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Major business transformation programme launched to improve competitiveness and profitability

Today, ROCKWOOL International A/S announces a transformation programme with the aim of making the Group more agile and cost efficient:

- The organisation will be restructured becoming simpler with fewer layers and a reduced headquarter. As a consequence, the number of white-collar employees will be reduced by around 500 of which around 80 in Denmark.
- Three key areas - Procurement, Pricing & Product Management and Customer Experience – will be strengthened to increase performance.
- The geographical priorities will be reset with sharpened focus on Europe and North America and reduced ambitions in Asia. Reassessments of the assets in Asia will be carried out with an expected impairment cost of around EUR 20 million.
- To drive the change and reflect the new geographical priorities, Group Management will be strengthened with new members and changed responsibilities.
- When fully implemented by 2017, the programme aims at delivering an EBIT improvement in the range of EUR 50 million per annum.

Commenting on the business improvement plan, CEO Jens Birgersson says:

“After a thorough analytical process, I am pleased to present our transformation programme which will take the ROCKWOOL Group to a new level of operational excellence with a leaner and more customer-oriented organisation. We are the global leader of the stone wool industry and I want our profitability to better reflect this position. Only then can we sustain our investments in the future, exploiting the unique set of properties of stone wool to create a more sustainable society with energy efficient, comfortable and safe buildings”

Strengthening operations

A major focus will be the strengthening of key areas to achieve synergies and increase performance.

- A global category-driven Procurement organisation applying best practise and covering external spend aimed at leveraging our scale.
- A new setup for developing advanced Customer Experience tools and competencies.
- A new approach for Pricing & Product Management to optimise our product portfolio and better reflect the value we bring our customers.

Simplifying the organisation

The well-functioning business model with regionally based insulation companies and globally structured System businesses will be maintained.

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A more globally driven organisation model will be adopted for most of the business support functions, with a general reduction of hierarchical layers and elimination of overlapping activities.

A new Group function Operations & Technology is established combining the Group R&D, Engineering and Procurement functions. This will enable innovation and optimisation along the value chain from development to industrialisation and an improved support structure for the manufacturing units in the local companies.

As a consequence of above changes, an overall staff reduction of around 500 white-collar employees is expected of which around 80 in Denmark. The exact reduction number will be determined following consultations with the employee organisations which will now start.

Geographic priorities reset

The programme aims at establishing a more focused business. In that connection, the priorities given to the main geographical regions have been reassessed:

- Europe will be a focus area with the target of establishing a better profitability within the insulation business while continuing to grow.
- Russia remains an important future growth market despite the current economic challenges.
- In North America a high profitable growth within all major business areas will be pursued.
- In Asia, the ambition level will be lowered and combined with a more selective approach in terms of targeted segments and countries. As a consequence, reassessments of the Group's Asian assets will be carried out with an expected impairment of assets in China and India with an EBIT effect of around EUR 20 million which will be included in the third quarter accounts.

New Group Management

To drive the necessary changes and reflecting the new geographic priorities, the top management structure will be changed as follows, effective from 1 October:

- Business areas:
 - Systems: Will be headed by Thomas Kähler, previously MD of ROCKWOOL Scandinavia. He succeeds Herman Voortman who - after a most successful leadership of the System business - regrettably will go on sick leave. Thomas Kähler will remain ordinary member of the Board of Directors, but will be succeeded by Søren Kähler as Second Deputy Chairman, member of the Chairmanship and member of the Remuneration Committee.
 - Insulation North East Europe including Russia: Will be headed by Henrik Frank Nielsen, previously head of Europe Division.
 - Insulation Central Europe: Will be headed by Volker Christmann, previously MD of the insulation companies in Germany, Benelux and Austria.
 - Insulation South West Europe and Insulation Asia. These two geographical units will be headed by Gilles Maria.

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- In North America, the insulation activities will be under the direct leadership of the Group CEO with the local MD reporting in.
- Group functions:
 - Bernard Plancade, previously MD of the insulation companies in the South Europe region, will be appointed member of Group Management responsible for Group Operations & Technology.
 - A new Group Management position in charge of a new Group function combining the areas of Marketing, Communications and Public affairs will be established. This position is expected to be filled by early 2016.
 - Kim Junge Andersen, currently working for Hempel, will succeed Gilles Maria as of 1 January as CFO heading Group Finance, Legal and IT. Until then, Gilles Maria will continue as CFO.
 - Camilla Grönholm will be heading Group HR.

Expected financial impact

The aim is to deliver a positive contribution of around EUR 50 million on the operating result of the full year 2017 with a 2016 positive impact of EUR 20 million.

The programme is expected to incur restructuring costs of around EUR 25 million, and to this should be added the expected effect of the impairment in the Asian business meaning a total negative EBIT impact of around EUR 45 million. It is expected that most of the restructuring costs will be included in the 2015 accounts. The Group full year EBIT forecast, before restructuring and impairment charges, remains unchanged.

More details on the transformation programme will be provided at the Group's Capital Markets Day which will be held in Copenhagen on 23 November 2015 following the third quarter release.

Conference calls for investors and press will be conducted at 10:45 and 11:45, respectively. The calls are broadcasted on rockwool.com/business-transformation. To participate in the calls, please find dial-in information on the website.

Further information:

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