	-128	-128
Exchange rate adjustments	-13	-14	-15	-11	-8
Cash available – end of period	-495	-8	-495	-8	189
Unutilised, committed credit facilities			3,051	3,306	3,442

Statement of changes in equity

DKK million	Unaudited						
	Share capital	Hedging	Proposed dividend	Foreign currency translation	Retained earnings	Minority interests	Total
Equity 1/1 2013	220	-24	220	-131	9,119	24	9,428
Profit for the period					601	1	602
Other comprehensive income		6		-358			-352
Comprehensive income for the period	0	6	0	-358	601	1	250
Sale and purchase of own shares					-72		-72
Expensed value of options issued					7		7
Dividend paid to the shareholders			-220				-220
Addition/disposal of minority interests							0
Equity 3rd qtr. 2013	220	-18	0	-489	9,655	25	9,393
Equity 1/1 2012	220	-19	207	-354	8,569	12	8,635
Profit for the period					538	-1	537
Other comprehensive income		6		243			249
Comprehensive income for the period	0	6	0	243	538	-1	786
Sale and purchase of own shares					-25		-25
Expensed value of options issued					7		7
Dividend paid to the shareholders			-207				-207
Addition/disposal of minority interests					6	1	7
Equity 3rd qtr. 2012	220	-13	0	-111	9,095	12	9,203

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Main figures in EUR million:	3 rd qtr.	3 rd qtr.	Acc.	Acc.	Full year
	2013	2012	3 rd qtr.	3 rd qtr.	
	Unaudited				Audited
Net sales	528	521	1,444	1,442	1,969
Depreciation, amortisation and write-downs	36	41	108	111	150
EBIT	60	52	119	109	153
Profit before tax	59	50	115	104	147
Profit for the period	42	35	81	72	104
Total assets			1,748	1,788	1,741
Equity			1,260	1,237	1,263
Cash flow (from operating activities)	94	119	142	168	238
Investments and acquisitions	104	39	184	97	132
Exchange rate	7.46	7.44	7.46	7.44	7.46

Change in the accounting principles compared to 2012

Due to implementation of amendment of IAS16, the classification of spare parts and servicing equipment has been reclassified to tangible assets instead of included in inventories. Comparison figures have been changed retrospectively. A third balance is not presented due to immateriality as the change is a reclassification and has no effect on EBIT, profit for the year, free cash flow and equity. EBITDA in Q3 2013 is positively impacted by DKK 4 million and accumulated by DKK 12 million (third quarter 2012: DKK 3 million and accumulated DKK 10 million). Inventories are reduced by DKK 85 million (third quarter 2012: DKK 88 million) and tangible assets are increased with a corresponding amount.

Business combinations

On 1 October 2013 the ROCKWOOL Group took over 100% control of Chicago Metallic Corporation (CMC). The acquisition is part of the ROCKWOOL Group's strategy to globalise and develop its ceiling business which today accounts for approx. 10% of Group revenues.

The acquisition will allow the Group to offer and develop more complete solutions to our customers by offering not only ceiling panels but also the metallic grid which is a key element in the suspended ceiling system. Additionally, the acquisition will give a major growth boost to the Group's ceiling strategy in North America and Asia allowing a significant acceleration to the already on-going expansion into these regions.

CMC, headquartered in Chicago, is a global provider of architectural building products and services - including metal panels and ceiling systems, suspended grid systems, and acoustical and sustainable ceiling panels. It has a network of sales and distribution channels throughout North America, Europe and Asia supported by production facilities in China, Malaysia, Belgium and the US.

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The ROCKWOOL Group takes over the activities for a purchase price of DKK 822 million. The Group paid DKK 439 million in the end of third quarter. The remainder, around DKK 383 million, will be equally paid in 2014 and 2015.

CMC has been integrated into the ROCKWOOL Group with accounting effect as of 1 October 2013.

The ROCKWOOL Group has made the following preliminary determination of fair value at the acquisition date of the acquired net assets and goodwill:

DKK million	Unaudited Fair value at the acquisition date
	CMC
Intangible assets	264
Other non-current assets	282
Current assets	191
Deferred tax	35
Other non-current liabilities	-1
Current liabilities	-143
Net assets	628
Goodwill	117
Cash consideration for the company	745
Cash less interest-bearing debt	77
Total consideration	822

Goodwill related to synergies and potential for development of the acquired operations are partly tax deductible.

The initial accounting for the business combination is incomplete due to the recent closing date and limited availability of detailed financial information at this point in time. The complete accounting for the business combination will be incorporated in the annual report of the ROCKWOOL Group for 2013.

The closing of the BASF Wall Systems acquisition is still expected before end 2013 and full payment is expected in 2013.