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21 May 2015

Report on the first quarter 2015

ROCKWOOL International A/S

Today the Board of Directors of ROCKWOOL International A/S has approved the following report on the first quarter 2015.

Highlights

- Sales for the first quarter 2015 at actual exchange rates increased 3.1% compared to the same period in 2014, or 3.5% based on comparable exchange rates.
- EBIT end of the first quarter 2015 amounts to EUR 26.1 million which is a decrease of 8.1% compared to the same period in 2014, but an increase of 1.7% based on comparable exchange rates.
- The Group forecast for sales growth for 2015 remains unchanged and is expected to be slightly above 2.5%, based on comparable exchange rates. Net effect on sales from exchange rates as of today is estimated not to be material.
- The Group expects EBIT for the year to be above EUR 150 million.
- Investment expenditure expectation for 2015 remains unchanged around EUR 180 million excluding acquisitions.

Commenting on the Group's performance, CEO Jens Birgersson says:

“The first quarter was another testimony to the success of our system business with double digit growth both in sales and EBIT. I am also pleased with our ability to grow in spite of difficult trading conditions in some of our main markets such as Germany, Russia and France. We will now concentrate our efforts on improving profitability in our insulation business.”

Further information: Gilles Maria, Chief Financial Officer

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Main figures / key figures for the Group

	1 st qtr. 2015	1 st qtr. 2014	Full year 2014
	Unaudited		Audited
Income statement items in EUR million			
Net sales	499.3	484.5	2,180.4
EBITDA	66.2	68.7	311.7
Depreciation, amortisation and write-downs	40.1	40.3	150.3
EBIT	26.1	28.4	161.4
Financial items	-1.8	-1.6	-5.6
Profit before tax	24.6	27.1	157.3
Profit for the period	17.6	19.1	112.6
Balance sheet items in EUR million			
Non-current assets	1,511.5	1,356.3	1,431.2
Current assets	632.9	522.8	559.5
Total assets	2,144.4	1,879.1	1,990.7
Equity	1,377.7	1,271.4	1,303.1
Non-current liabilities	122.9	193.1	121.3
Current liabilities	643.8	414.6	566.3
Other items in EUR million			
Cash flow from operating activities	-4.4	-10.6	205.5
Investments and acquisitions	60.1	60.4	257.3
Free cash flow	-64.5	-71.0	-51.8
Net interest-bearing debt	261.7	79.4	174.7
Number of employees			
Number of employees at end of period	11,034	10,734	11,031
Ratios			
EBIT ratio	5.2%	5.9%	7.4%
Earnings per share of DKK 10 (EUR 1.3)	0.8	0.9	5.2
Earnings per share of DKK 10 (EUR 1.3), diluted	0.8	0.9	5.2
Cash earnings per share of DKK 10 (EUR 1.3)	-0.2	-0.5	9.5
Book value per share of DKK 10 (EUR 1.3)	62.5	57.7	59.1
Return on invested capital	1.8%	2.1%	11.5%
Return on equity	1.3%	1.5%	8.7%
Equity ratio	64.3%	67.7%	65.4%
Financial gearing	0.19	0.06	0.13
Stock market information			
Share capital (EUR million)	29.5	29.5	29.5
Price per A share (EUR)	111.0	140.5	92.6
Price per B share (EUR)	109.0	140.8	93.5
Number of own shares	452,020	437,246	359,456
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 31 March 2015Income statement

The ROCKWOOL Group generated first quarter sales of EUR 499.3 million. This is an increase of 3.1% compared to the same period last year or 3.5% based on comparable exchange rates.

External sales in the Insulation Segment reached EUR 374.9 million in the first quarter which is the same level as last year or an increase of 1.7% based on comparable exchange rates. The Systems Segment's external sales increased by 12.9% to EUR 124.4 million or 9.5% based on comparable exchange rates. The main contributors to this increase were the ROCKFON ceiling business and the GRODAN horticultural business.

First quarter sales in Western Europe increased by 3.7% or 2.8% based on comparable exchange rates. In contrast to a strong 2014 first quarter, the German and French insulation markets are low whereas most other European countries are showing solid signs of recovery.

Eastern European insulation sales decreased 18.9% compared to last year or 3.6% based on comparable exchange rates. While sales in Poland held up well, the decrease was primarily due to lower sales in Russia where difficult market conditions currently prevail. However the profitability forecast for Eastern Europe remains positive.

In North America and Asia, sales continued to make headway with an increase of 22.9% compared to last year or 12.8% at comparable exchange rates, mainly supported by growth in North America while sales in Asia decreased slightly. The new US factory is progressing in line with scheduled operations and delivers the full range of insulation products.

Sales prices have continued to be stable in most countries where the Group operates with the exception of France where sales prices decreased. Input costs have also been stable in the first quarter with a slight reduction in raw materials stemming from lower energy prices.

EBITDA for the first quarter reached EUR 66.2 million corresponding to a ratio of 13.3%. This represents a decrease of 0.9%-points of which 0.7% is related to changes in the exchange rate.

EBIT was recorded at EUR 26.1 million (5.2% EBIT ratio) compared to EUR 28.4 million last year (5.9% EBIT ratio) – a decrease of 8.1%, but based on comparable exchange rates. This represents an increase of 1.7%.

The Insulation Segment EBIT for the first quarter reached EUR 8.7 million which is a decrease of EUR 7.2 million compared to same period in 2014 or EUR 3.9 million based on comparable exchange rates. This decrease is mainly due to negative country mix and sales prices. The Systems Segment generated an EBIT of EUR 17.4 million which is EUR 4.9 million higher than the same period in 2014 with limited exchange rate effect.

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Net financial costs remained unchanged at EUR 1.8 million.

Net profit for the first quarter of 2015 amounted to EUR 17.6 million which is EUR 1.5 million lower than last year.

Cash flow

Cash flow from operations at the end of the first quarter 2015 was EUR -4.4 million which is EUR 6.2 million better than last year.

The net working capital increased EUR 60.6 million in the first quarter of 2015 which is EUR 6.0 million lower than last year, primarily due to increased sales in the latter part of the first quarter partly compensated by a lower planned seasonal inventory compared to last year.

Capital expenditure during the first quarter was EUR 60.1 million, of which EUR 30.6 million was related to capacity expansion, primarily the factory re-engineering projects in Poland, Denmark and the Czech Republic.

Balance sheet

Total assets at end of 2015 first quarter amounted to EUR 2,144.4 million. The equity ratio at the end of the period was 64.3%.

Expectation for 2015

Considering the higher confidence level of most European economies, the Group expects insulation markets here to show signs of improvement over the course of 2015. The new government incentive in France, in force end of 2014, should support this currently difficult market while the uncertainty over government incentives in Germany remains a concern. The somewhat low utilisation of production capacity in the insulation industry in Europe continues to create pressure on sales prices.

In Russia, the current economic situation, including high interest rates, high inflation and low cash availability, is expected to have a continued negative impact for some time. Therefore Group profitability in Russia is forecast to be lower than last year.

Sales in North America are expected to continue a double digit increase, supported by good market conditions and increased interest in the unique properties of stone wool. The green field factory in Mississippi is on target to reach the end of its scheduled running-in period by end 2015.

South East Asian sales are expected to grow while Chinese sales are likely to remain stable despite recent more stringent building regulations regarding the use of non-combustible insulation.

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The Group expects System sales to progress well over the coming months, both in Europe and North America, especially in the ROCKFON ceiling business and GRODAN horticultural substrates.

The Group forecast for sales growth for 2015 remains unchanged and is expected to be slightly above 2.5%, based on comparable exchange rates. Net effect on sales from exchange rates as of today is estimated not to be material.

Input costs are expected to benefit slightly from lower oil prices, but to a lesser extent than previously anticipated, partly due to the lower value of the EUR against the US dollar.

Based on today's exchange rates, the negative currency effect for 2015 is likely to decrease from EUR 15 million to EUR 8 million. Therefore the Group expects the 2015 EBIT to be above EUR 150 million; an improvement compared to the previous forecast.

Investment expenditure in 2015 is still on schedule around EUR 180 million with the rebuilding of the northern Danish and Polish factories proceeding according to plan.

2015 expectation overview

	19 February 2015	21 May 2015
Net sales	Slightly positive including a negative currency effect of 2.5%	Slightly above 2.5% with no material exchange rate effect.
EBIT	Around EUR 150 million	Above EUR 150 million
Investments excl. acquisitions	Around EUR 180 million	Around EUR 180 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 ROCKWOOL Group. Such influences include the global economic environment, interest and exchange rate changes, the availability and price of raw materials, production and distribution-related issues, breach of contract or unexpected termination of contract, price reductions due to market vagaries, market acceptance of new products, launches of competitive products and other unforeseen factors.

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Management statement

The Board of Directors and the Registered Directors have today considered and approved this interim report of ROCKWOOL International A/S for the first quarter 2015.

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.

We believe that the accounting policies applied – which are unchanged from those of the 2014 annual report - are appropriate and that the accounting estimates made are reasonable. In our opinion, this interim report presents a true and fair view of Group assets and liabilities, and the financial position at 31 March 2015 and the result from Group operations and cash flow for the period 1 January – 31 March 2015.

To the best of our knowledge, this management report gives a true and fair overview of Group activities and financial matters, the result for the period and the Groups financial position as a whole as well as an outline of the most significant risks and uncertainties which the Group are facing.

Besides any disclosures herein, there have been no changes in significant risks and uncertainties identified by the Group relative to those disclosed in the consolidated annual report for 2014.

21 May 2015

The Registered Directors

Jens Birgersson

Gilles Maria

Board of Directors

Bjørn Høi Jensen

Carsten Bjerg

Thomas Kähler

Heinz-Jürgen Bertram

Lars Frederiksen

Søren Kähler

Lars Elmekilde Hansen

Dorte Hanne Page Larsen

Connie Enghus Theisen

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Income statement			
EUR million	1 st qtr. 2015	1 st qtr. 2014	Full year 2014
	Unaudited		Audited
Net sales	499.3	484.5	2,180.4
Operating income	501.8	485.8	2,187.1
Operating costs	475.7	457.4	2,025.7
EBITDA	66.2	68.7	311.7
EBIT	26.1	28.4	161.4
Income from investments in associated companies	0.3	0.3	1.5
Financial items	-1.8	-1.6	-5.6
Profit before tax	24.6	27.1	157.3
Tax on profit for the period	7.0	8.0	44.7
Profit for the period	17.6	19.1	112.6
Attributable to:			
Non-controlling interests	0.0	0.0	0.2
Shareholders in the parent company	17.6	19.1	112.4
	17.6	19.1	112.6
Earnings per share of DKK 10 (EUR 1.3)	0.8	0.9	5.2
Earnings per share of DKK 10 (EUR 1.3), diluted	0.8	0.9	5.2
Statement of comprehensive income			
Profit for the period	17.6	19.1	112.6
Items that will not be reclassified to the income statement:			
Actuarial gains and losses of pension obligations	0.0	0.0	-8.8
Tax on other comprehensive income	0.0	0.0	0.2
Items that may be subsequently reclassified to the income statement:			
Exchange rate adjustments of foreign subsidiaries	69.2	-35.6	-63.1
Hedging instruments, value adjustments	-3.6	-0.5	-2.3
Tax on other comprehensive income	0.9	0.1	0.6
Other comprehensive income	66.5	-36.0	-73.4
Comprehensive income for the period	84.1	-16.9	39.2
Attributable to:			
Non-controlling interests	0.1	0.3	0.5
Shareholders in the parent company	84.0	-17.2	38.7
	84.1	-16.9	39.2

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Segment reporting

1 st qtr.	Unaudited						The ROCKWOOL Group	
	Insulation segment		Systems segment		Eliminations		2015	2014
EUR million	2015	2014	2015	2014	2015	2014	2015	2014
External net sales	374.9	374.3	124.4	110.2	0.0	0.0	499.3	484.5
Internal net sales	51.2	46.9	0.0	1.2	-51.2	-48.1	0.0	0.0
Total net sales	426.1	421.2	124.4	111.4	-51.2	-48.1	499.3	484.5
EBIT, segment profit	8.7	15.9	17.4	12.5	0.0	0.0	26.1	28.4
EBIT ratio	2.0%	3.8%	14.0%	11.2%			5.2%	5.9%

Geographical split of external net sales

EUR million	1 st qtr. 2015	1 st qtr. 2014	Full year 2014
Western Europe	307.6	296.6	1,273.0
Eastern Europe including Russia	76.1	93.8	479.2
North America, Asia and others	115.6	94.1	428.2
Total external net sales	499.3	484.5	2,180.4

Balance sheet

EUR million	1 st qtr. 2015	1 st qtr. 2014	Full year 2014
	Unaudited		Audited
Assets			
Intangible assets	158.4	119.8	150.7
Tangible assets	1,265.9	1,148.3	1,185.9
Other financial assets	49.9	50.5	50.5
Deferred tax assets	37.3	37.7	44.1
Total non-current assets	1,511.5	1,356.3	1,431.2
Inventories	198.8	183.0	176.7
Receivables	349.1	334.2	304.4
Cash	85.0	5.6	78.4
Total current assets	632.9	522.8	559.5
Total assets	2,144.4	1,879.1	1,990.7
Equity and liabilities			
Share capital	29.5	29.5	29.5
Foreign currency translation	-80.1	-121.7	-149.2
Proposed dividend	33.4	30.1	33.4
Retained earnings	1,396.8	1,331.7	1,388.7
Hedging	-5.7	-1.7	-3.0
Non-controlling interests	3.8	3.5	3.7
Total equity	1,377.7	1,271.4	1,303.1
Non-current liabilities	122.9	193.1	121.3
Current liabilities	643.8	414.6	566.3
Total liabilities	766.7	607.7	687.6
Total equity and liabilities	2,144.4	1,879.1	1,990.7

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Cash flow statement			
EUR million	1st qtr. 2015	1st qtr. 2014	Full year 2014
	Unaudited		Audited
EBIT	26.1	28.4	161.4
Adjustments for depreciation, amortisation and write-downs	40.1	40.3	150.3
Other adjustments	1.3	-0.6	3.2
Change in net working capital	-60.6	-66.6	-29.7
Cash flow from operations before financial items and tax	6.9	1.5	285.2
Cash flow from operating activities	-4.4	-10.6	205.5
Cash flow from investing activities	-60.1	-60.4	-232.2
Cash flow from acquisitions	0.0	0.0	-25.1
Cash flow from operating and investing activities (free cash flow)	-64.5	-71.0	-51.8
Cash flow from financing activities	-5.3	0.5	-41.6
Change in cash available	-69.8	-70.5	-93.4
Cash available – beginning of period	-139.7	-35.7	-35.7
Exchange rate adjustments	-5.1	1.5	-10.6
Cash available – end of period	-214.6	-104.7	-139.7
Unutilised, committed credit facilities	286.3	362.5	303.2

EUR million	Share capital	Foreign currency translation	Proposed dividend	Retained earnings	Hedging	Non- controlling interests	Total
Equity 1/1 2015	29.5	-149.2	33.4	1,388.7	-3.0	3.7	1,303.1
Profit for the period				17.6		0.0	17.6
Other comprehensive income		69.1			-2.7	0.1	66.5
Comprehensive income for the period	0.0	69.1	0.0	17.6	-2.7	0.1	84.1
Sale and purchase of own shares				-9.8			-9.8
Expensed value of options issued				0.3			0.3
Dividend paid to the shareholders							0.0
Equity 1stqtr. 2015	29.5	-80.1	33.4	1,396.8	-5.7	3.8	1,377.7
Equity 1/1 2014	29.5	-85.8	30.1	1,308.1	-1.3	3.2	1,283.8
Profit for the period				19.1			19.1
Other comprehensive income		-35.9			-0.4	0.3	-36.0
Comprehensive income for the period	0.0	-35.9	0.0	19.1	-0.4	0.3	-16.9
Sale and purchase of own shares				4.0			4.0
Expensed value of options issued				0.5			0.5
Dividend paid to the shareholders							0.0
Equity 1stqtr. 2014	29.5	-121.7	30.1	1,331.7	-1.7	3.5	1,271.4

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Main figures in DKK million:	1st qtr.	1st qtr.	Full year
	2015	2014	2014
	Unaudited		Audited
Net sales	3,720	3,616	16,255
Depreciation, amortisation and write-downs	299	300	1,121
EBIT	194	212	1,203
Profit before tax	183	203	1,173
Profit for the period	131	143	839
Total assets	16,019	14,029	14,855
Equity	10,291	9,492	9,702
Cash flow (from operating activities)	-33	-80	1,532
Investments and acquisitions	449	450	1,918
Exchange rate	7.47	7.47	7.45