

24 August 2018

Upgrade of sales forecast for full year after strong H1 performance



“Our half-year results show solid improvement on both sales and profitability, underlining strengthened performance towards customers and growing market demand for our non-combustible insulation and other stone wool products. With sales up in all regions, ROCKWOOL’s 11,000 highly dedicated and committed employees are the driving force behind these positive results”.

CEO Jens Birgersson

Highlights

- H1 2018 sales reached EUR 1,270 million, a growth of 16.9 percent in local currencies including acquisitions, which contributed three percentage points. The negative currency impact was three percentage points.
- In Q2 2018, sales increased 17.3 percent in local currencies and reached EUR 667 million.
- EBIT in H1 2018 ended at EUR 161 million, an increase of 47 percent, with a 12.7 percent EBIT margin, up 2.9 percentage points from H1 last year.
- EBIT in Q2 2018 reached EUR 91 million, an increase of 43 percent and an EBIT margin of 13.6 percent, up 2.7 percentage points from Q2 last year.
- Investments in the first half of 2018 reached EUR 89 million, up EUR 26 million compared to last year, primarily due to ongoing capacity expansions in Poland and the United States.
- Annualised return on invested capital reached 20.6 percent compared to 16.3 percent last year, driven by higher operational earnings.

Outlook 2018

- Growth in net sales is expected to reach 13-15 percent in local currencies, including around 2-3 percent from the acquisition of Flumroc (as announced on 13 August 2018).
- EBIT margin is expected to reach around 13 percent.
- Investment level excluding acquisitions is expected to be around EUR 260 million.

Conference call

The ROCKWOOL Group will host an earning call on 24 August 2018 at 11.00 CET. To attend the conference call dial +4570223500, +44(0)2075721187 or +1 6467224972. Passcode 55414742#. The conference call will be transmitted live on www.rockwoolgroup.com

Main figures / key figures for the Group

	Unaudited			Audited	
	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Income statement (EURm)					
Net sales	667	584	1,270	1,118	2,374
EBITDA	132	103	244	189	417
Depreciation, amortisation and write-downs	41	40	83	80	160
EBIT	91	64	161	110	258
Profit before tax	86	63	155	106	275
Profit for the period	69	47	123	79	214
Balance sheet (EURm)					
Non-current assets			1,370	1,358	1,383
Current assets			862	626	781
Total assets			2,232	1,984	2,164
Equity			1,732	1,533	1,685
Non-current liabilities			138	140	122
Current liabilities			363	311	358
Net interest-bearing cash/(debt)			202	85	241
Net working capital			292	241	190
Invested capital			1,547	1,457	1,452
Cash flow (EURm)					
Cash flow from operating activities	101	92	99	76	332
Investments and acquisitions	39	28	72	63	165
Free cash flow	62	64	28	13	167
Others					
Number of employees at end of period			11,253	10,626	11,046
Ratios					
EBITDA margin	19.9%	17.7%	19.2%	16.9%	17.6%
EBIT margin	13.6%	10.9%	12.7%	9.8%	10.8%
Return on invested capital (rolling 4 quarters)			20.6%	16.3%	17.9%
Return on equity (rolling 4 quarters)			15.8%	11.7%	13.3%
Equity ratio			77.4%	77.3%	77.5%
Share information (DKK)					
Earnings per share	23.3	15.7	41.7	26.7	72.9
Cash flow per share	34.3	31.0	33.9	26.2	114
Book value per share			586	518	569
Share capital (million)			220	220	220
Price per A share			2,177	1,370	1,594
Price per B share			2,472	1,437	1,752
Market cap (million)			50,572	30,493	36,367
Number of own shares			134,465	230,560	206,840

For a definition of key figures and ratios, please refer to page 101 of the ROCKWOOL Group Annual Report 2017.

Management report for the period 1 January to 30 June 2018

Global sales development

ROCKWOOL Group has had a busy first half of 2018, with positive sales development and healthy growth in earnings. The increase in sales has been driven by improved market conditions and an increased demand for non-combustible insulation products. The construction activities have remained high in most of our geographies and servicing customer requests has as expected led to some increase in costs.

In the first half of 2018, the ROCKWOOL Group generated net sales of EUR 1,270 million, an increase of 16.9 percent in local currencies including three percent growth from the Flumroc acquisition. Foreign exchange rates had a negative impact of 3.4 percentage points on the increase, primarily due to last year's development of the Russian Rouble and the U.S. and Canadian dollars. This brings the sales growth to 13.5 percent in reported figures.

**Group sales
+16.9%**

In Q2 2018, net sales amounted to EUR 667 million, an increase of 17.3 percent in local currencies, with 3.4 percent growth from the Flumroc acquisitions.

During the first half year, 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.

Regional sales development

In the first half of the year, sales in Western Europe reached EUR 763 million, an increase of 19.7 percent in local currencies and 18.8 percent in reported figures due to a small negative currency effect. Excluding Flumroc, sales improved 14.1 percent in local currencies compared to last year. Growth was seen in all key markets, and especially Germany, France and the UK continued performing well. In Q2 2018, sales in Western Europe increased 21.1 percent in local currencies and reached EUR 397 million (20.2 percent in reported figures).

**Sales in Western Europe
+19.7%**

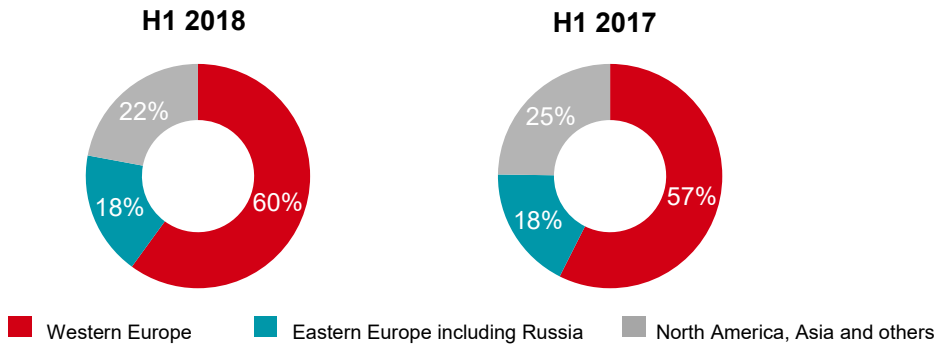
In Eastern Europe, sales reached EUR 227 million for the first half, up 19.1 percent in local currencies and 14.0 percent in reported figures, where most significant markets delivered double-digit growth, with Poland as a significant driver. Russia continues the good development and experienced good sales growth in Q2 after a long winter. In Q2 2018, sales in Eastern Europe increased 17.9 percent in local currencies and reached EUR 126 million (11.0 percent in reported figures).

**Sales in Eastern Europe
+19.1%**

In the rest of the world, sales in the first half of the year continued to show positive development and reached EUR 280 million, an increase of 8.3 percent in local currencies, especially North America and China contributed positively. In reported figures, sales in H1 grew only 1.1 percent due to negative currency impact from North America. In Q2 2018, the sales amounted to EUR 144 million, up 7.1 percent in local currencies (2.4 percent in reported figures).

**Sales in rest of the world
+8.3%**

Regional sales



Group profitability

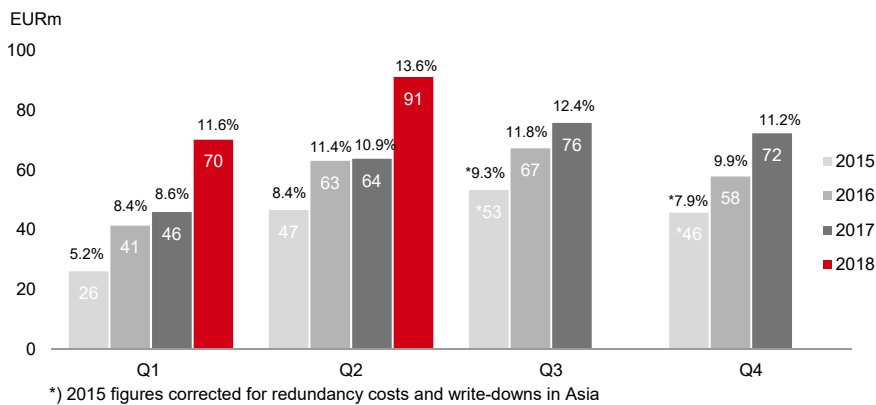
EBITDA for first half of the year increased by 29 percent to EUR 244 million resulting in an EBITDA margin of 19.2 percent compared to 16.9 percent for same period last year with limited currency impact. The EBITDA increase is mainly due to better contribution margin from higher sales prices, which together with good factory productivity has more than offset the pressure from input costs and a negative impact from product mix. In Q2 2018, EBITDA amounted to EUR 132 million, up 28 percent, with an EBITDA margin of 19.9 percent.

EBITDA margin
+2.3 %-points

EBIT for the first half of 2018 increased by 47 percent and reached EUR 161 million, corresponding to a 12.7 percent EBIT margin – an increase of 2.9 percentage points. EBIT for Q2 2018 was EUR 91 million equal to an EBIT margin of 13.6 percent for the period up 2.7 percentage points from Q2 last year.

EBIT margin
+2.9 %-points

EBIT & EBIT MARGIN



The effective tax rate was 20.5 percent for the first half year, a decrease of 1.9 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 half of 2018 amounted to EUR 123 million, which is an improvement of EUR 44 million compared to last year. The net profit for Q2 2018 amounted to EUR 69 million.

Cash flow and balance sheet

Cash flow from operations before financial items and tax in the first half of 2018 was EUR 147 million, which is EUR 44 million higher than the same period last year. The increase comes mainly from higher earnings.

Operational cash flow before
financial items and tax
+44 mEUR

Net working capital amounted to EUR 292 million, an increase of EUR 51 million from the first half of 2017 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 11.6 percent and 1 percentage point higher than last year.

Capital expenditure during the first half of 2018 was EUR 89 million compared to EUR 63 million last year. The capital expenditure was partly offset by sales of listed securities in Flumroc amounting to EUR 17 million. The largest individual investments in 2018 relate to the upgrade of one of the factories in Poland and the ongoing factory project in the United States (West Virginia).

Free cash flow at EUR 28 million increased by EUR 14 million end of first half compared to same period last year.

Free cash flow
+14 mEUR

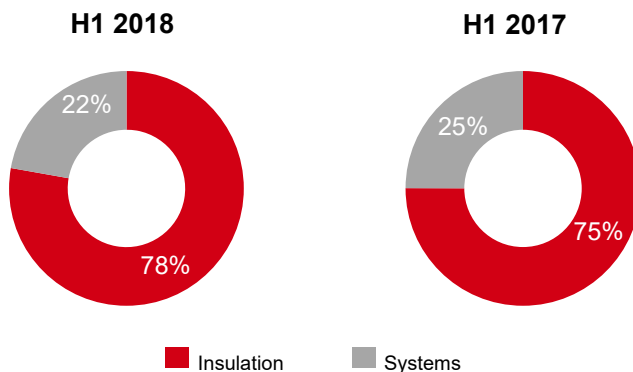
Annualised return on invested capital was 20.6 percent compared to 16.3 percent for the same period last year, driven by improved profitability.

ROIC
+4.3%-points

Total assets at the end of the first half of 2018 amounted to EUR 2,232 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			YTD	
	Q2 2018	Q2 2017	Q2 2018	Q2 2017
External net sales	520	441	988	839
EBIT	71	43	125	70
EBIT margin	12.5%	8.7%	11.5%	7.5%

Sales for the first half of 2018 in the Insulation segment reached EUR 988 million, which is an increase of 21.0 percent in local currencies. Acquisitions contributed four percentage points of the growth. In reported figures, the total growth was 17.7 percent. The increase was mainly carried by the building insulation segment across Europe and North America. In Q2 2018, sales increased 21.3 percent in local currencies, and reached EUR 520 million.

Insulation sales
+21.0%

The Insulation segment EBIT for the first half of 2018 reached EUR 125 million with an EBIT margin of 11.5 percent, an increase of 4.0 percentage points compared to the same period last year, with most markets contributing positively. In Q2 2018, EBIT reached EUR 71 million and an EBIT margin of 12.5 percent, up 3.8 percentage points from last year.

Insulation EBIT margin
+4.0 %-points

Key figures System segment

EURm			YTD	
	Q2 2018	Q2 2017	Q2 2018	Q2 2017
External net sales	147	144	282	279
EBIT	20	21	36	39
EBIT margin	13.9%	14.5%	12.8%	14.0%

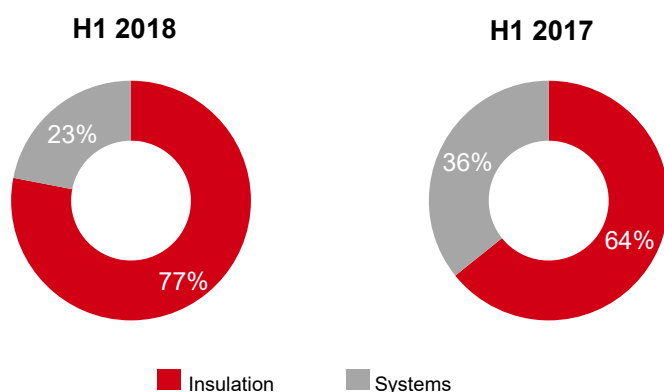
The System segment's sales in the first half of 2018 amounted to EUR 282 million, which is an increase of 4.5 percent in local currencies and one percent in reported figures. In Q2 2018, sales amounted to EUR 147 million, up 4.9 percent in local currencies from last year, which is a modest improvement from the previous quarter as Rockfon started to deliver higher growth and the market conditions for Grodan has stabilised.

Systems sales
+4.5%

The System segment generated an EBIT of EUR 36 million with an EBIT margin of 12.8 percent. This is 1.2 percentage points lower than in 2017, and relates mainly to the decrease in Grodan. In Q2 2018, EBIT amounted to EUR 20 million with an EBIT margin of 13.9 percent, slightly below last year but an improvement from last quarter.

Systems EBIT margin
-1.2 %-points

EBIT per business



Outlook for the full year 2018

- Growth in net sales is expected to reach 13-15 percent in local currencies, including around 2-3 percent from the acquisition of Flumroc (as announced on 13 August 2018).
- EBIT margin is expected to reach around 13 percent.
- Investment level excluding acquisitions is expected around EUR 260 million.

2018 outlook overview

	8 February 2018	30 April 2018	18 May 2018	13 August 2018	24 August 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	Growth of 13-15 percent in local currencies, including around 2-3 percent from Flumroc	Growth of 13-15 percent in local currencies, including around 2-3 percent from Flumroc
EBIT margin	At least 11 percent	Around 13 percent	Around 13 percent	Around 13 percent	Around 13 percent
Investments excluding acquisitions	Around EUR 230 million	Around EUR 230 million	Around EUR 260 million	Around EUR 260 million	Around EUR 260 million

Further information:

Kim Junge Andersen, Chief Financial Officer
 ROCKWOOL International A/S
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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 half year 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 30 June 2018 and the result from Group's operations and cash flow for the period 1 January to 30 June 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.

24 August 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

EURm	Unaudited				Audited
	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Net sales	666.7	584.2	1,269.9	1,118.4	2,373.9
Other operating income	0.2	1.1	2.2	3.9	8.9
Operating income	666.9	585.3	1,272.1	1,122.3	2,382.8
Raw material costs and Production material costs	223.1	204.9	421.3	388.5	816.0
Delivery costs and indirect costs	93.9	80.1	176.4	157.3	330.0
Other external costs	56.6	57.6	113.4	107.8	235.0
Personnel costs	161.0	139.5	316.6	279.2	584.8
Operating costs	534.6	482.1	1,027.7	932.8	1,965.8
EBITDA	132.3	103.2	244.4	189.5	417.0
Depreciation, amortisation and write-downs	41.4	39.5	83.4	79.9	159.5
EBIT	90.9	63.7	161.0	109.6	257.5
Income from investments in associated companies	0.0	0.2	0.0	0.5	28.6
Financial items	-4.8	-1.2	-6.3	-3.7	-11.1
Profit before tax	86.1	62.7	154.7	106.4	275.0
Tax on profit for the period	17.3	16.2	31.7	27.6	61.5
Profit for the period	68.8	46.5	123.0	78.8	213.5
Attributable to:					
Non-controlling interests	0.0	0.0	0.0	0.0	0.2
Shareholders of ROCKWOOL International A/S	68.8	46.5	123.0	78.8	213.3
	68.8	46.5	123.0	78.8	213.5
Earnings per share of DKK 10 (EUR 1.3)	3.1	2.1	5.6	3.6	9.8
Earnings per share of DKK 10 (EUR 1.3), diluted	3.1	2.1	5.6	3.6	9.8

Statement of comprehensive income

EURm	Unaudited				Audited
	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Profit for the period	68.8	46.5	123.0	78.8	213.5
Items that will not be reclassified to the income statement:					
Actuarial gains and losses of pension obligations	0.0	0.0	0.0	0.0	11.7
Tax on other comprehensive income	0.0	0.0	0.0	0.0	-0.4
Items that may be subsequently reclassified to the income statement:					
Exchange rate adjustments of foreign subsidiaries	3.1	-44.6	-13.2	-31.1	-32.1
Hedging instruments, value adjustments	0.8	0.2	2.3	-0.4	-0.9
Tax on other comprehensive income	-0.1	0.0	-0.4	0.1	1.6
Other comprehensive income	3.8	-44.4	-11.3	-31.4	-20.1
Comprehensive income for the period	72.6	2.1	111.7	47.4	193.4
Attributable to:					
Non-controlling interests	0.0	0.0	0.0	0.0	0.2
Shareholders of ROCKWOOL International A/S	72.6	2.1	111.7	47.4	193.2
	72.6	2.1	111.7	47.4	193.4

Segment and sales reporting

EURm	Unaudited							
	Insulation segment		Systems segment		Eliminations		The ROCKWOOL Group	
	2018	2017	2018	2017	2018	2017	2018	2017
External net sales	987.8	839.2	282.1	279.2	0.0	0.0	1,269.9	1,118.4
Internal net sales	96.5	98.6	0.0	0.0	-96.5	-98.6	0.0	0.0
Total net sales	1,084.3	937.8	282.1	279.2	-96.5	-98.6	1,269.9	1,118.4
EBIT	124.8	70.4	36.2	39.2	0.0	0.0	161.0	109.6
<i>EBIT margin</i>	11.5%	7.5%	12.8%	14.0%			12.7%	9.8%
Goods transferred at a point in time	987.8	839.2	282.1	279.2			1,269.9	1,118.4

Geographical split of external net sales

EURm	Q2 2018		Q2 2017		FY 2017
	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	
Western Europe	397.2	330.6	762.6	642.0	1,381.0
Eastern Europe including Russia	125.9	113.4	227.4	199.5	439.3
North America, Asia and others	143.6	140.2	279.9	276.9	553.6
Total external net sales	666.7	584.2	1,269.9	1,118.4	2,373.9

Balance sheet

(condensed)	Unaudited		Audited
EURm	Q2 2018	Q2 2017	FY 2017
Assets			
Intangible assets	164.0	139.6	183.3
Tangible assets	1,168.8	1,118.1	1,154.2
Other financial assets	6.4	50.7	6.8
Deferred tax assets	30.8	49.9	39.0
Total non-current assets	1,370.0	1,358.3	1,383.3
Inventories	237.9	198.2	197.7
Receivables	420.1	338.7	338.6
Cash	204.1	89.1	244.5
Total current assets	862.1	626.0	780.8
Total assets	2,232.1	1,984.3	2,164.1
Equity and liabilities			
Share capital	29.5	29.5	29.5
Foreign currency translation	-148.8	-134.6	-135.6
Proposed dividend	0.0	0.0	71.1
Retained earnings	1,844.2	1,634.0	1,710.8
Hedging	3.3	0.4	1.4
Non-controlling interests	3.6	3.8	7.3
Total equity	1,731.8	1,533.1	1,684.5
Non-current liabilities	137.5	139.8	121.6
Current liabilities	362.8	311.4	358.0
Total liabilities	500.3	451.2	479.6
Total equity and liabilities	2,232.1	1,984.3	2,164.1

Cash flow statement

(condensed) EURm	Unaudited				Audited
	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
EBIT	90.9	63.7	161.0	109.6	257.5
Adjustments for depreciation, amortisation and write-downs	41.4	39.5	83.4	79.9	159.5
Other adjustments	4.7	-0.3	6.5	-3.7	-3.4
Change in net working capital	-24.7	-5.9	-104.0	-82.5	-20.1
Cash flow from operations before financial items and tax	112.3	97.0	146.9	103.3	393.5
Cash flow from operating activities	101.2	91.6	99.2	76.4	332.2
Cash flow from investing activities	-39.0	-27.8	-71.5	-63.0	-129.7
Cash flow from acquisitions	0.0	0.0	0.0	0.0	-35.3
Cash flow from operating and investing activities (free cash flow)	62.2	63.8	27.7	13.4	167.2
Cash flow from financing activities	-66.5	-50.6	-65.0	-51.2	-49.0
Change in cash available	-4.3	13.2	-37.3	-37.8	118.2
Cash available – beginning of period	212.8	71.1	242.9	119.1	119.1
Exchange rate adjustments	-5.7	3.4	-2.8	6.4	5.6
Cash available – end of period	202.8	87.7	202.8	87.7	242.9
Unutilised, committed credit facilities			429.3	430.3	429.8

Statement of changes in the equity

EURm	Unaudited							
	Share capital	Foreign currency translation	Proposed dividend	Retained earnings	Hedging	Equity before non-controlling interests	Non-controlling interests	Total
Equity 1/1 2018	29.5	-135.6	71.1	1,710.8	1.4	1,677.2	7.3	1,684.5
Profit for the period				123.0		123.0		123.0
Other comprehensive income		-13.2			1.9	-11.3		-11.3
Comprehensive income for the period	0.0	-13.2	0.0	123.0	1.9	111.7	0.0	111.7
Sale and purchase of own shares				5.9		5.9		5.9
Expensed value of options/RsUs issued				3.9		3.9		3.9
Transactions non-controlling interests						0.0	-3.7	-3.7
Dividend paid to the shareholders			-71.1	0.6		-70.5		-70.5
Equity Q2 2018	29.5	-148.8	0.0	1,844.2	3.3	1,728.2	3.6	1,731.8
Equity 1/1 2017	29.5	-103.5	55.6	1,549.8	0.7	1,532.1	3.8	1,535.9
Profit for the period				78.8		78.8		78.8
Other comprehensive income		-31.1			-0.3	-31.4		-31.4
Comprehensive income for the period	0.0	-31.1	0.0	78.8	-0.3	47.4	0.0	47.4
Sale and purchase of own shares				3.9		3.9		3.9
Expensed value of options/RsUs issued				0.8		0.8		0.8
Dividend paid to the shareholders			-55.6	0.7		-54.9		-54.9
Equity Q2 2017	29.5	-134.6	0.0	1,634.0	0.4	1,529.3	3.8	1,533.1

Main figures in DKK million

	Unaudited				Audited
	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	FY 2017
Net sales	4,967	4,344	9,460	8,317	17,659
Depreciation, amortisation and write-downs	308	294	621	594	1,187
EBIT	677	474	1,199	815	1,916
Profit before tax	642	466	1,153	791	2,046
Profit for the period	513	346	916	586	1,588
Total assets			16,635	14,756	16,111
Equity			12,907	11,401	12,541
Cash flow from operating activities	754	681	739	568	2,471
Investments and acquisitions	291	207	533	469	1,227
Exchange rate	7.45	7.44	7.45	7.44	7.44

Accounting policies

The interim report 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 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.