

Release no. 06 – 2014
Report on first half-year 2014
To NASDAQ OMX Nordic Exchange
Copenhagen A/S

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20 August 2014

Report on first half-year 2014
for ROCKWOOL International A/S

Today the Board of ROCKWOOL International A/S has discussed and approved the following report on first half-year 2014.

Highlights

- Sales accumulated end of first half-year 2014 at actual exchange rates increased 12% compared to the same period in 2013 or 8% like-for-like (comparable structure and exchange rates).
- EBIT end of first half-year 2014 amounts to EUR 75.8 million which is an increase of 28% compared to the same period in 2013. The acquisitions have no significant impact on the EBIT end of first half-year.
- The Group re-confirms its expectations for 2014 net sales at comparable exchange rates to increase by 12% compared to last year and by 5% like-for-like.
- The Group's expectations for net profit for the year 2014 are unchanged around EUR 127 million.
- Investment expenditure is now expected to be in the range of EUR 220-240 million excluding acquisitions (versus previous expectation of EUR 188 million).

Further information: Gilles Maria, Chief Financial Officer

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Main figures / key figures for the Group

	2 nd qtr. 2014	2 nd qtr. 2013	Acc. 2 nd qtr. 2014	Acc. 2 nd qtr. 2013	Full year 2013
	Unaudited				Audited
Income statement items in EUR million					
Net sales	547.9	495.7	1,032.4	918.3	2,002.8
EBITDA	84.5	75.7	153.2	131.2	313.2
Depreciation, amortisation and write-downs	37.1	37.2	77.4	72.2	144.3
EBIT	47.4	38.6	75.8	59.0	168.9
Financial items	-1.4	-2.1	-3.0	-4.2	-6.2
Profit before tax	46.3	36.8	73.5	55.6	164.2
Profit for the period	33.4	26.0	52.6	39.2	115.7
Balance sheet items in EUR million					
Non-current assets			1,431.8	1,249.3	1,371.2
Current assets			586.3	527.3	485.7
Total assets			2,018.1	1,776.6	1,856.9
Equity			1,314.4	1,232.6	1,283.8
Non-current liabilities			198.7	145.3	134.1
Current liabilities			505.0	398.7	439.0
Other items in EUR million					
Cash flow from operating activities	45.0	51.9	34.4	47.7	252.8
Investments and acquisitions	68.2	45.7	128.6	79.4	265.3
Free cash flow	-23.2	6.2	-94.2	-31.6	-12.5
Net interest-bearing debt			137.2	78.2	100.3
Number of employees					
Number of employees at end of period			10,880	9,887	10,562
Ratios					
Profit ratio			7%	6%	8%
Earnings per share of DKK 10 (EUR 1.3)			2.4	1.8	4.8
Earnings per share of DKK 10 (EUR 1.3), diluted			2.4	1.8	4.8
Cash earnings per share of DKK 10 (EUR 1.3)			1.6	2.2	11.0
Book value per share of DKK 10 (EUR 1.3)			59.6	55.9	57.4
Return on invested capital			6%	5%	13%
Return on equity			4%	3%	9%
Equity ratio			65%	69%	69%
Financial gearing			0.10	0.04	0.08
Stock market information					
Share capital (EUR million)			29.5	29.5	29.5
Price per A share (EUR)			134.9	108.5	128.2
Price per B share (EUR)			134.7	106.6	128.2
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 June 2014Income statement

The ROCKWOOL Group generated sales in the first half-year 2014 of EUR 1,032.4 million which is an increase of 12% compared to the same period last year or 8% like-for-like (comparable structure and exchange rates). Included in the 12% is a negative exchange rate effect of 4.5%.

Sales in the second quarter increased 11% compared to same period last year or 5% like-for-like, more in line with the general market development after a very good first quarter positively impacted by favourable weather conditions in Europe.

External sales in the Insulation Segment reached EUR 802.2 million first half-year which is an increase of 7% compared to last year (or 3% excluding the acquisition effect) while Systems Segment's external sales increased by 39% to EUR 230.2 million or 6% excluding the acquisition effect.

Sales in first half of 2014 in Western Europe increased by 8% (0.4% excluding the acquisition effect) compared to same period in 2013. Especially the Benelux and French markets experienced difficult conditions.

The Eastern European insulation sales increased 12% compared to last year primarily due to a continued positive development in Russia and a good market recovery in Poland, although significantly and negatively impacted by exchange rate developments in Russia and Ukraine.

Sales in North America increased satisfactorily considering the severe weather conditions during first quarter. The South East Asian region performed well.

The integration of the two new businesses, Chicago Metallic and HECK Wall Systems, is progressing according to plan and is expected to be concluded by year-end. Sales in the second quarter for mentioned activities were in line with plan and has increased compared to the same period last year.

Sales prices have continued to be stable in most countries where the Group operates. Overall, input prices had a slightly negative impact compared to the same period last year.

EBITDA for the first half of 2014 reached EUR 153.2 million corresponding to a ratio of 14.8% which represents an improvement of 0.5%-point. Due to a reassessment of the main risks, legal disputes and restructuring plans a net cost of EUR 2.7 million was included in the second quarter 2014.

EBIT was recorded at EUR 75.8 million – an increase of 28% compared to same period last year.

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Insulation segment EBIT for the half-year reached EUR 46.9 million which is an increase of EUR 9.6 million compared to same period in 2013. Systems Segment generated an EBIT of EUR 28.9 million which is EUR 7.2 million higher than the same period in 2013. The segment accounts have been redefined to fit with the improved internal management follow-up giving a better operational understanding of the two segments. Parent company costs are now allocated to the business segments where they are consumed.

Net financial costs ended at EUR 3.0 million which is EUR 1.2 million lower than last year.

Net profit for the first half-year 2014 amounted to EUR 52.6 million which is EUR 13.4 million higher than last year.

Cash flow

Cash flow from operations end of first half-year 2014 was recorded at EUR 34.4 million which is EUR 13.3 million below same period last year.

Working capital increased by EUR 97.6 million in first half-year 2014 (versus end of 2013) as a consequence of increased sales resulting in higher debtor level and a planned seasonal stock significantly higher than in 2013.

Capital expenditure end of first half-year 2014 was EUR 128.6 million of which EUR 73.8 million were related to capacity expansion projects; primarily for the new green field insulation factory in the USA and the factory re-engineering projects in Poland, Denmark and the Czech Republic.

Balance sheet

Total assets end of first half-year 2014 amounted to EUR 2,018.1 million. The equity ratio at the end of the period was 65%.

Expectations for 2014

The first half of 2014 confirmed the signs of a moderate recovery in Europe. The Group expects market conditions to remain overall at the same level however with a slight downturn in France. Sales prices in Europe are overall expected to be kept at the current level, although some European markets will experience a decrease. Despite the Ukrainian crisis, the short term conditions for the Russian insulation market are expected to remain positive with unchanged expectations for this year. The Polish market which has performed well in the first half-year is expected to normalise in the coming quarters.

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In North America, market conditions are expected to remain buoyant. The green field factory in Mississippi, USA, has recently been commissioned and will provide ample capacity to support our ambitious growth targets for the coming years.

Benefits and synergies coming from the integration of CMC and HECK are materialising gradually as planned.

Sales development in South Asia is expected to remain positive.

The Group re-confirms its expectation for 2014 of net sales at comparable exchange rates to increase by 12% compared to last year and by 5% excluding acquisitions. Assuming main exchange rates of importance to the Group will stabilise at their current level, the negative effect on the Group net sales for 2014 will be around 3%.

Raw material and energy prices have stabilised at a relatively high level and the Group expects this to continue for some more quarters.

The Group expects its planned tax rate for 2014 to decrease by 1%-point to 28.5%.

Expectation for net profit for the year 2014 is unchanged around EUR 127 million.

Investment expenditure is now expected to be in the range of EUR 220-240 million excluding acquisitions (versus previous expectation of EUR 188 million) as a consequence of deviations and timing adjustments for some of the major capacity projects as well as unplanned new investment opportunities.

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 first half-year 2014.

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 2013 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 June 2014 and of the result of the Group's operations and cash flow for the period 1 January - 30 June 2014.

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.

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 2013.

20 August 2014

Management Board

Eelco van Heel Gilles Maria

Board

Bjørn Høi Jensen Carsten Bjerg Thomas Kähler

Heinz-Jürgen Bertram Lars Frederiksen Lars Elmekilde Hansen

Søren Kähler Dorte Page Connie Enghus Theisen

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Income statement					
EUR million	2 nd qtr.	2 nd qtr.	Acc.	Acc.	Full year
	2014	2013	2 nd qtr.	2 nd qtr.	
	Unaudited				Audited
Net sales	547.9	495.7	1,032.4	918.3	2,002.8
Operating income	550.5	501.0	1,036.3	930.1	2,028.4
Operating costs	503.1	462.4	960.5	871.1	1,859.5
EBITDA	84.5	75.7	153.2	131.2	313.2
Operating profit before financial items (EBIT)	47.4	38.6	75.8	59.0	168.9
Income from investments associated companies after tax	0.3	0.3	0.7	0.8	1.5
Financial items	-1.4	-2.1	-3.0	-4.2	-6.2
Profit before tax	46.3	36.8	73.5	55.6	164.2
Tax on profit for the period	12.9	10.8	20.9	16.4	48.5
Profit for the period	33.4	26.0	52.6	39.2	115.7
Attributable to:					
Minority interests	0.1	0.0	0.1	0.0	0.1
Shareholders in the parent company	33.3	26.0	52.5	39.2	115.6
Profit for the period after minority interests	33.4	26.0	52.6	39.2	115.7
Earnings per share of DKK 10			2.4	1.8	4.8
Earnings per share of DKK 10, diluted			2.4	1.8	4.8
Statement of comprehensive income					
Profit for the period	33.4	26.0	52.6	39.2	115.7
Items that may not be reclassified to the income statement					
Actuarial gains and losses of pension obligations	0.0	0.0	0.0	0.0	2.1
Tax on actuarial gains and losses of pension obligations	0.0	0.0	0.0	0.0	-0.8
Items that may be reclassified to the income statement					
Exchange rate adjustments of foreign subsidiaries	37.2	-28.3	1.6	-31.6	-68.4
Hedging instruments, value adjustments	0.3	-0.9	-0.1	0.4	2.7
Tax on other comprehensive income	0.0	0.3	0.0	0.0	-0.8
Other comprehensive income	37.5	-28.9	1.5	-31.2	-65.2
Comprehensive income for the period	70.9	-2.9	54.1	8.0	50.5
Attributable to:					
Minority interests	0.1	0.0	0.8	0.0	-0.1
Shareholders in the parent company	70.8	-2.9	53.3	8.0	50.6
	70.9	-2.9	54.1	8.0	50.5

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Segment reporting

Unaudited								
Acc. 2 nd qtr.	Insulation segment		Systems segment		Eliminations		The ROCKWOOL Group	
EUR million	2014	2013	2014	2013	2014	2013	2014	2013
External net sales	802.2	752.2	230.2	166.1	0	0	1,032.4	918.3
Internal net sales	103.0	93.5	1.5	0	-104.5	-93.5	0	0
Total net sales	905.2	845.7	231.7	166.1	-104.5	-93.5	1,032.4	918.3
EBIT	46.9	37.3	28.9	21.7	0	0	75.8	59.0
EBIT ratio	5.2%	4.4%	12.5%	13.1%			7.3%	6.4%

The segment accounts have been redefined to fit with the improved internal management follow-up giving a better operational understanding of the two segments. Parent company costs are now allocated to the business segments where they are consumed. Comparative figures have been changed.

Geographical split of external net sales

EUR million	2 nd qtr. 2014	2 nd qtr. 2013	Acc. 2 nd qtr. 2014	Acc. 2 nd qtr. 2013	Full year 2013
Western Europe	315.1	301.0	611.7	566.4	1,187.7
Eastern Europe including Russia	126.0	118.1	219.8	196.1	475.1
North America, Asia and others	106.8	76.6	200.9	155.8	340.0
Total external net sales	547.9	495.7	1,032.4	918.3	2,002.8

Balance sheet

EUR million	2 nd qtr. 2014	2 nd qtr. 2013	Full year 2013
	Unaudited		Audited
Assets			
Intangible assets	147.2	74.5	120.3
Tangible assets	1,199.8	1,088.0	1,131.6
Other financial assets	51.7	49.9	83.9
Deferred tax assets	33.1	36.9	35.4
Total non-current assets	1,431.8	1,249.3	1,371.2
Inventories	200.5	175.4	161.7
Receivables	322.8	289.3	256.7
Cash	63.0	62.6	67.3
Total current assets	586.3	527.3	485.7
Total assets	2,018.1	1,776.6	1,856.9
Equity and liabilities			
Share capital	29.5	29.5	29.5
Hedging	-1.4	-2.8	-1.3
Foreign currency translation	-85.0	-49.2	-85.9
Proposed dividend	0.0	0.0	30.0
Retained earnings	1,367.3	1,251.9	1,308.3
Minority interests	4.0	3.2	3.2
Total equity	1,314.4	1,232.6	1,283.8
Non-current liabilities	198.7	145.3	134.1
Current liabilities	505.0	398.7	439.0
Total liabilities	703.7	544.0	573.1
Total equity and liabilities	2,018.1	1,776.6	1,856.9

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EUR million			Acc.	Acc.	Full year 2013
	2 nd qtr. 2014	2 nd qtr. 2013	2 nd qtr. 2014	2 nd qtr. 2013	
	Unaudited				Audited
Operating profit before financial items	47.4	38.6	75.8	59.0	168.9
Adjustments for depreciation, amortisation and write-downs	37.1	37.2	77.4	72.2	144.3
Other adjustments	7.1	0.8	6.4	1.6	3.2
Change in net working capital	-31.0	-6.5	-97.6	-59.4	-1.6
Cash flow from operations before financial items and tax	60.6	70.1	62.0	73.4	314.8
Cash flow from operating activities	45.0	51.9	34.4	47.7	252.8
Cash flow from investing activities	-68.2	-45.7	-128.6	-79.4	-216.8
Cash flow from acquisitions	0.0	0.0	0.0	0.0	-48.5
Cash flow from operating and investing activities (free cash flow)	-23.2	6.2	-94.2	-31.7	-12.5
Cash flow from financing activities	-33.1	-40.5	-32.6	-51.0	-49.6
Change in cash available	-56.3	-34.3	-126.8	-82.7	-62.1
Cash available – beginning of period	-104.7	-24.4	-35.7	25.3	25.3
Business combinations		0.0		0.0	0.0
Exchange rate adjustments	-3.9	1.0	-2.4	-0.3	1.1
Cash available – end of period	-164.9	-57.7	-164.9	-57.7	-35.7
Unutilised, committed credit facilities			397.3	418.4	417.1

Statement of changes in equity

EUR million	Unaudited						Total
	Share capital	Hedging	Proposed dividend	Foreign currency translation	Retained earnings	Minority interests	
Equity 1/1 2014	29.5	-1.3	30.0	-85.9	1,308.3	3.2	1,283.8
Profit for the period					52.5	0.1	52.6
Other comprehensive income		-0.1		0.9		0.7	1.5
Comprehensive income for the period	0.0	-0.1	0.0	0.9	52.5	0.8	54.1
Sale and purchase of own shares					5.5		5.5
Expensed value of options issued					1.0		1.0
Dividend paid to the shareholders			-30.0				-30.0
Equity 2nd qtr. 2014	29.5	-1.4	0.0	-85.0	1,367.3	4.0	1,314.4
Equity 1/1 2013	29.5	-3.2	29.5	-17.6	1,221.9	3.2	1,263.3
Profit for the period					39.2	0.0	39.2
Other comprehensive income		0.4		-31.6			-31.2
Comprehensive income for the period	0.0	0.4	0.0	-31.6	39.2	0.0	8.0
Sale and purchase of own shares					-9.9		-9.9
Expensed value of options issued					0.7		0.7
Dividend paid to the shareholders			-29.5				-29.5
Equity 2nd qtr. 2013	29.5	-2.8	0.0	-49.2	1,251.9	3.2	1,232.6

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Main figures in DKK million:	2nd qtr.	2nd qtr.	Acc.	Acc.	Full year
	2014	2013	2nd qtr.	2nd qtr.	
	Unaudited				Audited
Net sales	4,088	3,696	7,704	6,848	14,903
Depreciation, amortisation and write-downs	278	277	578	538	1,076
EBIT	353	287	565	440	1,260
Profit before tax	345	275	548	415	1,225
Profit for the period	249	194	392	293	863
Total assets			15,046	13,251	13,851
Equity			9,799	9,194	9,576
Cash flow (from operating activities)	337	387	257	356	1,885
Investments and acquisitions	510	341	960	592	1,979
Exchange rate	7.46	7.46	7.46	7.46	7.46

Business combinations

The Group has acquired 100% of HECK Wall Systems, a leading German system holder for external facade insulation (ETICS). The acquisition covers 100% of HECK Wall Systems including the state of art render production facility in Marktredwitz and the well-established brands HECK and RAJASIL. The acquired business complements very well the existing ROCKWOOL ETICS strategy in Europe - primarily in Germany - where we have seen good growth in the facade insulation markets in recent years. The acquisition date is 1 January 2014.

The total consideration paid was EUR 38.5 million.

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

EUR million	Unaudited
	Fair value at the acquisition date
	HECK
Intangible assets	23.6
Other non-current assets	15.4
Current assets	7.8
Deferred tax	-7.2
Other non-current liabilities	-3.4
Current liabilities	-5.7
Net assets	30.5
Goodwill	5.0
Cash consideration for the company	35.5
Cash less interest-bearing debt	3.0
Total consideration	38.5

Goodwill related to synergies and potential for development of the acquired operations is not tax deductible.