First quarter report of 2018
for ROCKWOOL International A/S
Release no. 8 – 2018
to Nasdaq Copenhagen

18 May 2018

Strong first quarter performance supports positive outlook for the year

"The strong first quarter performance is primarily driven by growing demand for our non-combustible insulation as well as our focus on productivity improvements and pricing. Owing to our broad-based manufacturing footprint, particularly in Europe, we are able to flexibly service growing customer demand, even if this results in somewhat increased logistics costs".

CEO Jens Birgersson

Highlights

- Sales in Q1 2018 reached EUR 603 million, a growth of 17 percent in local currencies including acquisitions, which contributed three percentage points. The negative currency impact was four percentage points.
- EBIT in Q1 2018 increased 53 percent to EUR 70 million, with an 11.6 percent EBIT margin, up three percentage points from last year.
- Investments reached EUR 48 million, up EUR 13 million compared to last year, primarily due to ongoing expansions in Poland and the United States.
- Annualised return on invested capital reached 18.6 percent compared to 15.5 percent last year, driven by higher operational earnings.
- In addition, ROCKWOOL publishes its 2017 Sustainability Report, available online at www.rockwoolgroup.com.

Outlook 2018

- Growth in net sales is expected to reach 7-10 percent in local currencies, including around two percent from the acquisition of Flumroc. With lower comparables, we expect higher growth rates in the first half of the year.
- EBIT margin is expected to reach around 13 percent (as announced on 30 April 2018).
- Investment level excluding acquisitions is expected to be around EUR 260 million from previously EUR 230 million, mainly related to investment in the UK to increase capacity.

Conference call

The ROCKWOOL Group will host an earning call on 18 May 2018 at 11.00 CET. To attend the conference call dial +4570223500, +44(0)2075721187 or +1 6467224972. Passcode 19660074#. The conference call will be transmitted live on www.rockwoolgroup.com

Main figures / key figures for the Group

	Unaudited		Audited
	Q1 2018	**Q1 2017**	**FY 2017**
Income statement items in EURm			
Net sales	603	534	2,374
EBITDA	112	86	417
Depreciation, amortisation and write-downs	42	40	160
EBIT	70	46	258
Profit before tax	69	44	275
Profit for the period	54	32	214
Balance sheet items in EURm			
Non-current assets	1,367	1,413	1,383
Current assets	852	629	781
Total assets	2,219	2,042	2,164
Equity	1,722	1,581	1,685
Non-current liabilities	142	135	122
Current liabilities	355	326	358
Net interest-bearing cash / (debt)	212	69	241
Net working capital	267	252	190
Invested capital	1,513	1,518	1,452
Cash flow in EURm			
Cash flow from operating activities	-2	-15	332
Investments and acquisitions	33	35	165
Free cash flow	-35	-50	167
Other items			
Number of employees at end of period	11,147	10,532	11,046
Ratios			
EBITDA margin	18.6%	16.2%	17.6%
EBIT margin	11.6%	8.6%	10.8%
Return on invested capital (rolling 4 quarters)	18.6%	15.5%	17.9%
Return on equity (rolling 4 quarters)	14.3%	6.4%	13.3%
Equity ratio	77.4%	77.2%	77.5%
Share information (DKK)			
Earnings per share	18.4	10.9	72.9
Cash flow per share	-1	-5	114
Book value per share	583	534	569
Share capital (million)	220	220	220
Price per A share	1,630	1,183	1,594
Price per B share	1,793	1,239	1,752
Market cap (million)	37,254	26,255	36,367
Number of own shares	177,290	269,775	206,840

The ratios have been calculated in accordance with recommendations issued by the Danish Society of Financial Analysts (2015 edition).

Management report for the period 1 January to 31 March 2018

Global sales development

ROCKWOOL Group has had a good start to 2018, with positive sales development in the first quarter, generating a healthy growth in earnings. The increase in sales has been driven by improved market conditions and an increased demand for non-combustible insulation products.

In the first quarter of 2018 the ROCKWOOL Group generated net sales of EUR 603 million, an increase of 16.5 percent in local currencies positively supported by the acquisition of Flumroc, which contributed three percentage points of the growth. Foreign exchange rates had a negative impact of 3.6 percentage points on the increase, primarily due to last year's development of the U.S. and Canadian dollars. This brings the sales growth to 12.9 percent in reported figures.

Group sales
+16.5%

During the quarter, both volume and sales price development contributed to growth in net sales. A reasonable inflation on sales prices together with continued productivity improvements is offsetting higher input costs.

ROCKWOOL Group benefitted from a favourable business environment in the construction sector in Europe and North America and achieved healthy results especially in the flat roof and facades segment. While it is still too early to evaluate the market effect, the introduction by several European governments of new and larger incentive schemes for energy efficiency through renovation of existing buildings is a positive sign for the entire insulation industry. Combined with increased positive sentiments for non-combustible insulation products, ROCKWOOL foresees a continued favourable market development.

During the coming quarters, we expect a higher seasonal activity level in the construction industry and capacity planning and increasing factory output are important levers to fulfill customer demands. With a pan-European manufacturing footprint, ROCKWOOL has stronger flexibility in sourcing, although at higher logistic costs, and will use this to service customers.

Regional sales development

In the first quarter, sales in Western Europe increased by 18.4 percent in local currencies and 17.5 percent in reported figures due to a small negative currency effect. Excluding Flumroc sales in local currencies improved 13.3 percent compared to last year. We grew in all key markets, with especially Germany, France and the UK performing well.

Sales in Western Europe
+18.4%

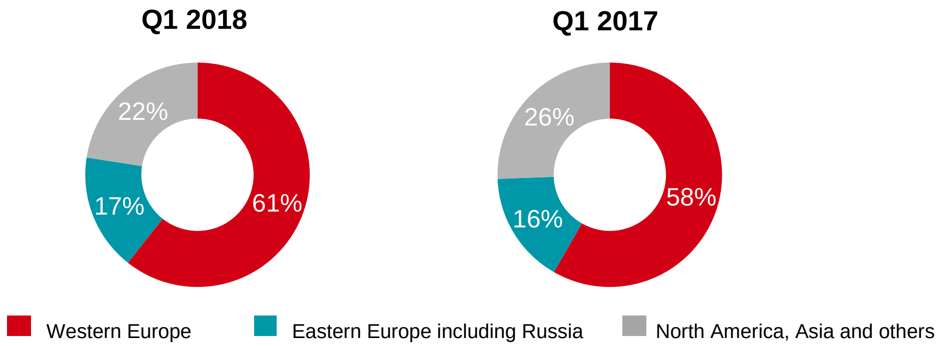
First quarter sales in Eastern Europe increased 20.4 percent in local currencies and 17.8 percent in reported figures, where most significant markets delivered double-digit growth, with Poland as a significant driver. Russia experienced a slight sales growth in the first quarter, although affected by heavy snowfall, which delayed construction in most areas.

Sales in Eastern Europe
+20.4%

In the rest of the world, first quarter sales continued to show positive development with an increase of 9.3 percent in local currencies but flat in reported figures compared to last year due to negative currency impact from North America. In local currencies, North America and China delivered double-digit growth. South East Asia continued to lag with limited growth compared to last year.

Sales in rest of the world
+9.3%

Regional sales



Group profitability

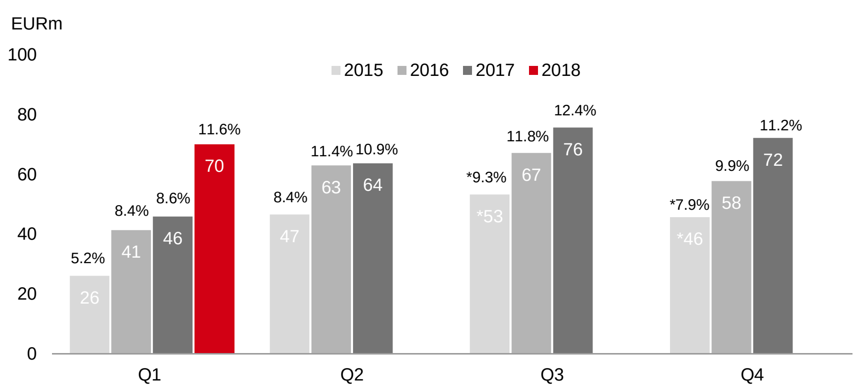
EBITDA for first quarter increased by 30 percent to EUR 112 million resulting in an EBITDA margin of 18.6 percent compared to 16.2 percent for same period last year with limited currency impact. The EBITDA increase is mainly due to better contribution margin from higher sales prices, which together with good factory performance has more than offset the pressure from input costs.

EBITDA margin
+2.4 %-points

EBIT for the first quarter increased by 53 percent and reached EUR 70 million, corresponding to an 11.6 percent EBIT margin – an increase of three percentage points.

EBIT margin
+3.0 %-points

EBIT & EBIT MARGIN



*) 2015 figures corrected for redundancy costs and write-downs in Asia

The effective tax rate was 21 percent for the first quarter, a decrease of 1.4 percentage points from year-end 2017. The decrease is mainly due to adjustments to valuation of tax assets due to the increased profitability and outlook as well as the decreasing trend of corporate tax rates in general.

Net profit for the first quarter of 2018 amounted to EUR 54 million, which is an improvement of EUR 22 million compared to last year.

Cash flow and balance sheet

Cash flow from operations before financial items and tax in the first quarter of 2018 was EUR 35 million, which is EUR 28 million higher than the same period last year. The increase comes mainly from higher earnings.

Operational cash flow before financial items and tax
+28 mEUR

Net working capital increased from EUR 252 million from the end of first quarter 2017 to EUR 267 million by end of first quarter 2018 due to higher trade receivables related to the growing sales and a planned increase in the seasonal inventory to secure future deliveries. As a percentage of annualised net sales, net working capital was 11 percent, which is unchanged compared to last year.

Capital expenditure during the first quarter of 2018 was EUR 48 million compared to EUR 35 million last year. The capital expenditure for the quarter was partly offset by sales of listed securities in Flumroc amounting to EUR 15 million. The largest individual investments in 2018 relate to the upgrade of one of the Polish factories and the ongoing factory project in the United States (West Virginia).

Free cash flow increased by EUR 15 million compared to same period last year and reached EUR -35 million, which compares to EUR -50 million in the same period last year.

Free cash flow
+15 mEUR

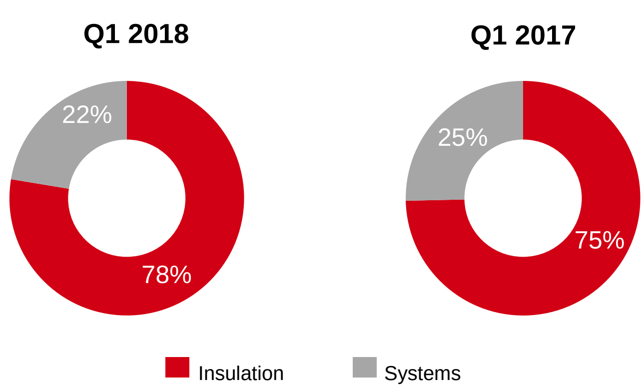
Annualised return on invested capital was 18.6 percent compared to 15.5 percent for the same period last year, driven by improved profitability.

ROIC
+3.1%-points

Total assets at the end of the first quarter 2018 amounted to EUR 2,219 million. The equity ratio at the end of the period was 77 percent at level with last year.

Business segments

Sales per business



Key figures Insulation segment

EURm	Q1 2018	Q1 2017
External net sales	468	399
EBIT, segment profit	55	28
EBIT margin	10.5%	6.2%

Sales in the Insulation Segment reached EUR 468 million in the first quarter, which is an increase of 20.8 percent in local currencies. Acquisitions contributed four percentage-points of the growth. In reported figures, the total growth was 17.3 percent. The increase was mainly carried by the building insulation segment across Europe and North America.

Insulation sales
+20.8%

The Insulation Segment EBIT for the first quarter of 2018 reached EUR 55 million with an EBIT margin of 10.5 percent, an increase of 4.3 percentage points compared to the same period last year, with all markets contributing positively.

Insulation EBIT margin
+4.3 %-points

Key figures System segment

EURm	Q1 2018	Q1 2017
External net sales	135	135
EBIT, segment profit	15	18
EBIT margin	11.4%	13.6%

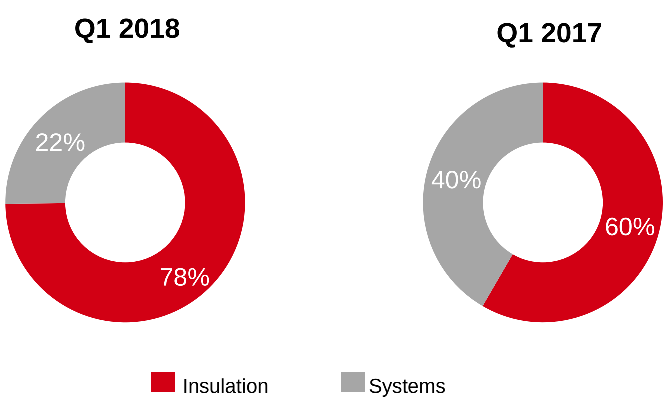
The Systems Segment's sales in the first quarter of 2018 amounted to EUR 135 million, which is an increase by 4.1 percent in local currencies but flat in reported figures. Grodan experienced a slowdown in North America, while all other businesses grew satisfactorily.

Systems sales
+4.1%

The Systems Segment generated an EBIT of EUR 15 million with an EBIT margin of 11.4 percent. This is 2.2 percentage-points lower than the first quarter in 2017, but an improvement over last quarter, and relates mainly to the decrease in Grodan.

Systems EBIT margin
-2.2 %-points

EBIT per business



Outlook for the full year 2018

- Growth in net sales is expected to reach 7-10 percent in local currencies, including around two percent from the acquisition of Flumroc. With lower comparables, we expect higher growth rates in the first half of the year.

- EBIT margin is now expected to reach around 13 percent from previously at least 11 percent.

- Investment level excluding acquisitions is now expected around EUR 260 million from previously EUR 230 million, mainly related to investment in the UK to increase capacity.

2018 outlook overview

	8 February 2018	30 April 2018	18 May 2018
Net sales	Growth of 7-10 percent in local currencies, including around two percent from the acquisition of Flumroc	Growth of 7-10 percent in local currencies, including around two percent from the acquisition of Flumroc	Growth of 7-10 percent in local currencies, including around two percent from the acquisition of Flumroc
EBIT margin	At least 11 percent	Around 13 percent	Around 13 percent
Investments excluding acquisitions	Around EUR 230 million	Around EUR 230 million	Around EUR 260 million

Further information:

Kim Junge Andersen, Chief Financial Officer
ROCKWOOL International A/S
+45 46 56 03 00

At ROCKWOOL Group, we are committed to enriching the lives of everyone who experiences our products. Our expertise is perfectly suited to tackle many of today's biggest sustainability and development challenges, from energy consumption to noise pollution and water scarcity to flooding. Our range of products reflects the diversity of the world's needs, supporting our stakeholders in reducing their own carbon footprint along the way.

Stone wool is a versatile material and forms the basis of all our businesses. With more than 11,000 passionate colleagues in 39 countries, we are the world leader in stone wool solutions, from building insulation to acoustic ceilings, external cladding systems to horticultural solutions, engineered fibres for industrial use to insulation for the process industry and marine & offshore.

Management statement

The Board of Directors and the Registered Directors have today considered and approved the interim report of ROCKWOOL International A/S for the first quarter of 2018.

This interim report, which has not been audited or reviewed by the ROCKWOOL Group 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.

In our opinion, the interim report presents a true and fair view of Group’s assets and liabilities, and the financial position at 31 March 2018 and the result from Group’s operations and cash flow for the period 1 January to 31 March 2018.

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 overall as well as a description of the most significant risks and uncertainties the Group is facing.

Besides what has been disclosed in this interim report no changes in the Group’s most significant risks and uncertainties have occurred relative to what was disclosed in the consolidated annual report for 2017.

18 May 2018

The Registered Directors

Jens Birgersson	Kim Junge Andersen

Board of Directors

Henrik Brandt	Carsten Bjerg	Søren Kähler
Thomas Kähler	Andreas Ronken	Jørgen Tang-Jensen
René Binder Rasmussen	Connie Enghus Theisen	Christian Westerberg

Income statement

	Unaudited		Audited
EURm	**Q1 2018**	**Q1 2017**	**FY 2017**
Net sales	603.2	534.2	2,373.9
Other operating income	2.0	2.8	8.9
Operating income	**605.2**	**537.0**	**2,382.8**
Raw material costs and Production material costs	198.2	183.6	816.0
Delivery costs and indirect costs	82.5	77.2	330.0
Other external costs	56.8	50.2	235.0
Personnel costs	155.6	139.7	584.8
Operating costs	**493.1**	**450.7**	**1,965.8**
EBITDA	**112.1**	**86.3**	**417.0**
Depreciation, amortisation and write-downs	42.0	40.4	159.5
EBIT	**70.1**	**45.9**	**257.5**
Income from investments in associated companies	0.0	0.3	28.6
Financial items	-1.5	-2.5	-11.1
Profit before tax	**68.6**	**43.7**	**275.0**
Tax on profit for the period	14.4	11.4	61.5
Profit for the period	**54.2**	**32.3**	**213.5**
Attributable to:			
Non-controlling interests	0.0	0.0	0.2
Shareholders in the parent company	54.2	32.3	213.3
	54.2	**32.3**	**213.5**
Earnings per share of DKK 10 (EUR 1.3)	2.5	1.5	9.8
Earnings per share of DKK 10 (EUR 1.3), diluted	2.5	1.5	9.8

Statement of comprehensive income

	Unaudited		Audited
EURm	**Q1 2018**	**Q1 2017**	**FY 2017**
Profit for the period	**54.2**	**32.3**	**213.5**
Items that will not be reclassified to the income statement:			
Actuarial gains and losses of pension obligations	0.0	0.0	11.7
Tax on other comprehensive income	0.0	0.0	-0.4
Items that may be subsequently reclassified to the income statement:			
Exchange rate adjustments of foreign subsidiaries	-16.4	13.5	-32.1
Hedging instruments, value adjustments	1.5	-0.6	-0.9
Tax on other comprehensive income	-0.3	0.1	1.6
Other comprehensive income	**-15.2**	**13.0**	**-20.1**
Comprehensive income for the period	**39.0**	**45.3**	**193.4**
Attributable to:			
Non-controlling interests	0.0	0.0	0.2
Shareholders in the parent company	39.0	45.3	193.2
	39.0	**45.3**	**193.4**

Segment and sales reporting

	Unaudited							
YTD Q1	**Insulation segment**		**Systems segment**		**Eliminations**		**The ROCKWOOL Group**	
EURm	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
External net sales	468.0	398.8	135.2	135.4	0.0	0.0	603.2	534.2
Internal net sales	51.1	47.4	0.0	0.0	-51.1	-47.4	0.0	0.0
Total net sales	519.1	446.2	135.2	135.4	-51.1	-47.4	603.2	534.2
EBIT	**54.7**	**27.5**	**15.4**	**18.4**	**0.0**	**0.0**	**70.1**	**45.9**
EBIT margin	***10.5%***	***6.2%***	***11.4%***	***13.6%***			***11.6%***	***8.6%***
Goods transferred at a point in time	468.0	398.8	135.2	135.4			603.2	534.2

Geographical split of external net sales

EURm	**Q1 2018**	**Q1 2017**	**FY 2017**
Western Europe	365.9	311.4	1,381.0
Eastern Europe including Russia	101.4	86.1	439.3
North America, Asia and others	135.9	136.7	553.6
Total external net sales	**603.2**	**534.2**	**2,373.9**

Balance sheet

(condensed)	**Unaudited**		**Audited**
EURm	**Q1 2018**	**Q1 2017**	**FY 2017**
Assets			
Intangible assets	159.7	146.6	183.3
Tangible assets	1,163.7	1,160.2	1,154.2
Other financial assets	6.4	53.6	6.8
Deferred tax assets	37.3	53.1	39.0
Total non-current assets	**1,367.1**	**1,413.5**	**1,383.3**
Inventories	223.7	197.3	197.7
Receivables	405.7	358.1	338.6
Cash	222.7	73.4	244.5
Total current assets	**852.1**	**628.8**	**780.8**
Total assets	**2,219.2**	**2,042.3**	**2,164.1**
Equity and liabilities			
Share capital	29.5	29.5	29.5
Foreign currency translation	-152.0	-90.0	-135.6
Proposed dividend	71.1	55.6	71.1
Retained earnings	1,767.0	1,582.2	1,710.8
Hedging	2.6	0.2	1.4
Non-controlling interests	3.7	3.8	7.3
Total equity	**1,721.9**	**1,581.3**	**1,684.5**
Non-current liabilities	142.5	134.6	121.6
Current liabilities	354.8	326.4	358.0
Total liabilities	**497.3**	**461.0**	**479.6**
Total equity and liabilities	**2,219.2**	**2,042.3**	**2,164.1**

Cash flow statement

(condensed)	Unaudited		Audited
EURm	Q1 2018	Q1 2017	FY 2017
EBIT	70.1	45.9	257.5
Adjustments for depreciation, amortisation and write-downs	42.0	40.4	159.5
Other adjustments	1.8	-3.4	-3.4
Change in net working capital	-79.3	-76.6	-20.1
Cash flow from operations before financial items and tax	**34.6**	**6.3**	**393.5**
Cash flow from operating activities	**-2.0**	**-15.2**	**332.2**
Cash flow from investing activities	**-32.5**	**-35.2**	**-129.7**
Cash flow from acquisitions	0.0	0.0	-35.3
Cash flow from operating and investing activities (free cash flow)	**-34.5**	**-50.4**	**167.2**
Cash flow from financing activities	1.5	-0.6	-49.0
Change in cash available	**-33.0**	**-51.0**	**118.2**
Cash available – beginning of period	242.9	119.1	119.1
Exchange rate adjustments	2.9	3.0	5.6
Cash available – end of period	**212.8**	**71.1**	**242.9**
Unutilised, committed credit facilities	**429.3**	**430.2**	**429.8**

Statement of changes in the equity

	Unaudited						
EURm	Share capital	Foreign currency translation	Proposed dividend	Retained earnings	Hedging	Non-controlling interests	Total
Equity 1/1 2018	**29.5**	**-135.6**	**71.1**	**1,710.8**	**1.4**	**7.3**	**1,684.5**
Profit for the period				54.2			**54.2**
Other comprehensive income		-16.4			1.2		**-15.2**
Comprehensive income for the period	**0.0**	**-16.4**	**0.0**	**54.2**	**1.2**	**0.0**	**39.0**
Sale and purchase of own shares				1.8			**1.8**
Expensed value of options issued				0.2			**0.2**
Transactions non-controlling interests						-3.6	**-3.6**
Equity Q1 2018	**29.5**	**-152.0**	**71.1**	**1,767.0**	**2.6**	**3.7**	**1,721.9**
Equity 1/1 2017	**29.5**	**-103.5**	**55.6**	**1,549.8**	**0.7**	**3.8**	**1,535.9**
Profit for the period				32.3			**32.3**
Other comprehensive income		13.5			-0.5		**13.0**
Comprehensive income for the period	**0.0**	**13.5**	**0.0**	**32.3**	**-0.5**	**0.0**	**45.3**
Sale and purchase of own shares				-0.2			**-0.2**
Expensed value of options issued				0.3			**0.3**
Equity Q1 2017	**29.5**	**-90.0**	**55.6**	**1,582.2**	**0.2**	**3.8**	**1,581.3**

Main figures in DKK million

	Unaudited		Audited
DKKm:	Q1 2018	Q1 2017	FY 2017
Net sales	4,492	3,972	17,659
Depreciation, amortisation and write-downs	313	300	1,187
EBIT	522	342	1,916
Profit before tax	511	325	2,046
Profit for the period	404	240	1,588
Total assets	16,540	15,190	16,111
Equity	12,834	11,762	12,541
Cash flow (from operating activities)	-15	-114	2,471
Investments and acquisitions	242	262	1,227
Exchange rate	7.45	7.44	7.44

Accounting policies

The interim report for the first quarter of 2018 has been prepared in accordance with IAS 34 and the additional Danish regulations for the presentation of quarterly interim reports by listed companies.

The interim report for the first quarter of 2018 follows the same accounting policies as the Annual report for 2017, except for the latest International Financial Reporting Standards (IFRS) and amendments effective as of 1 January 2018 as adopted by the European Union. Implementation of the standards and amendments have not had any material impact on the Group's Financial Statements and are likewise not expected to have any significant future impact.

Of the new standards and amendments implemented the most significant are as follows:

IFRS 9

IFRS 9 contains requirements for the classification and measurement of financial assets and financial liabilities, impairment methodology and general hedge accounting. The implementation of IFRS 9 has not changed the existing accounting policies nor had an impact on the consolidated financial statements, but has changed the basis for calculating the allowance for doubtful receivables from incurred losses to expected losses. The standard has been implemented using 1 January 2018 as the date of initial application.

IFRS 15

IFRS 15 introduces a new framework for revenue recognition and measurement. The standard has resulted in only minor changes to existing accounting practices and external reporting disclosure requirements. The implementation of IFRS 15 has not changed the existing accounting policies nor had an impact on the consolidated financial statements. IFRS 15 has been applied following the modified retrospective approach and with no restatement of the comparison period.

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.