

13 May 2020

Solid Q1 despite turbulence from the COVID-19 pandemic



“Despite turbulence from the COVID-19 pandemic whose impact we began to feel late in the quarter, we achieved solid Q1 results. Climate change isn’t going away, however. Energy renovation is a high-impact economic recovery measure that creates local jobs, a more resilient and healthy society while at the same time contributing to reaching long-term global climate ambitions.”

CEO Jens Birgersson

Highlights

- Sales in Q1 2020 reached EUR 649 million, a growth of 0.5 percent in local currencies excluding the acquisition of the Parafon business in Sweden. With a positive currency impact of 0.4 percentage points and acquisition impact of 0.4 percentage points, the sales growth in reported figures totalled 1.3 percent.
- EBIT in Q1 2020 increased 4.5 percent to EUR 80 million, with a 12.3 percent EBIT margin, up 0.3 percentage points from last year.
- Investments excluding acquisitions reached EUR 96 million, up EUR 18 million compared to last year, primarily due to ongoing expansions in Germany and the United States, and offset by a grant received in China.
- Annualised return on invested capital reached 20.2 percent compared to 21.5 percent last year, a decrease due to an increased investment level.
- The COVID-19 pandemic did not materially impact Q1 2020 results, although sales were affected in Asia and started to decrease during the last weeks of March in southern Europe.
- Net sales in April declined around 20 percent with pandemic restrictions affecting building activities in many European markets.

Outlook 2020 (suspended)

- At this stage, we are not able to forecast the impact and duration of the crisis mid-term, and as previously disclosed have suspended our full year guidance until we have gained improved clarity on the pandemic’s development and its effect on the economy mid-term.

Conference call

ROCKWOOL Group will host an earning call on 14 May 2020 at 11:00 AM CEST. To attend the conference call dial +45 35445577, +44 3333000804 or +1 6319131422. Passcode 89917515#. The conference call will be transmitted live on www.rockwoolgroup.com

Main figures / key figures for the Group

	Unaudited		Audited
	Q1 2020	Q1 2019	FY 2019
Income statement items in EURm			
Net sales	649	641	2,757
EBITDA	125	120	548
Depreciation, amortisation and write-downs	45	43	176
EBIT	80	77	372
Profit before tax	80	73	367
Profit for the period	61	57	285
Balance sheet items in EURm			
Non-current assets	1,875	1,556	1,825
Current assets	880	971	869
Total assets	2,755	2,527	2,694
Equity	2,085	1,968	2,118
Non-current liabilities	177	146	160
Current liabilities	493	413	416
Net interest-bearing cash / (debt)	74	257	212
Net working capital	316	297	247
Invested capital	1,984	1,727	1,889
Cash flow in EURm			
Cash flow from operating activities	13	-6	402
Investments and acquisitions	110	78	400
Free cash flow	-97	-84	2
Other items			
Number of full-time employees at end of period	11,731	11,599	11,691
Ratios			
EBITDA margin	19.2%	18.8%	19.9%
EBIT margin	12.3%	12.0%	13.5%
ROIC (rolling 4 quarters)	20.2%	21.5%	21.7%
Return on equity (rolling 4 quarters)	14.3%	14.6%	14.3%
Equity ratio	75.5%	77.7%	78.5%
Share information (DKK)			
Earnings per share	21	19	97
Cash flow per share	4	-2	136
Book value per share	707	667	720
Share capital (million)	220	220	220
Price per A share	1,253	1,379	1,439
Price per B share	1,254	1,556	1,585
Market cap (million)	27,271	32,067	33,072
Number of own shares	225,116	83,890	72,894

For definition of key figures and ratios see pg. 114 in the ROCKWOOL International A/S Annual Report 2019 available on our website: www.rockwoolgroup.com.

Management report for the period 1 January to 31 March 2020

Global sales development

The market development in early 2020 for Europe and North America was positive but has now changed with the COVID-19 pandemic. Sales were affected in Asia and started to decrease during the last weeks of March in southern Europe. In China, production lines were temporarily closed early in the quarter and re-opened four weeks later. The factories in Malaysia, India, France and Spain were closed at different times in March. As of this date, all these factories are partly producing again.

Despite the turbulence from the COVID-19 pandemic, we reached all-time high sales and EBIT in Q1 2020.

The focus is, however, changing in the coming quarters to adjust operations based on reduced demand and a decline in construction spending as well as pursuing market opportunities resulting from political and fiscal response to drive economic recovery.

In the first quarter of 2020, ROCKWOOL Group generated net sales of EUR 649 million, a like-for-like increase of 0.5 percent in local currencies excluding the impact from the acquired Parafon business. Foreign exchange rates had a positive impact of 0.4 percentage points and the acquisition had an impact of 0.4 percentage points. This resulted in a sales growth of 1.3 percent in reported figures.

Group sales
+0.5%

During the quarter, sales prices were under pressure but overall remained stable while we saw lower pressure on raw materials and warehousing costs compared to last year, partly offset by higher logistic costs.

With the fast-changing demand due to COVID-19 we are closely monitoring production levels, taking out shifts and adjusting inventory levels, while at the same time keeping as much flexibility as possible for when demand starts to increase.

Regional sales development

In the first quarter, sales in Western Europe decreased by 1.0 percent in local currencies excluding the Parafon business acquisition. In reported figures sales decreased 0.2 percent mainly due to the acquisition effect of 0.8 percentage points, as the exchange rate impact was limited. Especially southern Europe and Germany experienced tougher market conditions at the end of the quarter.

Sales in Western Europe
-1.0%

First quarter sales in Eastern Europe increased 2.5 percent in local currencies and 2.1 percent in reported figures. Mainly Poland continued to struggle, while Russia and Romania performed well. In Russia, we were helped by a mild winter.

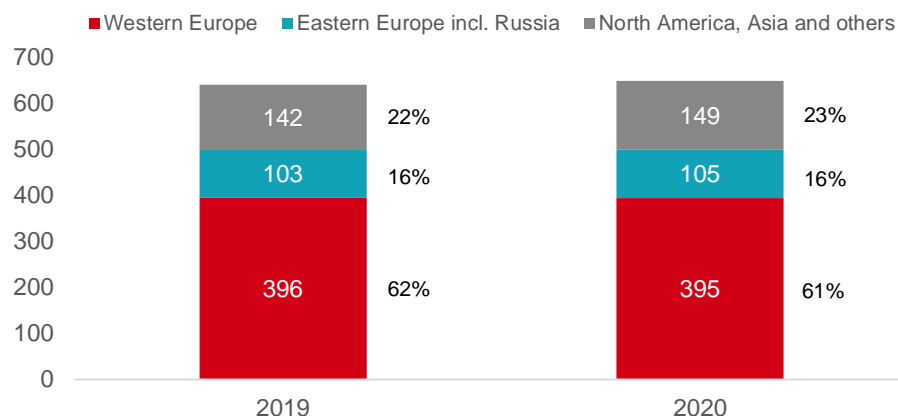
Sales in Eastern Europe
+2.5%

In the rest of the world, first quarter sales increased 3.0 percent in local currencies and 5.2 percent in reported figures. North America experienced good growth while sales in most of South East Asia and China decreased significantly compared to last year as demand was affected by the COVID-19 pandemic.

Sales in rest of the world
+3.0%

Regional sales

EURm



Group profitability

First quarter EBITDA increased by 3.8 percent to EUR 125 million resulting in an EBITDA margin of 19.2 percent compared to 18.8 percent for same period last year with limited currency impact. The improvement in EBITDA primarily relates to lower raw materials and warehousing costs compared to last year, although partly offset by higher logistic costs.

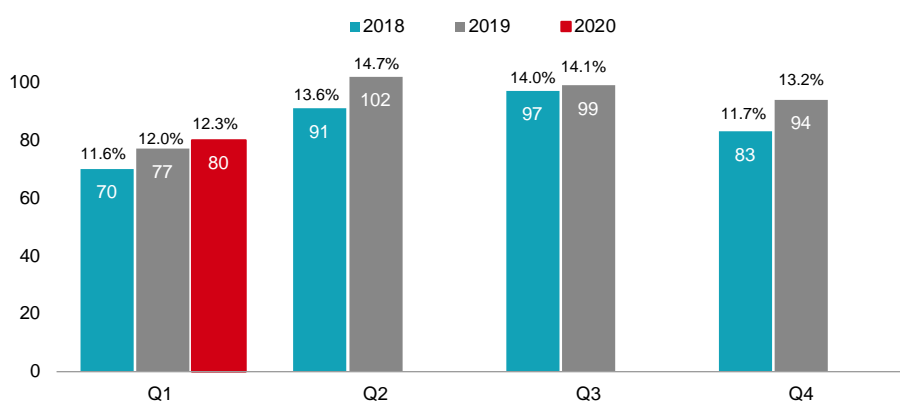
**EBITDA margin
+0.4%-points**

First quarter EBIT increased by 4.5 percent and reached EUR 80 million, corresponding to a 12.3 percent EBIT margin – an increase of 0.3 percentage points. EBIT was impacted by higher depreciation primarily from the new factory in Romania and new digital solutions.

**EBIT margin
+0.3%-points**

EBIT & EBIT MARGIN

EURm



The effective tax rate was 24 percent for the first quarter, up three percentage points compared to the same period last year and up 1.6 percentage points from full year 2019. The rate reflects a changed country mix and tax rates.

Net profit for the first quarter of 2020 amounted to EUR 61 million, an improvement of EUR 4 million compared to last year.

Balance sheet

Net working capital end of first quarter ended at EUR 316 million and followed our normal seasonality however was higher by EUR 19 million compared to same period last year. A low level of inventory and trade receivables could not fully compensate a low level of trade payables caused by decreased input costs and less purchasing end of the quarter. As a percentage of annualised net sales, net working capital was 11.4 percent, compared to 10.9 percent last year.

Annualised return on invested capital was 20.2 percent compared to 21.5 percent for the same period last year, with the decrease primarily linked to higher tangible assets.

ROIC
-1.3%-points

Total assets at the end of the first quarter 2020 amounted to EUR 2,755 million, an increase of EUR 228 million compared to last year mainly from our on-going investments. The equity ratio at the end of the period was 75.5 percent, a decrease of 2.2 percentage points compared to same period last year.

Cash Flow

The cash flow in first quarter was not significantly impacted by the COVID-19 pandemic as earnings improved slightly.

Cash flow from operations before financial items and tax in the first quarter of 2020 was EUR 47 million, up EUR 15 million from the same period last year.

Operational cash flow before
financial items and tax
+15 mEUR

Despite the higher level of net working capital end of first quarter, the change in net working capital had a positive impact on cash of EUR 9 million compared to same period last year.

Free cash flow decreased by EUR 13 million compared to the same period last year and reached EUR -97 million.

Free cash flow
-13 mEUR

Capital expenditure excluding acquisitions during the first quarter of 2020 was EUR 115 million compared to EUR 78 million last year. The largest individual investments in 2020 relate to the new production line in one of the German factories and the ongoing factory project in the United States (West Virginia).

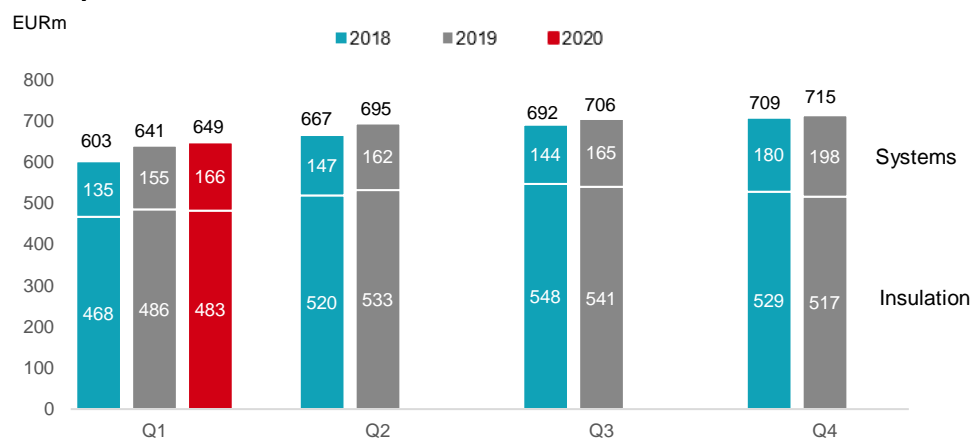
During first quarter, we received a prepayment of part of the grant from the Chinese government related to the factory relocation in China amounting to EUR 19 million, which reduces the capital expenditure.

On 3 February 2020, ROCKWOOL acquired the Parafon Acoustic Ceiling business from Owens Corning. The business includes a Swedish ceiling tile factory and a Nordic sales organisation of approx. 60 employees and is now part of Rockfon in our Systems segment.

The Group remains cash positive with a net interest-bearing cash position of EUR 74 million, and unused credit facilities of EUR 429 million.

Business segments

Sales per business



Key figures Insulation segment

EURm	Q1 2020	Q1 2019
External net sales	483	486
EBIT, segment profit	56	55
EBIT margin	10.0%	10.0%

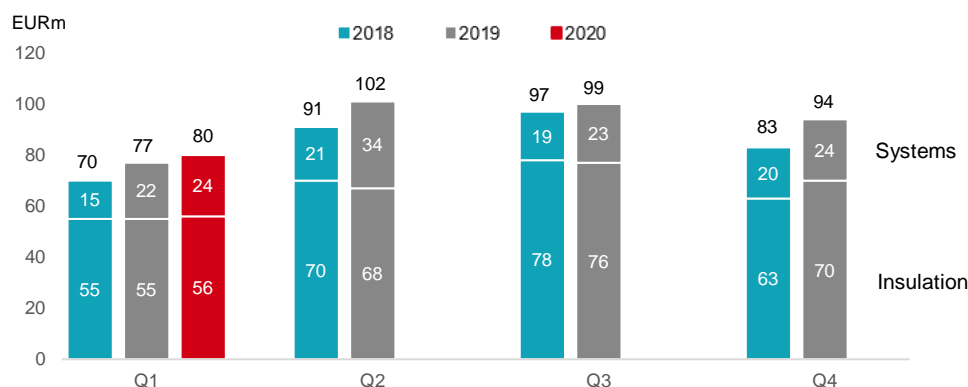
Sales in the Insulation segment reached EUR 483 million in the first quarter, which is a decrease of 0.7 percent in local currencies. In reported figures, the decrease was 0.4 percent. The decrease was mainly due to a slowdown in Asia and in Technical Insulation and the sandwich panel business.

Insulation sales
-0.7%

The Insulation segment EBIT for the first quarter of 2020 reached EUR 56 million with an EBIT margin of 10.0 percent, stable compared to the same period last year.

Insulation EBIT margin
Stable

EBIT per business



Key figures Systems segment

EURm	Q1 2020	Q1 2019
External net sales	166	155
EBIT, segment profit	24	22
EBIT margin	14.6%	14.0%

Sales in the Systems segment in the first quarter of 2020 amounted to EUR 166 million, which is an increase of 4.1 percent in local currencies excluding the Parafon acquisition, which added 2.0 percentage points. Furthermore, currencies impacted the growth positively by 0.7 percentage points, resulting in a growth of 6.8 percent in reported figures. All businesses contributed to the growth.

The Systems segment generated an EBIT of EUR 24 million, an increase of 11 percent and an EBIT margin of 14.6 percent. There was no material impact from the acquisition of the Parafon business, but especially Grodan and Rockpanel performed well.

Systems sales
+4.1%

Systems EBIT margin
+0.6%-points

Outlook for the full year 2020

The rapid developments in the COVID-19 pandemic did not materially impact Q1 2020.

We expect a significant negative impact over the coming months and a continued volatile demand for the rest of the year, although the building materials and construction sector is less impacted than some other industries, as portions of the building industry are essential for society and jobs. We currently foresee that second quarter net sales will be the most affected and that market demand will recover to a degree in the second half of the year as pandemic restrictions are increasingly lifted. We see more countries placing priority on energy efficiency and renovation as part of their recovery plans, which should benefit demand for our products. Net sales in April declined around 20 percent with pandemic restrictions affecting building activities in many European markets. Demand was mostly affected in southern and central Europe, UK and South East Asia, while April net sales grew in North America and northern Europe.

At this stage, we are not able to forecast the impact and duration of the crisis mid-term, and as previously disclosed have suspended our full-year guidance until we have gained improved clarity on the pandemic's development and its effect on the economy mid-term.

2020 outlook overview

	5 February 2020	24 March 2020	13 May 2020
Net sales	Low single-digit sales growth in local currencies	Low single-digit sales growth in local currencies	Low single-digit sales growth in local currencies
EBIT margin	Around 12 percent	Around 12 percent	Around 12 percent
Investments excluding acquisitions	Around EUR 400 million	Around EUR 400 million	Around EUR 400 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 11,700 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 2020.

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 2020 and of the result from Group's operations and cash flow for the period 1 January to 31 March 2020.

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 2019.

13 May 2020

Registered Directors

Jens Birgersson
CEO

Kim Junge Andersen
CFO

Board of Directors

Thomas Kähler
Chairman

Carsten Bjerg
Deputy Chairman

Rebekka Glasser Herlofsen

Søren Kähler

Andreas Ronken

Jørgen Tang-Jensen

René Binder Rasmussen

Connie Enghus Theisen

Christian Westerberg

Income statement

EURm	Unaudited		Audited
	Q1 2020	Q1 2019	FY 2019
Net sales	649	641	2,757
Other operating income	2	3	16
Operating income	651	644	2,773
Raw material costs and Production material costs	206	203	929
Delivery costs and indirect costs	92	92	381
Other external costs	55	61	218
Personnel costs	173	168	697
Operating costs	526	524	2,225
EBITDA	125	120	548
Depreciation, amortisation and write-downs	45	43	176
EBIT	80	77	372
Income from investments in associated companies	0	0	0
Financial items	0	-4	-5
Profit before tax	80	73	367
Tax on profit for the period	19	16	82
Profit for the period	61	57	285
Attributable to:			
Non-controlling interests	0	0	0
Shareholders of ROCKWOOL International A/S	61	57	285
	61	57	285
Earnings per share of DKK 10 (EUR 1.3)	2.8	2.6	13.0
Earnings per share of DKK 10 (EUR 1.3), diluted	2.8	2.6	13.0

Statement of comprehensive income

EURm	Unaudited		Audited
	Q1 2020	Q1 2019	FY 2019
Profit for the period	61	57	285
Items that will not be reclassified to the income statement:			
Actuarial gains and losses of pension obligations	0	0	-10
Tax on other comprehensive income	0	0	3
Items that may be subsequently reclassified to the income statement:			
Exchange rate adjustments of foreign subsidiaries	-68	35	53
Hedging instruments, value adjustments	2	0	-3
Tax on other comprehensive income	0	0	1
Other comprehensive income	-66	35	44
Comprehensive income for the period	-5	92	329
Attributable to:			
Non-controlling interests	0	0	0
Shareholders of ROCKWOOL International A/S	-5	92	329
	-5	92	329

Segment and sales reporting

Q1	Unaudited							
	Insulation segment		Systems segment		Eliminations		ROCKWOOL Group	
EURm	2020	2019	2020	2019	2020	2019	2020	2019
External net sales	483	486	166	155	-	-	649	641
Internal net sales	73	65	-	-	-73	-65	-	-
Total net sales	556	551	166	155	-73	-65	649	641
EBIT	56	55	24	22	-	-	80	77
EBIT margin	10.0%	10.0%	14.6%	14.0%			12.3%	12.0%
Goods transferred at a point in time	483	486	166	155			649	641

Geographical split of external net sales

EURm	Q1 2020	Q1 2019	FY 2019
Western Europe	395	396	1,659
Eastern Europe including Russia	105	103	494
North America, Asia and others	149	142	604
Total external net sales	649	641	2,757

Balance sheet

(condensed)	Unaudited		Audited
EURm	Q1 2020	Q1 2019	FY 2019
Assets			
Intangible assets	202	193	192
Tangible assets	1,550	1,277	1,506
Right of use assets	47	33	52
Other financial assets	21	7	21
Deferred tax assets	55	46	54
Total non-current assets	1,875	1,556	1,825
Inventories	243	259	236
Receivables	408	416	358
Cash	229	296	275
Total current assets	880	971	869
Total assets	2,755	2,527	2,694
Equity and liabilities			
Share capital	29	29	29
Foreign currency translation	-172	-122	-104
Proposed dividend	94	88	94
Retained earnings	2,129	1,968	2,096
Hedging	1	1	-1
Non-controlling interests	4	4	4
Total equity	2,085	1,968	2,118
Non-current liabilities	177	146	160
Current liabilities	493	413	416
Total liabilities	670	559	576
Total equity and liabilities	2,755	2,527	2,694

Cash flow statement

(condensed)	Unaudited		Audited
EURm	Q1 2020	Q1 2019	FY 2019
EBIT	80	77	372
Adjustments for depreciation, amortisation and write-downs	45	43	176
Other adjustments	1	0	6
Change in net working capital	-79	-88	-39
Cash flow from operations before financial items and tax	47	32	515
Cash flow from operating activities	13	-6	402
Cash flow from investing activities	-115	-78	-400
Proceeds from prepaid grant	19	0	0
Cash flow from acquisitions	-14	0	0
Cash flow from operating and investing activities (free cash flow)	-97	-84	2
Cash flow from financing activities	68	-6	-120
Change in cash available	-29	-90	-118
Cash available – beginning of period	269	380	380
Exchange rate adjustments	-13	4	7
Cash available – end of period	227	294	269
Unutilised, committed credit facilities	429	462	428

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 2020	29	-104	94	2,096	-1	2,114	4	2,118
Profit for the period				61		61	-	61
Other comprehensive income		-68			2	-66	-	-66
Comprehensive income for the period	-	-68	-	61	2	-5	-	-5
Sale and purchase of own shares				-28		-28		-28
Expensed value of options issued				0		0		0
Equity Q1 2020	29	-172	94	2,129	1	2,081	4	2,085
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	-	35	-	57	-	92	-	92
Sale and purchase of own shares				-2		-2		-2
Expensed value of options issued				1		1		1
Equity Q1 2019	29	-122	88	1,968	1	1,964	4	1,968

Main figures in DKK million

	Unaudited		Audited
	Q1 2020	Q1 2019	FY 2019
Net sales	4,851	4,781	20,705
Depreciation, amortisation and write-downs	334	325	1,311
EBIT	598	572	2,779
Profit before tax	597	542	2,740
Profit for the period	454	428	2,125
Total assets	20,574	18,865	20,128
Equity	15,569	14,691	15,825
Cash flow (from operating activities)	94	-46	3,001
Investments and acquisitions	819	578	2,984
Exchange rate	7.47	7.46	7.46

Accounting policies

This unaudited interim report has been prepared in accordance with IAS 34 and additional Danish regulations for the presentation of quarterly interim reports by listed companies. The interim report has been prepared in accordance with the accounting policies set out in the Annual Report for 2019 with no significant changes.

Significant accounting estimates and assumptions

In preparing this interim report Management has made various accounting estimates and assumptions that may significantly influence the amounts recognised in the Consolidated Financial Statement and related information at the reporting date. The accounting estimates and assumptions which Management considers to be material for the preparation and understanding of the interim report are stated in Note 5.7 in the Annual Report 2019 and primarily relates to impairment testing, expected lifetime for tangible assets, deferred tax assets and uncertain tax positions and pension obligations.

Due to the COVID-19 pandemic we have evaluated the risk of an impairment write-down of the goodwill and the tangible assets with focus on the markets where we have seen a significant reduction in demand or where the factory has been closed due to local governmental requirements. As we still expect the focus on energy efficiency and fire-safety to drive long-term demand for our products, we see no immediate need for an impairment write-down in our markets, also in the businesses where the headroom is minor. The market development and the impairment impact, if any, will be monitored closely during the year and in case we see a turn for the worse a write-down will be recognised.

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.