Resilient by nature

Annual Report 2021

ROCKWOOL

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Chairman Thomas Kähler and CEO Jens Birgersson

Strong results in a challenging environment

Dear stakeholders,

By almost any measure, 2021 was a strong year for ROCKWOOL Group. Our sales grew well in almost all markets across the entire business; profitability remained solid despite soaring inflation; we opened a new factory in the United States; and approved investments in new capacity in several other markets. Pandemic-related demand and a growing focus on climate action drove much of the progress in new build and renovation construction.

COVID-19 was still with us in 2021 but became less of a threat thanks to rising vaccination rates, sensible guidance from governments, good habits and technology improvements. All this helped our people to be safe and made our business and the communities where we operate more resilient.

The surprising speed of the 2021 economic rebound also brought challenges, including inventory and material shortages in some markets as well as logistics challenges that required creative solutions. Special thanks go to our customers for their patience and especially our people working in the factories and across the commercial, technical, procurement, and support teams, who worked together to reduce customer delays.

Results and investments

ROCKWOOL achieved good sales growth in almost all markets, driven globally by high construction activity. Rapidly rising input costs toward the end of the year, especially in energy, materials and logistics, impacted margins despite price increases and productivity gains.

Net sales for the year reached 3088 MEUR, while EBIT margin was 13.0 percent, at level with 2020. Profit for the year was 303 MEUR, a 21 percent increase from 2020. Notwithstanding substantial investments, our balance sheet is very strong and we remain net debt free.

In terms of investments, we acquired the stone wool manufacturing operations of Bansyo Holdings in Japan, which gives us an entry for our insulation business in the world's third largest economy. Additionally, Rockfon acquired Tripplex Acoustic and a minority stake in Akuart, an acoustic design company.

We continue to invest in new factories to meet growing demand for our stone wool while also decarbonising our operations. Our newest facility in West Virginia, USA began commercial operations in July 2021. It is already helping to meet the growing demand for our insulation products primarily in the densely populated Mid-Atlantic region.

In addition, we announced plans to build a new factory in Soissons, France using electric melting technology. We also announced plans to expand production capacity at our factory in Vyborg, Russia, which like Soissons, will use electric melting technology. Using this cutting-edge technology will reduce the factory's carbon emissions by around 50 percent. Likewise, we will be converting our factory in Switzerland to use electric melting technology.

We made good progress on our non-financial key figures, exceeding our 2022 interim goals on CO_2 intensity with a 16 percent reduction and reclaimed waste adding three new countries. We took significant measures to decarbonise several of our factories, and to increase the energy efficiency in owned offices. Read our Sustainability Report for further details.

Time for climate action

The COP26 climate conference reiterated the urgent need to reduce greenhouse gas emissions and reverse the negative trend. Clearly, greater accountability and attention to short-term action is required as the world is far from on track to meeting Paris Agreement goals.

With a focus on energy efficiency in buildings, ROCKWOOL's objective at COP26 was to share practical, here-and-now proposals to close the gap between long-term goals and the short-terms actions needed to achieve them. Getting it right on buildings matters greatly, as they account for such a large share of global energy consumption and carbon emissions. Simply put, the Paris Agreement goals cannot be met without a substantial increase in energy efficiency in the current building stock.

In addition to prioritising "deep" renovations that improve a building's energy efficiency by at least 60 percent, it is also essential to choose climate-friendly, sustainable materials today that support rather than undermine the long-term goals of tomorrow. That means, for example, using materials like stone wool that are fire resilient and circular by nature; that can be recycled rather than incinerated or landfilled when the time comes; that maintain their performance for 60+ years; and that do not use chemical additives to resist mould or reduce combustibility.

Energy renovation of the world's buildings has enormous climate, financial, and health benefits – today, tomorrow, and for decades to come. As most home- or building-owners will only renovate once, it is essential to do it right. And that means deep renovations done with climate-friendly, sustainable, circular materials.

Health and safety

The health and safety of our employees and those working at our locations is always our foremost priority. Most importantly, we had no work-related fatalities in 2021. Our Lost Time Incident (LTI) rate increased, however, which is not satisfactory. We have initiated several improvement measures, including additional safety audits at the factories with the highest LTI rates together with extra focus on sharing best practices across the Group.

The opportunities in a crisis

In business as well as private life we prefer times without crises. But when they come, there is usually an opportunity to emerge stronger. We think society is seeing that now in terms of vaccine science and pandemic preparedness.

We see the same opportunity with buildings and climate change. The focus from policymakers on building the economy back better and greener is unquestionably a positive for society. Specifically, coordinated regional efforts like the Renovation Wave in the EU and the European Commission's Buildings Directive will make communities more resilient to climate change and substantially reduce global emissions from buildings.

Financially, we forecast 2022 sales growth in the range of 15-20 percent in local currencies, with higher uncertainty for the second half of the year. Input costs are expected to remain high or increase in the first half of 2022, which we aim to offset with further operational productivity gains, cost savings, and price increases. We anticipate gradual margin improvement as the year progresses and forecast a full-year EBIT margin around 13 percent.

For good reasons, we can be confident about the future. The 2022 investment level will be around 500 MEUR, with the new factory in France, capacity in Russia, and the Systems segment capacity in Canada being the main drivers.

Thank you to our colleagues for the incredible effort this year. Well done, all of you. Despite some supply chain challenges, our customer satisfaction score increased for the seventh consecutive year. We thank our customers for trusting us to take care of your business needs – and our suppliers for helping us take care of ours.

Thomas Kähler
Chairman

Jens Birgersson
CEO

our purpose

To release the natural power of stone to enrich modern living

World leader with local presence

We create sustainable solutions to protect life, assets, and the environment today and tomorrow.

51 Manufacturing facilities

40 Countries where we are present

120+ Countries in which we have sales

Austria
Belarus
Belgium
Bulgaria
Canada
China
Croatia
Czech Republic
Denmark
Estonia
Finland
France
Germany
Hungary
India
Italy
Japan
Korea
Latvia
Lithuania
Malaysia
Mexico
Norway
Philippines
Poland
Romania
Russian Federation
Singapore
Slovakia
Spain
Sweden
Switzerland
Thailand
The Netherlands
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States
Vietnam

Five-year overview

	2021 (MDKK)	2021 MEUR	2020 MEUR	2019 MEUR	2018 MEUR	2017 MEUR
Income statement						
Net sales	22 966	3 088	2 602	2 757	2 671	2 374
EBITDA	4 473	602	522	548	507	417
Amortisation, depreciation and write-downs	1 493	201	184	176	166	159
EBIT	2 979	401	338	372	341	258
Financial items	-57	-8	-13	-5	-7	-11
Profit before tax	2 923	393	325	367	335	275
Profit for the year	2 251	303	251	285	265	214
Balance sheet						
Non-current assets	15 830	2 129	1 927	1 825	1 468	1 383
Current assets	7 072	951	817	869	963	781
Total assets	22 902	3 080	2 744	2 694	2 431	2 164
Equity	17 803	2 394	2 092	2 118	1 877	1 684
Non-current liabilities	1 214	163	158	160	121	122
Current liabilities	3 885	523	494	416	433	358
Net interest-bearing cash / (debt)	565	76	95	212	375	241
Net working capital	2 278	306	213	247	198	190
Invested capital	17 058	2 294	1 961	1 889	1 542	1 452
Gross investment in plant, property and equipment	2 239	301	335	393	220	123
Cash flow						
Cash flow from operating activities	3 166	426	438	402	408	332
Cash flow from investing activities	2 306	310	362	400	212	165
Free cash flow	860	116	76	2	196	167

For definitions of key figures, ratios and exchange rates see p. 97.

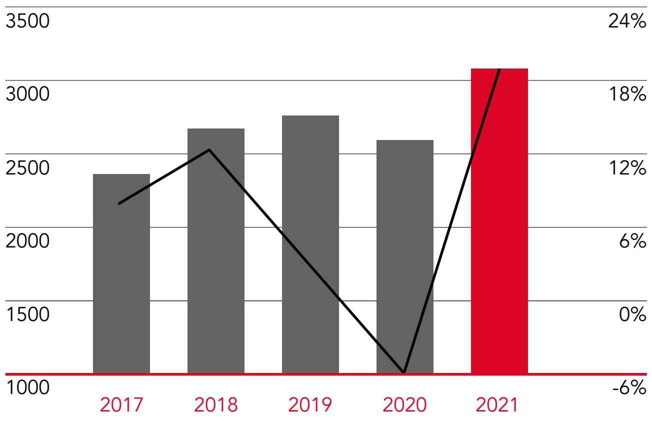
	2021 (MDKK)	2021 MEUR	2020 MEUR	2019 MEUR	2018 MEUR	2017 MEUR
Others						
R&D costs	335	45	41	41	38	32
Number of patents granted	253	253	148	235	268	201
Number of full-time employees (year-end)	11 968	11 968	11 448	11 691	11 511	11 046
Ratios						
EBITDA margin	19.5%	19.5%	20.1%	19.9%	19.0%	17.6%
EBIT margin	13.0%	13.0%	13.0%	13.5%	12.8%	10.8%
Payout ratio	33.5%	33.5%	37.7%	33.3%	33.3%	33.3%
ROIC	18.8%	18.8%	17.6%	21.7%	22.8%	17.9%
Return on equity	13.5%	13.5%	11.9%	14.3%	14.9%	13.3%
Equity ratio	77.7%	77.7%	76.1%	78.5%	77.1%	77.5%
Leverage ratio	-0.13	-0.13	-0.18	-0.39	-0.74	-0.58
Financial gearing	-0.03	-0.03	-0.05	-0.10	-0.20	-0.14

Non-financial key figures	2021	2020	2019	2018	2017
CO_2 intensity (scope 1+2) per tonne stone wool (index*)	84	91	96	96	97
Energy efficiency in own buildings (index*)	81	95	94	100	100
Water intensity from stone wool production (index*)	85	90	93	97	99
Number of countries where we offer recycling service	17	14	11	11	6
Landfill waste from our stone wool production (index*)	49	50	84	105	99
Lost time incident frequency rate	3.6	3.0	2.9	3.5	3.5
Absolute GHG emissions (scope 1+2) (index**)	101	90	-	-	-
Absolute GHG emissions (scope 3) (index**)	100	89	-	-	-

* Index=100 in 2015 (baseline).
** Index=100 in 2019 (baseline).

Financial highlights 2021

Net sales & sales growth
(MEUR)



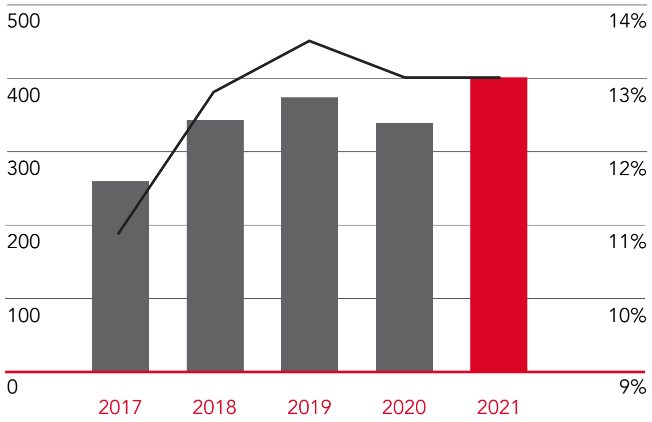
Sales increased

18.8%

in local currencies

Net sales
Growth (reported)

EBIT & EBIT margin
(MEUR)



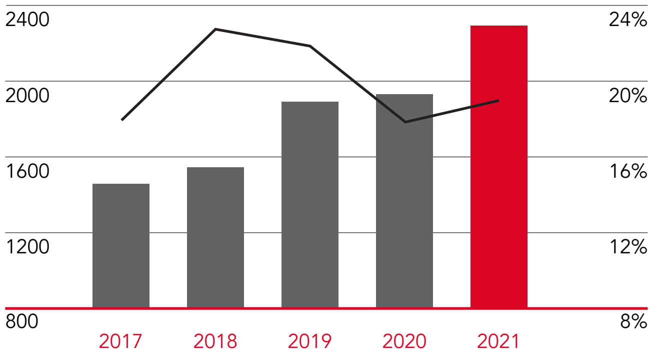
EBIT

401 MEUR

Up 19% compared to 2020

EBIT
EBIT margin

ROIC & Invested capital
(MEUR)



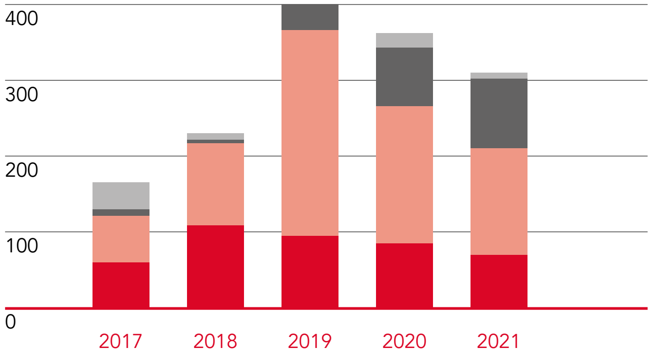
ROIC

18.8%

Up from 17.6% in 2020

Invested capital
ROIC

Investments
(MEUR)



Sustainability investments

91 MEUR

Up from 77 MEUR in 2020

Maintenance
Capacity
Sustainability
Acquisitions

The ROCKWOOL purpose and strategy

At the pinnacle of ROCKWOOL's strategy is our corporate purpose: *to release the natural power of stone to enrich modern living.* This reflects our purpose's unifying nature, conveying that stone is our core raw material and the bedrock on which our business is based.

And while the stone we use may be millions of years old, what we do with it is cutting-edge. Every day, ROCKWOOL's creative and entrepreneurial employees are developing and applying new technologies and innovations to release the potential of stone to enrich modern living.

As we look to the future, stone wool and the products we make with it will play an increasingly significant role in addressing two of the megatrends influencing virtually every aspect of modern society – urbanisation and climate change.

Every week, about 1.5 million people move to urban environments. By 2030, there will be an estimated 43 megacities around the globe with more than 10 million inhabitants. And by 2050, the earth's population is expected to be close to 10 billion, nearly 70 percent of whom will live in cities.

The combination of more people living in more densely populated urban areas and the worsening consequences of climate change will increase the demand for energy efficient housing. Greater urban population density also heightens the importance of constructing and renovating the buildings in which we live, work, learn, and recover with non-combustible building materials.

At the same time, the world must feed its growing population using fewer resources, while also managing the effects of more frequent extreme weather events, particularly in urban environments.

The ROCKWOOL business strategy is driven by our people and a passion for creating solutions that connect these global trends with profitable business opportunities by creating superior solutions to protect life, assets, and the environment, and to create comfortable, healthy, and attractive spaces. In other words, by enriching modern living.

Our aspiration is to grow faster than the market overall by offering top-quality products and services, strengthening our brand, building long-term customer relations, and driving an operationally effective business across all segments and geographies where we are active.

As our business is inherently capital intensive, we focus on exploiting our natural strengths to balance risks, which includes a differentiated approach across selected geographies.

In North America, for example, we are expanding our production capacity to capture significant growth opportunities within all major business areas.

In Europe, we will grow faster than the market by launching new products and services, while improving our customer-facing activities and the productivity of our production platform. We will expand capacity where needed to meet steadily growing demand in and near core markets and enhance our geographic coverage and customer service level.

In Asia, the approach is different, in that we will develop and grow our local business selectively where there is a clear demand for our premium quality offerings.

Continuing to recruit, develop, and retain highly skilled, highly motivated colleagues is essential to achieving our growth ambitions and fulfilling our purpose. Doing so will remain a high priority for ROCKWOOL Group across all our business areas and operations.

At ROCKWOOL, everything we do is based on releasing the natural power of stone to enrich modern living. Profitably offering solutions to address the challenges created by enduring global megatrends will help ensure our successful future growth.

The ROCKWOOL business strategy is driven by our people and a passion for creating solutions that connect global trends with profitable business opportunities by creating superior solutions to protect life, assets, and the environment, and to create comfortable, healthy, and attractive spaces. In other words, by enriching modern living.

The 7 strengths of stone

01
Fire-resilience

Withstand temperatures above 1000°C.

02
Thermal properties

Save energy by maintaining optimum indoor temperature and climate.

03
Acoustic capabilities

Block, absorb or enhance sounds.

04
Robustness

Increased performance and greater stability with lower costs.

05
Aesthetics

Match performance with aesthetics.

06
Water properties

Engineered to repel or absorb water.

07
Circularity

Reusable and recyclable material.

Our business model

Stone wool is fully recyclable

What does ROCKWOOL Group do?

We transform volcanic rock into stone wool, a versatile material with many natural strengths that make it ideal for use in a range of applications in buildings, industry, transportation, horticulture and water management.

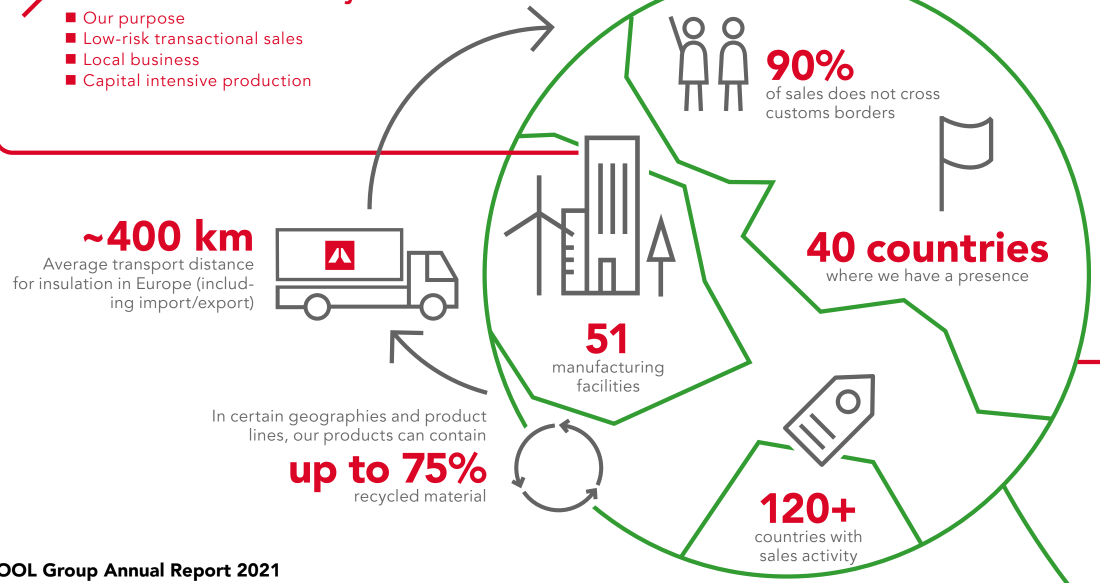
Volcanic rock is mixed with lime stone and can contain up to 75 percent recycled material – in certain geographies and product lines – before being heated to more than **1500°C.**

The molten rock is spun into wool. A binder and either a special oil or wetting agent are added depending on the application of the end product.

A final heat treatment cures the binder, giving the stone wool **dimensional stability**, before final processing and production into a **wide range of products.**

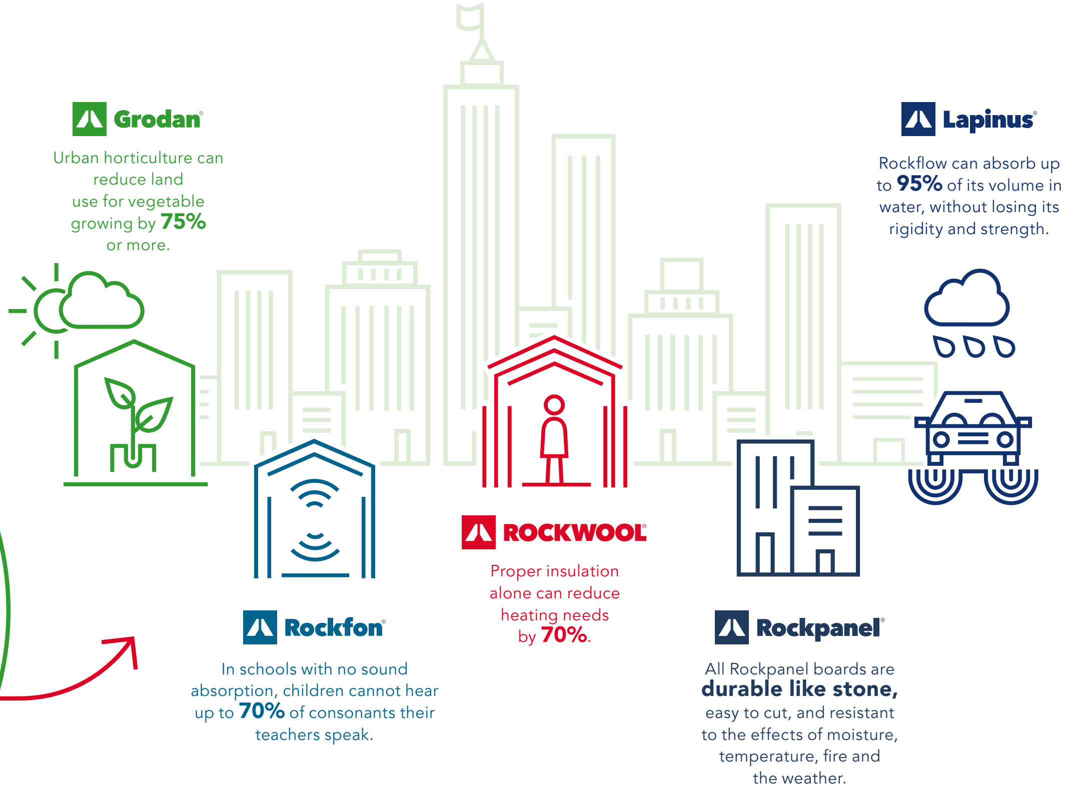
Our business is defined by:

- Our purpose
- Low-risk transactional sales
- Local business
- Capital intensive production



Our impact on society

We see enormous opportunity to leverage the natural power of stone to create products that accelerate progress towards a **safer, healthier, low-carbon future.**



Outlook 2022 and trends over the business cycle

Despite soaring energy prices, expectation for 2022 is that market dynamics will remain positive with modest volume growth.

Market review

Overall, the construction industry experienced high growth in 2021, driven substantially by pandemic-related demand, government-funded economic recovery and stimulus packages, and increased climate action. Especially in Europe and a growing number of U.S. jurisdictions, energy efficient buildings gained greater recognition for their role in reducing greenhouse gas emissions.

The rapid pace of recovery also created challenges, including industry-wide supply constraints, rising inflation, and soaring energy prices. We expect these challenges to continue affecting market conditions in the new year.

ROCKWOOL achieved good sales growth in almost all markets across the entire business. Primarily the residential sector, particularly in renovation, drove the growth, while technical insulation and commercial segment sales recovered later in the year. Sales in China and elsewhere in Asia were subdued, as COVID-19 continued to negatively affect markets. We saw a growing demand for Systems segment products.

Broad-based stone wool demand growth led to capacity expansion across the industry, including for ROCKWOOL. Our newest factory came online in West Virginia, USA; and we announced new capacity additions in France and Russia. We also acquired a stone wool manufacturer in Japan. Furthermore, we added Systems segment capacity at existing facilities in Canada, the Netherlands, and Poland. We expect this trend toward greater capacity investments will continue.

Outlook 2022

We expect the strong demand for our products, which evolved rapidly during the last three quarters of 2021, to continue in 2022, though significant uncertainties complicate the full-year outlook picture.

In particular, continued high energy costs in Europe and rising inflation globally potentially could disrupt the construction sector recovery and dampen overall market activity. It is at this stage unclear to what extent higher material and energy prices will impact construction activities during the year, and we do not currently see reliable construction industry consensus forecasts for 2022.

That said, we do foresee a risk that construction activity will slow down in Europe later in the year due to supply chain and workforce bottlenecks as well as continued high energy costs. Much will depend on the market's ability to absorb relatively significant cost increases for a broader range of construction materials. If inflation continues rising, so too does the risk that some renovation and new-build construction projects will be postponed or cancelled.

In North America, we anticipate that demand for our products will continue to be strong. The new capacity we brought online in 2021 will help ROCKWOOL meet the demand and to grow our market share. We foresee the strong demand for Systems segment products continuing in 2022.

We anticipate that a combination of higher prices and strong demand for sustainable and circular stone wool products in 2022 will allow us to continue a double-digit growth albeit with a higher portion derived from pricing than volume. We forecast a net sales growth in local currencies in the range of 15-20 percent for 2022, with higher uncertainty for the second half of the year.

EBIT margin will be influenced during the first part of the year by the high and rapidly increasing input costs, though we anticipate gradual improvement as the year progresses. We thus forecast a full-year EBIT margin around 13 percent.

As we initiate two large capacity expansion projects in France and Russia along with Systems segment capital expenditures and various sustainability investments, we forecast an overall capital expenditure of around 500 MEUR for 2022, excluding acquisitions.

Trends over the business cycle

Multiple interrelated trends will influence and support ROCKWOOL's growth prospects over a complete business cycle. These trends include:

- Climate action;
- Global energy transition and energy efficiency;
- Building renovation;
- Circularity and resource efficiency; and,
- Health and wellbeing.

Climate action

The IPCC's Sixth Assessment report concludes that climate change is intensifying; that human influence has warmed the climate at unprecedented rates; and that we need to rapidly reduce greenhouse gas emissions. That report and the COP26 climate conference have contributed to refocusing attention on the need for urgent action to address the global climate challenge.

That climate change implications are interlinked and pose environmental, economic, social and technological risks is widely recognised, as is the compelling need to foster climate resilience for businesses, the environment, and communities. Encouragingly, an increasing number of countries and businesses are setting science-based and other targets aligned with the Paris Agreement.

Outlook 2022

Sales growth of
15-20%
in local currencies

EBIT margin around
13%

Investments excl. acquisitions around
500 MEUR

Outlook 2022 and trends over the business cycle (continued)

How much energy the world consumes and how that energy is produced will have dramatic consequences for society's ability to reduce climate change's inevitable impacts.

Global energy transition and energy efficiency

According to the International Energy Agency, energy efficiency needs to deliver more than 40 percent of the reduction in energy-related greenhouse gas emissions over the next 20 years. Saving energy and then generating renewable energy to satisfy the remaining requirements is the most efficient, cost-effective way to decarbonise society.

Using less energy overall (through improved energy efficiency) is a critical element in increasing the share of renewables in the energy mix and reaching carbon neutrality. Doing so reduces overall energy system capacity needs and contributes to a faster and more cost-effective transition to renewable energy sources.

Furthermore, reducing energy demand and consumption also reduces household and societal expenditures on energy. This in turn reduces dependence on imported fuels, thus creating greater energy security.

The current high energy costs may dissipate over time, but could impact consumer spending and construction activities in the short term. In the broader perspective, higher energy costs will drive an even greater focus on energy efficiency.

Building renovation

That buildings play a major role in reaching climate goals matters greatly, as they account for 28 percent of global emissions; 36 percent in Europe; and 40 percent in the United States. In the EU, around 75 percent of buildings are energy inefficient, and most of them will still be in use in 2050.

The EU is heavily prioritising and providing financing for building renovation as part of its overall "Fit-for-55" green transition strategy. Additionally, multiple jurisdictions in the United States have either established or are considering establishing energy efficiency standards for buildings.

This focus on renovating the world's building stock as a means to achieving climate goals (and greater health and wellbeing – more on that below) will continue driving demand for high-quality, sustainable insulation and other building materials, such as exterior wall systems and interior acoustic solutions.

Circularity and resource efficiency

As the world's population continues to grow, pressure on natural resources will only increase. Creating greater circularity across all economic sectors will contribute to relieving this pressure, especially in the built environment, which is responsible for 30-40 percent of the global waste generation.

There is increasing momentum in the construction sector and elsewhere toward locking in circular economic benefits, based on three well-established principles: designing out waste and pollution; keeping materials at their highest value; and restoring natural systems.

This focus on circularity and resource efficiency extends to other economic sectors as well, not least food production. Feeding the world's growing population requires sustainable and efficient alternatives to supplement traditional farming.

In contrast to petroleum-based plastic materials, stone wool is inherently circular and fully recyclable. ROCKWOOL and our construction- and horticultural-related products are thus well positioned to support this accelerating trend toward greater circularity and resource efficiency.

Health and wellbeing

Driven in part by the current global pandemic and otherwise a natural consequence of more people living in densely populated urban areas, there is a growing recognition among public authorities as well as building owners, occupants, developers, insurers, and financiers regarding the need to create healthy and safe communities across multiple parameters.

As noted above, renovating buildings for greater energy efficiency is becoming increasingly important for its positive contribution to climate action. But better thermal efficiency also contributes to reducing energy poverty as well as other problems such as mould growth, with the attendant health benefits these attributes bring. The same applies to acoustic comfort, the health and wellbeing benefits of which stone wool insulation and other acoustic products promote.

In addition, we anticipate that the trend towards stricter fire safety building regulations prohibiting the use of combustible materials will accelerate, with the United Kingdom being a prime example. Building future resilient communities also requires addressing flood risks that can result from extreme weather events and also here, we can provide solutions based on stone wool.

Revenue potential

EU and individual member states are increasingly providing financial, policy, and technical support prioritising energy efficiency renovations, while multiple jurisdictions in the United States have either established or are considering establishing energy efficiency standards for buildings. Overall, there is a clear potential for ROCKWOOL sales to benefit from such support schemes.

In countries such as Italy and France, for example, we have already seen a correlation between our sales in the renovation segment and the national incentive programmes. We anticipate a similar development in Germany, as their incentive programmes are strengthened and focus switches more toward building renovation.

Programmes supporting "Renovation Wave" objectives are already in place in other European geographies as well. We anticipate that the forthcoming revisions to the Energy Performance in Buildings Directive will see further member state focus on incentive programmes promoting energy efficiency renovation.

Deeper penetration of our stone wool offering in the United States and the United Kingdom and investing in and exploiting expansion opportunities for the Systems segment businesses allows for a higher growth rate in these key markets.

In summary, supported by the long-term trends, the increased focus on energy efficiency in Europe and higher growth opportunities in specific markets, we believe that sales of our stone wool products will continue to grow faster than the market and that we can navigate and optimise sales through the business cycle.

Earnings potential

Several initiatives in the past years and the accelerated commitments towards reducing greenhouse gas emissions have improved the level of profitability.

Concerted work on customer relations, sales force excellence, account planning, customer-oriented digital solutions, and internal sales organisation as well as upgrades of contractual terms have contributed to our ability to realise the stronger earning potential.

Operational and technological improvements in manufacturing and supply chain have yielded sustained progress both in terms of increased capacity utilisation and productivity gains. Recently completed and newly announced manufacturing facilities are/will be equipped with our most advanced technologies.

The same applies for conversions of existing manufacturing facilities to use less carbon-intensive fuel sources, which will contribute to creating a more commercially competitive and environmentally friendly production footprint. As we pursue our decarbonisation strategy, we will naturally take into account available economic incentives to support our transition towards fossil-free energy consumption.

We see a potential to further lift earning levels from productivity and cost efficiency gains within both the Insulation and Systems segments – this notwithstanding that capacity expansions and facility conversions impact earning levels during the start-up periods.

We will continue to make the necessary investments in new technologies, sales force effectiveness, and digitalisation to enable the organic growth over the business cycle.

Investments

Staying ahead of demand is vital and with a predominately organic business model, adding new capacity for the Insulation and Systems segments is a must.

In the coming decade, building the capacity expansions in France and Russia announced in 2021, we plan to continue expanding our stone wool manufacturing capacity in Europe and North America and to gradually strengthen our footprint in Asian markets.

Combined, these will result in relatively large capital expenditures in the coming years, which in periods could exceed the 13 percent ratio of revenue average we have experienced in recent years.

Sustainability-related investments will continue to be part of our capital expenditures. We expect to increase future investment levels to create more environmentally friendly manufacturing facilities, more energy efficient buildings, and overall to reduce the environmental impact of our operations in all areas. While the level will vary each year, we foresee approximately 100 MEUR annually in sustainability-related investments.

We have the ambition to keep return on invested capital (ROIC) above 15 percent over the business cycle.

Insulation segment

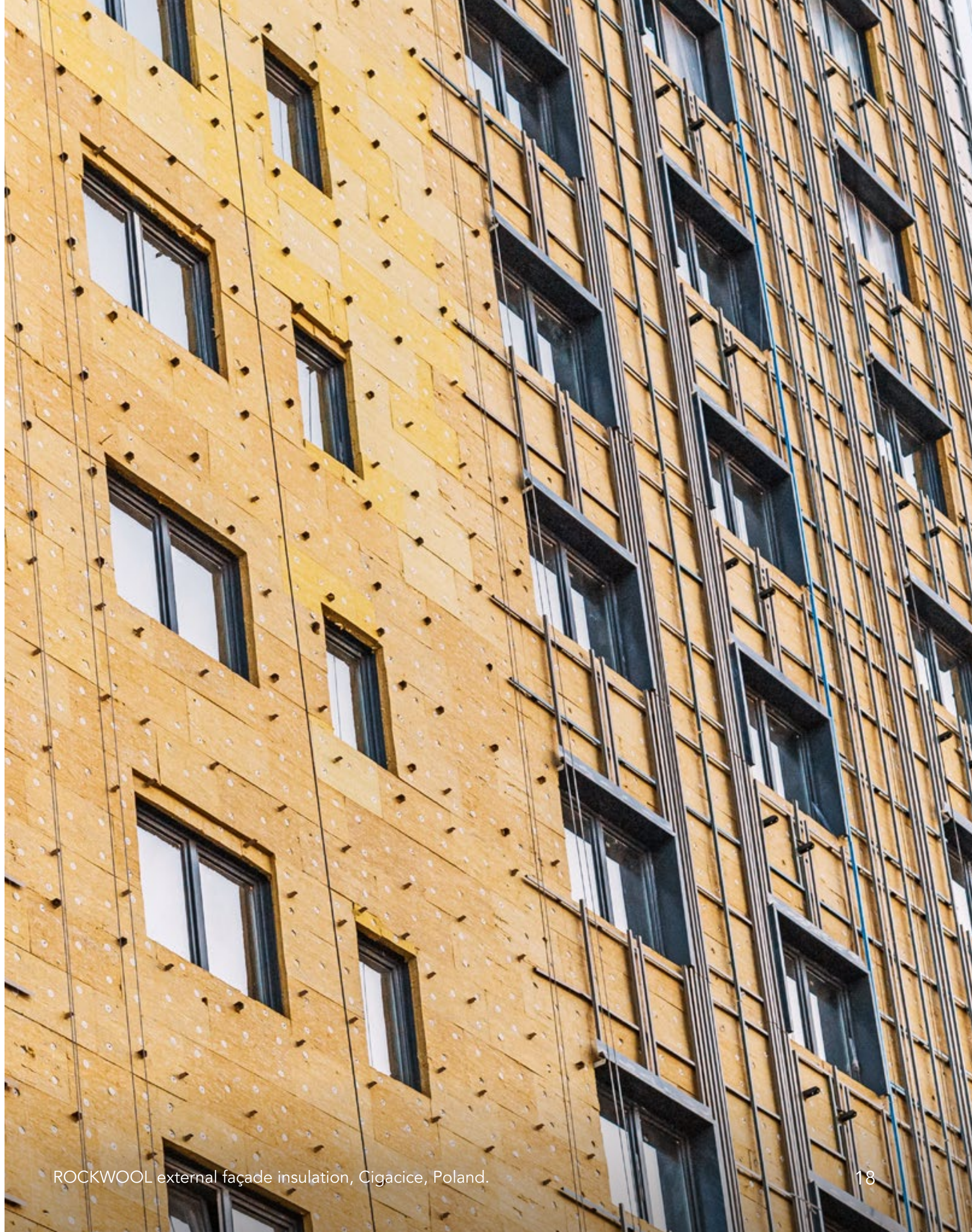
Financial results

Insulation segment sales reached 2291 MEUR, an increase of 20 percent in local currencies and reported figures. All markets and businesses contributed to the solid growth, mainly driven by high construction and renovation activity in the residential sector. Technical insulation and commercial sector sales recovered later in the year.

Insulation segment EBIT reached 275 MEUR with an EBIT margin of 10.4 percent, a decrease compared to 2020 of 0.3 percentage points. Sales prices and productivity gains did not fully offset the accelerating inflation on production materials, energy and logistic costs. Start-up costs from the new factory in the United States also impacted the earnings level.

Key figures Insulation segment

MEUR	**Q4 2021**	Q4 2020	**2021**	2020
External net sales	**621**	491	**2 291**	1 914
EBIT	**69**	64	**275**	236
EBIT margin	**9.4%**	11.0%	**10.4%**	10.7%


ROCKWOOL external façade insulation, Cigacice, Poland.

Insulation solutions
ROCKWOOL offers fire-safe, thermally-efficient, highly durable, and recyclable stone wool insulation.

Insulation segment
Business update

The construction industry experienced high growth in 2021. After a soft first quarter, economic activity increased rapidly during the remainder of the year. Private consumption largely drove the growth, fuelled by increased vaccination rates, countries coming out of lock-down, high consumer savings, and economic recovery packages from government.

The residential sector has been a key driver of industry growth. In Europe, renovation schemes introduced in 2020 continued apace. Moreover, the EU next generation recovery fund started to gain traction, with the European Commission endorsing member states' Recovery and Resilience Fund spending plans and releasing the first wave of funds, with dedicated allocations for energy efficient renovation.

With the pandemic leading to more people working from home, residential new build as well as renovation increased in many markets. Conversely, the non-residential sector did not fully recover, especially office and commercial buildings.

By the second half of the year, the high demand for building materials led to industry-wide supply constraints, including raw material and labour shortages as well as rising inflation and soaring energy prices.

Insulation segment sales significantly increased in 2021 even compared to the pre-pandemic 2019 highs.

In Western and Eastern Europe, sales were up by double-digits across most countries compared to 2020.

North America delivered solid sales in 2021, driven by continued high construction activity and our West Virginia factory beginning operations during the year.

Sales in China and other parts of Asia were negatively affected by COVID-19 with temporary close downs in some markets. At the same time, we strengthened our position in Asia by acquiring Japanese manufacturer Bansyo Holdings. Japan is a mature insulation market backed by a government committed to significantly reducing energy consumption and emission levels over the coming years. Technical insulation sales recovered as the oil industry rebounded in the latter half of the year.

We continue to invest in new factories to meet growing demand for our stone wool insulation. In addition to the West Virginia facility, we announced plans in 2021 to build a new factory in Soissons, France and expand existing capacity in Vyborg, Russia.

Case study

The ephemeral Grand Palais

Standing opposite the Eiffel Tower across the Champ de Mars greenspace in the heart of Paris is the Grand Palais Éphémère, a unique building with an unusual purpose.

While its permanent namesake, the Grand Palais, undergoes major renovation, the Éphémère was built to take over its lofty responsibilities: accommodating the city's busy schedule of exhibitions in art, fashion, sport and culture.

For four years, anyway. In 2024, when renovation of the Grand Palais will be finished, the plan is for this pre-fabricated timbre frame building to be taken apart and whisked away, with all its modular components and materials being reused and repurposed for other projects.

For the architect, Wilmotte & Associés, achieving it all – a beautiful, high-performing building that can also be dismantled and reused – came down to creative design and careful choice of high-quality yet reusable materials, including ROCKWOOL stone wool for thermal and acoustic insulation.

With a capacity for 9000 guests at a time, controlling internal noise and temperature levels inside were critical for creating an inviting and comfortable environment. At the same time, local ordinances require that noise pollution emanating from the building be held below very stringent levels.

"The overall desired acoustic performance determined the dimensioning of the insulation system", says Julie Jean, the architect project manager for Wilmotte. Covering the 12 000 m^2 roof is a sandwich panel insulation system made of 100 to 150 mm of stone wool, provided by ROCKWOOL Core Solutions, "sandwiched" between steel sheets and combined with a plasterboard ceiling. To dampen internal noise, a combination of stone wool and echo-free tension fabric cover interior walls.

Prior to installation, the sandwich panel system was tested at the Scientific and Technical Centre for Building, a French national organisation that ensures the quality and safety of buildings, including how they integrate into neighbourhoods and cities.

Thanks to these protective systems, Paris gets a performing arts space worthy of the role while safeguarding quality of life for nearby residents and giving environmental and economic peace-of-mind, knowing the building's components and materials will be reused or recycled.

Systems segment

Financial results

Systems segment sales amounted to 797 MEUR, which is an increase of 16 percent in local currencies and reported figures. All businesses contributed positively with double-digit growth.

Systems segment generated an EBIT of 126 MEUR with an EBIT margin of 15.9 percent, up 1.1 percentage points compared to 2020. Mainly the second quarter of 2021 contributed to the good performance, and most of the businesses was able to offset the increase in input costs against higher sales prices.

Key figures

MEUR	**Q4 2021**	Q4 2020	**2021**	2020
External net sales	**221**	209	**797**	688
EBIT	**26**	36	**126**	102
EBIT margin	**11.8%**	16.9%	**15.9%**	14.8%

Installing a Rockflow system in Roermond, the Netherlands.

Rockfon

Systems segment
Business update

Ceiling and wall solutions
Rockfon ceiling and wall solutions improve acoustic performance and indoor climates, while resisting humidity and inhibiting mould growth.

We provide customers with indoor acoustic solutions for ceilings and walls.

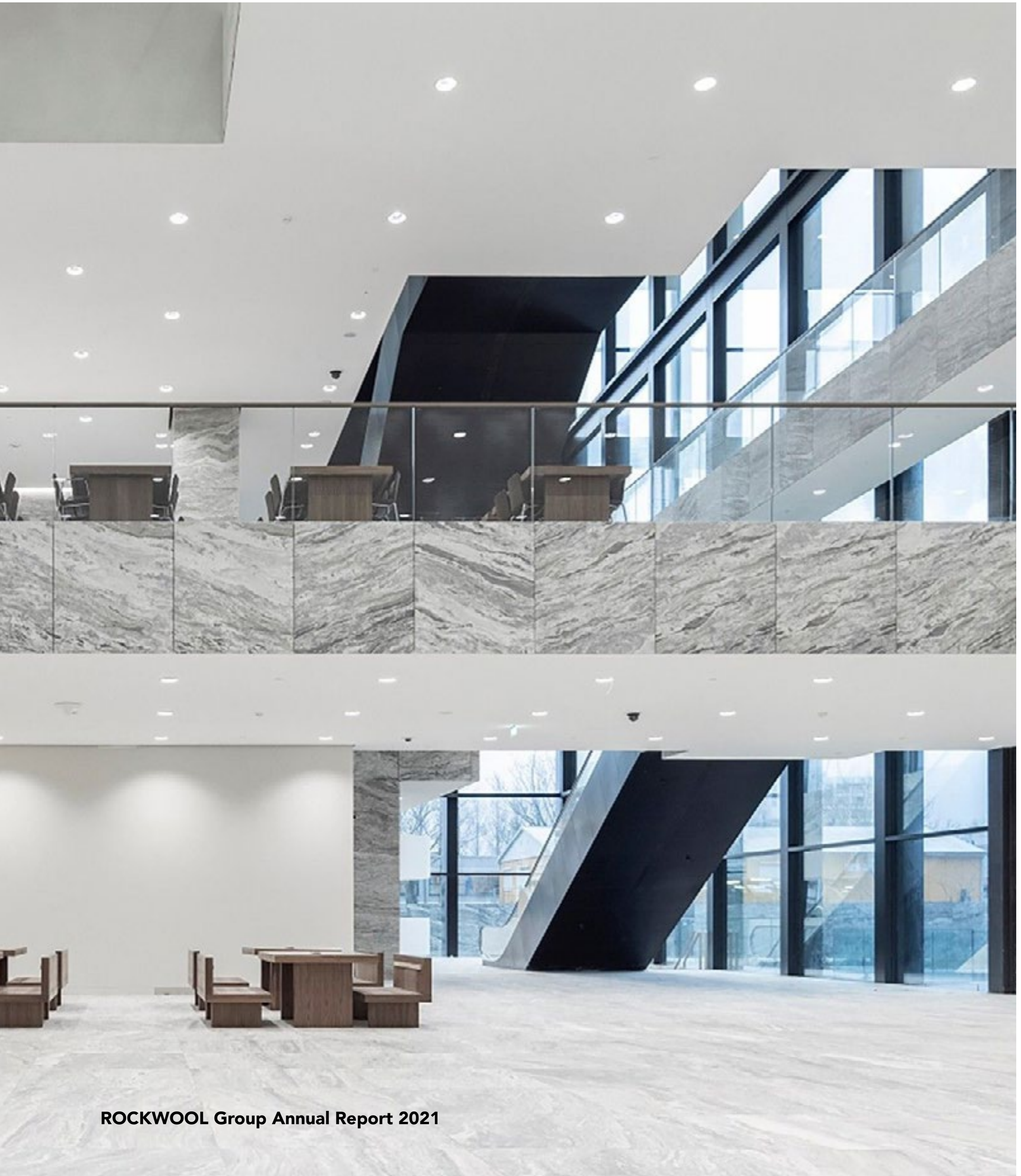
Our ceiling systems combine stone wool acoustic tiles with suspension and specialty ceiling and wall systems that are a fast and simple way to create beautiful, comfortable spaces. Our acoustic products are easy to install, durable and significantly improve wellbeing and indoor comfort.

Sales for Rockfon in 2021 grew by double digits across all major markets, driven by both market share and pricing gains.

The market for interior acoustics is positively influenced by government-sponsored renovation programmes and commercial tenants re-examining their space usage. In addition, there is growing demand for Rockfon products within public health and education infrastructure segments, as key decision makers focus increasingly on occupant health and wellbeing.

In addition, Rockfon invested in two Denmark-based companies, acquiring Tripplex Acoustic and a minority stake in Akuart, an acoustic design company.

In general, the natural benefits of stone wool are becoming better appreciated and recognised in the design community across our markets and within the many building ratings systems (i.e., Well, LEED, Declare and DNGB). We are encouraged by the interest in our acoustic ceiling tiles and sound absorbing solutions.



Case study

A court where justice is also heard

If comfortable and inviting are not words that normally come to mind for a courthouse, the Rechtbank in Amsterdam is an exception.

The architect, Kaan Architekten, wanted the design of Amsterdam's newest and largest courthouse to represent justice as an open process and for the public to feel engaged with the building.

A 50-metre glass façade provides sweeping city views for those on the inside while letting the community peer in. The expansive forecourt, large entryway and open interior spaces invite people inside. At the same time, marble walls and ceilings throughout – including in its 30 courtrooms – give an authoritative and stately feel.

"The process of justice should not be disrupted, so strict acoustic criteria had to be met despite the dynamics of this busy place with high ceilings, stone walls and floors. The only solution that suited our vision was a monolithic ceiling like Rockfon Mono Acoustic. It's a sleek, seamless system that looks like a plastered wall or ceiling", says Luuk Dietz, architect and project manager.

Left untreated, the buildings hard, angular surfaces surrounding large open spaces would create intolerable echoes and high noise levels. Getting the acoustics right was an important challenge to overcome for the building's functional performance to match its cool design.

And not just in the courtrooms, where speech intelligibility is critical to the 150 000 cases that will be processed each year, but in the foyer, waiting rooms, hallways, restaurant and other spaces that hundreds of visitors and the court's 2000 staff will use daily.

As a result, some 25 000 m^2 of Rockfon Mono Acoustic and Rockfon Blanka ceiling and wall solutions were installed throughout the building's rooms and spaces, ensuring the building is comfortable, meets acoustic performance standards and is beautiful too.

Grodan®

Systems segment
Business update

Precision Growing

Less soil, water, and fertiliser, lower CO_2 emissions, with a significantly higher yield. That's Precision Growing.

We are the global leader in supplying innovative, sustainable stone wool growing media solutions for the professional horticulture industry.

Based on Precision Growing principles, these solutions are used to cultivate a variety of crops.

Compared to soil-based methods, our solutions produce higher yields per square metre using far less water and fertiliser. What's more, they create the possibility to reduce or even eliminate chemical plant protection products. We also offer customer-specific advice and tailor-made analytic tools that facilitate the sustainable production of healthy, safe, and fresh food produce.

The Grodan business continued to grow in 2021, with sales increasing across all markets. Despite rising costs in the last half of the year, overall growth in the business reflects continued interest in fresh, sustainably grown produce. The proliferation of greenhouse growing as well as urban farming contributed to the growth.

In 2020, we initiated research with Wageningen University to measure how high-tech growing can help reach the UN Sustainability Goals. In 2021, that research confirmed that high-tech greenhouses using Grodan growing media scored best on water and nutrient efficiency.

Also in 2021, we began working with strawberry growers to learn more about the needs of these customers and how Grodan can help them meet their goals. Early results are encouraging and indicate this is a promising growth area for the business.

Case study

Next-level tomato growing

For 20 years, Kris De Weerdt steered his tomato production in Grodan growing media relying only on his eyes and instincts as a grower. This year, he added something else from Grodan – a software platform for managing data.

"As a grower, you notice things and draw conclusions as you walk through the greenhouse, like if the plants are growing quickly or if you're steering them generatively. My instincts are usually right, but now I have an overview of the data", says De Weerdt.

Kris and his wife, Katrien, own Krikato. Since 2001, they have grown vine tomatoes for world-wide export inside a 30 000 m^2 greenhouse located near Mechelen, Belgium. The platform Kris refers to is e-Gro from Grodan, which helps growers collect and analyse greenhouse data and turn it into real-time insights about the root zone, climate, crop and harvest.

Krikato already uses sensors to monitor water and nutrient levels and a climate computer for humidity and temperature. Kris says e-Gro was a logical next step for the business. He likes the extra reassurance the daily and weekly data gives him and is excited about what a longer time frame will reveal – what worked, what didn't – and how he can use that to plan.

"As we build up the historical data the system will be able to make harvest forecasts. That will give us a clearer view of what we will be able to harvest in the weeks ahead. I can imagine that it's very useful for growers who supply directly to retailers too, because it helps them to make supply forecasts".

"The system is well-designed and the service from Grodan is excellent. A representative has visited us several times to show us how to get the most out of the system and they are always available to support us".

"Tomatoes are sensitive crops and the virus pressure is high. I hope that the data insights and tighter control we have with e-Gro will enable us to make many improvements in the near future".

Rockpanel®

Systems segment
Business update

Design freedom
Whether shape, colour, engraving or even bending the boards, design freedom is at the heart of Rockpanel facades.

We manufacture board material mostly used in ventilated constructions for façade cladding, roof detailing, soffits and fascia.

Our cladding and other boards are robust and flexible, and fit perfectly with modern architectural trends such as organic shapes, natural materials, sustainability, and fire safety, while also providing cost efficiency and ease of installation.

In 2021, Rockpanel continued to deliver stable growth in its key markets by focusing on inspiring and educating architects about the versatility and variety of the products. Additionally, Rockpanel increased its presence at professional distributor outlets via new point-of-sale and small onsite trainings for installers and contractors.

We enhanced our portfolio of products with metallic finishes by adding new and vibrant designs in line with today's trends. This has created significant attention in the market as a good alternative to metal cladding solutions based on fire safety, sustainability, design, and ease of installation considerations.

Communication towards customers continued to focus on digital channels, though as face-to-face meetings became possible again during the year, our sales teams could better help our customers in the creative design process and train installers how to best use Rockpanel and thus benefit from its easy installation.

Case study

Built with wood, wrapped in stone

When the developers of the Hyperion Tower in Bordeaux, France, wanted a low-carbon construction that would be both elegant and durable, they chose timber – with a Rockpanel façade.

Wood construction is increasingly popular in France and many other parts of the world for its sustainability bonafides. The 57-metre-tall Hyperion is no exception: made primarily from 1400 m^3 of locally sourced timber, the Hyperion will save nearly 15 tonnes of CO_2 for each of its 100 dwellings over the entire lifecycle of the building.

Beautiful and sustainable as it is, wood is also difficult and expensive to maintain. That is especially the case on a large building façade, exposed to the elements and thus at risk of discoloration and rot. The Hyperion building's highly durable and beautiful Rockpanel façade protects the wood construction and helps deliver the building's desired sustainability profile.

Made from stone wool, Rockpanel is unaffected by temperature, moisture or sunlight and is so durable that it will keep its elegant look through time. Rockpanel's portfolio of non-combustible façade products is especially important for high-rise and high-risk buildings where it can take longer for inhabitants to evacuate and emergency crews to do their job in the event of a fire.

Rockpanel is also easy to cut and shape to the needs of any building. These were important factors making Rockpanel materials well-suited for the off-site construction of the Hyperion's prefabricated walls, an aspect of the project that earned it a prestigious BIM d'OR 2019 prize. "The Rockpanel façade boards respond perfectly to this method and are easy to install for maximum efficiency", says Ludwig Hahussea from owner and general contractor, Eiffage Construction.

What's more, Rockpanel cladding is natural and recyclable, making it a responsible choice for buildings like the Hyperion with low-carbon ambitions that consider the entire lifecycle of the construction.

"Rockpanel cladding has excellent technical characteristics, helps reduce the carbon impact of the structure, and provides an aesthetic appearance similar to metal cassettes with a beautiful lacquer finish", says Hahussea.

Systems segment
Business update

Modern living
Lapinus products contribute to safety and comfort in our daily life and help mitigate the effects of climate change in urban areas.

We develop and supply innovative, stone wool-based products used in a wide range of applications in three core areas: urban climate adaptation, automotive and urban acoustics.

Urbanisation and climate change are at the centre of our business strategy. With Rockflow, an underground stone wool buffer system that collects, retains and infiltrates rain water, we help cities become more climate resilient. Fuelled by a strong private and public sector focus on more liveable cities, the Rockflow business grew substantially in 2021, with a record number of projects and returning customers. To grow sales and expand in new markets, Rockflow is now sold as a ROCKWOOL product line.

In our automotive product line, fibre sales for use in passenger car brake pads partially recovered from 2020 lows. This is despite continuing pressure on car production and sales caused by COVID-19, microchip shortages, and global supply chain challenges.

Urban acoustics consists of two product groups: vibration control for train tracks and acoustic fences. Both product groups grew in 2021. Vibration control under train tracks is important in urban areas to protect people and architecture. While people nowadays spend more time in the comfort of their home and garden, there was a stronger demand for acoustic fences to create a comfortable living environment.

Case study

Magic dust

If you've ever had to stomp the brakes of your car to avoid an accident, you understand how important brake pads are. How good they work comes down to the materials they're made of.

Between 20-25 different raw materials, each with a unique function, go into a making a single 120g passenger car brake pad (150g for heavier electric cars). One of these materials – found in more than half of all passenger car brake pads produced today – is Lapinus stone wool fibres.

To the naked eye, the fibres look like simple grey dust. But adding just a few grams of customised Lapinus stone wool fibres to the composition of a passenger car brake pad has a positive effect on noise, vibrations and wear so that the pads work when you need them most.

That's not all this magic dust does. The fibres' needle-like structure acts as reinforcement, holding together the other materials – the abrasives, fillers, lubricants and binders – providing mechanical strength to the pads' surface friction material and stabilising friction performance.

Less wear also means lower particulate matter emissions, of which brake wear is a primary source in transportation. This is a growing health concern for car-heavy areas where harmful materials can end up in nature. By contrast, Lapinus fibres are certified bio soluble, and therefore not harmful to humans or the environment.

With so many ingredients and a growing list of performance demands – including greater focus on health and environment – brake pad manufacturers expect high quality and consistency from material suppliers like Lapinus. Every pad must deliver on its promise during its lifetime, with no exceptions.

This means delivering fibres according to a very narrow specification year after year. To ensure this, Lapinus uses internal and third-party suppliers to test all its fibres. Plus, researchers at its Application Development Centre in the Netherlands are constantly testing different friction formulations to fit changing market and customer needs.

A shared passion for learning

Science and sailing at SailGP event in Denmark

ROCKWOOL | DEN SAIL GP TEAM

Laura Rugaard Kruse didn't know what to expect when she visited the Inspire Learning Zone in Aarhus, at Denmark's first ever SailGP event.

As one of more than 1300 local children to visit the site during the global racing league's week-long stay in Aarhus, Laura is part of a record-breaking group to have experienced the unique power of SailGP's Inspire Learning programme.

But, having not sailed before, could Laura and her friends really understand a new sport in just a few hours – and even be tempted to give it a try?

The programme provides youngsters between the ages of nine and 15 with an exciting and memorable educational experience, both on and off the water, as the event travels around the world.

In Aarhus, the learning initiative saw record-breaking numbers of children from more than 30 classes across Denmark visit the ROCKWOOL SailGP site. They took part in a series of practical learning sessions in science, technology, engineering and mathematics (STEM) based around four elements (wind, water, sun and earth), showcasing both SailGP as well as the importance of sustainability and protecting our oceans.

"Our learning programme here in Aarhus is a collaboration with the City of Aarhus and it is massive – the biggest yet", said Tim Krat, SailGP Inspire Manager for the Danish event.

"We had 34 school classes during the week to experience modules around science, sustainability and sailing. The goal is to help young people engage with the science of sailing in a dynamic, inspirational and engaging way".

During the sessions, the students could learn about buoyancy, sail power, levers and pulleys – as well as marine biology – to understand how and why SailGP is championing a world powered by nature – even getting to design and build their own F50.

"It was really exciting and fun to visit SailGP, and I learned a lot too. It has definitely made me consider whether I should have a go at sailing for real", said Laura, who is from nearby Viby.

Teacher Jeppe Berghuis added: "My Craft and Design students had a really good and educational day at SailGP. My expectations for the experience were fully met and we were a happy bunch heading home in the afternoon".

And when you're creating a boat, who better to ask for advice than someone who has spent her whole life racing fast on the water – and even has an Olympic gold medal to prove it?

Denmark SailGP Team presented by ROCKWOOL athlete and newly-crowned Olympic champion, Anne-Marie Rindom, surprised the kids with a meet-and-greet session, taking the opportunity to pass on some of her top sailing tips – and even race them in remote-controlled boats!

"I think the SailGP Inspire programme here at the ROCKWOOL Denmark Sail Grand Prix is absolutely awesome", said Anne-Marie.

Having lived in Aarhus for the last decade, Anne-Marie trains day in, day out at the nearby Aarhus International Sailing Centre.

And like a true Olympian, her competitive spirit couldn't be dimmed even whilst racing a remote-controlled boat around a paddling pool against Laura and the other students – and they tested Anne-Marie's ability to the max.

"It was super cool to sail against Anne-Marie Rindom… and win against her!" said Laura, with a smile.

As part of Denmark SailGP Team, Anne-Marie has seen first-hand the impact that practical and fun initiatives such as Inspire and the #ROCKTheBoat Academy can have on kids and young adults.

"I really wish I had this kind of opportunity when I was a kid. The coolest part is the practical side – to actually have the boats between your hands is something else – not just learning about it, but trying it out. It's great that ROCKWOOL has sponsored the #ROCKTheBoat Academy in Aarhus and Copenhagen in both 2020 and 2021".

Anne-Marie also brought along her Olympic gold medal, which the children were able to take a closer look at and grab a unique photo for the fridge.

"They loved to see the medal. Seeing an Olympic gold isn't something you get to do every day, and I know that some of the kids have been watching me sail on TV, so it's inspiring for me that they're so stoked about it", she added.

"Initiatives like SailGP Inspire and the #ROCKTheBoat Academy are super important. Learning in an interesting way as well as seeing the real boats and sailors up close here in the harbour, I'm sure that many of these kids will go home and say to their parents that they want to start going to their local sailing club. It makes a big difference to the future of the sport in Denmark".

Sustainability

Sustainability is integral to our business strategy.

↑ **2021 Sustainability Report**.

www.rockwool.com/group/about-us/sustainability/sustainability-report-2021/

Our performance as a Group is determined by more than our financial results. We also measure our impact on society, the environment, and the health and safety of our people. We do this while investing in new ideas to grow our business and safeguarding the data underpinning it all.

For more information regarding ROCKWOOL's sustainability and corporate responsibility approach, please see our 2021 Sustainability Report.

Sustainability goals progress

The United Nations Sustainable Development Goals (SDGs) help steer ROCKWOOL's ambitions. The Group is committed to 10 of the 17 SDGs. We measure our progress towards these goals in terms of handprint (the positive impact of our products) and footprint (minimising the impact of our operations). For more information about this, see the infographic on the next page.

Adding to the two 2022 intermediate sustainability goals we met in 2020 (water intensity and waste to landfill), we met two other intermediate goals (CO_2 intensity and reclaimed waste) in 2021.

Specifically, we reduced the CO_2 intensity of our production by 16 percent, compared to the intermediate goal of 10 percent. And we added three new countries to the list of those where we offer our Rockcycle® reclaimed waste service, reaching a total of 17 countries compared to the intermediate goal of 15 countries.

We continue to progress on our energy efficiency in owned (non-renovated) offices goal, completing the renovation of an additional five buildings and reaching 19 percent energy efficiency improvement.

We experienced a negative trend on our science-based emission reduction targets compared to last year and ended marginally worse than the 2019 baseline. This reflects a significant increase in production volumes. We continue to execute on our decarbonisation plan, and this will positively impact on our science based-targets in the coming period, ensuring we are on track to meet our science-based absolute emission reduction targets while continuing to significantly increase production volumes.

In 2021, we improved the water intensity of our production, achieving 15 percent reduction compared to baseline while production waste going to landfill marginally improved compared to last year at 51 percent improvement compared to baseline.

REPORTING ON CORPORATE SOCIAL RESPONSIBILITY

Reporting on Corporate Social Responsibility cf. section 99a of the Danish Financial Statements Act

We report separately on corporate social responsibility in our 2021 Sustainability Report in accordance with section 99a of the Danish Financial Statements Act.

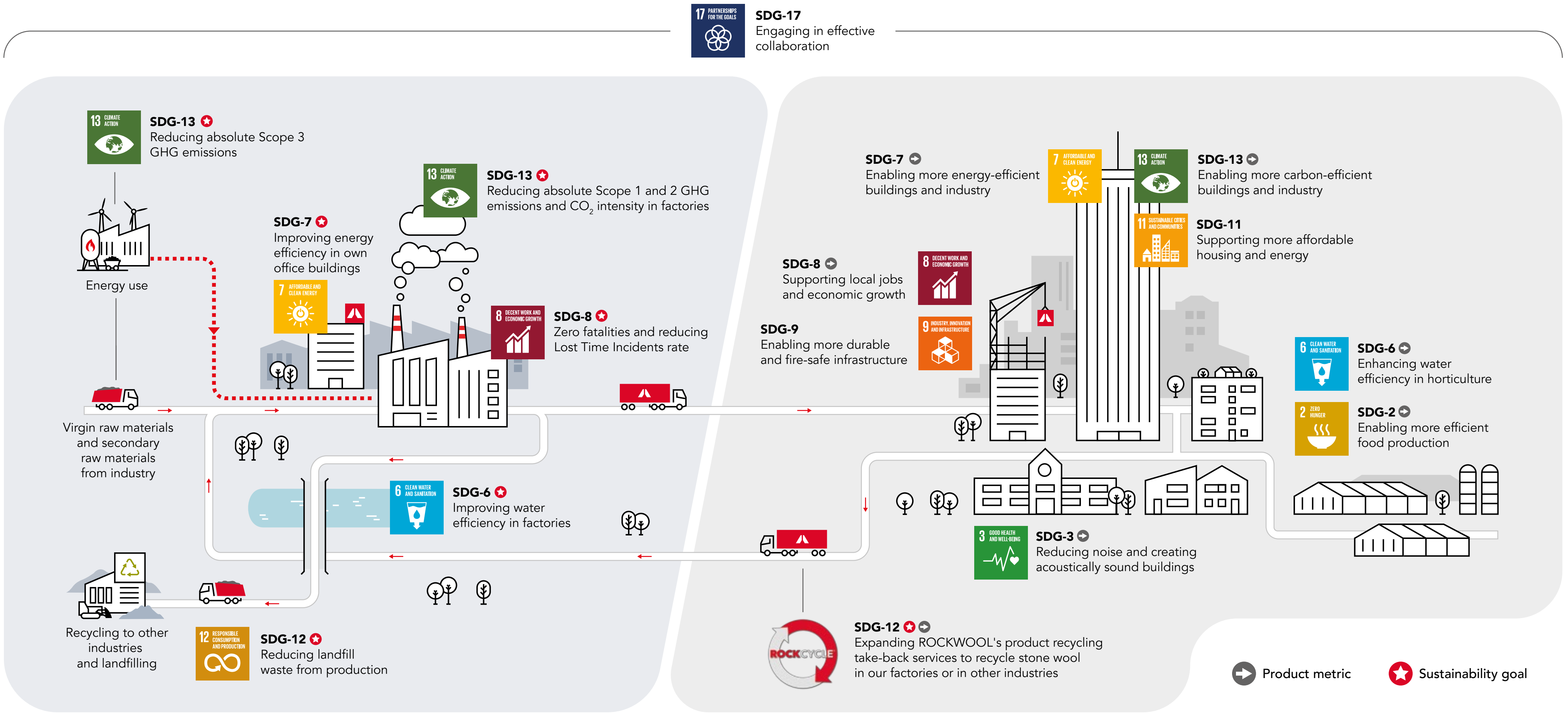
Reporting on management gender composition cf. section 99b of the Danish Financial Statements Act

We report separately on management gender composition in accordance with section 99b of the Danish Financial Statements Act in our 2021 Sustainability Report.

Reporting on diversity cf. section 107d of the Danish Financial Statements Act

We report separately on diversity in accordance with section 107d of the Danish Financial Statements Act in our 2021 Sustainability Report.

Our value chain impact



Employee developments

We treat our employees with respect, ensuring a safe and healthy working environment. While we did not have any fatalities in 2021, the Lost Time Incidents rate increased 20 percent. We take this very seriously and are pursuing a number of measures to reverse this trend. These include additional safety audits at those factories where LTI rates are highest together with extra focus on sharing best practices across the Group.

Throughout the COVID-19 pandemic, our priority has been the health and safety of our employees, who have worked hard to keep the business flowing. Due to local restrictions some of our employees were working from home. For those who had to come to work we have prioritised a safe working environment by providing personal protection equipment and guidelines for all employees.

It is our ambition to attract, retain and develop employees with skills in areas that are relevant for the continued growth and development of the business, such as advanced production technology, digitalisation, and innovation, among others. We depend on our employees continued learning and on their ability to acquire new capabilities and skills in a fast and agile way.

Research and development

Research and development (R&D) activities continue to be critical for ROCKWOOL. Our R&D functions are globally organised with most activities placed at the headquarters in Hedehusene, Denmark and selected other locations around the world. R&D covers a wide range of activities such as research into materials, product development, new or updated production technologies and processes, among others. We collaborate with universities as well as public and private partners supporting research activities and applying technology in practice.

The number of granted patents in 2021 increased by 105 and totalled 253 new patents, which reflects an activity level coming back to normal after being significantly impacted by the COVID-19 pandemic in 2020.

Privacy and data protection

Privacy compliance is essential to gaining and maintaining the trust of our employees, customers and suppliers. A global data privacy organisation with a local presence ensures support and governance.

The privacy compliance programme includes a privacy policy, a privacy manual and a handbook with guidelines for selected business areas as well as specialised templates and privacy notices. New employees must complete e-learning training as part of their on-boarding process.

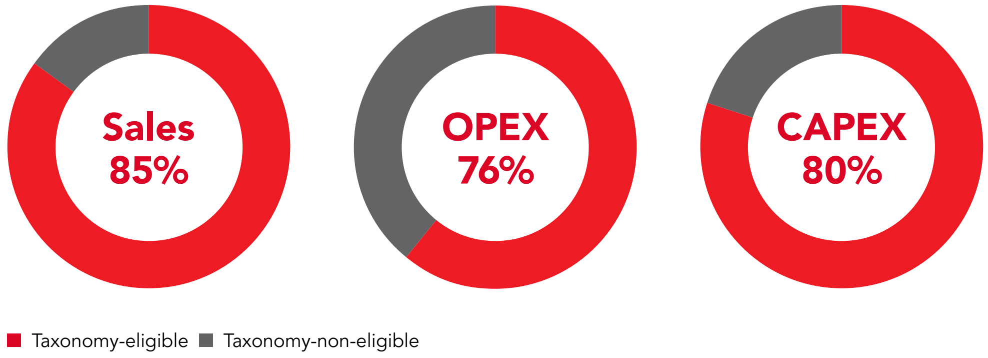
Data ethics

In 2021, guidelines on data ethics were implemented in accordance with the Danish Financial Statements Act section 99d.

The guidelines describe how data ethics is considered and included in the use of data as well as the design and implementation of technologies used for processing of data within ROCKWOOL. The Group's integrity committee reviews and assesses the adequacy hereof on an annual basis. The guidelines are published and are available for all employees on the Group's intranet.

Taxonomy eligibility

2021	Sales	OPEX	CAPEX
Taxonomy-eligible activities			
Manufacture of energy efficiency equipment for buildings (3.5)	85%	76%	80%
Taxonomy-non-eligible activities or activities not covered			
Non-eligible activities	15%	24%	20%
Sum of Activities	**100%**	**100%**	**100%**



The EU Commission has established the EU Taxonomy as a specific, science-based classification system to identify economic activities that are environmentally sustainable and have a substantial positive climate and environmental impact. It is intended to help scale up investments in sustainable activities and to increase market transparency by introducing disclosure obligations on companies and financial market participants. At ROCKWOOL we very much welcome this initiative.

We have identified our 2021 global activities that are covered by the Climate Delegated Act in the EU Taxonomy. The detailed legislation for the remaining Taxonomy objectives is not finalised. As 2021 is the first year of reporting, the interpretation and implementation of the new classification system are still under development. Therefore, we have taken a conservative approach in defining Taxonomy-eligible activities.

Taxonomy-eligible activities

ROCKWOOL's share of 2021 net sales associated with Taxonomy-eligible activities was 85 percent. These activities were related to climate mitigation within the category 3.5 "Manufacture of energy efficiency equipment for buildings". The dominant activity is the production of insulation products. Sales from the Systems segment have also been reported as Taxonomy-eligible where the products contribute as a key component in an external wall or roofing system.

Taxonomy-eligible OPEX

The share of operating expenses considered Taxonomy-eligible was 76 percent and primarily relates to direct cost of sales of the Taxonomy-eligible activities. A proportionate part of logistic and maintenance costs was also reported as Taxonomy-eligible.

Research and development costs related to Taxonomy-eligible projects were included.

Taxonomy-eligible CAPEX

ROCKWOOL's Taxonomy-eligible share of investments was 80 percent and primarily relates to construction of insulation factories and equipment, capacity expansion related to Taxonomy-eligible activities as well as safety and environmental investments.

Climate-related financial disclosures

Reviewing climate-related risks and opportunities is an integrated strategic focus for the majority of the Group's business unit management teams and a fixed part of business unit Managing Director's quarterly business reviews.

For identified risks, business unit or Group function leadership propose mitigating actions, which are evaluated to ensure effective Group level risk management. For more information related to the sustainability governance structure visit www.rockwool.com/group/.

The annual Sustainability Report details ROCKWOOL's approach and performance relative to the Group's sustainability goals as well as the extent to which our actions live up to the Paris Agreement on Climate Change goals.

ROCKWOOL has publicly supported the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) since 2019. The relevant sections for TCFD reporting in this Annual Report and in our Sustainability and Remuneration Reports are outlined in the table.

Task Force on Climate-related Financial Disclosures (TCFD) reporting recommendations

Recommendation	Our disclosure in brief	Learn more
Governance Disclose the organisation's governance around climate-related risks and opportunities.	Group Management approves and provides feedback to the portfolio of programmes and targets within the sustainability area and reports to the Board of Directors. The Group has established an Enterprise Risk Management (ERM) Committee, a Group Sustainability Committee, a Group Operations & Technology Sustainability Committee, and an Integrity Committee. The committees oversee the work with climate-related risks and opportunities and secure leverage and integration of sustainability across the Group. The purpose is also to track progress on strategic sustainability initiatives and goals. Sustainability measures are used in the long-term incentive schemes for the CEO.	• Sustainability Report, p. 6. • Details about the committees can be found at www.rockwool.com/group/about-us/sustainability. • Remuneration Report p. 6.
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning, where such information is material.	We prioritised the SDGs on which to focus and set the eight sustainability goals after consulting with key internal and external stakeholders as well as evaluating our core competencies. Our annual strategy process examines how best to address the opportunities and challenges we face in making progress on our sustainability priorities – and refines implementation plans.	• Sustainability Report, p. 6.
Risks Disclose how the organisation identifies, assesses and manages climate-related risks.	The ERM Committee is responsible for reviewing and updating the internal risk management framework and for implementing related processes. The ERM Committee focuses on the top risks identified for the Group. The risk management process is applied both at company level and at asset level. Every year, all business unit Managing Directors and their Finance Directors must quantify the nature, likelihood and potential impact of different risks, including issues such as climate change and quantify the predicted financial impact. All risks, including climate-related risks, must have a mitigation plan in place with agreed timelines. Climate-related opportunities are closely linked to the Group's commercial strategy relating to the sale of more carbon emission abating products. As such these opportunities are integrated into the different busines unit strategies, which are updated annually.	• Risk management, p. 39.
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.	Our annual Sustainability Report discloses our approach; 2022, 2030 and 2034 goals; key performance indicators; and performance in line with our goals and the UN Sustainable Development Goals. We disclose a comprehensive set of three-year comparable quantitative data for energy, carbon, including Scope 1, 2 and 3 emissions, water, air emissions, waste and safety. We have also disclosed detailed information to CDP on our greenhouse gas emissions and approach to climate change management since 2007.	• Sustainability Report, pp. 28-39.


ROCKWOOL
SAFE'n'SOUND
COMFORTBATT
R23
R32
R14
R28

Risk management

Managing risk is a natural part of doing business in the Group.

Systems and processes

The Board of Directors is responsible for ensuring that the Group's risk exposure is consistent with its targeted risk profile. The Board also evaluates that appropriate awareness and management processes are in place. Managing the risk process is part of the Chief Financial Officer's area of responsibility and includes providing regular updates to the Audit Committee and Board of Directors.

All Group functional heads and Managing Directors of our subsidiaries must ensure that a risk review within their areas of responsibility is conducted at least once a year; and that risks are discussed, described, scored for severity and likelihood, and quantified in terms such as predicted financial impact.

The Group function or subsidiary proposes appropriate mitigating actions for identified risks, which are studiously evaluated to ensure effective risk management at Group level. The Group has an Enterprise Risk Management Committee, consisting of members from the Group functions. The committee is responsible for reviewing and updating the internal risk management framework and for implementing related processes. The committee meets quarterly to decide on the top risks to be included in the quarterly updates to the Board.

The Audit Committee selects deep dives into the Group's top risks, which the "risk owner" presents for the Risk Committee, Group Management and finally to the Audit Committee and the Board of Directors. With these systems and processes, the Group identifies and mitigates the risk. The objective is to ensure that any residual risks are at an acceptable level.

Key risks

Climate risks, supply disruptions, competition law compliance and cyber threats are among the risks that would have the highest potential to impact ROCKWOOL Group if the risks were to materialise.

Carbon emission regulation

Description

As part of an energy-intensive industry, ROCKWOOL faces specific climate-related risks on both the regulatory and technological fronts. Key innovations in our melting technology and multiple other energy-saving initiatives will contribute to our achieving the decarbonisation that is reflected in the new science-based targets we announced in 2020. These targets are verified and approved by the Science Based Targets initiative (SBTi). Read more about our SBTi commitment in our 2021 Sustainability Report.

Regulation can represent both a major opportunity and risk: an opportunity from positively influencing the demand for carbon emission abating solutions such as insulation; and a risk, as regulation can increase industry's financial burden relating to carbon emissions.

The Group's 15 European factories are all included in the EU Emission Trading Scheme (ETS) Phase IV from 2020-2030. The financial impact of being under the ETS is expected to be limited. However, in the longer-term, a more ambitious European climate policy and associated regulatory framework could lead to a risk of increasing carbon cost.

Risk trend - stable

Mitigation

We closely monitor regulatory framework developments to identify both risks and opportunities early in the process.

At regular intervals we assess the EU ETS's financial impact on our business. For the period 2020-2030, the mineral wool sector has been granted EU carbon leakage, which significantly increases the amount of free allowances allocated to each factory.

In addition, our ambitious decarbonisation strategy will reduce our absolute CO_2 emissions significantly, as we are increasingly using low carbon-intensive energy sources. Therefore, while we expect certain factories will experience an allowance deficit in this period, the Group level allowance stock will cover this deficit.

Physical climate change risk

Description

With a large number of manufacturing facilities and capital-intensive production, ROCKWOOL is subject to risks associated with the increase in severity and frequency of extreme weather events. Such events can include flash floods and flooding from rivers overflowing.

The risk is highly unlikely for the majority of our production facilities. The risk is greatest at one of our German factories, which is located near a large river. There are also risks, though to a lesser extent, at our factories in Canada, the United States, and China.

Overall, however, the current risk is assessed to be very low as only parts of a given site would be flooded even in a worst-case scenario event. If a production facility would be partially flooded for a number of hours or days, it would likely disrupt or halt production, could potentially damage finished product stock that was not relocated in time, or potentially damage installations, buildings, or infrastructure.

Risk trend - stable

Mitigation

When planning brownfield expansions or greenfield new sites, we consider forecasts and risk modelling of future natural disaster risks such as floods, hurricanes, earthquakes, or

Risk management (continued)

similar. In Germany, for example, the new line was built on a level one metre higher than the highest flood level of the river Danube in 1999, which was seen as a 100-year event.

Supply disruptions

Description

With a global production footprint, there is a risk that supply disruption or freight shortage could affect production and thereby delivery to customers. Disruption may result from unavailability of raw materials, natural catastrophes or global network disruptions. Pandemics such as COVID-19 may also have a significant effect. Should the risk materialise it could potentially impact deliveries to customers or lead customers to switch suppliers for shorter or longer periods.

The likelihood of property damage leading to significant product delivery disruptions is considered to be low. However, global COVID-19 challenges causing lack of freight capacity and the unusually high building sector activity have shown that supply disruptions can happen. Production plans have been reshuffled, and in most cases, it has been possible to produce with alternative solutions and thereby fulfil customer orders.

The alternative solutions can sometimes end as a good opportunity to find new processes or suppliers and thereby increase competition and lower input costs.

Risk trend – up

Mitigation

ROCKWOOL seeks to ensure that its inventory level can counter any interruptions in production. The Group's Global Sourcing and Procurement department closely monitors the supply situation. Geographic location and dependence on key raw material suppliers are evaluated to ensure that we strike the right balance between flexibility, exposure and costs.

Competition law compliance

Description

Guided by our values and Code of Conduct, ROCKWOOL Group competes in a fair manner on prices, quality, customer service, innovative products and more. The Group has zero tolerance for any compliance violations.

Non-compliance with national and international competition and antitrust laws could lead to fines and claims as well as damage to the ROCKWOOL brand and reputation.

Risk trend - stable

Mitigation

We maintain a strong Group-wide compliance framework with access to ad-hoc advice from lawyers in Group Legal Affairs as well as from internal local based lawyers in the Group. A variety of measures are provided to relevant employees to equip them with sufficient knowledge to make day-to-day business decisions in accordance with applicable competition and antitrust laws as well as internal policies.

A special focus in recent years has been to provide solid guidance on the collection and use of market intelligence in order to stay competitive without compromising competition law principles. Also, specific guidance has been made with respect to project sales, which are used in most businesses.

Our compliance programme includes a competition law compliance manual, interactive training seminars and e-learning. In addition, competition law compliance is always part of internal audits.

New employees must complete the e-learning training as part of their onboarding process, including guidance on compliance in general.

Cyber threats

Description

All major companies including ROCKWOOL have seen an increase in the frequency and severity of cyberattack attempts to business operations. As ROCKWOOL depends on IT systems, networks and related processes to run day-to-day business, the Group is vulnerable to system outages.

With digitalisation of business processes, a cyberattack or non-availability of IT systems will have increasing financial and reputational consequences for our business and the ROCKWOOL brand. Preserving business continuity and safeguarding sensitive business data and critical assets against the global cyber threat is extremely important to ROCKWOOL, and therefore a top priority for operational excellence and further digital investments.

Risk trend - up

Mitigation

Key IT objectives include preventing digital theft of intellectual property; limiting and quickly rectifying operational disruptions; and protecting the rights of external and internal data subjects. Also high on the IT security agenda is protecting consumers against misinformation or misuse of ROCKWOOL brands.

The Group’s IT strategy therefore comprises a continued effort to strengthen the protection against cyberthreats. It involves investments in cyber protection practices and tools regarding core IT infrastructure, factory IT and operations technology, and user devices that access ROCKWOOL’s systems.

Furthermore, the IT strategy focuses on reducing the human element risk of IT by continually improving the Group’s authentication practices and usage of credentials, and continuous education of users.

The Group's IT department systematically mitigates risks based on internal assessments as well as the findings of external IT auditors and the evaluations of external experts. The activities carried out by the Group and its partners are expected to keep the risk of losing the operational stability and integrity of all digital services rendered for internal or external use at an acceptable low level.

The year in pictures

Some of the important moments from 2021.

↑ Branching out into Japan: ROCKWOOL acquires Japanese stone wool manufacturer, Bansyo Holdings.

↑ New leader joins the Group: Anders Espe Kristensen joins ROCKWOOL as SVP of Systems Division and a member of Group Management.

↑ Growth and lower emissions: Jens joins the governor of the Leningrad region and Danish ambassador to Russia to celebrate the expansion and switch to electric melting technology at the Vyborg, Russia factory.

↑ West Virginia factory grand opening: More than 100 guests from the community, business and government, celebrated the opening of the factory, which currently employs around 130 people.

↑ The future of food: The Dutch Embassy in Copenhagen hosted Grodan, Wageningen University and members of the food industry to discuss how greenhouse growers can help meet UN SDGs.

↑ Innovation: Danish Society of Engineers recognised ROCKWOOL for its patented fuel-flexible melting technology, lowering CO_2 emissions in Denmark by 70 percent.

↑ On stage at COP26: Jens with Tracie Pearce (L, Santander Bank) and Jennifer Layke (R, World Resources Institute) discuss how to start a global building renovation wave.

↑ Safety culture: Rockfon's Johor, Malaysia factory reaches 1000 days with zero lost-time injuries (LTI).

↑ Long-term value creation: ROCKWOOL recognised by EY Denmark for contributing to reducing the building sector's climate impact and investments in decarbonisation.

↑ Inspiring the next generation: Science and sailing keep the attention of 1300 kids in Aarhus at Denmark SailGP's Inspire Learning programme.

Corporate governance

We act with integrity and in accordance with our values, rules and regulations.

ROCKWOOL's governance principles and structure are designed to ensure alignment with long-term shareholder interests and to enable prudent management of the Group in accordance with relevant national and international regulations as well as applicable corporate governance recommendations.

The Board of Directors appoints the Registered Directors, consisting of the CEO and CFO, who undertake the day-to-day management of ROCKWOOL.

Shareholders and general meeting

The Annual General Meeting (AGM) is the supreme body of the corporate governance structure and elects the Board of Directors as well as independent auditors. The AGM approves any changes to the articles of association and to the capital structure, including any issuance of new shares.

The shareholders have the ultimate authority over the company and can exercise their rights by passing resolutions at general meetings. Resolutions are adopted by simple majority of votes, unless otherwise provided by legislation or by the articles of association.

ROCKWOOL is not aware of shareholder agreements containing pre-emption rights or restrictions on voting rights. There is an agreement among members of the founding Kähler family to meet regularly to discuss their interests in the company, including items at the AGM, but there is no requirement for them to vote jointly.

Board of Directors

The Board of Directors today consists of eight members, six of whom are elected by the shareholders at general meetings. Of these, four members are deemed independent according to the Danish Recommendations on Corporate Governance. Two members are elected by the employees, for a period of four years, pursuant to the Danish Companies Act.

In 2021, Søren Kähler retired from the Board of Directors and was replaced by Carsten Kähler. Employee-elected René Binder Rasmussen has left the company and has resigned from the Board of Directors. Therefore, there will only be two employee-elected board members until the next ordinary election takes place in March 2022.

The roles and responsibilities of the Board of Directors are defined in the Business Procedure for the Board of Directors. The members of the Board of Directors are elected by the general meeting for a period of one year and may be re-elected. The members of the Board of Directors are non-executive members in accordance with the Danish Companies Act.

The Board of Directors is responsible for the overall purpose and strategy and shall ensure proper organisation of ROCKWOOL. The Board of Directors also ensures that the business is developing on track toward agreed short- and long-term goals. The Board of Directors formally approves the Code of Conduct and the Audit Committee ensures compliance hereof in the Group.

Once a year, the Board of Directors performs an overall self-evaluation focusing on the composition and competencies of the Board and the results achieved. The Board of Directors has decided that an external consultancy should facilitate the self-evaluation every third year. In 2021, the Board of Directors conducted the annual evaluation with external facilitation. Based on this evaluation, the Board concluded that its present composition is appropriate and sufficient for it to perform its tasks and support long-term value creation for the shareholders.

As for the special competences of each Board member, please refer to the CVs listed on the website, www.rockwool.com/group/aboutus/rockwool-group/people/.

The Board of Directors held four board meetings and a strategy session in 2021. The meeting agenda is set according to the annual cycle of the Board, thus ensuring that the strategic and operational policy framework of the Group is reviewed and up to date. Information about Board member meeting attendance can be found on pp. 48-49.

The Board of Directors has established a Chairmanship, an Audit Committee, a Nomination Committee and a Remuneration Committee. The committees report to the Board of Directors.

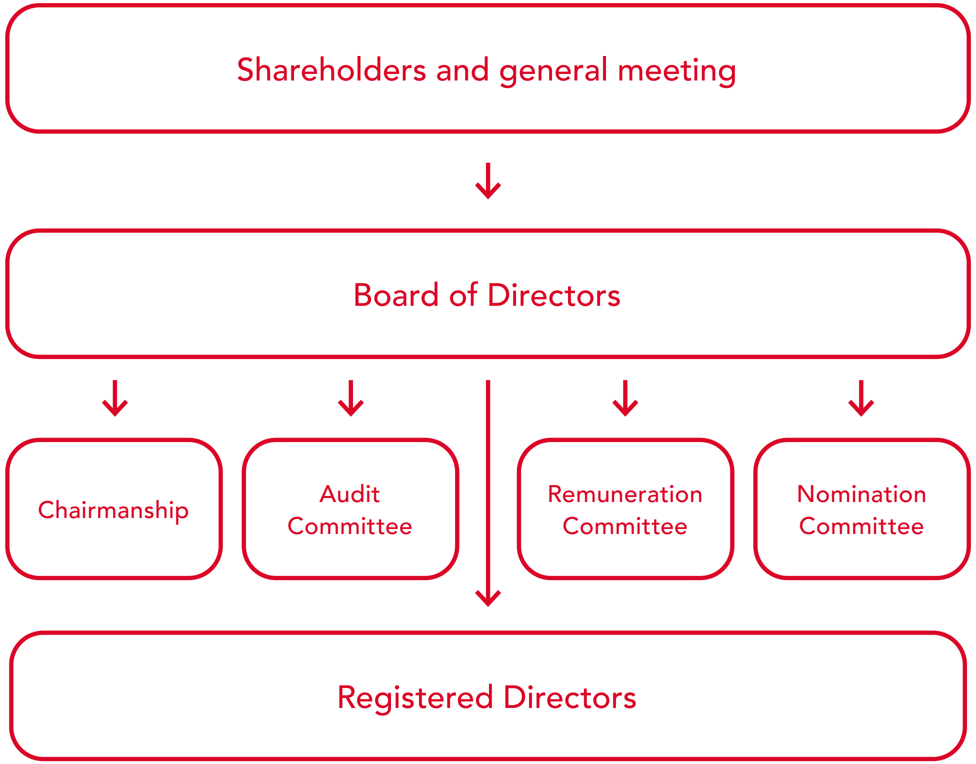
Registered Directors

The Registered Directors are the CEO and CFO, who are registered as directors with the Danish Business Authority. The Registered Directors are responsible for the day-to-day management of the company and compliance with the guidelines and recommendations set forth by the Board of Directors. The Registered Directors' responsibility covers organisation of the company as well as allocation of resources, producing and implementing strategies and policies and ensuring timely reporting to the Board of Directors.

Group Management is formed by the Registered Directors together with six senior vice presidents responsible for division management and Group functions.

Corporate governance (continued)

Our governance model



Remuneration of the Board of Directors and the Registered Directors

Remuneration of the Board of Directors and the Registered Directors is carried out in accordance with the Remuneration Policy as adopted by the Annual General Meeting. The remuneration policy is available at www.rockwool.com/group.

The remuneration of the Board of Directors amounts to 1 MEUR. The specific Board remuneration and the remuneration components granted to each Registered Director can be found in the 2021 ROCKWOOL Remuneration Report at www.rockwool.com/group.

Board Chairmanship and Committees

The Board of Directors has established four substructures.

The Chairmanship

The Board of Directors has established a Chairmanship consisting of the Chairman and the Deputy Chairman. They prepare the Board meetings.

Audit Committee

The Board of Directors has appointed an Audit Committee consisting of three members. The majority of its members are independent.

The Audit Committee monitors and reports on the statutory audit, accounting and audit policies and the financial and sustainability reporting processes including auditor independence. The committee also decides which policies or processes, if determined by the Board of Directors or the Audit Committee, should be subject to thorough evaluation.

The Audit Committee monitors compliance with applicable legislation, standards and regulations and the internal controls and risk management systems.

The Audit Committee also monitors potential cases from the whistle-blower system.

Remuneration Committee

The Board of Directors has appointed a Remuneration Committee consisting of two members of the Board of Directors: The Chairman, who is considered not to be independent, and the Deputy Chairman, who is considered independent.

The Remuneration Committee ensures that the company maintains a remuneration policy for the members of the Board of Directors, the Registered Directors and senior executives, including compliance hereof.

The Remuneration Committee makes proposals for the remuneration of the Board of Directors and the Registered Directors and reviews and approves remuneration for other members of Group Management.

The Remuneration Committee also ensures the preparation of the annual Remuneration Report. The Remuneration Report will be subject to a non-binding advisory vote from the shareholders. The Remuneration Report can be found on the website.

Nomination Committee

The Board of Directors has appointed a Nomination Committee consisting of two members of the Board of Directors: The Chairman, who is considered not to be independent, and the Deputy Chairman, who is considered independent.

The Nomination Committee identifies and recommends to the Board of Directors persons who are qualified to become members of the Board of Directors and Registered Directors. The Nomination Committee further recommends removal of such persons, if relevant. The Nomination Committee reviews and suggests changes to relevant corporate policies, including corporate governance.

Recommendations on Corporate Governance

The Board of Directors has discussed and reviewed the general recommendations for Danish listed companies as provided by the Danish Committee on Corporate Governance. ROCKWOOL complies with all but two of the recommendations.

With respect to recommendation 3.3.2, to publish information about the number of shares, options, warrants or similar in the company, and other Group companies, owned by each member of the Board of Directors, the company considers this to be a private matter. It is ROCKWOOL's judgement that disclosure of such information will not add additional value for shareholders and other stakeholders. Board member remuneration does not include share-based elements.

The recommendation 3.4.2, that a majority of the members of board committees should be independent, is not applied in the Remuneration and Nomination Committees. The Board of Directors finds that the committees can perform their functions in a prudent manner even if the majority of the members are not independent.

A detailed review of ROCKWOOL's position on each of the recommendations and a description of the internal control and risk management system relating to financial reporting can be found in the statutory report on corporate governance prepared pursuant to section 107b of the Danish Financial Statements Act at www.rockwool.com/group/about-us/corporate-governance/.

Rockpanel Woods cladding on the KA Pegasus school in Ostend, Belgium.

Board of Directors

Thomas Kähler

Chairman

Elected to the Board: 2008

Other positions related to the company

Member of the Chairmanship, Member of the Audit Committee, Chairman of the Remuneration and Nomination Committee, Member of the Kähler Family Meeting.

Thomas Kähler participated in all Board, Audit and Remuneration and Nomination Committee meetings during 2021.

Carsten Bjerg

Deputy Chairman

Elected to the Board: 2011

Other positions related to the company

Member of the Chairmanship, Member of the Remuneration and Nomination Committee.

Positions in other Danish companies

Chairman of the Boards of Hydrema Holding ApS; Arminox Investment A/S (and one fully-owned subsidiary); Bjerringbro-Silkeborg Håndbold A/S; Bogballe Investment A/S (and one fully-owned subsidiary); CapHold Guldager ApS (and one fully-owned subsidiary); and Robco Engineering Investment A/S (and one fully-owned subsidiary). Member of the Boards of Agrometer Investment A/S (and three fully-owned subsidiaries); TCM Group A/S* (and one fully owned subsidiary), Aarhus Universitet and COWI Holding A/S.

Carsten Bjerg participated in all Board and Remuneration and Nomination Committee meetings during 2021.

Rebekka Glasser Herlofsen

Elected to the Board: 2020

Other positions related to the company

Chairman of the Audit Committee.

Other positions

Chairman of the Board of Norwegian Hull Club and Handelsbanken Norge, Norway; Chairman of the Council, DNV, Norway; Member of the Boards of Equinor ASA and Wilh. Wilhelmsen Holding ASA, Norway; Member of the Boards and Chairman of Audit Committees of SATS ASA, BW Offshore ASA and Klaveness Combination Carriers ASA, Norway; Member of the Nomination Committee of Orkla ASA, Norway.

Rebekka Glasser Herlofsen participated in all Board and Audit Committee meetings during 2021.

Carsten Kähler

Elected to the Board: 2021

Other positions related to the company

Member of the Kähler Family Meeting.

Following his election, Carsten Kähler participated in all Board meetings during 2021.

Andreas Ronken

Elected to the Board: 2016

CEO of Alfred Ritter GmbH &Co. KG.

Other positions

Member of Advisory Board of Melitta Group GmbH & KG, Minden, Germany.

Andreas Ronken participated in all Board meetings during 2021.

Jørgen Tang-Jensen

Elected to the Board: 2017

Other positions related to the company

Member of the Audit Committee.

Positions in other Danish companies

Chairman of the Board of Strøjer Tegl A/S (and two fully-owned subsidiaries).

Member of the Boards of VKR Holding A/S; VILLUM FONDEN and Maj Invest Holding A/S (and two fully-owned subsidiaries).

Other positions

Chairman of the Board of Tænketanken Europa (Think Tank Europe).

Jørgen Tang-Jensen participated in all Board and Audit Committee meetings during 2021.

Connie Enghus Theisen

Elected to the Board: 2006

Director Stakeholder Engagement, ROCKWOOL International A/S.

Connie Enghus Theisen participated in all Board meetings during 2021 except one meeting.

Christian Westerberg

Elected to the Board: 2018

Design Manager, ROCKWOOL International A/S.

Other positions related to the company

Member of the Board of the ROCKWOOL Foundation.

Christian Westerberg participated in all Board meetings during 2021.

*listed companies

For further information about independence and competencies of the board members, please refer to www.rockwool.com/group/about-us/rockwool-group/people/.

Group Management

Jens Birgersson

President and Chief Executive Officer (CEO)

Member of the Registered Directors (in Danish: Direktionen).

Member of Group Management: 2015

Other positions

Chairman of the Board of Randers Reb International A/S, Denmark and member of the Board of dormakaba Group, Switzerland.

Kim Junge Andersen

Senior Vice President, Chief Financial Officer (CFO)

Member of the Registered Directors (in Danish: Direktionen).

Member of Group Management: 2016

Other positions

Member of the Board of FORCE Technology, Denmark.

Bjørn Rici Andersen

Senior Vice President, Group Operations & Technology

Member of Group Management: 2018

Volker Christmann

Senior Vice President, Head of Insulation Central Europe

Member of Group Management: 2015

Other positions related to the company

Member of the Board of the ROCKWOOL Foundation.

Other positions

President of BuVEG Bundesverband energieeffiziente Gebäudehülle e.V., Germany (federal association of energy-efficient building envelope). Member of the Board of H+H International A/S, Denmark.

Anders Espe Kristensen

Senior Vice President,
Head of Systems Division

Member of Group
Management: 2021

Gilles Maria

Senior Vice President,
Head of Insulation South West Europe
& Insulation Asia

Member of Group
Management: 2007

Henrik Frank Nielsen

Senior Vice President,
Head of Insulation North East Europe
& Russia

Member of Group
Management: 2007

Mirella Vitale

Senior Vice President,
Group Marketing, Communications
& Public Affairs

Member of Group
Management: 2016

Shareholder information

ROCKWOOL shares

ROCKWOOL International A/S is listed on Nasdaq Copenhagen in two share classes; ROCKWOOL A and ROCKWOOL B. The class B share is included in multiple indices including the leading Danish stock index Nasdaq OMX C25, MSCI Global Standard, and STOXX® Europe 600 Construction & Materials.

In 2021, the class B share price increased by 25 percent while the class A share increased by 15 percent. That compares with a 22 percent increase in the benchmark index STOXX® Europe 600 Construction & Materials and a 17 percent increase in the Nasdaq OMX C25 index during 2021.

The official share price on 31 December 2021 was 2859 DKK (B share) and 2379 DKK (A share). The combined market capitalisation at the end of the year was 56 295 MDKK.

Total share capital amounts to a nominal value of 216 207 090 DKK (2020: 219 749 230 DKK), of which nominally 111 555 580 DKK (2020: 112 316 270 DKK) is class A share capital, and nominally 104 651 510 DKK (2020: 107 432 960 DKK) is class B share capital. The nominal value has been reduced due to cancellation of shares purchased under the share buyback programme ended in January 2021.

Each class A share of a nominal value of 10 DKK entitles the holder to 10 voting rights and each class B share of a nominal value of 10 DKK entitles the holder to one voting right.

The company had 31 867 (2020: 27 950) registered shareholders on 31 December 2021. By the end of 2021, 22 percent (2020: 22 percent) of the shares were owned by shareholders located outside Denmark. In terms of voting capital, seven percent (2020: seven percent) was located outside Denmark.

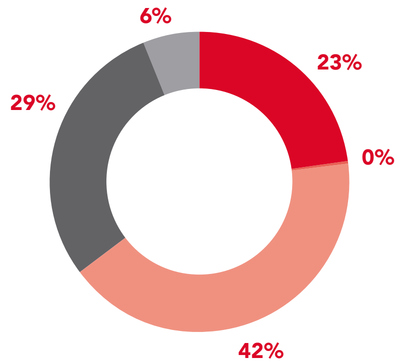
For a list of shareholders holding more than five percent of the share capital or the votes, please refer to p. 111.

Capital structure and dividend

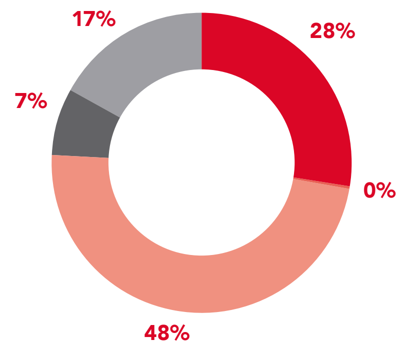
Management regularly assesses whether the ROCKWOOL International A/S capital structure is in the interests of the company and its stakeholders. The overall objective is to ensure continued development and strengthening of the company's capital structure that supports long-term profitable growth.

It is the intention of ROCKWOOL International A/S that the net debt should be maximum one time the EBITDA, with due regard to the company's long-term financing requirements.

Ownership per shareholder category

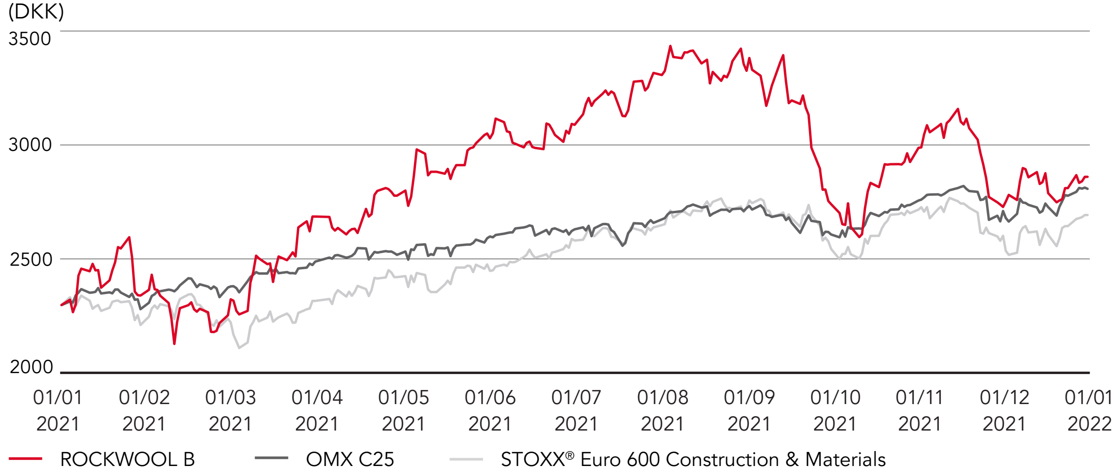


Votes per shareholder category



The ROCKWOOL Foundation | Own shares | Private investors with less than 5% | Institutional investors with less than 5% | Other shareholders with more than 5%

Share price development 2021



The Dividend policy is to pay out a stable dividend that is at least one-third of net profit after tax.

After assessing the outlook for the economic cycle, investment plans and structural business opportunities, and considering the dividend policy, the company can further decide to initiate share buy-backs to adjust the capital structure.

At the Annual General Meeting on 6 April 2022, the Board of Directors will propose a dividend of 35.00 DKK per share for the financial year 2021 (2020: 32.00 DKK). The dividend payment occurs three banking days after the Annual General Meeting.

Investor relations

As a listed company ROCKWOOL International A/S has defined a policy for its activities relating to the ROCKWOOL International A/S' shares ("the shares"). The aim of this policy is to:

- Ensure that the capital market has an accurate picture of the earnings potential of the shares by communicating relevant, correct, balanced, and timely information to market participants.
- Ensure that ROCKWOOL International A/S complies with all relevant rules and regulations as laid out in the Nasdaq Copenhagen Rules for issuers of shares as well as applicable Danish and EU legislation for publicly listed companies.
- Ensure fair and transparent rules for the trading of the shares by ROCKWOOL International A/S itself and by persons considered insiders.
- Strive to ensure that ROCKWOOL International A/S is seen as an honest, accessible, reliable, and responsible company by the capital markets.
- Maintain broad coverage by both domestic and foreign equity analysts.
- Be knowledgeable, responsive and proactive in our investor communication maintaining a fair balance between expectations and performance.

ROCKWOOL International A/S' shares are generally categorised within Construction and Materials and are currently covered by 17 equity analysts, 10 of which are based outside Denmark. For further details regarding analyst coverage including recommendations and consensus, please see www.rockwool.com/group/about-us/investors/consensus-and-analysts/.

All investor relations materials and investor relation contact information are available to investors at www.rockwool.com/group/about-us/investors/.

Financial calendar 2022

9 February
Annual Report for 2021

6 April
Annual General Meeting

18 May
Report on the first quarter of 2022

24 August
Report on the first half-year of 2022

23 November
Report on the first nine months of 2022

Stock market information

	2021 (EUR)	2021 DKK	2020 DKK	2019 DKK	2018 DKK	2017 DKK
Earnings per share	14	104	86	97	91	73
Dividend per share	4.7	35.0	32.0	32.0	29.9	24.1
Cash flow per share	20	147	150	136	140	114
Book value per share	111	823	707	719	638	569
Share capital (million)	29	216	220	220	220	220
Price per A share	320	2 379	2 075	1 439	1 430	1 594
Price per B share	384	2 859	2 296	1 585	1 697	1 752
Market cap (million)	7 570	56 295	47 062	33 072	34 168	36 367
Number of own shares	56 228	56 228	403 912	72 894	75 865	206 840
Number of A shares of 10 DKK (10 votes)	11 155 558	11 155 558	11 231 627	11 231 627	11 231 627	11 231 627
Number of B shares of 10 DKK (1 vote)	10 465 151	10 465 151	10 743 296	10 743 296	10 743 296	10 743 296

Financial performance

Strong sales development with a growth of 19 percent in local currency. Profitability remained solid despite soaring inflation in the second half of the year, achieving a 13.0 percent full-year EBIT margin.

The Paper Tower in Silkeborg, Denmark, constructed with ROCKWOOL insulation products.

Net sales development

	Growth	MEUR
Net sales 2020		2 602
Organic development	18.8%	489
Currency translation adjustment	-0.1%	-3
Net sales 2021	**18.7%**	**3 088**

EBIT development

	Growth	MEUR	Margin
EBIT 2020		338	13.0%
Earnings from operation	18.0%	61	-0.2%
Currency translation adjustment	0.5%	2	0.2%
EBIT 2021	**18.5%**	**401**	**13.0%**

Global sales development

The economic rebound is rapidly unfolding, substantially driven by post-pandemic demand, government-funded economic recovery and stimulus packages, and a strong focus on climate action. The high activity levels in the construction and other sectors have strained the overall economy causing supply chain disruptions and inflationary pressure on production materials, energy prices and logistics.

The labour market has changed since the pandemic and many areas face workforce shortages in addition to scarcity of key raw materials. Despite these challenges, ROCKWOOL increased production output to meet increasing customer demand, with sales exceeding 3 BEUR for the first time.

Net sales for 2021 reached 3088 MEUR, an increase of 19 percent in both local currencies and reported figures, which is slightly better than the latest announced expectation. Towards the end of the year, sales price increases were higher than initially planned and added to the higher growth. In a few markets additional growth was hampered by capacity constraints as the increase in customer demand came faster than anticipated. Production capacity towards the end of the year increased and most manufacturing facilities produced at maximum capacity during the Christmas holidays to secure seasonal inventory for future demand.

Compared to the outlook announced in the Annual Report 2020, the economic recovery came faster than expected. Increased construction activities, high demand for non-combustible insulation products and good sales performance in the Systems segment increased sales more than initially anticipated.

Regional sales development

Sales in Western Europe reached 1834 MEUR, an increase of 16 percent in local currencies and reported figures. After a modest first quarter, all major markets ended having double-digit sales growth. The growth was well supported by the new production line in Germany. Sales in the United Kingdom and Italy reached record high levels supported by government support schemes for energy efficiency renovation.

Sales in Eastern Europe reached 562 MEUR, up 28 percent in local currencies and 25 percent in reported figures mainly due to negative currency impact from the Russian rouble. All markets saw double-digit growth rates with especially Russia and Romania performing very well.

In the rest of the world, sales reached 692 MEUR, an increase of 21 percent in local currencies and 20 percent in reported figures. After a modest first quarter, North American sales activities picked up, particularly in the United States, resulting in a solid double-digit full year sales growth. The growth continues to be driven by demand for non-combustible building insulation as well as technical insulation products and growing media solutions. The new manufacturing facility in West Virginia came online in July and has already contributed significantly to meeting the growing demand, benefiting as well from its near ideal location to service customers in the Mid-Atlantic region.

In Asia, India performed well with double-digit growth throughout the year. Sales in China and many southeast Asian markets continued to be somewhat subdued by the COVID-19 pandemic, though ending with solid growth. The growth was mainly driven by strong demand for non-combustible technical and building insulation products and engineered fibres for the automotive industry. The acquisition of the stone wool manufacturing facility of Bansyo Holdings in Japan had only a minor impact.

Group profitability

The soaring inflation on raw materials, logistic and energy prices led to an EBIT decrease of six percent in fourth quarter, relative to same quarter in 2020. That notwithstanding, we achieved a 13.0 percent full-year EBIT margin, which is only slightly lower than the latest guidance, as sales price increases and productivity gains did not fully match the accelerated inflation.

Operational efficiency improved as we continued prioritising cost savings activities during the year. This entailed a focus on driving efficiency, while still running at high capacity levels and investing in new competencies, digitalisation and growth initiatives.

These efforts helped deliver a stable Group profitability for the full year.

EBITDA increased 15 percent to 602 MEUR with an EBITDA margin of 19.5 percent. This is a strong achievement in a year with unexpected input cost developments, bringing two new facilities online (new production line in Germany and the West Virginia factory), and a change in pricing approach, which impacted our ability to increase prices sufficiently in the second half of the year.

In 2021, depreciation amounted to 201 MEUR, an increase of 17 MEUR compared 2020 due to depreciation of the investments in new capacity especially in Germany and the United States as well as in digital solutions.

EBIT for the year reached 401 MEUR, resulting in an EBIT margin of 13.0 percent, at level with last year.

There is no direct comparison to the initial outlook announced in February 2021 on EBIT margin, as the outlook for the full year was based on situations with countries still partly in lock down due to the COVID-19 pandemic. The speed of the economic rebound took hold during the second quarter of 2021. From there the scenario changed from careful optimism to a situation where balancing demand and capacity was an issue in ROCKWOOL, which changed the underlying assumptions. The full year EBIT margin ended slightly lower than the outlook announced later in 2021.

Net financial costs amounted to 9 MEUR, a decrease of 5 MEUR compared to 2020. The decrease mainly related to lower fees in connection with the share buy-back programme, interest and higher currency gains.

Tax on profit for the year amounted to 90 MEUR compared to 74 MEUR in 2020. The effective tax rate increased slightly to 23.0 percent (2020: 22.8 percent) mainly due to lower recognition of tax grants.

Group profit after tax totalled 303 MEUR, a 52 MEUR increase, which we consider to be a satisfactory result taking the rapidly increasing inflation into consideration.

Balance sheet and equity

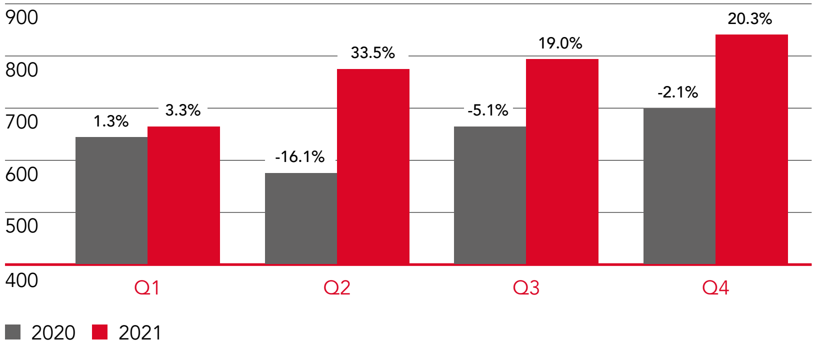
Net working capital ended at 306 MEUR, an increase of 93 MEUR in reported figures compared to 2020, primarily due to increased inventory, trade receivables and other receivables and only partly offset by an increase in trade payables. As a percentage of sales, net working capital was 9.9 percent compared to 8.2 percent in 2020.

Total assets at the end of 2021 amounted to 3080 MEUR, an increase of 336 MEUR compared to 2020 mainly from increased tangible assets, inventories and trade receivables partly offset by lower cash.

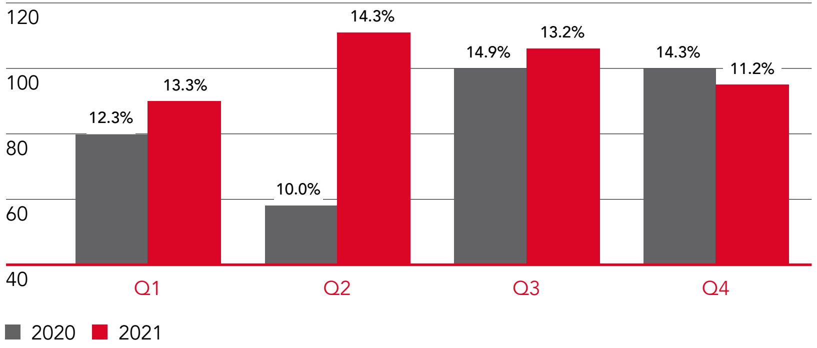
Equity of the Group totalled 2394 MEUR as of 31 December 2021 compared to 2092 MEUR in 2020, corresponding to an equity ratio of 78 percent. Equity was mainly affected by the profit for the year and currency translation adjustments.

The proposed dividend for 2021 is 35.00 DKK per share, up 3.00 DKK from 2020.

Quarterly sales & sales growth (reported)
(MEUR)



EBIT & EBIT margin
(MEUR)



The high construction activity resulted in a solid double-digit growth but put a strain on the entire economy causing inflationary pressure.

Invested capital

Return on invested capital increased in 2021, mainly due to increased profit, reaching 18.8 percent compared to 17.6 percent in 2020. Invested capital amounted to 2294 MEUR compared to 1961 MEUR in 2020. The increase is mainly related to higher tangible assets and higher net working capital.

Cash flow and investments

At the end of 2021, the Group had a net cash positive position amounting to 76 MEUR, down 19 MEUR. In addition, the Group had unused committed credit facilities of 600 MEUR at year-end.

Cash flow from operating activities decreased, from 438 MEUR in 2020 to 426 MEUR in 2021. The increase in operating profit was offset by the negative impact from more cash tied up in net working capital.

Capital expenditure excluding acquisitions reached 302 MEUR, a decrease of 41 MEUR compared to 2020. The investment level ended slightly below our latest expectation. Compared to our expectation announced in February 2021, a number of smaller investment projects were postponed from 2021 to 2022 due to high business activity levels. The largest individual investments in 2021 relate to the factory projects in the United States (West Virginia), the electric melter conversion in Norway, the new Rockfon line in Poland and the relocation of one of the factories in China.

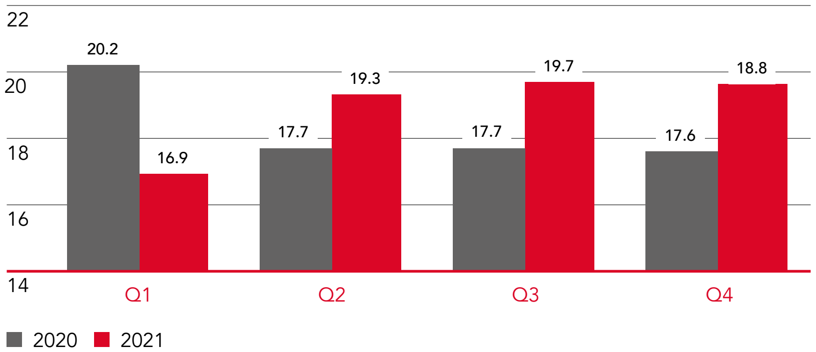
In early 2021, ROCKWOOL acquired the assets from Tripplex Acoustic, a small Danish producer of acoustics solutions, and a minority stake in Akuart A/S, an acoustic design company. The businesses are now part of Systems segment. In July 2021, ROCKWOOL acquired a stone wool production facility north of Tokyo from Bansyo Holdings, which is now part of our Insulation segment. The consideration for the businesses totalled 8 MEUR.

Free cash flow amounted to 116 MEUR, an increase of 40 MEUR compared to 2020, primarily due to lower investments.

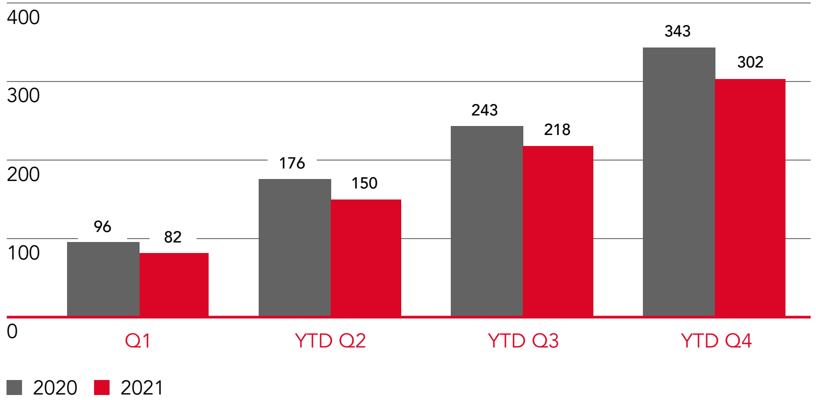
Cash flow from financing activities ended at negative 194 MEUR mainly from dividend payments of 93 MEUR and a 100 MEUR full repayment of the drawings on our credit facilities.

In December 2021, ROCKWOOL acquired the minority stake in ROCKWOOL Firesafe Insulation (Gaungzhou) Co Ltd., ROCKWOOL Malaysia Sdn. Bhd., and ROCKWOOL (Thailand) Limited from the Investment Fund for Developing Countries in Denmark.

Return on invested capital (ROIC)
(%)



Acc. investments excl. acquisitions
(MEUR)



Quarterly follow-up

Global sales development

In Q4 2021, ROCKWOOL Group generated sales of 842 MEUR, an increase of 17 percent in local currencies compared to Q4 2020. Foreign exchange rates had a positive impact of 2.9 percent, mainly from the Russian rouble and the U.S. and Canadian dollars, resulting in an increase of 20 percent in reported figures.

The sales growth in the quarter came from both volume and sales price increases. By end of 2021, sales prices increased almost 10 percent compared to the beginning of the year. This raised the aggregated sales price increase for the Group for the full year to above three percent.

Regional sales development

Sales in Western Europe ended at 490 MEUR, an increase of 15 percent in local currencies in Q4 2021 compared to Q4 2020. In reported figures sales increased 16 percent. Especially market demand in Italy, Germany, the United Kingdom, Denmark and Sweden increased, as many started to benefit from stimulus initiatives towards energy efficient renovations.

In Q4 2021, net sales in Eastern Europe amounted to 167 MEUR, an increase of 36 percent in local currencies and 40 percent in reported figures compared to Q4 2020. The Russian rouble exchange rate recovery had a positive impact in Q4 2021. Especially Russia, Poland and Romania performed well during the quarter.

Sales in the rest of the world reached 185 MEUR in Q4 2021, an increase of 10 percent in local currencies compared to Q4 2020. In reported figures, sales in Q4 2021 increased 16 percent. Overall sales in North America improved and showed solid growth, both in the insulation and systems businesses. Asia started to bounce back from the pandemic and saw double-digit sales growth in most countries.

	2021				2020			
MEUR	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Income statement								
Net sales	671	778	797	842	649	583	670	700
Operating income	672	779	799	844	651	583	672	702
Raw material and production material costs	222	276	289	329	206	187	215	237
Delivery costs and indirect costs	91	107	117	123	92	81	93	97
Other external costs	48	51	51	55	55	39	47	43
Personnel costs	172	185	185	191	173	172	172	177
Operating costs	533	619	642	698	526	479	527	554
EBITDA	139	160	157	146	125	104	145	148
Depreciation, amortisation and write-downs	49	49	52	51	45	46	45	48
EBIT	90	111	105	95	80	58	100	100
Income from investments in associated companies	-	-	-	1	-	-	-	1
Financial items	-2	-2	-2	-3	-	-5	-2	-7
Profit before tax	88	109	103	93	80	53	98	94
Tax on profit for the period	20	25	24	21	19	13	21	21
Profit for the period	**68**	**84**	**79**	**72**	**61**	**40**	**77**	**73**
EBITDA margin	20.7%	20.6%	19.7%	17.2%	19.2%	17.8%	21.7%	21.1%
EBIT margin	13.3%	14.3%	13.2%	11.2%	12.3%	10.0%	14.9%	14.3%
Statement of comprehensive income								
Profit for the period	68	84	79	72	61	40	77	73
Exchange rate adjustments of foreign subsidiaries	32	6	11	29	-68	12	-48	-4
Change in pension obligation	-	-	-	28	-	-	-	-3
Hedging instruments, value adjustments	-	-2	2	-	2	-	-	-
Tax on comprehensive income	-	-	-1	-1	-	-	-	2
Total comprehensive income	**100**	**88**	**91**	**128**	**-5**	**52**	**29**	**68**

Quarterly follow-up

Group profitability

Q4 2021 was impacted significantly by the unexpectedly high and rapid inflationary pressure on almost all raw materials and especially on energy and more specifically, natural gas. Productivity gains and sales price increases did not fully offset the soaring inflation, resulting in a decrease in Q4 margins.

EBITDA in Q4 2021 reached 146 MEUR, a decrease of two percent with an EBITDA margin of 17.2 percent compared to 21.1 percent in Q4 2020.

Depreciation in Q4 2021 amounted to 51 MEUR, an increase of 3 MEUR mainly from the new manufacturing facility in West Virginia, USA.

EBIT in Q4 2021 reached 95 MEUR, down six percent compared to Q4 2020. EBIT margin ended at 11.2 percent, 3.1 percentage points below Q4 2020, reflecting rapidly increasing input costs in energy, material and logistics.

Business segments

External sales in Q4 2021 in Insulation segment amounted to 621 MEUR, an increase of 23 percent in local currencies and 26 percent in reported figures compared to Q4 2020. All major businesses contributed to the solid sales performance.

EBIT in the Insulation segment reached 69 MEUR resulting in an EBIT margin of 9.4 percent, down 1.6 percentage points compared to Q4 2020, driven by high input costs.

In the Systems segment, quarterly net sales reached 221 MEUR in Q4 2021, an increase in local currencies of four percent and six percent in reported figures compared to Q4 2020. Rockfon and Rockpanel showed good growth, while Grodan was impacted by distributors reducing their strategic inventories.

EBIT in the Systems segment reached 26 MEUR in Q4 2021, a decrease of 27 percent on the back of a very strong Q4 2020. EBIT margin was 11.8 percent compared to 16.9 percent in Q4 2020. All businesses suffered from the increased input costs, which sales price increases did not fully offset.

	2021				2020			
MEUR	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Cash flow statement								
EBIT	90	111	105	95	80	58	100	100
Adjustments for amortisation, depreciation and write-downs	49	49	52	51	45	46	45	48
Adjustments of non-cash operating items	1	1	1	-8	1	-1	6	1
Change in net working capital	-97	-2	27	-10	-79	40	27	39
Cash flow from operations before financial items and tax	43	159	185	128	47	143	178	188
Cash flow from operating activities	29	145	167	85	13	126	161	138
Cash flow from investing activities	-83	-68	-74	-85	-110	-80	-72	-100
Free cash flow	-54	77	93	0	-97	46	89	38
Cash flow from financing activities	2	-97	-44	-55	68	-67	-30	-63
Net cash flow	-52	-20	49	-55	-29	-21	59	-25
Business segments								
Insulation segment:								
External net sales	498	568	604	621	483	438	502	491
Internal net sales	74	84	91	105	73	61	74	94
EBIT	59	69	78	69	56	40	76	64
EBIT margin	10.3%	10.6%	11.2%	9.4%	10.0%	8.0%	13.2%	11.0%
Systems segment:								
External net sales	173	210	193	221	166	145	168	209
EBIT	31	42	27	26	24	18	24	36
EBIT margin	17.6%	20.1%	14.4%	11.8%	14.6%	12.4%	14.3%	16.9%
Geographical segments								
Western Europe	417	468	459	490	395	349	411	420
Eastern Europe and Russia	105	129	161	167	105	105	120	119
North America, Asia and others	149	181	177	185	149	129	139	161
Total net sales	**671**	**778**	**797**	**842**	**649**	**583**	**670**	**700**

Consolidated financial statements

Income statement

1 January – 31 December

MEUR	Note	2021	2020
Net sales	2.1	3 088	2 602
Other operating income		6	6
Operating income		**3 094**	**2 608**
Raw material costs and production material costs		1 116	845
Delivery costs and indirect costs		438	363
Other external costs		205	184
Personnel costs	2.2	733	694
Operating costs		**2 492**	**2 086**
EBITDA		**602**	**522**
Amortisation, depreciation and write-downs	3.4, 3.5	201	184
EBIT		**401**	**338**
Income from investments in associated companies		1	1
Financial income	5.1	10	8
Financial expenses	5.1	19	22
Profit before tax		**393**	**325**
Tax on profit for the year	6.1	90	74
Profit for the year		**303**	**251**
Profit for the year attributable to:			
Non-controlling interests		-	-
Shareholders of ROCKWOOL International A/S		303	251
Earnings per share:	5.7		
Earnings per share of 10 DKK (1.3 EUR)		14.05	11.54
Diluted earnings per share of 10 DKK (1.3 EUR)		14.02	11.51

Statement of comprehensive income

1 January – 31 December

MEUR	Note	2021	2020
Profit for the year		**303**	**251**
Items that will not be reclassified to income statement:			
Actuarial gains and losses of pension obligations	3.6	28	-3
Tax on other comprehensive income		-2	4
Items that may be subsequently reclassified to income statement:			
Currency adjustment from translation of entities		78	-108
Hedging instruments, value adjustments		-	2
Tax on other comprehensive income		-	-2
Other comprehensive income		**104**	**-107**
Comprehensive income for the year		**407**	**144**
Comprehensive income for the year attributable to:			
Non-controlling interests		-	-
Shareholders of ROCKWOOL International A/S		407	144

Balance sheet

Assets – as at 31 December

MEUR	Note	2021	2020
Goodwill		102	96
Software		9	13
Customer relationships		34	39
Other intangible assets		14	21
Software in progress		17	12
Total intangible assets	3.1	176	181
Buildings and sites		860	637
Plant and machinery		680	439
Other operating equipment		16	22
Tangible assets in progress		273	534
Total tangible assets	3.2	1 829	1 632
Right-of-use assets	3.3	61	44
Shares in associated companies		8	6
Long-term deposits and receivables		3	10
Deferred tax assets	6.1	52	54
Total financial assets		63	70
Non-current assets		**2 129**	**1 927**
Inventories	4.1	317	216
Trade receivables	4.2, 5.2	307	247
Other receivables	5.2	98	60
Prepayments		24	15
Income tax receivable	6.1	39	38
Cash	5.2, 5.3	166	241
Current assets		**951**	**817**
Total assets		**3 080**	**2 744**

Equity and liabilities – as at 31 December

MEUR	Note	2021	2020
Share capital	5.6	29	29
Currency translation adjustments		-134	-212
Proposed dividend		102	94
Retained earnings		2 398	2 178
Hedging		-1	-1
Equity attributable to shareholders of ROCKWOOL International A/S		**2 394**	**2 088**
Non-controlling interests		-	4
Total equity		**2 394**	**2 092**
Deferred tax liabilities	6.1	51	47
Pension obligations	3.6	35	66
Lease liabilities	3.3	44	27
Provisions	3.7	16	18
Bank loans and other loans	5.2, 5.4	17	-
Non-current liabilities		**163**	**158**
Short-term portion of bank loans and other loans	5.2, 5.4	9	100
Bank debt	5.2, 5.3	1	1
Trade payables	5.2	283	184
Lease liabilities	3.3	19	18
Provisions	3.7	8	8
Income tax payable	6.1	26	25
Other payables	5.2	177	158
Current liabilities		**523**	**494**
Total liabilities		**686**	**652**
Total equity and liabilities		**3 080**	**2 744**

Cash flow statement

Accounting policies

The consolidated cash flow statement is compiled using the indirect method on the basis of EBIT. The cash flow statement shows flows from operating, investing and financing activities for the year, as well as cash and cash equivalents at the beginning and at the end of the year.

Cash flows from operating activities comprises operating profit before financial items adjusted for non-cash items and changes in working capital.

Cash flows from investing activities comprise payments relating to acquisition and sale of companies, intangible and tangible assets and other asset investments.

Cash flows from financing activities comprise proceeds from borrowings, repayment of lease liabilities and debt, payment of dividends, sale and purchase of own shares, transactions with non-controlling interests and increases of the share capital.

Cash available includes cash less short-term bank debt.

Comments

Individual items in the cash flow statement cannot be directly deduced from the consolidated balance sheet.

MEUR	Note	2021	2020
EBIT		401	338
Adjustments for amortisation, depreciation and write-downs	3.4	201	184
Adjustments of non-cash operating items	4.3	-5	7
Changes in net working capital	4.3	-82	27
Cash flow from operations before financial items and tax		**515**	**556**
Finance income etc. received		10	8
Finance costs etc. paid		-17	-22
Taxes paid		-82	-104
Cash flow from operating activities		**426**	**438**
Purchase of tangible assets		-295	-358
Received investment grants		-	19
Purchase of intangible assets		-7	-4
Business acquisitions, net of cash		-8	-19
Cash flow from investing activities		**-310**	**-362**
Free cash flow		**116**	**76**
Dividend paid		-93	-94
Share buy-back programme		-3	-77
Purchase of own shares		-4	-3
Sale of own shares		1	2
Transactions with non-controlling interests		-8	-
Repayment of lease liabilities	3.3	-21	-20
Repayment of non-current receivables		8	4
Proceeds from borrowings		26	152
Repayment of current debt		-100	-56
Cash flow from financing activities		**-194**	**-92**
Net cash flow		-78	-16
Cash available 1/1		240	269
Exchange rate adjustments on cash available		3	-13
Cash available 31/12	5.3	**165**	**240**
Unutilised, committed credit facilities		**600**	**630**

Statement of changes in equity

Accounting policies

Dividend is included as a liability at the time of adoption by the Annual General Meeting. Dividend that is expected to be paid for the year is shown separately in the equity.

Sale and purchase of, as well as dividends on own shares are recognised under retained earnings in the equity. The reserve for currency translation adjustments consists of exchange rate differences that occur when translating the subsidiaries' financial statements from their functional currency into EUR.

Hedging adjustments comprise changes in the fair value of hedging transactions that qualify for recognition as cash flow hedges and where the hedged transaction has not yet been realised.

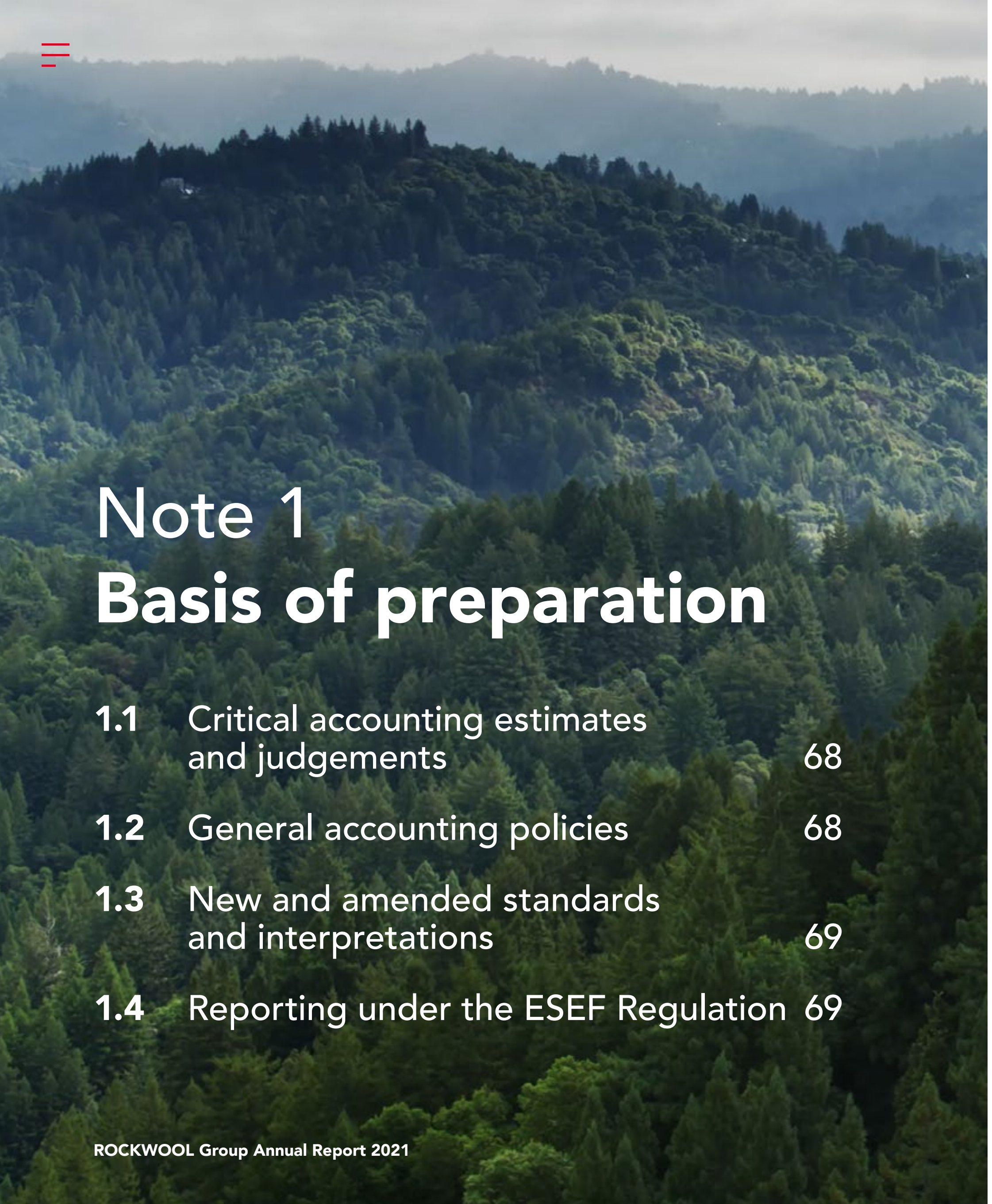
Non-controlling interests

Non-controlling interests are recognised at the minority's share of the net assets. The difference between the costs and the non-controlling interests' share of the total carrying amount including goodwill is transferred from the minority interests' share of the equity to the equity belonging to the shareholders of ROCKWOOL International A/S.

As per 22 December 2021, the minority share in ROCKWOOL Firesafe Insulation (Gaungzhou) Co Ltd., ROCKWOOL Malaysia Sdn. Bhd. and ROCKWOOL (Thailand) Limited was acquired from the Investment Fund for Developing Countries, Denmark.

	Shareholders of ROCKWOOL International A/S							
MEUR	Share capital	Currency translation adjustments	Proposed dividend	Retained earnings	Hedging	Total	Non-controlling interests	Total equity
Equity 1/1 2021	**29**	**-212**	**94**	**2 178**	**-1**	**2 088**	**4**	**2 092**
Profit for the year	-	-	102	201	-	303	-	303
Other comprehensive income	-	78	-	26	-	104	-	104
Comprehensive income for the year	-	78	102	227	-	407	-	407
Share buy-back programme	-	-	-	-3	-	-3	-	-3
Purchase of own shares	-	-	-	-4	-	-4	-	-4
Sale of own shares	-	-	-	1	-	1	-	1
Expensed value of Restricted Share Units (RSUs) issued	-	-	-	2	-	2	-	2
Transactions non-controlling interests	-	-	-	-4	-	-4	-4	-8
Dividend paid	-	-	-94	1	-	-93	-	-93
Equity 31/12 2021	**29**	**-134**	**102**	**2 398**	**-1**	**2 394**	**-**	**2 394**
Equity 1/1 2020	**29**	**-104**	**94**	**2 096**	**-1**	**2 114**	**4**	**2 118**
Profit for the year	-	-	94	157	-	251	-	251
Other comprehensive income	-	-108	-	1	-	-107	-	-107
Comprehensive income for the year	-	-108	94	158	-	144	-	144
Share buy-back programme	-	-	-	-77	-	-77	-	-77
Purchase of own shares	-	-	-	-3	-	-3	-	-3
Sale of own shares	-	-	-	2	-	2	-	2
Expensed value of Restricted Share Units (RSUs) issued	-	-	-	2	-	2	-	2
Dividend paid	-	-	-94	-	-	-94	-	-94
Equity 31/12 2020	**29**	**-212**	**94**	**2 178**	**-1**	**2 088**	**4**	**2 092**

Notes



Note 1
Basis of preparation

1.1 Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires Management to make accounting estimates and assumptions that have a significant effect on the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The most significant accounting estimates and judgements are presented below.

The application of the Group's accounting policies may require Management to make judgments that can have a significant effect on the amounts recognised in the consolidated financial statements. When determining the carrying amount of some assets and liabilities it requires Management to make judgments, estimates and assumptions concerning future events.

The estimates and underlying assumptions are based on professional experience, historical experience and various other factors that Management considers appropriate under the given circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in estimates may be necessary if there are changes in the circumstances on which the estimate was based, or if more detailed information becomes available. Such changes are recognised in the period in which the estimate in question is revised.

ROCKWOOL has monitored the COVID-19 pandemic development and the related risks during the year. Overall, the pandemic has not impacted the critical accounting estimates and risks applied in the consolidated financial statement.

Below are the accounting estimates and judgements, which Management considers significant to the preparation of the consolidated financial statements:

Accounting estimates

- Impairment testing (note 3.5)
- Deferred tax assets and uncertain tax positions (note 6.1)

Judgements

- Expected lifetime for tangible assets (note 3.2)

The accounting policies are described in each of the specific notes to the financial statements, which also include additional description of the most significant accounting estimates and judgements.

1.2 General accounting policies

The Annual Report for ROCKWOOL International A/S has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

The financial year for the Group is 1 January – 31 December 2021.

Group Accounts

The consolidated financial statements comprise ROCKWOOL International A/S and the entities in which the company and its subsidiaries hold the majority of the voting rights.

Notes

The consolidated financial statements have been prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, determined according to the Group's accounting policies, and with elimination of dividends, internal revenue and expenditure items, internal profits as well as intercompany balances and intercompany shareholdings.

Besides shares, capital investments in subsidiaries include long-term loans to subsidiaries if such loans constitute an addition to the shareholding.

Translation of foreign currency

The Annual Report has been presented in Euro (EUR) which is the Group's presentation currency. Each company in the Group determines its own functional currency.

Transactions in foreign currency are translated using the exchange rate at the transaction date or a hedged rate. Monetary items in foreign currency are translated using the exchange rates at the balance sheet date. Accounts of foreign subsidiaries are translated using the exchange rates at the balance sheet date for balance sheet items, and the periodic average exchange rates for items of the income statement.

All exchange rate adjustments are recognised in the income statement under financial items, apart from the exchange rate differences arising on:

- Conversion of equity in subsidiaries at the beginning of the financial year using the exchange rates at the balance sheet date;
- Conversion of the profit for the year from average exchange rates to exchange rates at the balance sheet date;
- Conversion of long-term intercompany balances that constitute an addition to the holding of shares in subsidiaries;
- Conversion of the forward hedging of capital investments in subsidiaries;
- Conversion of capital investments in associated and other companies; and,
- Profit and loss on effective derivative financial instruments used to hedge expected future transactions

These value adjustments are recognised directly under other comprehensive income.

1.3 New and amended standards and interpretations

Implementation of new or changed accounting standards and interpretations

Effective from 1 January 2021, the Group has implemented the following amendments to standards (IAS and IFRS):

- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: IBOR reform phase 2.

The adoption of the new or amended standards has not impacted our consolidated financial accounts for 2021 and is not anticipated to have a significant impact on future periods.

New and amended standards and interpretation not yet adopted

IASB has issued new or amended accounting standards and interpretations that have not yet become effective and have consequently not been implemented in the consolidated financial statements for 2021. The Group expects to adopt the accounting standards and interpretations when they become mandatory.

None of the new or amended standards or interpretations are expected to have a significant impact on the consolidated financial statements.

1.4 Reporting under the ESEF Regulation

The Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) has introduced a single electronic reporting format for the annual financial reports of issuers with securities listed on the EU regulated markets.

The ESEF Regulation sets out the annual financial reports shall be disclosed using the XHTML format and that the primary consolidated financial statements shall be tagged using inline eXtensible Business Reporting Language (iXBRL).

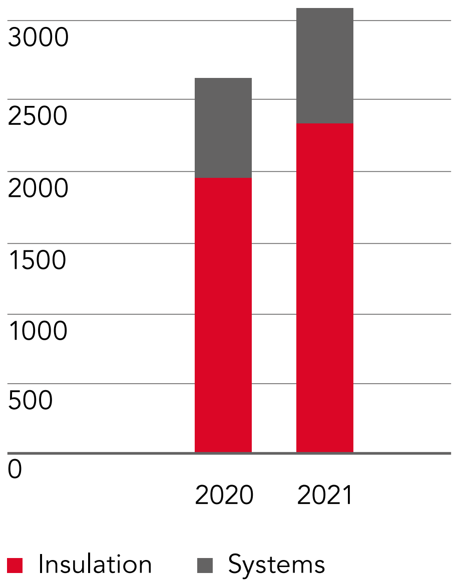
IXBRL tags shall comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published in the IFRS Foundation.

As part of the tagging process financial statement line items are marked up to elements in the ESEF taxonomy. If a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy is created. Extensions have to be anchored in the ESEF taxonomy, except for extensions which are subtotals.

The Annual Report submitted to the Danish Financial Supervisory Authority (The Officially Appointed Mechanisms) consists of the XHTML document together with some technical files all included in a ZIP file named 213800QRC7LNX935OZ09-2021-12-31-en.zip.

Note 2
Operating profit

Sales per business segment (MEUR)



Reported sales increase

18.7%

Average number of FTEs

11 689

EBIT margin

13.0%

Notes

2.1 Net sales and segmented accounts

Accounting policies

Net sales

The Group produces and sells a range of non-combustible stone wool insulation products, including solutions for ceiling systems, ventilated facades, friction and water management and stone wool substrate solutions for the professional horticultural.

Sales are recognised when control of the products has transferred to the customer, being when the products are delivered to the customer and the risk has been transferred.

The products are often sold with retrospective volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method.

The sales include no element of financing as the sales are made with credit terms of normally 30-60 days consistent with market practice.

A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Segmented accounts

Group Management has determined the business segments for the purpose of assessing business performance and allocating resources. Primarily segments are based on products and thermal performance, as Systems segment is primarily defined as non-thermal insulation products. Nearly all external sales consist of sales of products.

Segmental data is stated for business areas and geographical areas. The split by business areas is in accordance with the Group's internal reporting.

The segmental data is presented according to the same principle as the consolidated financial statements. The segmental EBIT includes net sales and expenditure including non-recurring expenditure operationally related to the segment.

Comments

ROCKWOOL Group operates in two business segments based on products: Insulation segment and Systems segment. The information is based on the management structure and internal management reporting to Group Management and constitutes the reportable segments.

Headquarters costs are allocated to the business segments based on allocation keys used in the internal management reporting. These allocation keys are reassessed annually based on planned activity in the segments. Intangible and tangible assets and related amortisation/depreciation are not fully allocated to business segments as all stone wool production is done in the Insulation segment. Financial income and expenses, and income taxes are managed at Group level and are not allocated to business segments.

Business segments and sales reporting

	Insulation segment		Systems segment		Eliminations		ROCKWOOL Group	
MEUR	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
External net sales	2 291	1 914	797	688	-	-	3 088	2 602
Internal net sales	354	302	-	-	-354	-302	-	-
EBIT	**275**	**236**	**126**	**102**	**-**	**-**	**401**	**338**
EBIT margin	*10.4%*	*10.7%*	*15.9%*	*14.8%*	-	-	*13.0%*	*13.0%*
Financial items and income from associated companies	-	-	-	-	-	-	-8	-13
Tax on profit for the year	-	-	-	-	-	-	-90	-74
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**303**	**251**
Goods transferred at a point in time	2 291	1 914	797	688	-	-	3 088	2 602
Non-current asset additions	295	326	58	44	-	-	353	370

Geographical segments

	Net sales		Intangible and tangible assets	
MEUR	**2021**	**2020**	**2021**	**2020**
Western Europe	1 834	1 575	911	914
Eastern Europe and Russia	562	449	394	379
North America, Asia and others	692	578	700	520
Total	**3 088**	**2 602**	**2 005**	**1 813**

Notes

2.1 Net sales and segmented accounts (continued)

Comments

Internal net sales from the Insulation segment to the Systems segment are at arms' length prices. The Insulation segment includes among others interior building insulation, façade insulation, roof insulation and industrial and technical insulation. The Systems segment includes acoustic ceilings and walls, cladding boards, engineered fibres, noise and vibration control, and horticultural substrates.

In 2021, no write-down was recognised. In 2020, write-down of software was recognised affecting both segments. For additional information please refer to note 3.4.

The geographical net sales information is based on the location of the customers, while the information regarding the geographical assets distribution is based on the physical placement of the assets.

The domestic sales in Denmark are in the range of 3-4 percent (2020: 2-3 percent) of the Group's net sales. The domestic intangible and tangible assets in Denmark amount to 172 MEUR (2020: 159 MEUR).

No customers exceed 10 percent of the Group's net sales neither this year nor last year. In Germany, France and the United States net sales amounts to between 10-20 percent of the Group's total net sales in both 2021 and 2020. In no other country does net sales exceed 10 percent of the Group's total net sales.

In 2021 and 2020, intangible and tangible assets in the United States and Germany exceeded 10 percent of the Group's total intangible and tangible assets, and so did the intangible and tangible assets in Poland in 2020.

2.2 Personnel costs

Comments

Remuneration of Group Management (key management personnel) complies with the principles of the Group's Remuneration Policy.

The variable part of the total remuneration, measured as short-term incentive maximum and annual long-term incentive grant, can be maximum 50 percent of the total remuneration. The short-term incentive (bonus) is dependent on achievement of individual targets and targets for the Group's financial performance, which are annually approved by the Remuneration Committee. In addition, pension and other benefits are offered in line with market practice with a total value not exceeding 20 percent of base salary.

The individual remuneration elements of each Registered Director are disclosed in the annual Remuneration Report.

In 2021, termination costs of less than 1 MEUR are included in the remuneration to Group Management. No termination costs are included in 2020.

Personnel costs

MEUR	2021	2020
Wages and salaries	614	580
Expended value of RSUs issued	4	2
Pension Cost	31	30
Other social security cost	84	82
Personnel costs	**733**	**694**
Average number of employees	11 689	11 626

Remuneration to Group Management, Registered Directors and Board of Directors

Personnel costs include the following to Group Management, Registered directors and Board of Directors:

MEUR	2021	2020
Group Management		
Salaries and other benefits to Group Management	7	6
Value of expensed RSU costs or fair value adjustments to Group Management	1	1
Pension cost to Group Management	1	1
Total to Group Management	**9**	**8**
Hereof Registered Directors		
Hereof remuneration to Registered Directors	3	3
Hereof value of expensed RSU cost or fair value adjustments to Registered Directors	1	1
Hereof pension cost to Registered Directors	-	-
Total to Registered Directors	**4**	**4**
Board of Directors		
Remuneration to Board of Directors	1	1
Total remuneration to Registered Directors and Board of Directors	**5**	**5**

Notes

2.3 Long-term incentive programmes

Accounting policies

Two different share-based incentive programmes have been established: A stock option programme and a restricted share programme (RSUs). Both programmes are classified as equity based, as they are settled in shares. Due to local rules, a minor part of both programmes is given as phantom shares and is classified as cash-based, as they are settled in cash. The programmes are offered to Group Management and other senior executives. The incentive programmes are part of the variable part of the remuneration and follows the Group's Remuneration policy. Participation in the programmes are at the Remuneration Committees discretion and no individual has a contractual right to participate or receive any guaranteed benefit.

Stock options

On issuance of stock options, the fair value of the options is assessed using the Black & Scholes formula at the time of grant and is recognised in personnel costs in the income statement and in equity over the three-year vesting period.

A part of the stock options is given as phantom shares (cash-based programme) and are adjusted after initial recognition to fair value through financial expenses in the income statement against a related provision.

Restricted Share Units (RSUs)

When RSUs are issued, the value of the RSUs at grant date is recognised in personnel cost in the income statement and in equity over the three-year vesting period. On initial recognition of the RSUs, the number of RSUs expected to vest is estimated. Subsequently, the estimate is revised so the total cost recognised is based on the actual number of RSUs vested. The fair value of RSUs is determined based on the quoted share price at grant adjusted for expected dividend payout (based on historic dividend payout ratio). The participants are compensated for any dividend payment by receiving additional RSUs.

A minor part of the RSUs are given as phantom shares (cash-based programme) and are after initial recognition adjusted to fair value through financial expenses in the income statement against a related provision.

Comments

Stock options

No stock options have been granted since 2015. The outstanding options are all exercisable and fully vested at the end of the reporting period.

The average share price at exercise in 2021 was 409 EUR (2020: 267 EUR). In 2021, the stock options granted in 2013 expired and all the stock options were exercised. In 2020, the stock options granted in 2012 expired and all the stock options were exercised.

Stock option programme

Stock options outstanding at year-end have the following exercise periods and exercise prices:

Time of grant	Exercise period	Exercise price (EUR)	Number of stock options 2021	Number of stock options 2020
2013	23.09.2016 - 22.09.2021	121	-	6 550
2015	20.03.2018 - 19.03.2023	103	4 200	8 500
			4 200	**15 050**

In both 2021 and 2020, all remaining stock options belonged to senior executives.

Development in outstanding stock options

	2021		2020	
	Number of stock options	Average exercise price (EUR)	Number of stock options	Average exercise price (EUR)
Outstanding stock options 1/1	15 050	110	34 925	100
Exercised	10 850	114	19 875	117
Outstanding stock options 31/12	**4 200**	**103**	**15 050**	**110**

Notes

2.3 Long-term incentive programmes (continued)

Comments

Restricted Share Units

Restricted Share Units (RSUs) will be subject to a vesting period of three years. After the vesting period the shares are transferred to the participants without payment, subject to continued employment with ROCKWOOL Group in the vesting period.

In line with the Remuneration Policy, a one-time award of conditional RSUs was granted to the CEO in 2020. The award is subject to a five-year vesting period and only upon achievement of three parameters with equal weight: a) Reduction of CO_2 per tonne line wool; b) growth in sales; and c) earnings. No one-time award was granted in 2021.

The RSUs represent the employee's right to shares but do not carry voting rights nor have any tangible value before the RSUs are exercised and become actual B shares of ROCKWOOL International A/S. The terms of the share incentive may provide that shares may be settled in cash in which case, the related provision equals the share price at the time of vesting.

The estimated fair value of RSUs granted in 2021 was 3 MEUR (2020: 3 MEUR) at grant date.

In 2021, 4 MEUR was expensed related to the RSUs (2020: 3 MEUR), of which 4 MEUR (2020: 2 MEUR) was recognised in personnel costs. In 2021, the fair value adjustment under finance expenses was close to zero (2020: 1 MEUR).

Cash-settled programmes

The cash-settled programmes consist of phantom shares granted during the years 2019-2021.

The employees granted the phantom shares participate on terms and conditions similar to those applying to the share options and the RSUs.

There are no more phantom options outstanding from the 2013-2015 stock options. The outstanding RSUs from 2019-2021 include 5014 phantom shares (2020: 6449).

The total intrinsic value of the phantom stock options/RSUs at year-end amounts to 1 MEUR (2020: 1 MEUR), which is recognised as a liability.

Restricted share units (RSUs)

RSUs outstanding at year-end have the following vesting dates:

Time of grant	Vesting date	Number of RSUs 2021	Number of RSUs 2020
2018	12.04.2021	-	8 494
2019	24.05.2022	10 311	10 311
2020	23.05.2023	14 226	14 226
2020, one-time award	26.05.2025	9 272	9 272
2021	22.05.2024	7 251	-
		41 060	**42 303**
Weighted average remaining contractual life of the outstanding RSUs at year-end (Year)		1.8	2.2

Of the number of RSUs 16 364 belong to Registered Directors and 24 696 to other senior executives. In 2020, 16 592 belonged to Registered Directors and 25 711 to other senior executives.

Development in number of outstanding RSUs

	2021	2020
Outstanding RSUs 1/1	42 303	30 957
Granted	7 559	24 802
Vested	8 802	12 896
Forfeited	-	560
Outstanding RSUs 31/12	**41 060**	**42 303**

The average share price the day following the vesting date was 352 EUR.

Note 3
Invested capital

Capital expenditure

302 MEUR

Down 41 MEUR compared to 2020

ROU assets

61 MEUR

ROIC

18.8%

Notes

3.1 Intangible assets

Accounting policies

The costs of research activities are carried as expenditure in the year in which they are incurred. The costs of development projects which are clearly defined and identifiable, and of which the potential technical and commercial exploitation is demonstrated, are capitalised to the extent that they are expected to generate future revenue. Other development costs are recognised on an ongoing basis in the income statement under operating costs.

Intangible assets, apart from goodwill, are stated at cost less accumulated amortisation and write-downs.

Amortisation of the following intangible assets is made on a straight-line basis over the expected future lifetime of the assets, which is:

Development projects:	2-10 years
Patents:	5-20 years
Software:	2-4 years
Trademarks:	10-20 years
Customer relationships:	10-15 years

Goodwill arisen from acquisition of enterprises and activities is stated at cost. The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. Identification of independent cash-generating units is based on business structure and level of internal control of cash flow.

Goodwill is tested annually for impairment and the carrying amount of other assets is reviewed on indications of impairment. When testing for impairment, the value is written down to the estimated net sales price or the value in use, if greater. Software in progress is also tested for impairment annually.

Intangible assets

	2021						2020					
MEUR	Goodwill	Software	Customer relationships	Other intangible assets	Software in progress	Total	Goodwill	Software	Customer relationships	Other intangible assets	Software in progress	Total
Cost 1/1	127	92	82	42	12	355	128	85	80	52	20	365
Exchange rate adjustments	6	-	3	1	1	11	-5	-	-3	-	-	-8
Additions for the year	-	-	-	2	5	7	-	-	-	-	4	4
Transfer of assets in progress	-	3	4	-6	-1	-	-	10	-	-	-10	-
Disposals for the year	-	-2	-	-5	-	-7	-	-3	-	-13	-2	-18
Business acquisitions	-	-	-	-	-	-	4	0	5	3	-	12
Cost 31/12	**133**	**93**	**89**	**34**	**17**	**366**	**127**	**92**	**82**	**42**	**12**	**355**
Amortisation and write-downs 1/1	31	79	43	21	-	174	31	72	37	31	2	173
Exchange rate adjustments	-	1	2	1	-	4	-	-1	-2	-1	-	-4
Amortisation for the year	-	6	6	2	-	14	-	8	8	4	-	20
Write-down for the year	-	-	-	-	-	-	-	3	-	-	-	3
Transfers	-	-	4	-4	-	-	-	-	-	-	-	-
Disposals for the year	-	-2	-	-	-	-2	-	-3	-	-13	-2	-18
Amortisation and write-downs 31/12	**31**	**84**	**55**	**20**	**-**	**190**	**31**	**79**	**43**	**21**	**-**	**174**
Carrying amount 31/12	**102**	**9**	**34**	**14**	**17**	**176**	**96**	**13**	**39**	**21**	**12**	**181**

During the year R&D costs amounting to 45 MEUR (2020: 41 MEUR) have been expensed.

Notes

3.1 Intangible assets (continued)

Comments

Goodwill is allocated to cash generating units (CGUs) in Insulation segment at an amount of 42 MEUR (2020: 41 MEUR) and to CGUs in Systems segment at an amount of 60 MEUR (2020: 55 MEUR).

Goodwill has been impairment tested for the identified CGUs, which for both years have not resulted in any value adjustments.

The impairment test of goodwill is based on current and future results for the CGUs to where the results are allocated. Most of the goodwill in the Group is related to the acquisition of Flumroc in 2017, Chicago Metallic in 2013 and CSR in 2010 and they are performing according to plan.

Please refer to note 3.5 for further details.

In 2020 a write-down of 3 MEUR of software was recognised affecting both segments due to low utilisation.

The carrying amount of other intangible assets includes brands amounting to 10 MEUR (2020: 12 MEUR) and patents amounting to 4 MEUR (2020: 8 MEUR).

3.2 Tangible assets

Accounting policies

Tangible assets are stated at cost less accumulated depreciation and impairment losses. The cost of technical plant and machinery manufactured by the Group comprises the acquisition cost, expenditure directly related to the acquisition, engineering hours, including indirect production costs and borrowing costs.

Depreciation is carried out on a straight-line basis, based on current assessment of their useful lives and scrap value.

The expected lifetimes are:

Buildings:	20-40 years
Plant and machinery:	5-15 years
Other operating equipment:	3-10 years

On sale or scrapping of assets, any losses or gains are included under other operating income for the year.

Investment grants are deducted in the cost of the equivalent tangible assets.

Critical estimates and judgements

The expected lifetime for tangible assets is determined based on past experience and expectations for future use of the assets. Especially the estimated lifetime of plant and machinery is linked to uncertainty due to varying utilisation and the significant amount of maintenance costs. The expected future lifetime for the assets is evaluated annually.

When there is an indication of a reduction in the profitability of an asset, an impairment test is performed for the assets in question and write-downs are made, if necessary.

The recoverable amounts of the assets and cash-generating units are determined based on value-in-use calculations and fair value less cost to sell. These calculations require the use of estimates as they are based on budgets, business plans and projections for five years and take into account previous experience and represent Management's best estimate of future developments.

Comments

Of the carrying amount of buildings and land, 119 MEUR (2020: 114 MEUR) represent sites not subject to depreciation.

Accumulated capitalised interests amounting to 3 MEUR (2020: 3 MEUR) are included in the cost of tangible assets. There is no additional capitalised interest neither this year nor last year.

For the recognised investment grants the conditions are fulfilled or are reasonably assured to be fulfilled. Some of the received investment grants are subject to repayment obligations provided that the attached conditions are not fulfilled within a number of years.

The Group's investment grants are for the main part received in China, Poland, Spain, Germany, Norway and the United States. The investment grants received in 2021 amount to 13 MEUR (2020: 19 MEUR). The grants are in most cases linked to expansion of the Group including the amount of investment in tangible assets and the creation of jobs - and is given as cash or loans. Only limited contingent liabilities exist.

Contractual obligations for the purchase of tangible assets at 31 December 2021 amount to 107 MEUR (2020: 90 MEUR).

Notes

3.2 Tangible assets (continued)

Tangible assets

	2021					2020				
MEUR	Buildings and sites	Plant and machinery	Other operating equipment	Tangible assets in progress	Total	Buildings and sites	Plant and machinery	Other operating equipment	Tangible assets in progress	Total
Cost 1/1	1 105	2 099	123	534	3 861	1 094	2 084	114	399	3 691
Exchange rate adjustments	28	45	-1	23	95	-46	-82	-4	-18	-150
Additions for the year	-	-	-	301	301	-	5	-	330	335
Transfer of assets in progress	233	330	22	-585	-	55	107	15	-177	-
Disposals for the year	-12	-18	-4	-	-34	-1	-17	-3	-	-21
Business acquisitions	4	4	-	-	8	3	2	1	-	6
Cost 31/12	**1 358**	**2 460**	**140**	**273**	**4 231**	**1 105**	**2 099**	**123**	**534**	**3 861**
Depreciation and write-downs 1/1	468	1 660	101	-	2 229	451	1 640	94	-	2 185
Exchange rate adjustments	6	35	1	-	42	-13	-59	-4	-	-76
Depreciation for the year	36	103	26	-	165	31	95	14	-	140
Disposals for the year	-12	-18	-4	-	-34	-1	-16	-3	-	-20
Depreciation and write-downs 31/12	**498**	**1 780**	**124**	**-**	**2 402**	**468**	**1 660**	**101**	**-**	**2 229**
Carrying amount 31/12	**860**	**680**	**16**	**273**	**1 829**	**637**	**439**	**22**	**534**	**1 632**
Hereof investment grants	**-9**	**-13**	**-**	**-21**	**-43**	**-10**	**-2**	**-**	**-19**	**-31**

3.3 Leases

Accounting policies

Whether a contract contains a lease is assessed at contract inception. For identified leases, a right-of-use (RoU) asset and corresponding liability are recognised on the lease commencement date.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the payments, which are fixed or variable payments dependent on an index or a rate. When adjustments to lease payments based on an index or a rate take effect, the lease liability is re-assessed and adjusted against the lease asset. Service components are excluded from the lease liability except from those relating to cars.

To measure the lease liability at an amount equal to the net present value of the lease payments, a discount rate is used. For this purpose, the Group generally uses its incremental borrowing rate (IBR). The IBR is calculated per main country/region per asset type considering different length of the lease terms.

The lease payments have been split into an interest cost and a repayment of the lease liability.

RoU assets are measured at cost corresponding to the lease liability recognised, adjusted for any lease pre-payments or directly related costs, including restoration costs.

RoU assets are depreciated on a straight-line basis over the shorter of the expected lease term and the asset's useful life. RoU assets are tested for impairment whenever there is an indication that the assets may be impaired.

Notes

3.3 Leases (continued)

Leases in the balance sheet

MEUR	2021	2020
Right-of-use assets:		
Offices, other buildings and sites	12	9
Warehouses	30	19
Forklifts, cars and other assets	19	16
Carrying amount of right-of-use assets 31/12	**61**	**44**
Contractual maturity of lease liabilities:		
< 1 year	21	21
1-5 years	35	31
> 5 years	17	10
Total undiscounted lease liabilities	**73**	**62**
Current/non-current classification (discounted):		
Non-current	44	27
Current	19	18

In 2021, additions to right-of-use assets were 37 MEUR (2020: 13 MEUR).

Leases in the income statement

MEUR	2021	2020
Depreciation of right-of-use assets:		
Offices, other buildings and sites	3	3
Warehouses	9	8
Forklifts, cars and other assets	10	10
Total depreciation of right-of-use assets	**22**	**21**
Interest expense (included in financial expenses)	2	2
Expense relating to short-term leases (included in operating costs)	10	8
Expense relating to low-value leases (included in operating costs)	-	-
Variable lease payments not included in the lease liabilities (included in operating costs)	1	2

The total cash outflow for leases in 2021 was 35 MEUR (2020: 32 MEUR), of which 21 MEUR (2020: 20 MEUR) is classified as cash flow from financing activities and 14 MEUR (2020: 12 MEUR) is classified as cash flow from operating activities.

Accounting policies (continued)

Extension and termination options are included in a number of property and equipment leases across the Group. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. If the lease contract contains an extension or purchase option that the Group considers reasonably certain to be exercised, these are included in the measurement of the liability.

Short-term leases and leases of low value are recognised on a straight-line basis as cost in the income statement.

The Group's portfolio of leases covers leases of office buildings, warehouses and other equipment such as cars and forklifts. Leases for offices and other buildings have lease terms between 2-22 years, warehouses between 3-10 years while car and forklift leases generally have lease terms between 3-5 years. The Group also has a few long-term site leases with lease terms up to 99 years.

3.4 Amortisation, depreciation and write-downs

Comments

In 2021, no write-downs on intangible or tangible assets were recognised. In 2020, a write-down of 3 MEUR of intangible assets was recognised affecting both segments due to lower benefits and utilisation compared to the original business plan.

Amortisation, depreciation and write-downs

MEUR	2021	2020
Amortisation of intangible assets	14	20
Write-down of intangible assets	-	3
Depreciation of tangible assets	165	140
Depreciation of right-of-use assets	22	21
Amortisation, depreciation and write-downs	**201**	**184**

Notes

3.5 Impairment tests

Accounting policies

When there is an indication of a reduction in the profitability of an asset, an impairment test is performed for the assets in question and write-downs are made, if necessary.

For goodwill, annual impairment tests are made. The recoverable amounts of the assets and cash-generating units (CGUs) have been determined based on value-in-use calculations. When testing for impairment, the value is written down to the estimated recoverable amount, if lower than the carrying amount.

Other assets are tested for impairment when there are indications of change in the structural profitability.

Critical estimates and judgements

When preparing impairment tests, estimates are used to calculate the future value. Significant estimates are made when assessing long-term growth rates and profitability. In addition, an assessment is made of the reasonable discount rate.

Changes in the growth rate in the budget period or discount rate may result in significantly different values. The assessments are made based on budgets, business plans and projections for five years and take into account previous experience and represent Management's best estimate of future developments.

Key parameters are growth in sales, margins, discount rate and future growth expectations.

Comments

Management has performed the yearly impairment test of the carrying amount of goodwill. In addition, impairment test of other assets has also been made, where indication of reduction of value was found. In the impairment test, the carrying amount of the assets is compared to the discounted value of the future cash flows. The assessment of future cash flows is typically based on five-year management reviewed budgets and business plans, where the last year is used as a normalised terminal year. Net sales, raw material prices, discount rate and future growth assumptions constitute the most material parameters in the calculation.

The average growth rate in the terminal period is set to two percent. The average growth rate in the budget period is estimated to be between 0-10 percent depending on the businesses.

The high growth rates are used in countries where we historically have seen steep increases after a slow period.

Gross margins are based on average values the last three years and adjusted over the budget period for efficiency improvements and expected raw material inflation based on past actual price movements and future market conditions. Future investment is derived from the historic investment level to secure a smooth operation of the factories and the capacity utilisation is based on the current situation including investment plans. The discount rate calculation is based on the specific circumstances of the Group and the operating segments and is derived from the weighted average cost of capital (WACC).

2021

The impairment tests for 2021 have not shown a need for write-downs or reversals of write-downs recognised previous years. During 2021 HECK Wall Systems has been monitored closely. HECK Wall Systems exceeded the expectations and market outlook outlined in the impairment test last year, and the stone wool conversion goal was reached in 2021. The net present value of HECK Wall Systems amounts to 59 MEUR in 2021 which gives a headroom of 37 MEUR to the carrying amount. The main drivers are sales growth and costs efficiency improvements.

2020

The impairments test for 2020 have not shown a need for write-downs or reversals of write-downs recognised previous years. During 2020 HECK Wall Systems has been monitored closely. HECK Wall Systems follows the expectations and market outlook outlined in the impairment test last year. The net present value of HECK Wall Systems amounts to 28 MEUR in 2020 which gives a headroom of 4 MEUR to the carrying amount. The main driver is conversion to stone wool products and in 2021 it is expected to fully convert to stone wool products.

Sensitivity analysis

As part of the preparation of impairment tests, sensitivity analyses are prepared on the basis of relevant risk factors and scenarios that management can determine within reasonable reliability. Sensitivity analyses are prepared by altering the estimates with a range of probable outcomes.

2021

The sensitivities have been assessed as follows, all other things being equal; an increase in the discount rate of one percent, a decrease in the growth rate of one percent p.a. and an increase of input costs of one percent p.a. None of the scenarios resulted in identification of write-downs.

We consider the chosen scenarios as the most realistic, which is why none of the impairment tests have given rise to adjustment of the value.

2020

The sensitivities have been assessed as follows, all other things being equal; an increase in the discount rate of one percent, a decrease in the growth rate of one percent p.a. and an increase of input costs of one percent p.a. The write-down in HECK Wall Systems would have been 1-5 MEUR if the discount rate was to increase one percent or the growth was one percent lower.

We consider the chosen scenarios as the most realistic, which is why none of the impairment tests have given rise to adjustment of the value.

Notes

3.5 Impairment tests (continued)

Impairment test of goodwill

MEUR	2021			
CGUs	Carrying amount, Goodwill	Discount rate	Growth rate (budget period)	Headroom
Chicago Metallic Corporation (Rockfon)	57	7.1%	3%*	Large
HECK Wall Systems	6	6.9%	3%*	Large
CSR	8	8.0%	7%*	Large
Flumroc	15	6.9%	7%*	Large
Other	16	7-11%	2-11%	Large
Total	**102**			

* Average growth rate due to large spread in the period.

Impairment test of goodwill

MEUR	2020			
CGUs	Carrying amount, Goodwill	Discount rate	Growth rate (budget period)	Headroom
Chicago Metallic Corporation (Rockfon)	52	8.9%	4%*	Large
HECK Wall Systems	6	8.0%	4%*	Minor
CSR	8	10.8%	9%*	Large
Flumroc	15	8.0%	2%	Large
Other	15	8-12%	0-12%	Large
Total	**96**			

* Average growth rate due to large spread in the period.

3.6 Pension obligations

Accounting policies

Pension payments concerning defined contribution plans are recognised on an ongoing basis in the income statement.

Defined benefit plans are stated at the net present value at the balance sheet date and included in the consolidated financial statements. Adjustments of the plans are carried out on a regular basis in accordance with underlying actuarial assessments. Actuarial gains or losses for defined benefit plans are recognised in full in the period in which they occur in other comprehensive income. The actuarial assessment is carried out every year.

Funded benefit plans have assets placed in trustee-administered pension funds, which are governed by local regulations and practice in each country.

The payments to the pension funds are based on the usual actuarial assessments and are recognised in the income statement after maturity. Provided that the actuarial assessments of pension obligations show noticeable excess solvency or insolvency in relation to the pension fund's assets, the difference is entered to the balance sheet and the future payments are adjusted accordingly. With regard to these schemes, the actuarial assessment is also carried out every year.

Comments

The present value of defined benefit pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes to these assumptions will impact the carrying amount of pension obligations. The discount rate and other key assumptions are based in part on the current market conditions.

Comments

A number of the Group's employees and former employees participate in pension schemes. The pension schemes are primarily defined contribution plans. However, defined benefit plans are also used, mainly in Switzerland, the United Kingdom and Germany. The benefit plans in the United Kingdom and Germany are closed for new entries.

Under a defined benefit plan the Group carries the risk associated with the future development in e.g. interest rates, inflation, salaries, mortality and disability.

Defined benefit plans typically guarantee the employees a retirement benefit based on the final salary at retirement.

The pension benefit plans in the United Kingdom and Switzerland have assets placed in independent pension funds. The remaining plans are unfunded, where the main part relates to Germany. For these plans the retirement benefit obligations amount to approximately 22 percent (2020: 22 percent) of the total gross liability.

Except for the Swiss and UK plans, the mentioned defined benefit plans are not subject to regulatory requirements regarding minimum funding. The granted pension payments of the mentioned defined benefit plans are based upon the salary of the participating employees during the period of employment. The Group's contributions are derived from the split of the pension premium between the employee and employer.

The actuarial assessment of the pension obligation is based on assumptions specific to each country. The latest actuarial calculation is prepared by authorised experts. The valuation of the assets is based on the composition and the expectations to the economic development. The assumptions used are weighted averages.

Notes

3.6 Pension obligations (continued)

Pension costs

MEUR	2021	2020
Defined contribution plans:		
Total pension costs recognised	**29**	**23**
Defined benefit plans:		
Pension costs	2	7
Interest costs	2	2
Interest income	-1	-2
Curtailments/settlements	-1	-
Total pension costs recognised	**2**	**7**

Defined benefit pension plans

MEUR	2021	2020	2019	2018	2017
Present value of pension liabilities	239	250	247	217	227
Fair value of plan assets	-214	-184	-185	-164	-174
Assets ceiling limitation	10	-	-	-	-
Pension obligation, net 31/12	**35**	**66**	**62**	**53**	**53**

Key assumptions

	2021	2020
Increase in salaries and wages	1.2%	1.4%
Discount rate	1.1%	0.7%
Remaining life expectancy at the time of retirement (years)	27.1	25.1

Defined benefit pension obligation

MEUR	2021	2020
Obligations 1/1	250	247
Exchange rate adjustments	10	-4
Pension costs	6	7
Interest costs	2	2
Settlements	-3	-
Actuarial gains/losses from changes in demographic assumptions	-7	-
Actuarial gains/losses from changes in financial assumptions	-7	12
Actuarial gains/losses from changes in experience	-2	-3
Benefits paid	-10	-11
Obligations 31/12	**239**	**250**

Sensitivity analysis

Assumptions	**Discount rate**		**Salary increase**		**Life expectancy**	
	-0.5%	**+0.5%**	**-1.0%**	**+1.0%**	**-1 year**	**+1 year**
MEUR						
2021 - Impact on obligation	19	-18	-2	2	-8	8
2020 - Impact on obligation	21	-19	-2	3	-8	9

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions.

Notes

3.6 Pension obligations (continued)

The following payments are expected contributions to the defined benefit plan obligation:

Expected contributions

MEUR	2021	2020
< 1 year	7	6
1-5 years	24	25
> 5 years	38	41
Expected contributions	**69**	**72**

The expected duration of the defined benefit plan obligation is 27 years (2020: 25 years) at year end.

Pension plan assets

MEUR	2021	2020
Pension plan assets 1/1	184	185
Exchange rate adjustments	10	-4
Interest income	1	2
Return on plan assets	22	6
Employer's contribution	4	4
Plan participants	1	1
Benefits paid	-8	-10
Pension plan assets 31/12	**214**	**184**

Composition of pension plan assets

MEUR	2021	2020
Assets quoted in active markets:		
Equities in European markets	39%	34%
Bonds in European markets	31%	36%
Assets unquoted:		
Cash	8%	12%
Other	22%	18%

3.7 Provisions

Accounting policies

Provisions are recognised where a legal or constructive obligation has been incurred as a result of past events and if it is probable it will lead to an outflow of financial resources and if the size of the liability can be measured on a reliable basis. The provision is calculated as the amount expected to be paid to settle the obligation.

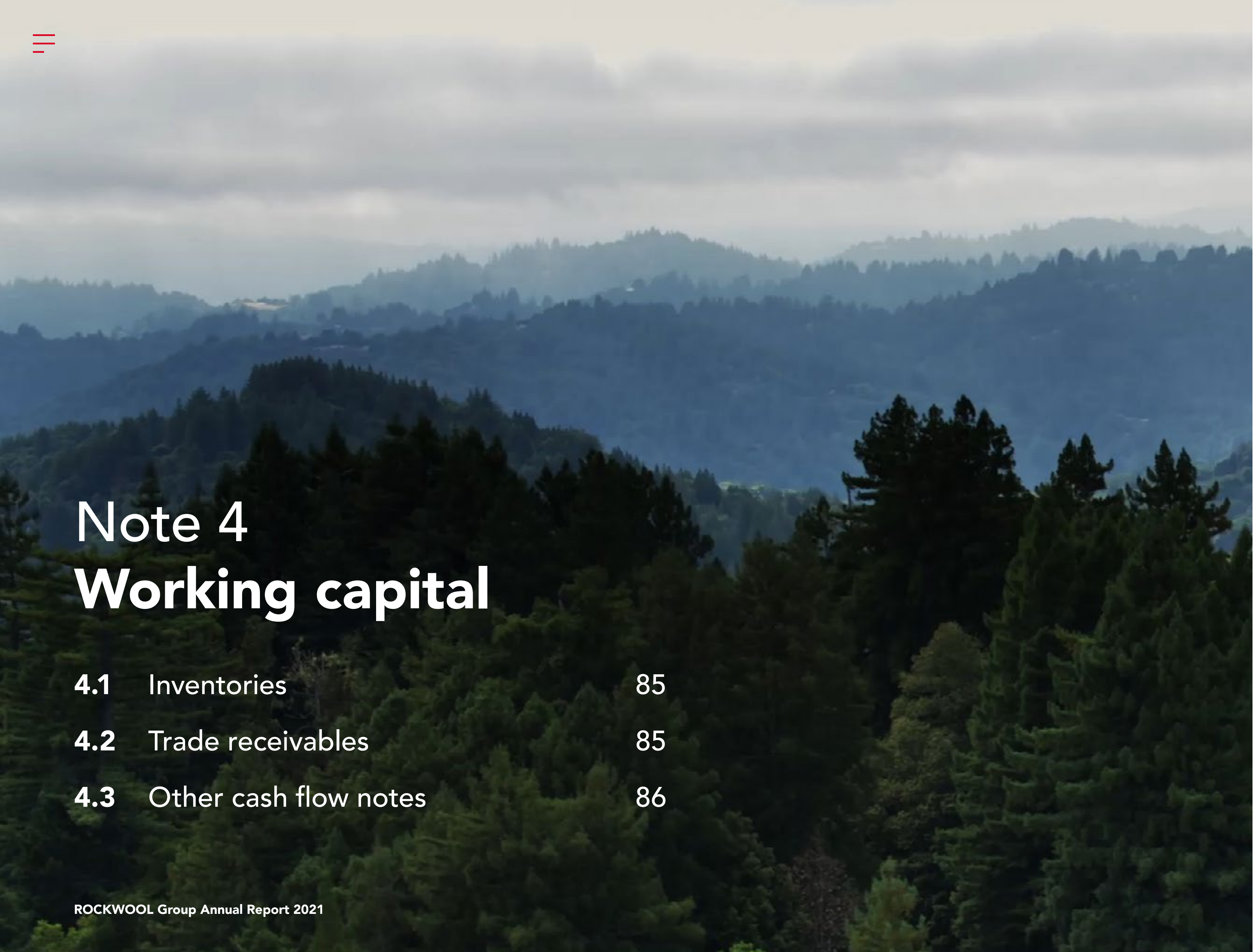
Comments

Provisions relate primarily to jubilee obligations and retirement benefits, fair value provision for phantom shares, waste disposal provision for the company in Japan, restructuring, warranties and ongoing disputes.

As at 31 December 2021 other provisions include a provision of 1 MEUR (2020: 5 MEUR) for restructuring measures. This provision is expected to be utilised within one year.

Provisions

	2021				2020			
MEUR	Employees	Claims and legal actions	Other	Total	Employees	Claims and legal actions	Other	Total
Provisions 1/1	12	4	10	26	12	4	10	26
Exchange rate adjustments	-	-	-	-	-	-	-	-
Additions for the year	3	5	1	9	3	4	6	13
Used during the year	-2	-2	-4	-8	-3	-1	-3	-7
Reversed during the year	-	-3	-3	-6	-	-3	-3	-6
Business acquisitions	-	-	3	3	-	-	-	-
Provisions 31/12	**13**	**4**	**7**	**24**	**12**	**4**	**10**	**26**
Current/non-current classification:								
Non-current liabilities	11	1	4	16	10	2	6	18
Current liabilities	2	3	3	8	2	2	4	8
Provisions 31/12	**13**	**4**	**7**	**24**	**12**	**4**	**10**	**26**



Note 4
Working capital

Net working capital in % of net sales

9.9%

Increased compared to 8.2% in 2020

Total net working capital

306 **MEUR**

Notes

4.1 Inventories

Accounting policies

Inventories are valued at the lowest value of historical cost calculated as a weighted average or the net realisation value.

The cost of finished goods and work in progress include the direct costs of production materials and wages, as well as indirect production costs such as personnel costs, maintenance costs and depreciation of plant and machinery.

Comments

Raw materials and consumables include the net amount of the spare part inventory of 35 MEUR (2020: 22 MEUR). The net amount consists of a cost price of 99 MEUR (2020: 84 MEUR) and a write-down of spare part inventory of 64 MEUR (2020: 62 MEUR).

Inventories

MEUR	2021	2020
Raw materials and consumables	144	96
Work in progress	15	10
Finished goods	158	110
Inventories 31/12	**317**	**216**
Inventory before write-downs	334	231
Write-downs 1/1	-15	-14
Change in the year	-2	-1
Write-downs 31/12	-17	-15
Inventories 31/12	**317**	**216**

4.2 Trade receivables

Accounting policies

Trade receivable are measured at amortised cost less allowance for bad debt based on the expected credit loss model.

The Group applies the simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before 1 January 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The costs of allowance for bad debts and realised losses during the year are included in other external costs.

Trade receivables

MEUR	2021	2020
Trade receivables before allowance for bad debts (maximum credit risk)	318	257
Allowance for bad debts 1/1	-10	-13
Exchange rate adjustments	-	1
Movements during the year	-2	-1
Realised losses during the year	1	3
Allowance for bad debts 31/12	-11	-10
Trade receivables 31/12	**307**	**247**

Notes

4.2 Trade receivables (continued)

Allowance for bad debts based on the expected credit loss model

MEUR	Expected loss rate	Gross carrying amount	Allowance for bad debt	Total
		2021		
Current	0.1%	301	-	301
More than 30 days past due	2%	4	-	4
More than 60 days past due	40%	2	-	2
More than 90 days past due	100%	11	-11	-
Total 31/12		**318**	**-11**	**307**

MEUR	Expected loss rate	Gross carrying amount	Allowance for bad debt	Total
		2020		
Current	0.1%	241	-	241
More than 30 days past due	2%	5	-	5
More than 60 days past due	40%	1	-	1
More than 90 days past due	100%	10	-10	-
Total 31/12		**257**	**-10**	**247**

4.3 Other cash flow notes

Adjustments of non-cash operating items

MEUR	2021	2020
Provisions	-7	5
Expensed value of RSUs issued	2	2
Adjustments of non-cash operating items	**-5**	**7**

Changes in net working capital

MEUR	2021	2020
Change in inventories	-89	10
Change in trade receivables	-47	23
Change in other receivables	-45	-9
Change in trade payables	91	-2
Change in other payables	8	5
Change in net working capital	**-82**	**27**

Note 5
Capital structure and financing

Equity ratio

77.7%

Compared to 76.1% in 2020

Cash available

165 MEUR

Down 75 MEUR from 2020

Earnings per share

14.1 EUR

Up 2.5 EUR from 2020

Notes

5.1 Financial income and Financial expenses

Accounting policies

Financial income and Financial expenses comprise interest income and interest costs, interest costs compiled from lease liabilities, realised and unrealised foreign exchange gains and losses, as well as fair value adjustments of cash-settled share-based incentive programmes which are offset against other liabilities.

Financial income and Financial expenses also include adjustments to fair value hedges, and income and costs relating to cash flow hedges transferred from other comprehensive income on realisation of the hedged items.

Financial income

MEUR	2021	2020
Interest income	2	2
Foreign exchange gains	8	6
Financial income	**10**	**8**
Hereof financial income on financial assets at amortised cost	2	2

Financial expenses

MEUR	2021	2020
Interest expenses and similar	8	10
Interest expenses lease liabilities	2	2
Fair value adjustment phantom shares	-	1
Foreign exchange losses	9	9
Financial expenses	**19**	**22**
Hereof financial expenses on financial liabilities at amortised cost	4	8

5.2 Financial risks and instruments

Accounting policies

Derivative financial instruments are initially recognised in the balance sheet at cost price and are subsequently measured at fair value. Derivative financial instruments are recognised in other receivables and other payables.

Changes to the fair value of derivative financial instruments, which meet the conditions for hedging the fair value of a recognised asset or liability, are recognised in the income statement together with any changes in the fair value of the hedged asset or liability.

Changes to the fair value of derivative financial instruments, which meet the conditions for hedging future cash flow, are recognised in other comprehensive income provided the hedge has been effective. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The accumulated value adjustment related to these hedge transactions is transferred from other comprehensive income when the position is realised, and is included in the value of the hedged position e.g. the adjustment follows the cash flow.

For derivative financial instruments, which do not qualify as hedging instruments, changes to the fair value are recognised on an ongoing basis in the income statement as financial income or financial expenses.

Comments

As a consequence of ROCKWOOL Group's extensive international activities, the Group's income statement and equity are subject to a number of financial risks. The Group manages these risks in the following categories:

- Exchange rate risk
- Interest rate risk
- Liquidity risk
- Credit risk

The Group's policy is to identify and hedge significant financial risks on an ongoing basis. This is the responsibility of the individual companies in which financial risks might arise and overall supported by the Group's treasury department. The parent company continuously monitors the Group's financial risks in accordance with a framework determined by Group Management and/or the Board of Directors.

Exchange rate risk

As a consequence of the Group's structure, net sales and expenditure in foreign currency are to a significant degree set off against each other, so that the Group is not exposed to major exchange rate risks.

Commercial exchange rate risks in the companies, which cannot be set off are hedged on a continuous basis, to the extent that they may significantly affect the results of the individual company in a negative direction, using currency loans, currency deposits and/or financial derivatives. Exchange rate risks are hedged in the individual companies. The Group's hedging reserve is disclosed under "Statement of changes in equity" with an insignificant amount.

Notes

5.2 Financial risks and instruments (continued)

Categories of financial assets and liabilities

MEUR	2021	2020
Financial assets: Financial instruments for hedging of future cash flows	-	1
Financial assets at fair value through other comprehensive income	**-**	**1**
Trade receivables	307	247
Other receivables and receivables from associated companies	98	59
Cash	166	241
Financial assets at amortised costs	**571**	**547**
Financial liabilities: Fair value hedges	-	-
Financial liabilities at fair value through income statement	**-**	**-**
Financial instruments for hedging of future cash flows	1	1
Financial liabilities at fair value through other comprehensive income	**1**	**1**
Bank loans and other loans including short-term portion	26	100
Bank debt	1	1
Trade payables	283	184
Other payables	176	157
Financial liabilities at amortised costs	**486**	**442**

The carrying value of the Group's financial assets and liabilities measured at amortised cost are assessed to be a reasonable approximation of fair value.

Other receivables and receivables from associated companies

Other receivables and receivables from associated companies fall due within one year in both 2021 and 2020, and amount to 98 MEUR (2020: 60 MEUR).

Comments

The Group's net sales and expenditures will be subject to exchange rate fluctuations on translation into EUR.

A sensitivity analysis is made for the Group's result and equity based on the underlying currency transactions. The financial instruments included in the sensitivity analysis are cash, receivables, payables, current liabilities and financial investments without taking hedging into consideration. The result of the sensitivity analysis cannot be directly transferred to the fluctuations on translating the financial result and equity of subsidiaries into EUR.

The impact on the net sales of the difference between average rate and year-end rate amounts to 27 MEUR (2020: 42 MEUR) for the five most exposed currencies (USD, RUB, CAD, PLN, and GBP), which is a change of 0.9 percent (2020: -1.5 percent).

The Group's policy is not to hedge exchange rate risks in long-term investments in subsidiaries. When relevant, external investment loans and Group loans are, as a general rule, established in the local currency of the company involved, while cash at bank and in hand are placed in local currency.

In the few countries with ineffective financial markets loans can be raised and surplus liquidity placed in DKK or EUR, subject to the approval of the Group's finance function. Most Group loans that are not established in DKK or EUR, are hedged via forward agreements, currency loans and cash pools or via the SWAP market.

Interest rate risk

Currently the Group does not have any significant non-current interest-bearing debt or assets. The Group's policy is that necessary financing of investments should primarily be affected by raising five to seven year loans at fixed or variable interest rates.

Drawings on credit facilities at variable interest rates generally match the funds, and all Group loans are symmetrical in terms of interest rates. Consequently, changes in interest rates will not have a significant effect on the result of the Group.

Sensitivity analysis

Effect in MEUR	EBITDA	
5% change in exchange rate	**2021**	**2020**
USD (+/-)	10	7
RUB (+/-)	7	4
CAD (+/-)	3	1
PLN (+/-)	1	1
GBP (+/-)	7	5

	Equity	
5% change in exchange rate	**2021**	**2020**
USD (+/-)	14	12
RUB (+/-)	12	10
CAD (+/-)	11	9
PLN (+/-)	12	12
GBP (+/-)	10	7

Notes

5.2 Financial risks and instruments (continued)

Liquidity risk

The current surplus and deficit liquidity in the Group's companies is set off, to the extent that this is profitable, via the parent company acting as intra-Group bank and via cash pool systems. When considered appropriate, underlying cash pool systems are established in foreign companies.

To the extent that the financial reserves are of an appropriate size, the parent company also acts as lender to the companies in the Group.

To ensure adequate financial reserves as defined by the Board of Directors, investment loans can be raised on a continuous basis to partly cover new investments and to refinance existing loans. The parent company has made guarantees for some credit facilities and loans. The parent company has issued ownership clauses and/or deed of postponements in connection with intercompany loans.

The parent company ensures on an ongoing basis that flexible, unutilised committed credit facilities of an adequate size are established with Investment Grade credit-rated banks. The Group's financial reserves also consist of cash at bank and in hand, and unused overdraft facilities.

Credit risk

Due to the considerable customer spread in terms of geographical location and numbers, the credit risk is fundamentally limited. To a minor degree, when considered necessary, insurance or bank guarantees are used to hedge outstanding receivables.

As a consequence of the international diversification of the Group's activities there are business relations with a number of different banks in Europe, North America and Asia. To minimise the credit risk on placement of funds and on entering into agreements on derived financial instruments, only major, financially sound institutions are used.

Customer credit risks are assessed considering the financial position, past experience and other factors. Individual risk limits are set based on internal and external ratings. For impairment of trade receivable please refer to note 4.2.

Financial instruments

Financial assets and liabilities at fair value are related to foreign exchange rate forward contracts, foreign exchange rate swaps or interest rate swaps all of which have been valued using a valuation technique with market observable inputs (level 2).

The Group is using no other valuation technique. The Group enters into derivative financial instruments with financial institutions.

Derivatives valued using valuation techniques with market observable inputs are mainly foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing models using present value calculations. The models incorporate various inputs including the credit quality of counterparties and foreign exchange spot rates.

5.3 Cash available

Cash available

MEUR	2021	2020
Cash	166	241
Bank debt	1	1
Cash available 31/12	**165**	**240**

5.4 Loans

Comments

Bank loans are measured at amortised cost. The carrying amount for these approximates fair value.

Bank loans amounted to 26 MEUR at 31 December 2021. The loan is to be fully repaid within three years, and is a fixed interest loan.

In 2020, bank loans amounted to 100 MEUR, of which the majority of the loans were due within one year, and none was due more than five years after the balance sheet date. All bank loans in 2020 had fixed interest and were denominated in EUR.

Notes

5.5 Own shares

Accounting policies

ROCKWOOL International A/S has a reserve of own shares recognised in retained earnings. The shares are bought back to meet obligations under the Group's equity-based stock option and restricted share unit programmes and as part of the Group's share buy-back programme.

Own shares

EUR	2021			2020		
A-shares	**Number of shares**	**Average purchase/ sales price**	**% of share capital**	**Number of shares**	**Average purchase/ sales price**	**% of share capital**
Own shares 1/1	76 069		0.4	-		-
Purchase	-	-	-	76 069	257	0.4
Cancellation of shares	76 069	-	0.4	-	-	-
Own shares 31/12	**-**		**-**	**76 069**		**0.4**
B-shares						
Own shares 1/1	327 843		1.4	72 894		0.3
Purchase	18 630	330	0.1	284 515	213	1.3
Cancellation of shares	278 145		1.2	-	-	-
Sale	12 100	114	0.0	29 566	117	0.2
Own shares 31/12	**56 228**		**0.3**	**327 843**		**1.4**

Own shares are used to hedge the Group’s stock option and restricted share unit programmes and as part of the Group's share buy-back programme. Own shares are purchased based on authorisation from the General Assembly.

5.6 Share capital

Comments

Each A share of a nominal value of 10 DKK (1.3 EUR) carries 10 votes, and each B share of a nominal value of 10 DKK (1.3 EUR) carries one vote.

The Annual General Meeting of ROCKWOOL International A/S on 7 April 2021 adopted the proposal to reduce the Company’s share capital from nominally 219 749 230 DKK to nominally 216 207 090 DKK by cancellation of the Company’s own shares.

The share capital has been fully paid up. No shareholder is under an obligation to allow his shares to be redeemed whether in whole or in part. The shares are negotiable instruments, and all shares shall be freely transferable.

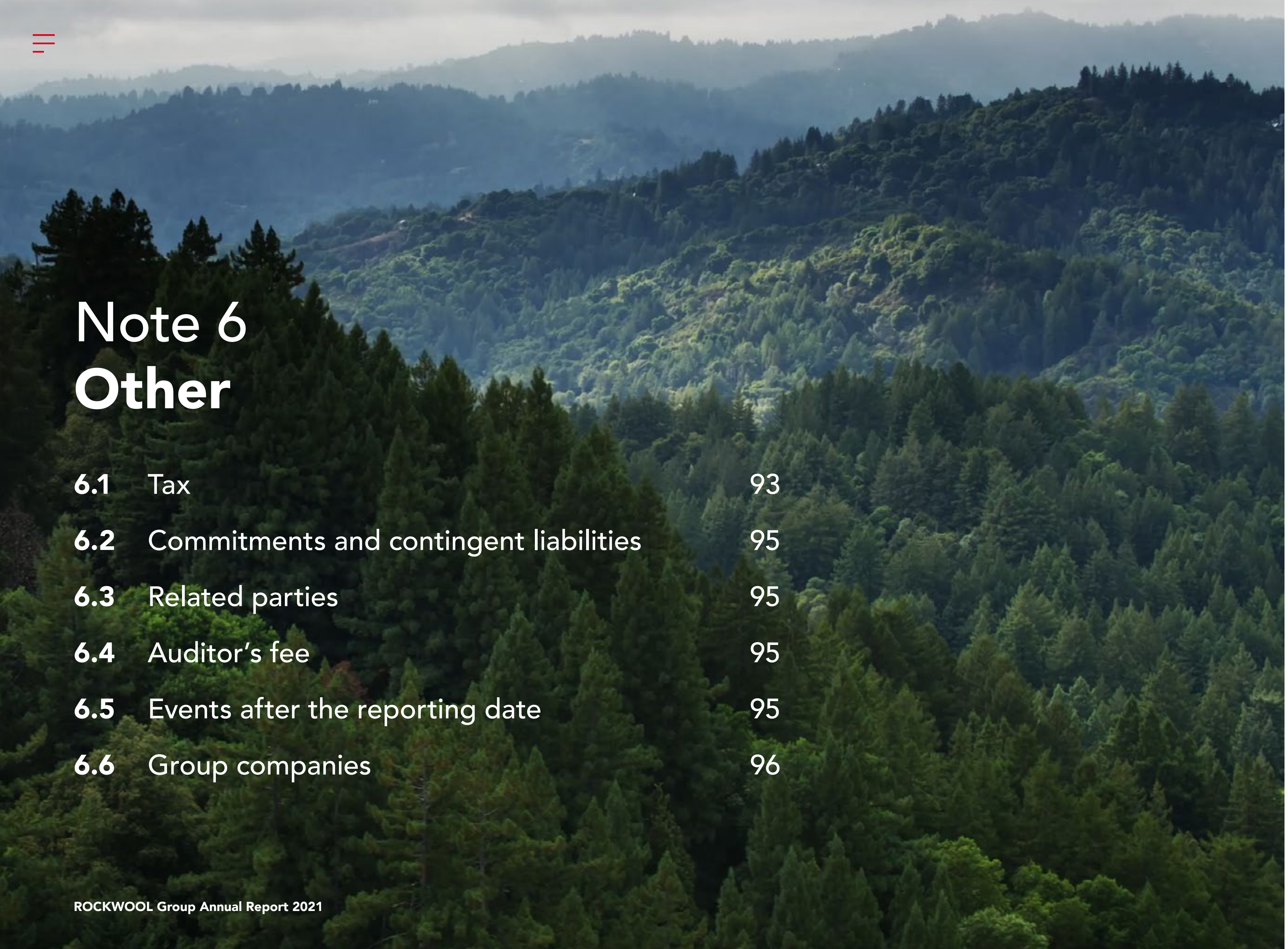
Share capital

MEUR	2021	2020
A shares - 11 155 558 shares of 10 DKK each (1.3 EUR)	15	
B shares - 10 465 151 shares of 10 DKK each (1.3 EUR)	14	
A shares - 11 231 627 shares of 10 DKK each (1.3 EUR)		15
B shares - 10 743 296 shares of 10 DKK each (1.3 EUR)		14
Share capital	**29**	**29**

5.7 Earnings per share

Earnings per share

MEUR	2021	2020
Profit for the year attributable to shareholders of ROCKWOOL International A/S	303	251
Average number of shares ('000)	21 744	21 975
Average number of own shares ('000)	177	238
Average number of outstanding shares ('000)	**21 567**	**21 737**
Dilution effect of stock options ('000)	49	53
Average number of diluted shares ('000)	**21 616**	**21 790**
Earnings per share	14.05	11.54
Earnings per share, diluted	14.02	11.51



Note 6
Other

Effective tax rate in 2021

23.0%

Number of subsidiaries in the Group

61

Number of associated companies in the Group

2

Notes

6.1 Tax

Accounting policies

The parent company is taxed jointly with all Danish subsidiaries. Income subject to joint taxation is fully distributed. Tax on profit for the year, which includes current tax on profit for the year and changes to deferred tax, is recognised in the income statement. Tax on changes in other comprehensive income is recognised directly under other comprehensive income.

Provisions for deferred tax are calculated on all temporary differences between accounting and taxable values, calculated using the balance-sheet liability method.

Deferred tax provisions are also made to cover the re-taxation of losses in jointly taxed foreign companies previously included in the Danish joint taxation.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits. Consequently, the allowance reduces income tax payables and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward.

Deferred tax assets are recognised when it is probable that the assets will reduce tax payments in coming years and they are assessed at the expected net realisable value.

Deferred tax is stated according to current tax regulations. Changes in deferred tax as a consequence of changes in tax rates are recognised in the income statement.

Tax on profit for the year

MEUR	2021	2020
Current tax for the year	86	74
Change in deferred tax	4	1
Adjustment to valuation of tax assets	-1	-5
Withholding taxes	2	3
Adjustment in current and deferred tax in previous years	-1	1
Tax on profit for the year	**90**	**74**

Reconciliation of effective tax rate

%	2021	2020
Danish tax rate	22.0	22.0
Deviation in non-Danish subsidiaries' tax compared to Danish tax percentage	1.4	1.7
Withholding tax adjustment	0.5	0.8
Permanent differences	0.0	0.1
Effect on change in income tax rates	-0.4	-0.1
Adjustment to valuation of tax assets	-0.3	-0.2
Initial recognition of tax credit	-0.2	-1.5
Effective tax rate (%)	**23.0**	**22.8**

Income tax receivable and payable

MEUR	2021	2020
Income tax receivable and payable 1/1	-13	15
Exchange rate adjustments	-2	3
Current tax for the year including withholding taxes	88	77
Payments during the year	-85	-100
Adjustment in respect of prior years	-1	-7
Current tax for the year recognised in other comprehensive income	-	-1
Income tax receivable and payable 31/12	**-13**	**-13**
Income tax is recognised as follows:		
Income tax receivable	39	38
Income tax payable	26	25
Income tax receivable and payable 31/12	**-13**	**-13**

Notes

6.1 Tax (continued)

Critical estimates and judgements

While conducting business globally, transfer pricing disputes, etc. with tax authorities may occur, and Management judgement is applied to assess the possible outcome of such disputes. The most probable outcome is used as the measurement method, and Management believes that the provision made for uncertain tax positions not yet settled with local tax authorities is adequate. However, the actual obligation may deviate and is dependent on the result of litigations and settlements with the relevant tax authorities.

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining provision for uncertain tax positions or the recognition of a deferred tax asset.

A tax asset is recognised if it is assessed that the asset can be utilised in a foreseeable future based on strong indications that sufficient future profits are available to absorb the temporary differences including the Group's future tax planning.

The valuation of tax assets related to losses carried forward is done on a yearly basis and is based on expected positive taxable income within the next 3-5 years.

Comments

Tax assets not recognised amount to 21 MEUR (2020: 31 MEUR). The tax assets have not been recognised as they have arisen in subsidiaries that have been loss-making for some time and there is no evidence of recoverability in the near future.

Deferred tax assets and liabilities are offset in the consolidated balance sheet if the Group has a legally enforceable right to set off and the deferred tax assets and liabilities relate to the same legal tax entity/consolidation. Of the total deferred tax assets recognised, 3 MEUR (2020: 5 MEUR) relate to tax loss carry forwards.

Deferred tax

MEUR	2021	2020
Deferred tax, net 1/1	-7	-11
Exchange rate adjustments	1	-
Acquisition of subsidiary	-	-
Change in deferred tax recognised in profit and loss	4	9
Adjustment to valuation of tax assets	-1	-5
Deferred tax for the year recognised in other comprehensive income for the year	2	-
Deferred tax, net 31/12	**-1**	**-7**
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax assets	52	54
Deferred tax liabilities	51	47
Deferred tax, net 31/12	**-1**	**-7**
Deferred tax relates to:		
Non-current assets	20	20
Current assets	1	-7
Non-current liabilities	-12	-14
Current liabilities	-11	-5
Tax loss carried forward	-3	-5
Re-taxable amounts	4	4
Deferred tax, net 31/12	**-1**	**-7**

Unrecognised tax assets expire as follows

MEUR	2021	2020
< 1 year	1	1
1-5 years	5	5
> 5 years	13	21
Do not expire	2	4
Unrecognised tax assets	**21**	**31**

Notes

6.2 Commitments and contingent liabilities

Accounting policies

Provisions for legal proceedings are recognised if they are certain or probable at the balance sheet date, and if the size of the liability can be measured on a reliable basis. Legal proceedings for which no reliable estimate can be made are disclosed as contingent liabilities.

Comments

For the Group, commitments comprise 26 MEUR (2020: 28 MEUR). Contingent liabilities amount to 6 MEUR (2020: 6 MEUR). Contractual obligations for purchase of tangible assets are mentioned in note 3.2.

The Group is engaged in a few legal proceedings. It is expected that the outcome of these legal proceedings will not impact the Group's financial position in excess of what has been provided for in the balance sheet as at 31 December 2021 (as well as at 31 December 2020).

6.3 Related parties

Comments

At 31 December 2021, own shares accounted for 0.3 percent (2020: 1.8 percent) of the share capital, see note 5.5.

The Group's related parties comprise the Company's shareholder; the ROCKWOOL Foundation, the Company's Board of Directors and Management and associated companies.

In 2021, no shares were purchased from major shareholders. In 2020, own shares were purchased from ROCKWOOL Foundation for a total of 16 MEUR for 57 557 A shares, as part of the share buy-back programme ending in January 2021.

Apart from dividends and purchase of own shares, no transactions were carried out with the shareholders during the year. For transactions with the Board of Directors and Group Management please refer to note 2.2 and note 2.3.

Transactions with related parties

MEUR	2021	2020
Transactions with associated companies:		
Net sales to associated companies	21	15
Dividend from associated companies	1	1
Transactions with other related parties:		
Shares purchased	-	16

6.4 Auditor's fee

Comments

Fees for services in addition to the statutory audit of the financial statements which were provided by the statutory auditor PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Group amounted to less than 1 MEUR in both 2021 and 2020.

Services in addition to the statutory audit of the financial statements comprise general consultancy services.

ROCKWOOL's policy is to follow the 70 percent fee cap restriction on non-audit services provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, Denmark, the auditor of the parent company. PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab complies with the 70 percent fee cap restriction in 2021 and 2020.

Fees to auditors elected at the Annual General Meeting

MEUR	2021	2020
Statutory audit	1	1
Other opinions	-	-
Tax consultancy	-	1
Other services	1	-
Fees to auditors	**2**	**2**

6.5 Events after the reporting date

We are not aware of events subsequent to 31 December 2021, which are expected to have a material impact on the Group's financial position.

Notes

6.6 Group companies

Parent company

ROCKWOOL International A/S

Subsidiaries	Country	% Shares owned
ROCKWOOL Handelsgesellschaft m.b.H.	Austria	100
Etablissements Charles Wille et cie SA	Belgium	100
ROCKWOOL Belgium N.V.	Belgium	100
ROCKWOOL Bulgaria EooD	Bulgaria	100
ROXUL Inc.	Canada	100
Chicago Metallic (Shenzhen) Co. Ltd.	China	100
ROCKWOOL Firesafe Insulation (Guangzhou) Co. Ltd.	China	100
ROCKWOOL Firesafe Insulation (Jiangsu) Co., Ltd.	China	100
ROCKWOOL Adriatic d.o.o.	Croatia	100
ROCKWOOL a.s.	Czech Republic	100
ROCKWOOL A/S	Denmark	100
Tripplex ApS	Denmark	100
ROCKWOOL EE OÜ	Estonia	100
ROCKWOOL Finland OY	Finland	100
ROCKWOOL France S.A.S	France	100
Deutsche ROCKWOOL GmbH & Co. KG	Germany	100
HECK Wall Systems GmbH	Germany	100
ROCKWOOL Beteiligungs GmbH	Germany	100
ROCKWOOL Mineralwolle GmbH Flechtingen	Germany	100
ROCKWOOL Operations GmbH & Co. KG	Germany	100
ROCKWOOL Rockfon GmbH	Germany	100
ROCKWOOL Verwaltungs GmbH	Germany	100
Chicago Metallic (Asia Pacific) Ltd.	Hong Kong	100
ROCKWOOL Building Materials Ltd.	Hong Kong	100

Subsidiaries	Country	% Shares owned
ROCKWOOL Hungary Kft.	Hungary	100
ROXUL ROCKWOOL Insulation India Ltd.	India	100
ROXUL ROCKWOOL Technical Insulation India Pvt. Ltd.	India	100
ROCKWOOL Italia S.p.A.	Italy	100
ROCKWOOL Japan LLC.	Japan	100
ROCKWOOL Korea Co. Ltd.	Korea	100
SIA ROCKWOOL	Latvia	100
UAB ROCKWOOL	Lithuania	100
Chicago Metallic (Malaysia) Sdn. Bhd.	Malaysia	100
ROCKWOOL Malaysia Sdn. Bhd.	Malaysia	100
CMC Productos Perlitas S de R.L. de C.V.	Mexico	100
Servicios Pearl de Mexico S de R.L. de C.V.	Mexico	100
AS ROCKWOOL	Norway	100
FAST Sp. z o.o.	Poland	100
ROCKWOOL Global Business Service Center Sp. Z.o.o.	Poland	100
ROCKWOOL Polska Sp. z o.o.	Poland	100
ROCKWOOL Romania s.r.l.	Romania	100
LLC ROCKWOOL	Russia	100
LLC ROCKWOOL-NORTH	Russia	100
LLC ROCKWOOL-Ural	Russia	100
LLC ROCKWOOL-VOLGA	Russia	100
ROCKWOOL Building Materials (Singapore) Pte Ltd.	Singapore	100
ROCKWOOL Slovensko s.r.o.	Slovakia	100
ROCKWOOL Peninsular S.A.U.	Spain	100

Subsidiaries	Country	% Shares owned
ROCKWOOL AB	Sweden	100
Flumroc AG	Switzerland	100
Meilco Holding AG	Switzerland	100
PAMAG Engineering AG	Switzerland	100
ROCKWOOL GmbH	Switzerland	100
ROCKWOOL (Thailand) Limited	Thailand	100
Breda Confectie B.V.	the Netherlands	100
ROCKWOOL B.V.	the Netherlands	100
ROCKWOOL Insaat ve Yalitim Sistemleri San. Ve Tic. Ltd. Sti.	Turkey	100
LLC ROCKWOOL Ukraine	Ukraine	100
ROCKWOOL Middle East FZE	UAE	100
ROCKWOOL Limited	United Kingdom	100
ROXUL USA Inc.	United States	100

Associated companies		
AKUART A/S	Denmark	20
RESO SA	France	20

The German subsidiaries DEUTSCHE ROCKWOOL GmbH & Co. KG and ROCKWOOL Operations GmbH & Co. KG, which have legal form of partnership, make use of the exemptions provided by section 264b of the German Commercial Code (HGB).

Definition of key figures and ratios

EBITDA

Earnings before depreciation, write-downs, amortisations, financial items and tax

EBIT

Earnings before financial items and tax

Net working capital (NWC)

Trade receivables, other receivables and other current operating assets less trade payables, other payables and other current operational liabilities adjusted for investment payables

Invested capital

NWC + intangible assets, tangible assets and right-of-use assets less non-interest bearing liabilities and investment payables

Net interest bearing debt

Cash less bank loans and other loans less bank debt less lease liabilities

EBITDA margin (%)

$$\frac{\text{EBITDA}}{\text{Net sales}} \times 100\%$$

EBIT margin (%)

$$\frac{\text{EBIT}}{\text{Net sales}} \times 100\%$$

Earnings per share of DKK 10 (EUR 1.3)

$$\frac{\text{Profit for the year excl. non-controlling interests}}{\text{Average number of outstanding shares}}$$

Diluted earnings per share of DKK 10 (EUR 1.3)

$$\frac{\text{Profit for the year excl. non-controlling interests}}{\text{Diluted average number of outstanding shares}}$$

Cash flow per share of DKK 10 (EUR 1.3)

$$\frac{\text{Cash flows from operating activities}}{\text{Average number of outstanding shares}}$$

Dividend per share of DKK 10 (EUR 1.3)

$$\frac{\text{Proposed dividend for the year}}{\text{Number of shares at the end of the year}}$$

Book value per share of DKK 10 (EUR 1.3)

$$\frac{\text{Equity end of the year excl. non-controlling interests}}{\text{Number of shares at the end of the year}}$$

ROIC

$$\frac{\text{EBIT}}{\text{Average invested capital including goodwill}} \times 100\%$$

Return on equity (%)

$$\frac{\text{Profit for the year excl. non-controlling interests}}{\text{Average equity excl. non-controlling interests}} \times 100\%$$

Equity ratio (%)

$$\frac{\text{Equity end of the year excl. non-controlling interests}}{\text{Total equity and liabilities at the end of the year}} \times 100\%$$

Payout ratio (%)

$$\frac{\text{Proposed dividend for the year}}{\text{Profit for the year excl. non-controlling interests}} \times 100\%$$

Leverage ratio

$$\frac{\text{Net interest-bearing debt}}{\text{EBITDA}}$$

Financial gearing

$$\frac{\text{Net interest-bearing debt}}{\text{Equity end of the year}}$$

Market cap

Number of outstanding shares x share price

Growth in local currency

Growth rates excluding currency impact, as both periods are using the same exchange rates.

Non-financial key figures

For definition of the non-financial key figures mentioned on p. 8, please refer to the Sustainability Report.

RATIOS

The ratios have been calculated in accordance with www.keyratios.org/ issued by CFA Society Denmark.

The ratios mentioned in the five-year summary are calculated as described in the definitions above.

EXCHANGE RATE

Average DKK/EUR

2021	7.44
2020	7.45
2019	7.46
2018	7.45
2017	7.44

Accounts of foreign subsidiaries are translated using the exchange rates at the balance sheet date for balance sheet items, and the periodic average exchange rates for items of the income statement.

Management's statement

The Board of Directors and the Registered Directors have today considered and adopted the Annual Report of ROCKWOOL International A/S for the financial year 1 January - 31 December 2021.

The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the parent company financial statements have been prepared in accordance with the Danish Financial Statement Act. Management's review has been prepared in accordance with the Danish Financial Statement Act.

In our opinion the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2021 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January - 31 December 2021.

In our opinion the Management's review includes a true and fair account of the development in the operations and financial circumstances of the Group and the parent company, of the results for the year and of the financial position of the Group and the parent company, as well as a description of the more significant risks and elements of uncertainty facing the Group and the parent company.

In our opinion, the Annual Report of ROCKWOOL International A/S for the financial year 1 January - 31 December 2021 identified as 213800QRC7LNX-935OZ09-2021-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hedehusene, 9 February 2022

Registered Directors

Jens Birgersson
CEO

Kim Junge Andersen
CFO

Board of Directors

Thomas Kähler
Chairman

Carsten Bjerg
Deputy Chairman

Rebekka Glasser Herlofsen

Carsten Kähler

Andreas Ronken

Jørgen Tang-Jensen

Connie Enghus Theisen

Christian Westerberg

Independent Auditor's Reports

To the shareholders of ROCKWOOL International A/S

Report on the audit of the Financial Statements

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2021 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2021 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2021 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements (pp. 61-96) and the Parent Company Financial Statements (pp. 103-111) of ROCKWOOL International A/S for the financial year 1 January to 31 December 2021 which comprise income statement, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies for the Group as well as for the Parent Company and statement of comprehensive income and cash flow statement for the Group. Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of ROCKWOOL International A/S on 9 April 2014 for the financial year 2014. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 8 years including the financial year 2021.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2021. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of intangible and tangible assets Intangible and tangible assets might be impaired due to for example increased competition in local markets, changes in the global economy and changes in the strategy of the Group. We focused on this area as the determination of whether or not an impairment charge for intangible and tangible assets is necessary involves significant estimates and judgements made by Management, including especially: – estimation of future cash flows, including sales growth and margin, and the significant assumptions underlying Management's expectations; – discount rates applied in discounting future cash flows; and, – long-term growth rates. Reference is made to notes 3.1, 3.2, 3.4 and 3.5 to the Consolidated Financial Statements.	We tested the impairment trigger analysis and the impairment tests prepared by Management and evaluated the reasonableness of estimates and judgements made by Management in preparing these. Our audit procedures included assessing the Group's impairment model. Special focus was given to the key drivers of the future cash flows, including sales growth and margin, cost inflation and efficiency improvements, as well as the significant assumptions concerning discount rates and long-term growth rates applied. We examined sensitivity analyses performed over changes in discount rates, sales growth and margin. To assess the historical reliability of Management's accounting estimates, we reviewed the outcome of previous estimates by comparing budgeted figures to actual figures for the past years. We evaluated the disclosures of impairment testing in the notes.

Independent Auditor's Reports

(continued)

Statement on Management's Review

Management is responsible for Management's Review (pp. 3-60, p. 97 and p. 102).

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Reports
(continued)

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of ROCKWOOL International A/S for the financial year 1 January to 31 December 2021 with the filename 213800QRC7LNX935OZ09-2021-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of ROCKWOOL International A/S for the financial year 1 January to 31 December 2021 with the file name 213800QRC7LNX935OZ09-2021-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 9 February 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Kim Tromholt
State Authorised Public Accountant
mne33251

Rune Kjeldsen
State Authorised Public Accountant
mne34160

Management's review of ROCKWOOL International A/S

Statement on Management’s Review

The activities in the parent company ROCKWOOL International A/S is to support the Group through Group functions, holding of shares in the Group companies and funding through the Group’s treasury function.

Income statement

Net sales in ROCKWOOL International A/S consists of income from constructing and maintaining the Group's manufacturing facilities and royalty for the use of patents and trademarks.

In 2021, sale from constructing and maintaining the Group's manufacturing facilities was 103 MEUR (2020: 142 MEUR), a decrease of 39 MEUR as large capacity projects were finalised during 2021.

ROCKWOOL International A/S holds the major patents and trademarks in the Group and charges a royalty to the subsidiaries for the use of these rights. Group companies paid royalty of 220 MEUR (2020: 216 MEUR).

Income from investments in subsidiaries was 238 MEUR (2020: 195 MEUR). The increase is related to increased activity and profitability in the Group companies. Net financial income amounted to 2 MEUR, an improvement of 6 MEUR compared to 2020. In 2021, profit for the year totalled 292 MEUR against 241 MEUR in 2020.

Balance sheet

Total assets at year-end amounted to 2909 MEUR (2020: 2622 MEUR) and the equity was 2360 MEUR (2020: 2063 MEUR).

Investment in subsidiaries was 2124 MEUR (2020: 1884 MEUR). The increase is mainly due to increased activity and profitability in Group companies.

Management considers the result to be acceptable.

For further information, please refer to ROCKWOOL Group Management’s review on pp. 3-60.

Parent company financial statements for **ROCKWOOL International A/S**

Income statement – ROCKWOOL International A/S

1 January – 31 December

MEUR	Note	2021	2020
Net sales	2.1	323	358
Costs of raw material and consumables		74	117
Other external costs		105	98
Gross profit		**144**	**143**
Personnel costs	2.2	62	60
Depreciation, amortisation and write-downs	3.1, 3.2	13	19
Operating profit / EBIT		**69**	**64**
Income from investments in subsidiaries	2.3	238	195
Financial income	2.4	13	11
Financial expenses	2.4	11	15
Profit before tax		**309**	**255**
Tax on profit for the year	2.5	17	14
Profit for the year	2.6	**292**	**241**

Balance sheet – ROCKWOOL International A/S

Assets – as at 31 December

MEUR	Note	2021	2020
Completed development projects		9	12
Acquired patents, licenses and trademarks		17	19
Development projects in progress		8	4
Intangible assets	3.1	**34**	**35**
Land and buildings		20	20
Other fixtures and fittings, tools and equipment		7	7
Prepayments and property, plant and equipment in progress		4	4
Property, plant and equipment	3.2	**31**	**31**
Investment in subsidiaries		2 124	1 884
Receivables from subsidiaries		201	213
Fixed assets investments	3.3	**2 325**	**2 097**
Fixed assets		**2 390**	**2 163**
Inventories		**1**	**-**
Contract work in progress	3.4	21	13
Receivables from subsidiaries		409	333
Tax receivables		15	12
Other receivables		32	21
Prepayments	3.5	8	6
Receivables		**485**	**385**
Cash		**33**	**74**
Current assets		**519**	**459**
Assets		**2 909**	**2 622**

Equity and liabilities – as at 31 December

MEUR	Note	2021	2020
Share capital		29	29
Revaluation reserve according to the equity method		296	71
Reserve for development costs		14	12
Retained earnings		1 919	1 857
Proposed dividend		102	94
Shareholders' equity		**2 360**	**2 063**
Deferred tax	3.6	7	7
Other provisions		2	1
Provisions		**9**	**8**
Bank debt		3	105
Trade payables		19	19
Payables to subsidiaries		508	411
Other payables		10	16
Current liabilities		**540**	**551**
Liabilities		**549**	**559**
Liabilities and shareholders' equity		**2 909**	**2 622**

Statement of shareholders' equity – ROCKWOOL International A/S

MEUR	Share capital	Revaluation reserve according to the equity method	Reserve for development costs	Retained earnings	Proposed dividend	Total equity
Shareholders' equity 1/1 2021	**29**	**71**	**12**	**1 857**	**94**	**2 063**
Exchange rate adjustments	-	-	1	1	-	2
Profit for the year	-	124	-	66	102	292
Development costs for the year	-	-	1	-1	-	-
Currency revaluation of investments in subsidiaries	-	71	-	-	-	71
Other adjustments	-	30	-	-	-	30
Expensed value of RSUs issued	-	-	-	1	-	1
Share buy-back programme	-	-	-	-3	-	-3
Purchase of own shares	-	-	-	-4	-	-4
Sale of own shares	-	-	-	1	-	1
Dividend paid to the shareholders	-	-	-	1	-94	-93
Shareholders' equity 31/12 2021	**29**	**296**	**14**	**1 919**	**102**	**2 360**
Shareholders' equity 1/1 2020	**29**	**43**	**17**	**1 914**	**94**	**2 097**
Exchange rate adjustments	-	-	-	8	-	8
Profit for the year	-	140	-	7	94	241
Development costs for the year	-	-	-5	5	-	-
Currency revaluation of investments in subsidiaries	-	-111	-	-	-	-111
Other adjustments	-	-1	-	-	-	-1
Expensed value of RSUs issued	-	-	-	1	-	1
Share buy-back programme	-	-	-	-77	-	-77
Purchase of own shares	-	-	-	-3	-	-3
Sale of own shares	-	-	-	2	-	2
Dividend paid to the shareholders	-	-	-	0	-94	-94
Shareholders' equity 31/12 2020	**29**	**71**	**12**	**1 857**	**94**	**2 063**

Notes for
ROCKWOOL International A/S

Note 1

1.1 Accounting policies

The financial statements of ROCKWOOL International A/S have been prepared in accordance with the Danish Financial Statements Act (accounting class D).

The financial statements for 2021 are presented in EUR.

Changes in accounting policies

The accounting policies applied remain unchanged from previous year.

The accounting policies are the same as for the consolidated financial statements with the adjustments described below. For a description of the Group's accounting policies, please refer to the consolidated financial statements.

Recognition and measurement in general

Income is recognised in the income statement as earned.

All costs incurred in generating the year's revenue are also recognised in the income statement, including depreciation, amortisation and impairment losses.

Value adjustments of financial assets and liabilities measured at fair value or amortised cost are also recognised in the income statement.

Assets are recognised in the balance sheet when it is considered probable that future economic benefits will flow to the company and the value of the asset can be measured on a reliable basis. Liabilities are recognised in the balance sheet when they are considered probable and can be measured on a reliable basis. At initial recognition, assets and liabilities are measured at cost. Assets and liabilities are subsequently measured as described below for each item.

Net sales

The company produces and sells machinery and consultancy service. The projects typically include one deliverable. Revenue from the projects is recognised over time based on the progress and is based on the price of the projects. As the work is done at the customer's site, control is transferred along with the project progress. Recognition is based on actual costs spent relative to the total estimated costs for the project, as this method is estimated to reflect the transfer of control. The credit terms are normally end of month plus 20 days.

Royalty is received for the use of the ROCKWOOL brand and technology. Royalty is based on the level of sales in the subsidiaries and is recognised when earned according to the terms in the agreement.

Intangible assets

The accounting policies for intangible assets follow those of the Group with the exception of goodwill, which is amortised over a period of 10 years using the straight-line method.

An amount equal to the total capitalised development costs after tax is recognised under Shareholders' equity in the Reserve for development costs.

Fixed assets investments

Investments in subsidiaries are recognised initially at cost and measured subsequently using the equity method. The company's share of the equity of subsidiaries, based on the fair value of the identifiable net assets on the acquisition date, minus or plus unrealised intercompany profits or losses, with addition of any residual value of goodwill, is recognised under Investments in subsidiaries in the balance sheet.

If the shareholders' equity of subsidiaries is negative and ROCKWOOL International A/S has a legal or constructive obligation to cover the company's negative equity, a provision is recognised. Net revaluation of investments in subsidiaries is recognised under Shareholders' equity in the Revaluation reserve according to the equity method. The reserve is reduced by payments of dividends to the parent company and adjusted to reflect other changes in the equity of subsidiaries.

The proportionate share of the net profits of subsidiaries less goodwill amortisation is recognised under Income from investments in subsidiaries in the income statement. Goodwill in subsidiaries is amortised over a period of 10 years using the straight-line method.

Inventories

Inventories are measured at cost in accordance with the FIFO principle. Obsolete goods, including slow-moving goods, are written down.

Contract work in progress

Contract work in progress is measured at the sales value of the work performed, calculated on the basis of the degree of completion. The degree of completion is calculated as the proportion of the contract costs incurred in relation to the contract's expected total costs. When it is probable that the total contract costs will exceed the total revenue on a contract, the expected loss is recognised in the income statement.

Payments received on account are deducted from the sales value. The individual contracts are classified as receivables when the net value is positive and as liabilities when the net value is negative.

Receivables from subsidiaries

Receivables from subsidiaries are recognised at amortised costs and are subsequently measured after deduction of allowance for losses based on an individual assessment.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Dividend

The dividend proposed for the financial year is shown as a separate item under Shareholders' equity.

Cash flow statement

ROCKWOOL International A/S has in accordance with the Danish Financial Statements Act, Section 86 (4) not prepared separate cash flow statements. Please refer to the consolidated cash flow statements.

References to notes to the consolidated financial statements for the following notes, see information in the consolidated financial statements:

- Own shares – see note 5.5
- Share capital – see note 5.6
- Auditor's fee – see note 6.4

Note 2

2.1 Net sales

MEUR	2021	2020
Revenue from projects	103	142
Royalties and other fees	220	216
Net sales	**323**	**358**

2.2 Personnel costs

MEUR	2021	2020
Wages and salaries	54	54
Expensed value of RSUs issued	3	1
Pension costs	5	5
Personnel costs	**62**	**60**
Average number of employees in ROCKWOOL International A/S	435	448

Reference is made to note 2.2 and 2.3 to the consolidated financial statements concerning remuneration of the Board of Directors and the Registered Directors.

2.3 Income from investments in subsidiaries

MEUR	2021	2020
Share of net profit/(loss)	248	205
Amortisation of goodwill	-10	-10
Income from investments in subsidiaries	**238**	**195**

2.4 Financial income and Financial expenses

MEUR	2021	2020
Interest income	1	-
Interest income from subsidiaries	3	4
Foreign exchange gains	9	7
Financial income	**13**	**11**

MEUR	2021	2020
Interest expenses etc.	6	6
Interest expenses to subsidiaries	3	1
Foreign exchange losses	2	8
Financial expenses	**11**	**15**

2.5 Tax on profit for the year

MEUR	2021	2020
Current tax for the year	15	11
Change in deferred tax	-	1
Withholding taxes	2	3
Adjustment in current and deferred tax in previous years	-	-1
Tax on profit for the year	**17**	**14**

2.6 Proposed distribution of profit

MEUR	2021	2020
Proposed distribution of profit:		
Proposed dividend to shareholders	102	94
Revaluation reserve according to equity method	124	140
Retained earnings	66	7
Total profit	**292**	**241**

Note 3

3.1 Intangible assets

Comments

Completed development projects and development projects in progress mainly comprise software development.

MEUR	Completed development projects	Acquired patents, licenses and trademarks	Development projects in progress	2021 Total	2020 Total
Cost 1/1	86	44	4	134	141
Exchange rate adjustments	1	-	-	1	2
Additions for the year	-	-	6	6	7
Transfer of development projects in progress	2	-	-2	-	-
Disposals for the year	-2	-	-	-2	-16
Cost 31/12	**87**	**44**	**8**	**139**	**134**
Amortisation and write-downs 1/1	74	25	-	99	98
Exchange rate adjustments	-	-	-	-	2
Amortisation for the year	6	2	-	8	12
Write-down for the year	-	-	-	-	3
Disposals for the year	-2	-	-	-2	-16
Amortisation and write-downs 31/12	**78**	**27**	**-**	**105**	**99**
Carrying amount 31/12	**9**	**17**	**8**	**34**	**35**

3.2 Property, plant and equipment

Comments

Of the total net book value of land and buildings, 1 MEUR (2020: 1 MEUR) represent land not subject to depreciation.

MEUR	Land and buildings	Other fixtures and fittings, tools and equipment	Prepayments and property, plant and equipment in progress	2021 Total	2020 Total
Cost 1/1	37	20	4	61	56
Exchange rate adjustments	-	-1	-	-1	-
Additions for the year	-	-	5	5	6
Transfer of property, plant and equipment in progress	1	4	-5	-	-
Disposals for the year	-	-1	-	-1	-1
Cost 31/12	**38**	**22**	**4**	**64**	**61**
Depreciation and write-downs 1/1	17	13	-	30	27
Exchange rate adjustments	-	-1	-	-1	-
Depreciation for the year	1	4	-	5	4
Disposals for the year	-	-1	-	-1	-1
Depreciation and write-downs 31/12	**18**	**15**	**-**	**33**	**30**
Carrying amount 31/12	**20**	**7**	**4**	**31**	**31**

Note 3

3.3 Fixed assets investments

MEUR	Investments in subsidiaries	Receivables from subsidiaries	2021 Total	2020 Total
Cost 1/1	1 813	213	2 026	1 982
Exchange rate adjustments	1	-	1	8
Additions for the year	16	4	20	119
Reductions/disposals for the year	-2	-16	-18	-83
Cost 31/12	**1 828**	**201**	**2 029**	**2 026**
Value adjustments 1/1	71	-	71	43
Exchange rate adjustments	71	-	71	-111
Share of net profit	248	-	248	205
Amortisation of goodwill	-10	-	-10	-10
Dividends received	-114	-	-114	-55
Other adjustments	30	-	30	-1
Value adjustments 31/12	**296**	**-**	**296**	**71**
Carrying amount 31/12	**2 124**	**201**	**2 325**	**2 097**

3.4 Contract work in progress

MEUR	2021	2020
Sales values of work performed	206	293
Invoiced on account	-185	-280
Contract work in progress, net	**21**	**13**
Recognised as follows:		
Contract work in progress (assets)	21	13

3.5 Prepayments

Comments

Prepayments consist of prepaid insurance, prepaid subscriptions and other prepaid cost related to subsequent financial years.

3.6 Deferred tax

MEUR	2021	2020
Deferred tax 1/1	7	5
Change in deferred tax recognised in profit and loss	-	1
Deferred tax for the year recognised in equity	-	1
Deferred tax 31/12	**7**	**7**

Note 4

4.1 Derivatives

Reference is made to note 5.2 to the consolidated financial statements concerning derivatives.

Comments

The policy is not to hedge exchange rate risks in long-term investments in subsidiaries.

When relevant, external investment loans and Group receivables are, as a general rule, established in the local currency of the company involved, while cash at bank and in hand are placed in the local currency.

In the few countries with ineffective financial markets, loans can be raised and surplus liquidity placed in DKK or EUR, subject to the approval of the parent company's finance function.

Most Group receivables that are not established in DKK or EUR are hedged via forward agreements, currency loans and cash pools or via the SWAP market.

To ensure adequate financial reserves as defined by the Board of Directors, investment loans can be raised on a continuous basis to partly cover new investments and to refinance existing loans.

Ownership clauses have been issued and/or deed of postponements in connection with intercompany receivables. Please refer to note 4.2.

4.2 Commitments and contingent liabilities

Comments

Operational lease commitments in 2021 and 2020 amount to less than 1 MEUR. The majority of lease commitments expire within one year from the balance sheet date.

There are no contingent liabilities neither this year nor last year.

For certain receivables amounting to 192 MEUR (2020: 173 MEUR) deeds of postponement have been given.

4.3 Related parties

ROCKWOOL International A/S has registered the following shareholders holding more than five percent of the share capital or the votes:

		2021
	Share capital	**Votes**
ROCKWOOL Foundation, DK-1360 Copenhagen K	23%	28%
15. Juni Fonden, DK-2970 Hoersholm	6%	11%
Dorrit Eegholm Kähler, DK-2830 Virum	4%	6%

The ROCKWOOL® trademark

The ROCKWOOL trademark was initially registered in Denmark as a logo mark back in 1936. In 1937, it was accompanied with a word mark registration; a registration which is now extended to more than 60 countries around the world.

The ROCKWOOL trademark is one of the largest assets in ROCKWOOL Group, and thus well protected and defended by us throughout the world.

ROCKWOOL Group's primary trademarks:

ROCKWOOL®
Rockfon®
Rockpanel®
Grodan®
Lapinus®

Additionally, ROCKWOOL Group owns a large number of other trademarks.

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. In no event shall ROCKWOOL International A/S be liable for any direct, indirect or consequential damages or any other damages whatsoever resulting from loss of use, data or profits, whether in an action of contract, negligence or other action, arising out of or in connection with the use of information in this report.

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