First quarter report of 2019
for ROCKWOOL International A/S
Release no. 5 – 2019
to Nasdaq Copenhagen

16 May 2019

Positive first quarter performance especially for Systems segment

"I am pleased with the quarter. We achieved our highest first quarter sales in the Group's history, despite geographic variations in the market conditions. The increase in sales prices matched the higher inflationary increases in logistics and input costs. The Systems segment performance with double digit growth both on top and bottom line is especially encouraging, with positive development across all businesses".

CEO Jens Birgersson

Highlights

- Sales in Q1 2019 reached EUR 641 million, a growth of 5.7 percent in local currencies. With a positive currency impact of around 0.5 percentage points, the sales growth in reported figures totalled 6.2 percent.
- Systems segment sales increased by 13.1% in local currencies, with good development in all businesses and a positive start for the year in Grodan.
- EBIT in Q1 2019 increased 9.4 percent to EUR 77 million, with a 12.0 percent EBIT margin, up 0.4 percentage points from last year.
- Investments reached EUR 78 million, up EUR 45 million compared to last year, primarily due to ongoing expansions in Germany, Romania and the United States.
- Annualised return on invested capital reached 21.5 percent compared to 18.6 percent last year, driven by higher operational earnings.

Outlook 2019

- Growth in net sales is expected to be 4-8 percent in local currencies.
- We now expect an EBIT margin at around the same level as last year, including the one-off positive EBIT impact from the Rockfon North America legal case settlement.
- Investment level is expected around EUR 330 million.

Conference call

ROCKWOOL Group will host an earning call on 16 May 2019 at 11.00 CET. To attend the conference call dial +45 35445577, +44 3333000804 or +1 6319131422. Passcode 85097247#. The conference call will be transmitted live on www.rockwoolgroup.com

Main figures / key figures for the Group

	Unaudited		Audited
	Q1 2019	Q1 2018	FY 2018
Income statement items in EURm			
Net sales	641	603	2,671
EBITDA	120	112	507
Depreciation, amortisation and write-downs	43	42	166
EBIT	77	70	341
Profit before tax	73	68	335
Profit for the period	57	54	265
Balance sheet items in EURm			
Non-current assets	1,556	1,367	1,468
Current assets	971	852	963
Total assets	2,527	2,219	2,431
Equity	1,968	1,722	1,877
Non-current liabilities	146	142	121
Current liabilities	413	355	433
Net interest-bearing cash / (debt)	257	212	375
Net working capital	297	267	198
Invested capital	1,727	1,513	1,542
Cash flow in EURm			
Cash flow from operating activities	-6	-2	408
Investments and acquisitions	78	33	212
Free cash flow	-84	-35	196
Other items			
Number of employees at end of period	11,599	11,147	11,511
Ratios			
EBITDA margin	18.8%	18.6%	19.0%
EBIT margin	12.0%	11.6%	12.8%
Return on invested capital (rolling 4 quarters)	21.5%	18.6%	22.8%
Return on equity (rolling 4 quarters)	14.6%	14.3%	14.9%
Equity ratio	77.7%	77.4%	77.2%
Share information (DKK)			
Earnings per share	19	18	91
Cash flow per share	-2	-1	140
Book value per share	667	583	638
Share capital (million)	220	220	220
Price per A share	1,379	1,630	1,430
Price per B share	1,556	1,793	1,697
Market cap (million)	32,067	37,254	34,168
Number of own shares	83,890	177,290	75,865

For definition of key figures and ratios see pg. 112 in the ROCKWOOL International A/S Annual Report 2018 available on our website: www.rockwoolgroup.com.

Management report for the period 1 January to 31 March 2019

Global sales development

As expected, growth in the first quarter of 2019 was slower compared to 2018. Notwithstanding, the 2019 first quarter sales were the highest first quarter sales in the history of the Group.

In the first quarter of 2019 ROCKWOOL Group generated net sales of EUR 641 million, an increase of 5.7 percent in local currencies. Foreign exchange rates had a positive impact of 0.5 percentage points on the increase, primarily due to the U.S. and Canadian dollars. This results in a sales growth of 6.2 percent in reported figures.

Group sales
+5.7%

During the quarter, both sales price development and product mix contributed to growth in net sales. An increase in sales prices matched the higher costs on both raw materials and logistics. We had a high level of inflation during first quarter, which we expect will decrease over the coming quarters. Due to the slower start of the year the pressure on capacity utilisation is starting to ease off, allowing for more flexibility in our factory sourcing.

Regional sales development

In the first quarter, sales in Western Europe increased by 8.5 percent in local currencies with very limited effect from exchange rates. The Group grew in almost all key markets, with notably good performances in the UK, France and Sweden.

Sales in Western Europe
+8.5%

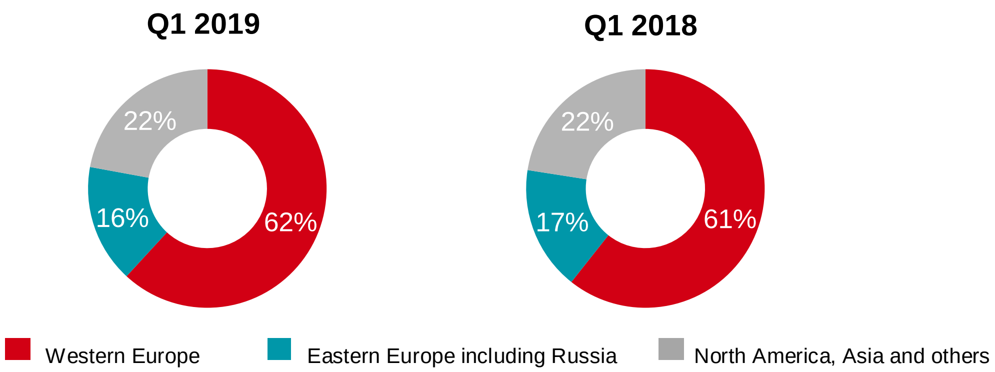
First quarter sales in Eastern Europe increased 4.0 percent in local currencies and 1.1 percent in reported figures, with Russia as a significant driver and positive sales development in Poland and Hungary, while other markets had a slow start of the year.

Sales in Eastern Europe
+4.0%

In the rest of the world, first quarter sales slowed down with a decrease of 0.5 percent in local currencies and an increase of 3.6 percent in reported figures. North America saw good growth, with the United States having a strong start, while sales in Canada declined. South East Asia and China decreased significantly compared to last year as markets were affected by the general economical slow-down.

Sales in rest of the world
-0.5%

Regional sales



ROCKWOOL

Group profitability

EBITDA for first quarter increased by 7.3 percent to EUR 120 million resulting in an EBITDA margin of 18.8 percent compared to 18.6 percent for same period last year with limited currency impact. The implementation of the new IFRS 16 leasing standard had a positive impact on EBITDA of EUR 4 million in Q1 2019 as operating lease costs were reclassified through the balance sheet to depreciation.

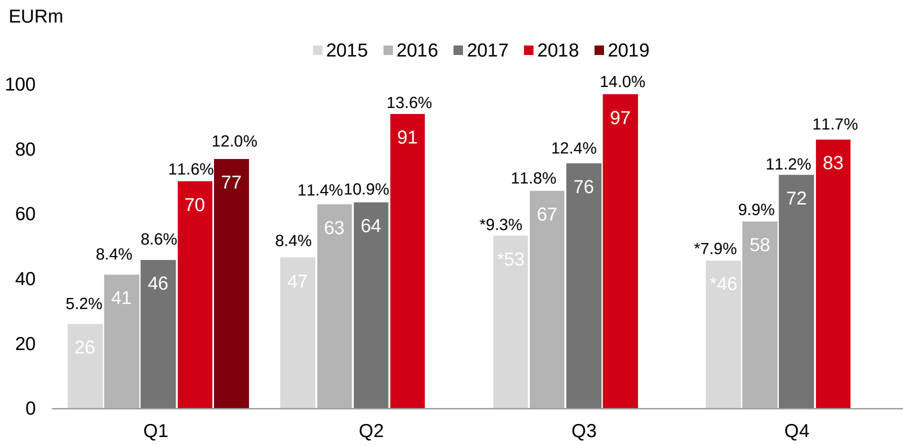
EBITDA margin
+0.2%-points

EBIT for the first quarter increased by 9.4 percent and reached EUR 77 million, corresponding to a 12.0 percent EBIT margin – an increase of 0.4 percentage points. The impact from IFRS 16 leasing on EBIT is immaterial.

EBIT margin
+0.4%-points

In April, we reached a settlement in a legal case related to Rockfon North America. The settlement will have a positive impact on EBIT in the second quarter of almost EUR 10 million.

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, at level with year-end 2018.

Net profit for the first quarter of 2019 amounted to EUR 57 million, providing an improvement of EUR 3 million compared to last year.

Cash flow and balance sheet

Cash flow from operations before financial items and tax in the first quarter of 2019 was EUR 32 million, which is EUR 3 million lower than the same period last year. The decrease is a result of the higher net working capital.

Operational cash flow before financial items and tax
-3 mEUR

Net working capital increased from EUR 267 million from the end of first quarter 2018 to EUR 297 million by end of first quarter 2019 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 2019 was EUR 78 million compared to EUR 48 million last year, excluding sales of listed securities in Flumroc amounting to EUR 15 million. The largest individual investments in 2019 relate to the upgrade of one of the German factories and the ongoing factory projects in the United States (West Virginia) and Romania.

Free cash flow decreased by EUR 49 million compared to same period last year and reached EUR -84 million, which compares to EUR -35 million in the same period last year.

Free cash flow
-49 mEUR

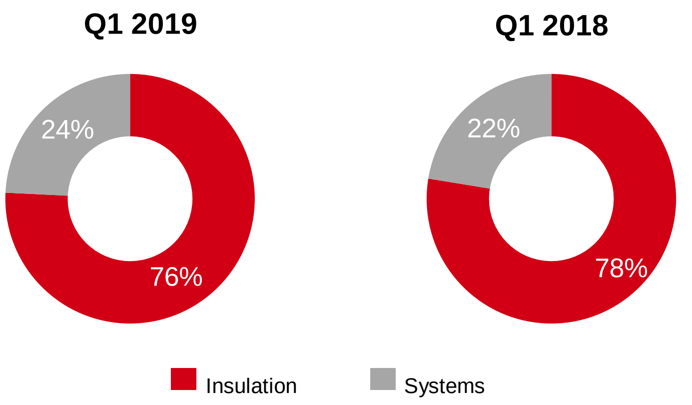
Annualised return on invested capital was 21.5 percent compared to 18.6 percent for the same period last year, driven by improved profitability.

ROIC
+2.9%-points

Total assets at the end of the first quarter 2019 amounted to EUR 2,527 million. The equity ratio at the end of the period was 78 percent at level with last year.

Business segments

Sales per business



Key figures Insulation segment

EURm	Q1 2019	Q1 2018
External net sales	486	468
EBIT, segment profit	55	55
EBIT margin	10.0%	10.5%

Sales in the Insulation segment reached EUR 486 million in the first quarter, which is an increase of 3.5 percent in local currencies. In reported figures, the total growth was 3.7 percent. The increase was mainly carried by the building insulation segment in several of our large markets and in the OEM business.

Insulation sales
+3.5%

The Insulation segment EBIT for the first quarter of 2019 reached EUR 55 million with an EBIT margin of 10.0 percent, a decrease of 0.5 percentage points compared to the same period last year, primarily due to increased input, maintenance and logistic costs and additional costs related to the capacity projects.

Insulation EBIT margin
-0.5%-points

Key figures Systems segment

EURm	Q1 2019	Q1 2018
External net sales	155	135
EBIT, segment profit	22	15
EBIT margin	14.0%	11.4%

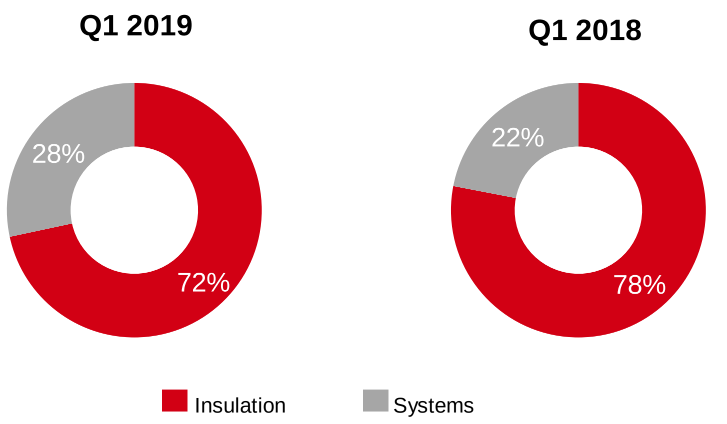
The Systems segment's sales in the first quarter of 2019 amounted to EUR 155 million, which is an increase of 13.1 percent in local currencies and 14.9 percent in reported figures. All businesses grew satisfactorily. Grodan experienced high sales growth in North America and Eastern Europe.

Systems sales
+13.1%

The Systems segment generated an EBIT of EUR 22 million, an increase of 41 percent and an EBIT margin of 14.0 percent. This is 2.6 percentage-points higher than the first quarter in 2018 with all businesses contributing positively.

Systems EBIT margin
+2.6%-points

EBIT per business



Outlook for the full year 2019

As indicated in the previous outlook guidance, we continue to see a volatile market environment, yet with good opportunities for the stone wool segment. We maintain the outlook for net sales at 4-8 percent in local currencies.

The satisfactory performance during the first quarter, especially for Systems segment and the one-off positive second quarter EBIT impact from the settlement of the legal case related to Rockfon North America, result in an upgrade of the EBIT outlook for the full year. We now expect an EBIT margin at around the same level as last year (12.8 percent).

Investment level is expected around EUR 330 million.

2019 outlook overview

	8 February 2019	16 May 2019
Net sales	Growth in net sales to be 4-8 percent in local currencies	Growth in net sales to be 4-8 percent in local currencies
EBIT margin	Around 12 percent	Around the same level as 2018 (12.8 percent)
Investments excluding acquisitions	Around EUR 330 million	Around EUR 330 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 11,600 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 2019.

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 financial position at 31 March 2019 and of the result from Group’s operations and cash flow for the period 1 January to 31 March 2019.

Furthermore, we believe that the management report includes a true and fair presentation about the development in the Group’s operations 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 faced by the Group.

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 2018.

16 May 2019

Registered Directors

Jens Birgersson
CEO

Kim Junge Andersen
CFO

Board of Directors

Henrik Brandt
Chairman

Carsten Bjerg
First Deputy Chairman

Søren Kähler
Second Deputy Chairman

Thomas Kähler

Andreas Ronken

Jørgen Tang-Jensen

René Binder Rasmussen

Connie Enghus Theisen

Christian Westerberg

Income statement

	Unaudited		Audited
EURm	**Q1 2019**	**Q1 2018**	**FY 2018**
Net sales	641	603	2,671
Other operating income	3	2	11
Operating income	**644**	**605**	**2,682**
Raw material costs and Production material costs	203	198	909
Delivery costs and indirect costs	92	82	385
Other external costs	61	57	232
Personnel costs	168	156	649
Operating costs	**524**	**493**	**2,175**
EBITDA	**120**	**112**	**507**
Depreciation, amortisation and write-downs	43	42	166
EBIT	**77**	**70**	**341**
Income from investments in associated companies	0	0	1
Financial items	-4	-2	-7
Profit before tax	**73**	**68**	**335**
Tax on profit for the period	16	14	70
Profit for the period	**57**	**54**	**265**
Attributable to:			
Non-controlling interests	0	0	0
Shareholders of ROCKWOOL International A/S	57	54	265
	57	**54**	**265**
Earnings per share of DKK 10 (EUR 1.3)	2.6	2.5	12.1
Earnings per share of DKK 10 (EUR 1.3), diluted	2.6	2.5	12.1

Statement of comprehensive income

	Unaudited		Audited
EURm	**Q1 2019**	**Q1 2018**	**FY 2018**
Profit for the period	**57**	**54**	**265**
Items that will not be reclassified to the income statement:			
Actuarial gains and losses of pension obligations	0	0	1
Tax on other comprehensive income	0	0	1
Items that may be subsequently reclassified to the income statement:			
Exchange rate adjustments of foreign subsidiaries	35	-17	-22
Hedging instruments, value adjustments	0	2	0
Tax on other comprehensive income	0	0	0
Other comprehensive income	**35**	**-15**	**-20**
Comprehensive income for the period	**92**	**39**	**245**
Attributable to:			
Non-controlling interests	0	0	0
Shareholders of ROCKWOOL International A/S	92	39	245
	92	**39**	**245**

Segment and sales reporting

Q1	Unaudited							
	Insulation segment		Systems segment		Eliminations		The ROCKWOOL Group	
EURm	2019	2018	2019	2018	2019	2018	2019	2018
External net sales	486	468	155	135	0	0	641	603
Internal net sales	65	55	0	0	-65	-55	0	0
Total net sales	**551**	**523**	**155**	**135**	**-65**	**-55**	**641**	**603**
EBIT	**55**	**55**	**22**	**15**	**0**	**0**	**77**	**70**
EBIT margin	***10.0%***	***10.5%***	***14.0%***	***11.4%***			***12.0%***	***11.6%***
Goods transferred at a point in time	486	468	155	135			641	603

Geographical split of external net sales

EURm	Q1 2019	Q1 2018	FY 2018
Western Europe	396	366	1,586
Eastern Europe including Russia	103	101	514
North America, Asia and others	142	136	571
Total external net sales	**641**	**603**	**2,671**

Balance sheet

(condensed)	Unaudited		Audited
EURm	Q1 2019	Q1 2018	FY 2018
Assets			
Intangible assets	193	160	189
Tangible assets	1,277	1,164	1,227
Right of use assets	33	-	-
Other financial assets	7	6	6
Deferred tax assets	46	37	46
Total non-current assets	**1,556**	**1,367**	**1,468**
Inventories	259	224	238
Receivables	416	405	339
Cash	296	223	386
Total current assets	**971**	**852**	**963**
Total assets	**2,527**	**2,219**	**2,431**
Equity and liabilities			
Share capital	29	29	29
Foreign currency translation	-122	-152	-157
Proposed dividend	88	71	88
Retained earnings	1,968	1,767	1,912
Hedging	1	3	1
Non-controlling interests	4	4	4
Total equity	**1,968**	**1,722**	**1,877**
Non-current liabilities	146	142	121
Current liabilities	413	355	433
Total liabilities	**559**	**497**	**554**
Total equity and liabilities	**2,527**	**2,219**	**2,431**

Cash flow statement

(condensed)	Unaudited		Audited
EURm	Q1 2019	Q1 2018	FY 2018
EBIT	77	70	341
Adjustments for depreciation, amortisation and write-downs	43	42	166
Other adjustments	0	2	-7
Change in net working capital	-88	-79	-22
Cash flow from operations before financial items and tax	**32**	**35**	**478**
Cash flow from operating activities	**-6**	**-2**	**408**
Cash flow from investing activities	**-78**	**-33**	**-204**
Cash flow from acquisitions	0	0	-8
Cash flow from operating and investing activities (free cash flow)	**-84**	**-35**	**196**
Cash flow from financing activities	-6	2	-54
Change in cash available	**-90**	**-33**	**142**
Cash available – beginning of period	380	243	243
Exchange rate adjustments	4	3	-5
Cash available – end of period	**294**	**213**	**380**
Unutilised, committed credit facilities	**462**	**429**	**428**

Statement of changes in the equity

	Unaudited							
EURm	Share capital	Foreign currency translation	Proposed dividend	Retained earnings	Hedging	Equity before non-controlling interests	Non-controlling interests	Total
Equity 1/1 2019	**29**	**-157**	**88**	**1,912**	**1**	**1,873**	**4**	**1,877**
Profit for the period				57		**57**		**57**
Other comprehensive income		35			0	**35**		**35**
Comprehensive income for the period	**0**	**35**	**0**	**57**	**0**	**92**	**0**	**92**
Sale and purchase of own shares				-2		**-2**		**-2**
Expensed value of options issued				1		**1**		**1**
Transactions non-controlling interests						**0**	0	**0**
Equity Q1 2019	**29**	**-122**	**88**	**1,968**	**1**	**1,964**	**4**	**1,968**
Equity 1/1 2018	**29**	**-135**	**71**	**1,711**	**1**	**1,677**	**7**	**1,684**
Profit for the period				54		**54**		**54**
Other comprehensive income		-17			2	**-15**		**-15**
Comprehensive income for the period	**0**	**-17**	**0**	**54**	**2**	**39**	**0**	**39**
Sale and purchase of own shares				2		**2**		**2**
Expensed value of options issued				0		**0**		**0**
Transactions non-controlling interests						**0**	-3	**-3**
Equity Q1 2018	**29**	**-152**	**71**	**1,767**	**3**	**1,718**	**4**	**1,722**

Main figures in DKK million

	Unaudited		Audited
	Q1 2019	Q1 2018	FY 2018
Net sales	4,781	4,492	19,911
Depreciation, amortisation and write-downs	325	313	1,233
EBIT	572	522	2,543
Profit before tax	542	511	2,500
Profit for the period	428	404	1,975
Total assets	18,865	16,540	18,153
Equity	14,691	12,834	14,012
Cash flow (from operating activities)	-46	-15	3,044
Investments and acquisitions	578	242	1,577
Exchange rate	7.46	7.45	7.45

Accounting policies

The interim report for the first quarter of 2019 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 2019 follows the same accounting policies as the Annual report for 2018, except for the latest International Financial Reporting Standards (IFRS) and amendments effective as of 1 January 2019 as adopted by the European Union.

Updated accounting policies for leases

For contracts containing a lease, a Right-of-use (ROU) asset and a lease liability are recognised at commencement of the lease. The ROU asset is initially measured at the present value of future lease payments, plus the cost of obligations to refurbish the asset. The ROU assets are depreciated on a straight-line basis over the shorter of the expected lease term or the useful life of the underlying asset. ROU assets are tested for impairment whenever there is an indication that the assets may be impaired.

Lease payments include fixed payments and variable payments that depend on a rate or an index, such as an inflation index. If the lease contains an extension or purchase option that the Group considers reasonably certain to be exercised, these are included in the lease payments.

ROU assets and the lease liability are presented separately in the balance sheet.

The Group's portfolio of leases covers leases of office buildings, warehouses and other equipment such as cars and forklifts. For building leases, lease terms are based on contract terms as well as taking its strategic importance into consideration.

Impact from IFRS 16 "Leases"

The standard replaces IAS 17, and requires that leases previously classified as operating leases are recognised in the balance sheet as a right-to-use (ROU) asset with the corresponding lease liability. In the income statement, the lease cost under operating cost is replaced by depreciation of the leased asset and an interest expense for the financial liability. In addition, the cash flow will be impacted as part of the current lease payments will be moved from operating activities to cash flow from financing activities (instalments).

The standard was implemented on 1 January 2019 using the modified retrospective approach, and comparative figures have not been restated. At initial recognition in the opening balance of 1 January 2019, ROU assets are measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. Lease liabilities are measured at the present value of future lease payments. The Group has chosen not to include payments related to service components in the lease liability for ROU assets. Variable service components invoiced separately are expensed as operational costs.

The Group will not apply IFRS 16 to short-term leases, or low-value leases (e.g. computers, printing and photocopying machines).

On adoption, the lease liabilities related to leases previously classified as operating leases are measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019.

The incremental borrowing rate (IBR) is calculated per main country/region per asset. The IBR level in Europe is 3-7 percent, in Russia around 12 percent, in North America 5-6 percent while the level in Asia is 5-15 percent. The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right of use assets - increase by EUR 37 million
- Lease liabilities - increase by EUR 37 million

Disclaimer