ROCKWOOL
FIRESAFE INSULATION

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www.rockwool.com

**Release no. 12– 2011**
**Report on the first nine months of 2011**
**To NASDAQ OMX Nordic Exchange Copenhagen A/S**
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23 November 2011

# Report on the first nine months of 2011

# for Rockwool International A/S

Today the Board of Directors of Rockwool International A/S has approved the following report on the first nine months of 2011.

## Highlights

- Sales in the first nine months of 2011 at actual exchange rates increased by 17% compared to the same period in 2010.

- EBIT in the first nine months of 2011 amounts to DKK 575 million which is a decrease of DKK 38 million, 6% less than the same period in 2010.

- The Group still expects net sales at current exchange rates to increase by 15% for the full year 2011.

- The Group confirms its expectations for the year of a result after minority interests of DKK 550 million.

- Capital expenditure excluding acquisitions is still expected to be DKK 1,100 million.

Further information: Gilles Maria, Chief Financial Officer

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## Main figures / key figures for the Group

| | 3rd qtr. 2011 | 3rd qtr. 2010 | Acc. 3rd qtr. 2011 | Acc. 3rd qtr. 2010 | Full year 2010 |
|---|---|---|---|---|---|
| | Unaudited | | | | Audited |
| **Income statement items in DKK million:** | | | | | |
| Net sales | 3,636 | 3,027 | 9,937 | 8,472 | 11,732 |
| EBITDA | 528 | 459 | 1,306 | 1,319 | 1,782 |
| Depreciation, amortisation and write-downs | 247 | 223 | 731 | 706 | 989 |
| EBIT | 281 | 236 | 575 | 613 | 793 |
| Financial items | -14 | -6 | -44 | -24 | -17 |
| Profit before tax | 272 | 233 | 549 | 597 | 812 |
| Profit for the period after minority interests | 192 | 137 | 383 | 346 | 512 |
| **Balance sheet items in DKK million:** | | | | | |
| Non-current assets | | | 8,932 | 8,398 | 9,098 |
| Current assets | | | 3,456 | 3,372 | 3,133 |
| Total assets | | | 12,388 | 11,770 | 12,231 |
| Equity | | | 8,300 | 8,538 | 8,791 |
| Non-current liabilities | | | 1,446 | 1,246 | 1,179 |
| Current liabilities | | | 2,642 | 1,986 | 2,261 |
| **Other items in DKK million:** | | | | | |
| Cash flow (from operating activities) | 646 | 587 | 929 | 866 | 1,285 |
| Investments and acquisitions | 363 | 307 | 902 | 759 | 1,412 |
| Net interest-bearing debt | | | 660 | -28 | 426 |
| **Number of employees:** | | | | | |
| Number of employees at end of period | | | 9,191 | 8,005 | 8,808 |
| **Ratios:** | | | | | |
| Profit ratio (%) | | | 6 | 7 | 7 |
| Profit per share of DKK 10 | | | 17 | 16 | 24 |
| Profit per share of DKK 10, diluted | | | 17 | 16 | 24 |
| Book value per share of DKK 10 | | | 378 | 377 | 390 |
| Equity ratio (%) | | | 67 | 73 | 72 |
| Financial gearing | | | 0.08 | 0 | 0.05 |
| **Main figures in EUR million:** | | | | | |
| Net sales | 489 | 406 | 1,334 | 1,138 | 1,575 |
| Depreciation, amortisation and write-downs | 33 | 30 | 98 | 95 | 133 |
| EBIT | 38 | 31 | 77 | 82 | 106 |
| Profit before tax | 37 | 31 | 74 | 80 | 109 |
| Profit for the period after minority interests | 26 | 18 | 51 | 46 | 69 |
| Total assets | | | 1,663 | 1,580 | 1,642 |
| Equity | | | 1,114 | 1,146 | 1,180 |
| Cash flow (from operating activities) | 87 | 79 | 125 | 116 | 172 |
| Investments and acquisitions | 49 | 41 | 121 | 102 | 190 |
| Exchange rate | 7.45 | 7.45 | 7.45 | 7.45 | 7.45 |

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 from 1 January to 30 September 2011**

Income statement

The Rockwool Group generated sales in the first nine months of 2011 of DKK 9,937 million corresponding to an increase of 17% compared to same period last year and an increase of 13% excluding the effect of acquisitions.

External sales in the Insulation Segment increased by 20% to DKK 8,245 million, and Systems Segment's external sales increased by 7% to DKK 1,692 million.

In the Systems Segment, Rockfon continues its profitable growth path. Also Rockpanel and Lapinus Fibres are showing good results.

In the Insulation segment, the third quarter of 2011 has confirmed the good recovery in the main European insulation markets, driven by Germany and France and followed by Poland. Sales in Russia have increased dramatically during third quarter thereby increasing the need for imports even more. Sales in North America have continued to develop nicely, and good progress is seen with our new account Lowe's in the US DIY (Do-It-Yourself) segment. Sales development in Asia is very positive especially in China where the implementation of more stringent fire regulation for residential constructions has increased the demand for stone wool products. The Group is now importing to satisfy this demand.

Over the last months, decreases of purchase costs for the main raw materials have been confirmed. However, as our factories to a high degree still are using previously supplied raw materials, incoming inflation during third quarter only stabilised and keeps pressure on the Group's margin development.

Sales prices have continued to increase during third quarter but still not compensating fully for the incoming inflation.

EBITDA for the Group reached DKK 1,306 million resulting in an EBITDA ratio of 13% for the first nine months of 2011.

EBIT was DKK 575 million – a decrease of DKK 38 million compared to same period last year. Insulation segment EBIT for the first nine months period reached DKK 364 million – still below last year. Systems Segment generated an EBIT of DKK 219 million which is an increase of 7% compared to the first nine months of 2010.

Net financial costs ended up at DKK 44 million which is DKK 20 million higher than last year.

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Profit after minority interests for the first nine months of 2011 amounted to DKK 383 million which is DKK 37 million better than last year.

Cash flow

Cash flow from operations for the first nine months of 2011 is DKK 929 million which is DKK 63 million above last year.

Working capital development has had a negative effect on cash flow of DKK 168 million in the first nine months of 2011 which is primarily due to increase of net sales resulting in higher debtors and to seasonal stocks. This has however improved during the third quarter with a positive effect by DKK 145 million.

Capital expenditure in the first nine months of 2011 was DKK 902 million which is an increase of DKK 143 million compared to the same period of 2010. DKK 453 million were spent on capacity expansion, mainly in Russia.

Balance sheet

Total assets end of the first nine months of 2011 amounted to DKK 12,388 million. The equity ratio at the end of the period was 67%.

Expectations for 2011

The European debt crisis has eroded confidence and has reduced even more the visibility on the Group’s main markets. However, the time lag of 6-8 months observed between the start of construction and the installation of the insulation is expected to preserve the Group European sales development for 2011. System segment sales as well as insulation sales in other world regions are expected to continue their development with the same trends observed during the first 9 months.

Therefore, the Group still expects net sales at current exchanges rates to increase by 15% in 2011 compared to 2010.

The Group expects prices on raw materials to decrease slightly in the last quarter.

The Group expects sales prices effect to increase in the coming quarter helping the margin to improve. The Group therefore confirms its expectations of a result after minority interests of DKK 550 million.

The Group expects the effective tax rate to be decreased from 34% to around 32% for the year, primarily due to higher earnings in countries with lower tax rates. The expected tax rate is applied in the third quarter accumulated figures generating a low tax for the period.

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Capital expenditure excluding acquisitions is still expected to be DKK 1,100 million of which expenditure in 2011 for the new factories in India and the Volga region in Russia is DKK 430 million.

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 of Directors and Group Management have today approved this interim report for the first nine months of 2011.

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 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 2010 – 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 September 2011 and of earnings and cash flows during the period.

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

23 November 2011

**Group Management**

| | |
|---|---|
| Eelco van Heel | Gilles Maria |

**Board of Directors**

| | | |
|---|---|---|
| Tom Kähler | Steen Riisgaard | Heinz-Jürgen Bertram |
| Carsten Bjerg | Claus Bugge Garn | Jan W. Hillege |
| Bjørn Høi Jensen | Thomas Kähler | Dorthe Lybye |
| | Connie Enghus Theisen | |

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## Income statement

| DKK million | 3rd qtr. 2011 | 3rd qtr. 2010 | Acc. 3rd qtr. 2011 | Acc. 3rd qtr. 2010 | Full year 2010 |
|---|---|---|---|---|---|
| | Unaudited | | | | Audited |
| Net sales | 3,636 | 3,027 | 9,937 | 8,472 | 11,732 |
| **Operating income** | **3,678** | **3,064** | **10,060** | **8,592** | **11,907** |
| **Operating costs** | **3,397** | **2,828** | **9,485** | **7,979** | **11,114** |
| EBITDA | 528 | 459 | 1,306 | 1,319 | 1,782 |
| **Operating profit before financial items (EBIT)** | **281** | **236** | **575** | **613** | **793** |
| Income from investments associated companies after tax | 5 | 3 | 18 | 8 | 36 |
| Financial items | -14 | -6 | -44 | -24 | -17 |
| **Profit before tax** | **272** | **233** | **549** | **597** | **812** |
| Tax on profit for the period | 82 | 89 | 176 | 221 | 275 |
| **Profit for the period** | **190** | **144** | **373** | **376** | **537** |
| Minority interests | -2 | 7 | -10 | 30 | 25 |
| **Profit for the period after minority interests** | **192** | **137** | **383** | **346** | **512** |

| | | | | | |
|---|---|---|---|---|---|
| Profit per share of DKK 10 | | | 17 | 16 | 24 |
| Profit per share of DKK 10, diluted | | | 17 | 16 | 24 |

## Statement of recognised income and expenses

| | | | | | |
|---|---|---|---|---|---|
| **Profit for the period** | **190** | **144** | **373** | **376** | **537** |
| Exchange rate adjustments of foreign subsidiaries | -214 | -50 | -290 | 162 | 249 |
| Hedging instruments, value adjustments | -15 | 20 | -6 | 11 | -3 |
| Tax on hedging instruments, value adjustments | 5 | -7 | 2 | -4 | 0 |
| **Total income** | **-34** | **107** | **79** | **545** | **783** |
| Minority interests | -3 | -11 | -10 | 39 | 45 |
| **Total income for the period after minority interests** | **-31** | **118** | **89** | **506** | **738** |

## Segment reporting

**Unaudited**

| **Acc. 3rd qtr.** | Insulation segment | | Systems segment | | Group eliminations and holding companies | | The Rockwool Group | |
|---|---|---|---|---|---|---|---|---|
| **DKK million** | **2011** | **2010** | **2011** | **2010** | **2011** | **2010** | **2011** | **2010** |
| External net sales | 8,245 | 6,888 | 1,692 | 1,584 | 0 | 0 | 9,937 | 8,472 |
| Internal net sales | 970 | 855 | 0 | 5 | -970 | -860 | 0 | 0 |
| Total net sales | 9,215 | 7,743 | 1,692 | 1,589 | -970 | -860 | 9,937 | 8,472 |
| EBIT | 364 | 384 | 219 | 205 | -8 | 24 | 575 | 613 |

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## Cash flow statement

| DKK million | 3rd qtr. 2011 | 3rd qtr. 2010 | Acc. 3rd qtr. 2011 | Acc. 3rd qtr. 2010 | Full year 2010 |
|---|---|---|---|---|---|
| | Unaudited | | | | Audited |
| Operating profit for the period | 281 | 236 | 575 | 613 | 793 |
| Adjustments for depreciation, amortisation and write-downs | 247 | 223 | 731 | 706 | 989 |
| Other adjustments | -1 | 4 | 8 | 9 | -32 |
| Change in net working capital | 194 | 233 | -168 | -107 | -84 |
| **Cash flow from operations before financial items and tax** | **721** | **696** | **1,146** | **1,221** | **1,666** |
| **Cash flow from operating activities** | **646** | **587** | **929** | **866** | **1,285** |
| **Cash flow from investing activities** | **-363** | **-307** | **-902** | **-759** | **-1,412** |
| **Cash flow from operating and investing activities (free cash flow)** | **283** | **280** | **27** | **107** | **-127** |
| Cash flow from financing activities | -51 | -29 | -476 | -276 | -319 |
| **Change in cash available** | **232** | **251** | **-449** | **-169** | **-446** |
| Cash available – beginning of period | -527 | 173 | 132 | 588 | 588 |
| Exchange rate adjustments | 3 | 1 | 25 | 6 | -10 |
| **Cash available – end of period** | **-292** | **425** | **-292** | **425** | **132** |
| **Unutilised, committed credit facilities** | | | **3,267** | **3,370** | **3,659** |

Individual items in the cash flow statement cannot be directly deduced from the consolidated balance sheet, as balance sheet items of the foreign companies have been converted at the average exchange rates.

## Balance sheet

| DKK million | 3rd qtr. 2011 | 3rd qtr. 2010 | Full year 2010 |
|---|---|---|---|
| | Unaudited | | Audited |
| **Assets** | | | |
| Intangible assets | 516 | 258 | 451 |
| Tangible assets | 7,856 | 7,593 | 8,027 |
| Other financial assets | 320 | 240 | 338 |
| Deferred tax assets | 240 | 307 | 282 |
| **Total non-current assets** | **8,932** | **8,398** | **9,098** |
| Inventories | 1,178 | 954 | 1,007 |
| Receivables | 1,862 | 1,862 | 1,779 |
| Cash | 416 | 556 | 347 |
| **Total current assets** | **3,456** | **3,372** | **3,133** |
| **Total assets** | **12,388** | **11,770** | **12,231** |
| | | | |
| **Equity and liabilities** | | | |
| Share capital | 220 | 220 | 220 |
| Hedging | -16 | -2 | -12 |
| Foreign currency translation | -459 | -245 | -169 |
| Retained earnings | 8,537 | 8,307 | 8,540 |
| Minority interests | 18 | 258 | 212 |
| **Total equity** | **8,300** | **8,538** | **8,791** |
| Non-current liabilities | 1,446 | 1,246 | 1,179 |
| Current liabilities | 2,642 | 1,986 | 2,261 |
| **Total liabilities** | **4,088** | **3,232** | **3,440** |
| **Total equity and liabilities** | **12,388** | **11,770** | **12,231** |

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## Statement of equity

| | Unaudited | | | | | |
|---|---|---|---|---|---|---|
| **DKK million** | Share capital | Hedging | Foreign currency translation | Retained earnings | Minority interests | Total |
| **Equity 1/1 2011** | **220** | **-12** | **-169** | **8,540** | **212** | **8,791** |
| Profit for the period | | | | 383 | -10 | 373 |
| Exchange rate adjustments of foreign subsidiaries | | | -290 | | 0 | -290 |
| Hedging instruments, value adjustments | | -6 | | | | -6 |
| Tax on hedging instruments, value adjustments | | 2 | | | | 2 |
| **Total income** | | **-4** | **-290** | **383** | **-10** | **79** |
| Sale and purchase of own shares | | | | -75 | | **-75** |
| Expensed value of options issued | | | | 12 | | **12** |
| Dividend paid to the shareholders | | | | -207 | | **-207** |
| Addition/disposal of minority interests | | | | -116 | -184 | **-300** |
| **Equity 3rd qtr. 2011** | **220** | **-16** | **-459** | **8,537** | **18** | **8,300** |
| | | | | | | |
| **Equity 1/1 2010** | **220** | **-9** | **-398** | **8,146** | **269** | **8,228** |
| Profit for the period | | | | 346 | 30 | 376 |
| Exchange rate adjustments of foreign subsidiaries | | | 153 | | 9 | 162 |
| Hedging instruments, value adjustments | | 11 | | | | 11 |
| Tax on hedging instruments, value adjustments | | -4 | | | | -4 |
| **Total income** | | **7** | **153** | **346** | **39** | **545** |
| Sale and purchase of own shares | | | | 3 | | **3** |
| Expensed value of options issued | | | | 19 | | **19** |
| Dividend paid to the shareholders/minority interests | | | | -207 | -52 | **-259** |
| Addition/disposal of minority interests | | | | | 2 | **2** |
| **Equity 3rd qtr. 2010** | **220** | **-2** | **-245** | **8,307** | **258** | **8,538** |

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## Business combinations

**Troitsk**

On 14 July 2010 the Group took over a stone wool factory in Troitsk in the Ural region. At the time of the acquisition the factory had a production capacity of 30,000 tons per year and employed 270 people. The acquisition took place in order to benefit from the increased activity in the Russian construction and insulation market.

**FAST**

The Group has in July 2011 taken over the company FAST sp. zo.o. in Poland. FAST is one of the leading system holders in the Polish market for external facade insulation systems also known as ETICS. In 2010, FAST generated a turnover of DKK 94 million and employed 90 persons. The acquisition took place in order to establish a position in the fast growing market for external facade insulation systems.

The purchase price allocation below is provisional. Fair value of the acquired assets and liabilities at the acquisition date were:

| | | |
|---|---|---|
| | | **Unaudited** |
| **DKK million** | | Fair value at the acquisition date |
| | **FAST** | **Troitsk** |
| | **2011** | **2010** |
| Intangible assets | 57 | 0 |
| Tangible assets | 38 | 283 |
| Inventories | 13 | 0 |
| Receivables | 29 | 0 |
| Non-current liabilities | -6 | 0 |
| Current liabilities | -38 | 0 |
| Net assets | 93 | 283 |
| Goodwill | 8 | 0 |
| Paid in cash | 101 | 283 |

In the acquisitions, the Group had transaction costs amounting to DKK 4 million in 2011 (2010: DKK 2 million) relating to legal advisers which is recognised in operational costs in the income statement.