Resilient by nature

Annual Report 2022

ROCKWOOL

Overview

Other reports

Sustainability Report 2022

Remuneration Report 2022

Corporate Governance Report 2022

Chairman Thomas Kähler and CEO Jens Birgersson

Record growth in a turbulent year

Dear stakeholders,

Many words could describe 2022 and turbulent is certainly one of them. We had an excellent start to the year with strong sales and high demand for our stone wool insulation, which led to record volume growth in the first half of the year. In the second half of the year, the unfolding war in Ukraine, soaring energy prices, inflation and steady increases in interest rates changed the picture considerably, contributing to a decline in construction activity in key markets.

Considering this context, the business performed well. Our reported sales, driven primarily by price increases, grew a record 27 percent in 2022 and while profitability ended lower than expected at the outset of the year, EBIT margin still came in at a respectable 10.3 percent.

Importantly, the Group's Net Promoter Score among customers and key stakeholders remained high, which reflects the priority we place on serving our customers, all the more so during challenging times.

Health and safety

The health and safety of everyone working with us remains our highest priority, and we put a lot of work into improving our safety performance every year. We are very pleased to see our Lost Time Incident (LTI) rate decreased in 2022, an indication that many things went well. However, this positive development was overshadowed by the tragic fatality of one of our colleagues at the Malkinia, Poland factory. As a result of this incident, we have implemented additional accident prevention measures and even more specific safety instructions.

Results, investments and other activities

Sales grew well in almost all European and Asian markets, while remaining flat in the United States and declined in China. Net sales for the year reached 3907 MEUR, a 27 percent increase in reported figures over 2021, while EBIT margin was 10.3 percent, 2.7 percentage points lower than 2021. Corrected for costs of 13 MEUR associated with Ukrainian relief aid and reconstruction activities, EBIT amounted to 415 MEUR with an EBIT margin of 10.6 percent. Net profit was 273 MEUR, a 10 percent decrease over 2021. Our balance sheet remains strong, with a 75 percent equity ratio and minimal net debt.

Despite the volatile macroeconomic environment, we continued to invest in our factories, both by expanding capacity and improving efficiency. We added Grodan capacity at the Toronto, Canada factory and Rockfon capacity in Cigacice, Poland. We also opened the new factory in Qinyuan, China in December, replacing the old one in Guangzhou which closed in September. Investment in the new production facility in Soissons, France, was delayed in 2022, owing to a local legal challenge, which we expect to resolve soon.

Additional technology upgrades across our manufacturing facilities included further automation, more efficient maintenance practices, and faster production lines. The aggregate result was a boost in production capacity equivalent to adding another factory.

We also began converting the Flumroc factory in Switzerland from fossil fuel to electric melting technology, which should be completed during 2024. We continue investing in developing new and improved technologies to ensure we meet our ambitious decarbonisation goals.

Underscoring the value of these projects is data from the factory in Moss, Norway, which we converted to large-scale electric melting in 2020. Emissions are down as expected, while the factory's production efficiencies are better than anticipated and the ability to process recycled stone wool is meeting expectations.

On the business in Russia

Following Russia´s invasion of Ukraine, we cancelled all new investments in Russia. And in accordance with EU sanctions, we relinquished operational management involvement in our Russian business in the spring of 2022, while deciding to retain ownership of the business there.

While certainly a difficult decision to take, ethically and commercially we believe that retaining ownership of the business is the right thing to do. Why? In short, if we were to depart Russia, our factories and the intellectual property rights to our unique technology would most likely be nationalised or otherwise transferred to local players. Since the factories operate independently of our head office, they would continue to operate – just under different ownership.

It therefore remains our view that retaining the business in Russia is the least bad option available to us. And of course, we will continue to comply with all international sanctions.

Reconstruction efforts in Ukraine

We condemn the war on Ukraine, which is having a devastating impact on the country and its people, to whom we express our full sympathy. It will take many years to rebuild the country and ROCKWOOL is committed to supporting that process.

On 31 August 2022, our shareholders approved utilising between 100-200 MDKK (13-27 MEUR) on reconstruction activities in the Chernihiv region northeast of Kyiv. While large-scale reconstruction activities will begin as soon as circumstances allow, the Chernihiv administration responded positively to our offer to provide emergency shelter and other support for many of those left homeless by the war.

In November and December, we delivered weatherised tents and portable heaters to provide temporary shelter for up to 400 people. In addition, we delivered multiple generators that are helping to power hospitals, residential buildings, and other important facilities. We also increased the deliveries of ROCKWOOL's winter insulation mats, which are being used to help keep people warm in shelters. All deliveries are at the regional administration's request.

The road ahead

We expect the challenging macroeconomic environment to continue in 2023, with demand softening and uncertainty remaining high. On the positive side, the policy environment for energy efficiency and building renovation is increasingly favourable. We expect to see a gradual implementation of governmental and EU support schemes that deliver the required energy efficiency in accordance with the climate targets for 2030 and 2050.

For 2023, we forecast a sales decline of up to 10 percent in local currencies, with an EBIT margin in the range of 8 to 10 percent. We anticipate the energy efficiency agenda in Europe and North America will speed up renovation rates in the mid-term and create higher demand for our circular, non-combustible stone wool. We will continue to invest in more capacity to support our long-term growth, and forecast 2023 full-year investments to be around 400 MEUR.

To our colleagues, thank you for your dedication, commitment, and hard work again this past year. And to our customers and suppliers, thank you for entrusting us to help meet your needs and helping us to meet 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 in **23** countries

120+
Countries in which we have sales

Office and factory locations

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

Five-year overview

	2022 (MDKK)	2022 MEUR	2021 MEUR	2020 MEUR	2019 MEUR	2018 MEUR
Income statement						
Net sales	29 068	3 907	3 088	2 602	2 757	2 671
EBITDA	4 748	638	602	522	548	507
Amortisation, depreciation and write-downs	1 760	236	201	184	176	166
EBIT	2 988	402	401	338	372	341
Financial items	-324	-44	-8	-13	-5	-7
Profit before tax	2 664	358	393	325	367	335
Profit for the year	2 031	273	303	251	285	265
Balance sheet						
Non-current assets	17 108	2 301	2 129	1 927	1 825	1 468
Current assets	8 385	1 127	951	817	869	963
Total assets	25 493	3 428	3 080	2 744	2 694	2 431
Equity	19 186	2 580	2 394	2 092	2 118	1 877
Non-current liabilities	1 530	206	163	158	160	121
Current liabilities	4 776	642	523	494	416	433
Net interest-bearing cash / (debt)	-171	-23	76	95	212	375
Net working capital	3 283	441	306	213	247	198
Invested capital	19 308	2 596	2 294	1 961	1 889	1 542
Gross investment in plant, property and equipment	2 439	328	301	335	393	220
Cash flow						
Cash flow from operating activities	2 929	394	426	438	402	408
Cash flow from investing activities	2 481	334	310	362	400	212
Free cash flow	448	60	116	76	2	196

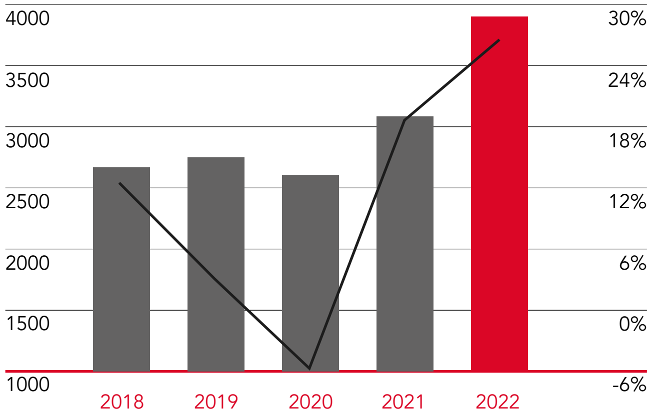
For definitions of key figures, ratios and exchange rates see p. 87.

	2022 (MDKK)	2022 MEUR	2021 MEUR	2020 MEUR	2019 MEUR	2018 MEUR
Others						
R&D costs	409	55	45	41	41	38
Number of patents granted	179	179	253	148	235	268
Number of full-time employees (year-end)	12 197	12 197	11 968	11 448	11 691	11 511
Ratios						
EBITDA margin	16.3%	16.3%	19.5%	20.1%	19.9%	19.0%
EBIT margin	10.3%	10.3%	13.0%	13.0%	13.5%	12.8%
Payout ratio	37.3%	37.3%	33.5%	37.7%	33.3%	33.3%
ROIC	16.4%	16.4%	18.8%	17.6%	21.7%	22.8%
Return on equity	11.0%	11.0%	13.5%	11.9%	14.3%	14.9%
Equity ratio	75.3%	75.3%	77.7%	76.1%	78.5%	77.1%
Leverage ratio	0.04	0.04	-0.13	-0.18	-0.39	-0.74
Financial gearing	0.01	0.01	-0.03	-0.05	-0.10	-0.20
Non-financial key figures						
CO_2 intensity (scope 1+2) per tonne stone wool (index*)		83	85	91	96	96
Energy efficiency in own buildings (index*)		61	81	95	94	100
Water intensity from stone wool production (index*)		86	85	90	93	97
Number of countries where we offer recycling service		19	17	14	11	11
Landfill waste from our stone wool production (index*)		49	49	50	84	105
Lost time incident frequency rate		2.7	3.6	3.0	2.9	3.5
Absolute GHG emissions (scope 1+2) (index**)		96	100	90	-	-
Absolute GHG emissions (scope 3) (index**)		99	100	89	-	-

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

Financial highlights 2022

Net sales & sales growth
(MEUR)



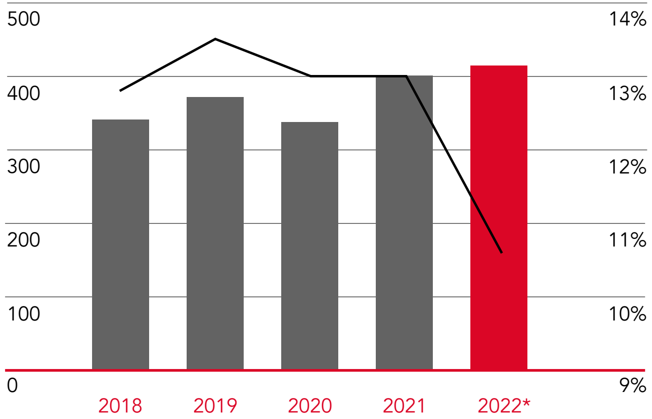
Sales increased

23%

in local currencies

- Net sales
- Growth (reported)

EBIT & EBIT margin
(MEUR)



EBIT

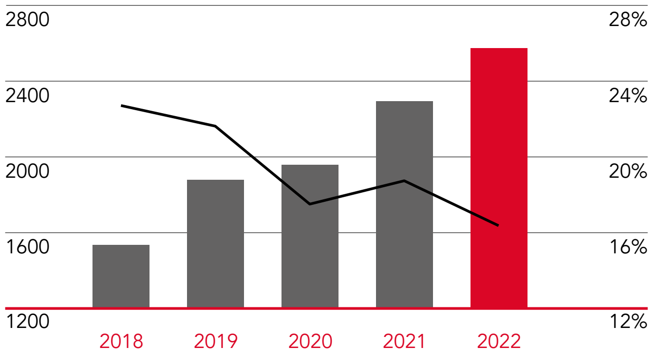
415 MEUR*

Up 4% compared to 2021

- EBIT
- EBIT margin

* excluding costs to Ukrainian relief aid and reconstruction of 13 MEUR.

ROIC & Invested capital
(MEUR)



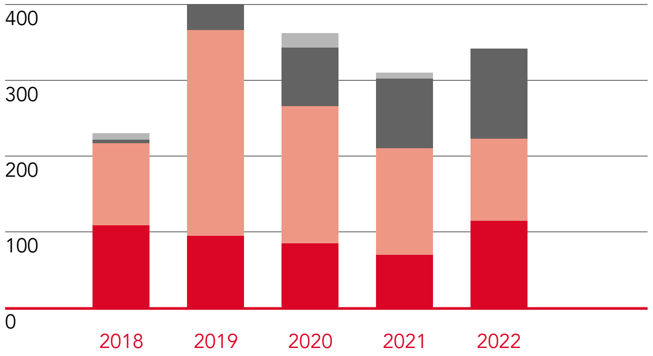
ROIC

16.4%

Down from 18.8% in 2021

- Invested capital
- ROIC

Investments
(MEUR)



Sustainability investments

109 MEUR

Up from 91 MEUR in 2021

- 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 have an important role in helping to provide adequate housing for all people and in addressing some of society's biggest challenges, including urbanisation, climate change, and energy independence.

The combination of more people living in more densely populated areas, the worsening consequences of climate change, and the need to reduce dependence on imported energy increases the global priority for energy efficient buildings. Why? Because while our existing buildings provide vital infrastructure, they are also currently responsible for nearly one-third of global final energy consumption and energy-related CO_2 emissions.

Proper insulation alone can reduce a building's heating needs by up to 70 percent. When combined with other technologies like heat pumps and renewable energy sources – for example, in deep renovation projects – the savings are even greater.

For Europe and many other parts of the world, reducing the energy consumed by buildings is a critical step towards reducing dependence on imported fuels and thereby achieving greater energy independence and security.

At the same time, the world also needs to feed a growing population using fewer resources, while also managing the effects of more frequent extreme weather events, particularly in urban environments. In both cases, specially engineered stone wool products are providing solutions.

The ROCKWOOL business strategy is driven by our people and our commitment to creating solutions that connect global trends with profitable business opportunities by designing superior products and services 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 construction 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 leveraging 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 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 trends will help ensure our successful future growth.

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

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

~400 km
Average transport distance for insulation in Europe (including import/export)

51
manufacturing facilities in **23** countries

85%
of sales does not cross customs borders

In certain geographies and product lines, our products can contain
up to 75%
recycled material

120+
countries with sales activity

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.**

Grodan
Urban horticulture can reduce land use for vegetable growing by **75%** or more.

Lapinus
Rockflow can absorb up to **95%** of its volume in water, without losing its rigidity and strength.

Rockfon
In schools with no sound absorption, children cannot hear up to **70%** of consonants their teachers speak.

ROCKWOOL
Proper insulation alone can reduce heating needs by **70%**.

Rockpanel
All Rockpanel boards are **durable like stone,** easy to cut, and resistant to the effects of moisture, temperature, fire and weather.

BY NATURE.

Our choices matter, also for building materials

As an industry, we must make responsible choices for the climate and for our collective health and wellbeing. We know that buildings are the biggest source of emissions globally, so like all parts of our lives, the choices we make as we design and specify for them, must speak to our common values.

For us at ROCKWOOL, this means choosing to innovate products and processes that cut emissions and waste and contribute to healthier, more responsible spaces. For building professionals, this means making smart, conscious choices across materials, treatments and finishes. Because, as the architects of our homes, schools, hospitals, offices and care facilities, they have the power to decide how healthy and safe our societies' indoor environments are. Now, and in the future.

Our buildings can do so much more than provide sanctuary, shelter, comfort and warmth. They can be consciously designed and specified with integrity, so that they truly enrich modern living. And we at ROCKWOOL can make this possible for the architects who want to step up and make the responsible choice, who refuse to compromise, and who want to do more than simply meet the minimum acceptable standard.

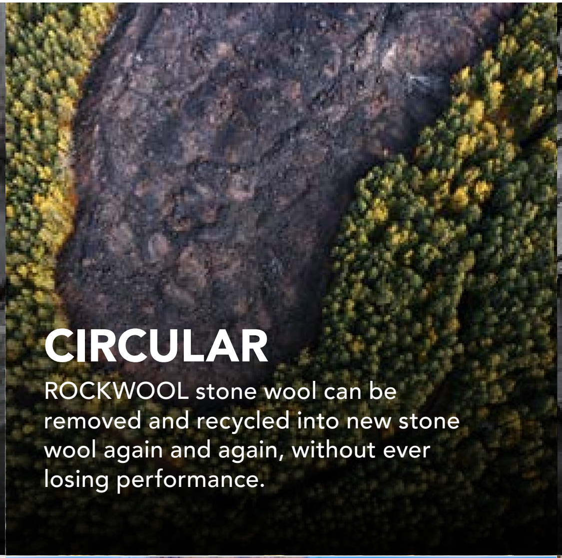
Stone wool is made from abundant basalt rock, so ROCKWOOL products are rich in the material's inherent elemental properties. So, because stone wool does not burn, ROCKWOOL insulation is fire safe by nature. Because stone wool can be infinitely recycled without ever losing performance, ROCKWOOL insulation is circular by nature. And because stone wool is made from stone, ROCKWOOL insulation is durable by nature.

Which means that we can empower everyone to make the responsible choice. We can inspire everyone to design and to build for the health of people and our planet. And we can do it **by nature**.

BY NATURE.

FIRE SAFE

ROCKWOOL stone wool insulation can withstand temperatures of over 1000°C and can help stop the spread of fire, keeping your family safe.



CIRCULAR

ROCKWOOL stone wool can be removed and recycled into new stone wool again and again, without ever losing performance.

DURABLE

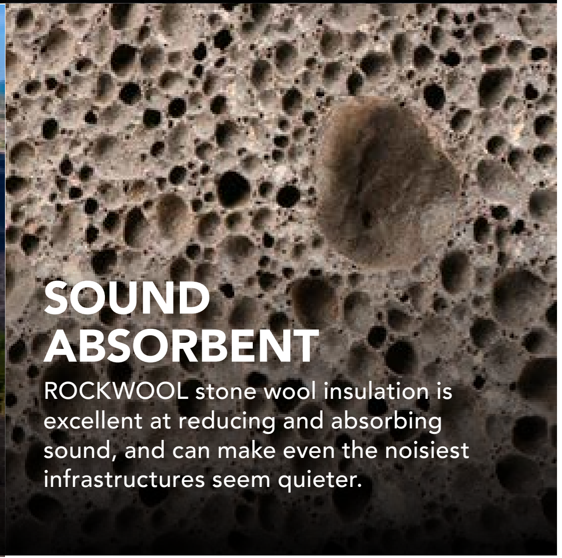
ROCKWOOL stone wool insulation lasts for at least 65 years! It's unaffected by weather, humidity and temperature changes – and needs no maintenance.

MOISTURE RESISTANT

ROCKWOOL stone wool insulation repels water and resists moisture, protecting the long-term health of buildings and the people within them.

BREATHABLE

ROCKWOOL stone wool insulation helps create healthy, comfortable indoor environments. Its breathability also helps prevent the growth of mould and mildew.



SOUND ABSORBENT

ROCKWOOL stone wool insulation is excellent at reducing and absorbing sound, and can make even the noisiest infrastructures seem quieter.

With softer demand in the construction industry and available capacity in the market, we expect 2023 to be a challenging year.

Outlook 2023

Market review

ROCKWOOL achieved record sales in 2022 led by strong market demand during the first half of the year and significant price increases throughout the year. Growing concerns over inflation, higher interest rates, and the war in Ukraine led to a slow-down in most businesses, which was especially visible in the second half of 2022. We adjusted factory capacity to align with market demand, while continuing to invest in new capacity and sustainability during the year.

We added capacity for Grodan in North America and Rockfon in Europe as well as began a major renovation of the Flumroc factory in Switzerland, which will replace coal-fired cupola furnaces with an electric melter. In China, we transferred production from an old factory in Guangzhou, which was decommissioned in September, to a new factory in Qinyuan.

At the end of 2022, the global growth picture pointed to a market downturn. European construction sentiment surveys showed weakness, with leading indicators in negative territory for around 12 months in a row. The decline was broad-based, affecting all main markets and subsegments, led by residential housing. Non-residential construction fared moderately better but is expected to lose momentum during 2023.

We expect the challenging macroeconomic environment to continue in 2023, with softening demand and high uncertainty. We expect energy prices to continue to stabilise, although still remaining at a high level. On the positive side, the policy environment for energy efficiency and building renovation is increasingly favourable. We expect to see a gradual implementation of governmental and EU support schemes that deliver the required energy efficiency in accordance with the climate targets for 2030 and 2050.

Outlook 2023

With softer demand in the construction industry and available capacity in the market, we expect 2023 to be a challenging year. The uncertain timing of energy efficiency-driven renovation volume demand compounds the effects of the slowdown in new construction activity.

In Europe, we see a continued lower demand in most markets and especially within the residential segment. The ambitious EU targets for energy efficiency and the significant subsidy schemes to support renovation dedicated in several European countries' recovery and resilience plans, will eventually have a significant positive impact on the insulation industry. Forecasting sales and earnings for the year thus requires balancing the need to safeguard market share, profitability, input costs, and optimising capacity utilisation.

After hitting a low demand point mid-2022, we expect that sales in North America will continue the recovery into 2023. The factory in Ranson, West Virginia is fully operational, and we benefit from the improved logistics footprint to better service our customers in the eastern United States.

The prospects for our Systems segment look positive, driven by Rockfon's portfolio expansion, stabilisation of demand in North America for Grodan as well as Grodan entering a new major crop market, in this case, strawberries, and Rockpanel's expansion into new markets.

We started the year by introducing modest price increases in most markets, however we expect to pursue a more differentiated approach across the market with focus on margin recovery and protecting market shares. Based on the significant lower demand we have seen in the past months, we forecast net sales for the full year to decline with up to 10 percent in local currencies.

Energy prices have slowly declined during the past months albeit still high compared to historical levels and we assume some increased uncertainty on energy related costs, as the year progresses. With lower sales volumes, tight cost control, and continued focus on productivity, we expect an EBIT margin in the range of 8 to 10 percent.

We remain convinced that the energy efficiency agenda will accelerate mid-term renovation rates in Europe and North America and create higher demand for our circular, non-combustible stone wool. We will therefore continue the relative high level of capacity investments.

For 2023, we expect construction of the new insulation factory in France to commence and that it will be one of our larger capital expenditures. Combined with our regular maintenance and sustainability investments, we expect the overall capital expenditure to be around 400 MEUR for 2023, excluding acquisitions.

Outlook 2023

Sales decline of up to

10%

in local currencies

EBIT margin between

8-10%

Investments excl. acquisitions around

400 MEUR

Insulation segment

Financial results

Insulation segment sales reached 3034 MEUR, an increase of 29 percent in local currencies and 32 percent in reported figures. All markets and businesses contributed to the solid growth, mainly driven by sales price increases.

Based on our commitment to support reconstruction activities in Ukraine, spent or accrued costs of 13 MEUR were recognised in operating costs in the Insulation segment.

Insulation segment EBIT reached 312 MEUR with an EBIT margin of 9.0 percent, a decrease compared to 2021 of 1.4 percentage points. Adjusted for the Ukrainian relief aid and reconstruction costs, EBIT margin was 9.4 percent. Sales price increase could not fully offset the very high inflation on energy, production materials, and logistic costs.

Key figures Insulation segment

MEUR	**Q4 2022**	Q4 2021	**2022**	2021
External net sales	**707**	621	**3 034**	2 291
EBIT	**71**	69	**312**	275
EBIT margin	**8.4%**	9.4%	**9.0%**	10.4%

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

Insulation segment
Business update

The construction industry's strong growth in 2021 carried into the first half of 2022 as economies continued to recover from the effects of COVID-19. However, a combination of lower demand, supply chain challenges, and rampaging inflation and energy costs contributed to softer market conditions as the year progressed.

As central banks increased interest rates to fight inflation, construction activity in the residential sector dropped off in the second half of the year, especially new builds. The renovation market was less impacted due to sharp focus on energy independence and energy efficient renovation, especially in markets with effective incentive schemes such as Italy and France. In the commercial sector, the decline was more gradual.

Sales in the Insulation segment grew in 2022, driven primarily by price increases. This was not sufficient to balance out the high inflation and therefore profitability decreased.

In Western and Eastern Europe, sales increased across most countries compared to 2021. In North America, sales also increased, despite a more rapid rise in interest rates compared to Europe and the negative impact this had on the market and economic sentiment.

South Asia had solid sales growth as well, driven by the post-COVID recovery and good progress in key markets. Sales in China were negatively affected by the country's COVID policy and issues in the property sector. In the technical insulation business, sales grew well in Europe and North America mainly from inflation driven sales price increases, while export projects had a more difficult year.

The insulation business performed well despite high inflation, especially in energy. Overall, 2022 was a turbulent year, with many cross-cutting forces at play. However, these factors also highlighted the vital importance of energy independence, which contributed to accelerating more ambitious legislation on energy efficiency and renovation.

Systems segment

Financial results

Systems segment sales amounted to 873 MEUR, which is an increase of six percent in local currencies and nine percent in reported figures. Rockfon and Rockpanel performed well. Grodan sales were still negatively impacted by lower sales in North America although the situation improved during fourth quarter.

Systems segment generated an EBIT of 90 MEUR with an EBIT margin of 10.3 percent, down 5.6 percentage points compared to 2021. The lower margin related mainly to impact from a negative product mix and inflationary pressures, not fully offset in the price increases.

Key figures

MEUR	**Q4 2022**	Q4 2021	**2022**	2021
External net sales	**248**	221	**873**	797
EBIT	**30**	26	**90**	126
EBIT margin	**11.9%**	11.8%	**10.3%**	15.9%


Amsterdam

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 indoor acoustic systems combine stone wool acoustic tiles with suspension and specialty ceiling and wall systems that create beautiful, comfortable spaces. Our acoustic products are easy to install, durable and help reduce noise and lower stress levels, significantly improving wellbeing and indoor comfort.

Sales for Rockfon in 2022 grew across all major markets. The growth rate slowed during the second half of the year due to weaker economic conditions.

In general, the market for interior acoustics among commercial and residential building owners continues to be positively influenced by government-sponsored and private renovation programmes.

In addition, the natural benefits of stone wool continue to be appreciated and recognised across the design community. In Europe, for example, we launched a range of high-end design products that match acoustics with modern trends in design, including a greater connection to nature (biophilic design) and circularity.

We continue to see key decisionmakers for office space, healthcare and education facilities putting greater focus on Indoor Environmental Quality (IEQ) and its role in occupant health and wellbeing. Our stone wool acoustic systems are well suited to meet these challenges and the high standards of the leading green building rating systems such as LEED, WELL and DNGB.

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, Grodan systems make it possible to reduce or 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 faced significant challenges in 2022 due largely to rising costs for energy and resources impacting the horticulture industry as well as an over-stocked supply chain in North America, particularly in the cannabis sector. The fresh produce business slowed in Europe as greenhouse growers cut costs by among other things postponing crop cycles. The produce sector in North America grew modestly.

We are developing new markets, including strawberry cultivation on Grodan stone wool. We began working with strawberry growers in 2021 to learn more about the needs of these customers and how Grodan can help them meet their goals. In 2022, we saw tangible results for these growers, including higher yields.

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, flexible and visually appealing, 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.

Rockpanel delivered stable growth in its key markets in 2022. Our Woods, Stones, and Metals product lines, which combine the look of these materials with the many strengths of stone wool, continued to be very popular.

The creative designs and ease of installation of our products are especially important to contractors and installers. We continued bringing that message and the Rockpanel story directly to local distributors in 2022 with roadshows at dealer locations that encouraged local installers to try our products before buying them.

We also continued expanding our market reach in 2022 and early 2023, adding Norway and Finland to our Nordics presence that also includes Denmark and Sweden. With Norway and Finland, Rockpanel is now active in 15 countries.

Lapinus®

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 for a wide range of applications currently in four core areas: urban climate adaptation, residential prefab construction, urban acoustics and automotive & OEM.

With Rockflow, an underground system that collects, retains, filters and infiltrates rainwater, we help cities become more resilient to the effects of climate change. In 2022, we celebrated our 250th Rockflow project. While it is well established in the Netherlands and Denmark, Rockflow is active now in six European countries with a focus on growth.

Our Rockzero wall systems also had a solid 2022. This was primarily driven by repeat customers who want to construct easy-to-assemble, high-quality, energy efficient homes.

With urban acoustics, we develop products for controlling vibration from train tracks. This is especially important in urban areas to protect infrastructure and quality of life for people living nearby. Our products, marketed as Rockdelta, are well known and used in the Nordics and have gained popularity in Canada. After a slow start in 2022, sales recovered in the second half, as larger projects were planned.

The global market for loose fibres, including for use in the automotive sector – where our fibres are used in more than 75 percent of all passenger car brake pads – is still the largest contributor to our overall business. Despite market challenges last year, the business remained stable.

Sustainability

Sustainability is integral to our business strategy.

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 the business and safeguarding the data underpinning it all.

For more information regarding ROCKWOOL's sustainability and corporate responsibility approach, please see our 2022 Sustainability Report.

Sustainability goals progress

Keeping our people safe is ROCKWOOL's top priority. As an industrial company employing approximately 12 200 people, we fully recognise that our employees face safety risks, which we take very seriously. In 2022, the goal was to have zero fatalities and to reduce the Lost Time Incident (LTI) rate by at least 10 percent.

Tragically, a colleague died as a result of injuries sustained while working in one of our factories in 2022. In response, Group Management led a detailed investigation into the incident and is implementing several corrective actions at all ROCKWOOL factories, in the Group health and safety management system, and in our Group engineering department. Senior management is monitoring these changes closely to ensure that all corrective actions are taken.

In 2022, we successfully reduced our LTI rate by 24 percent, from 3.6 in 2021 to 2.7. This followed implementing a new strategy to improve our safety performance and the allocation of extra resources to support our work around safety.

We met the Group intermediate goal for energy efficiency in offices this year, finalising the deep renovation of nine offices during the year. Using our own products, we can document that deep renovation of buildings makes sense from a social, environmental and economic perspective.

Meeting this goal means we have now met all five intermediate sustainability goals with baseline 2015 and for a number of these, we are well on the way to fulfilling our 2030 goals.

We reduced the CO_2 intensity of our production by 17 percent, compared to the 2030 goal of 20 percent. And we added Finland and Romania to the countries where we offer our Rockcycle® reclaimed waste service, reaching a total of 19 countries compared to the 2030 goal of 30 countries.

In 2022, we reduced absolute Scope 1 and 2 CO_2 emissions by four percent and Scope 3 CO_2 emissions by one percent compared to the 2019 baselines. We remain committed to achieving the ambitious, science-based decarbonisation targets we set in 2020 (see p. 48 of our Sustainability Report).

In 2022, we reduced the water intensity of our production by 14 percent compared to baseline. Production waste going to landfill increased slightly compared to last year, representing a 51 percent improvement compared to baseline.

The United Nations Sustainable Development Goals (SDGs) help steer ROCKWOOL's ambitions. Coastal and other vulnerable communities will bear the brunt of climate change's devastating impacts. It is with these significant environmental threats in mind that ROCKWOOL has added SDG 14, Life Below Water, to the 10 SDGs to which we are already committed, bringing the total number of prioritised SDGs to 11.

For more information about this, see the infographic on the next page.

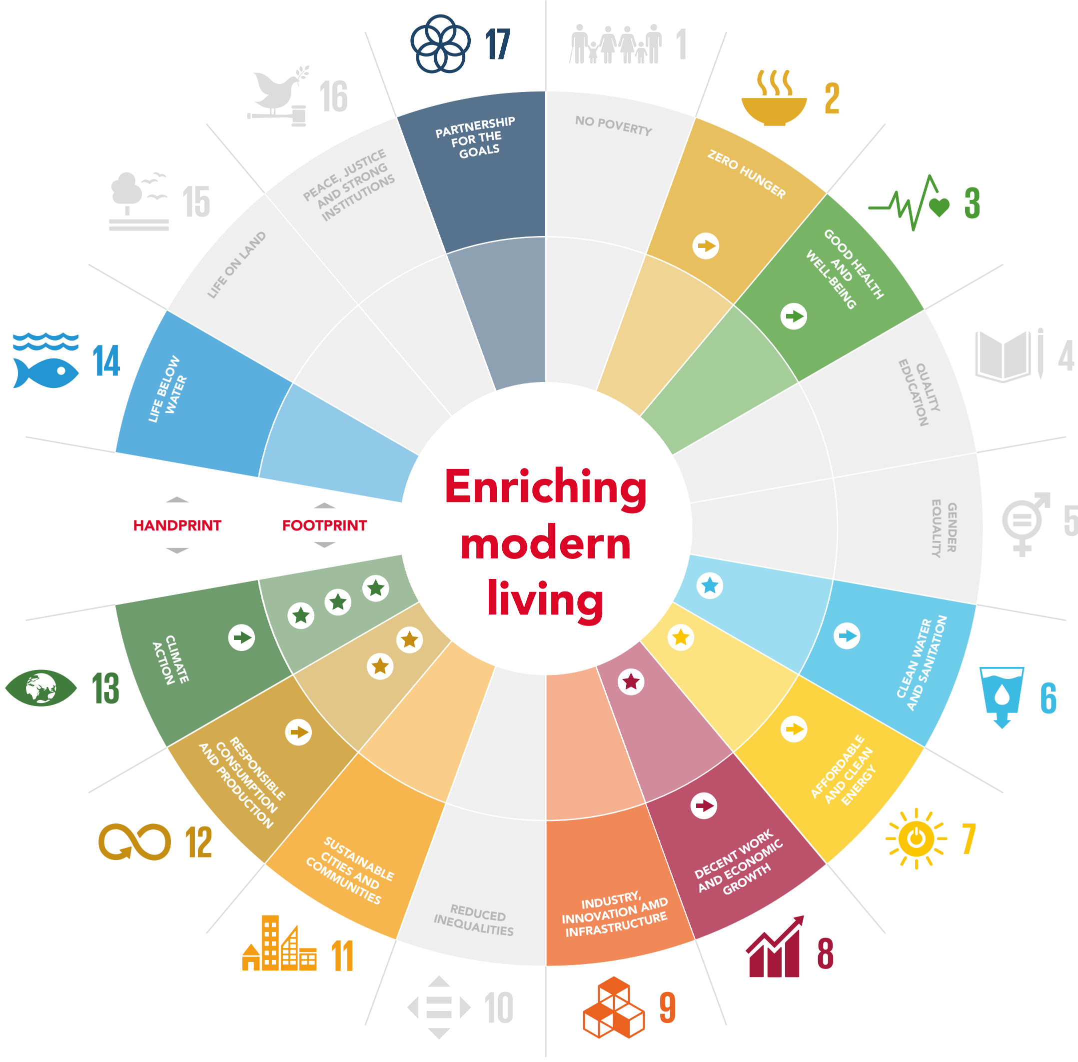
The UN SDGs drive our sustainability work

Our aim is to turn sustainable development challenges into business opportunities, creating innovative products that address some of modern society's pressing challenges.

ROCKWOOL was one of the first companies in our industry to commit and contribute actively to the UN Sustainable Development Goals (UN SDGs) framework. Since 2016, we have used the framework to set our own Group goals and measure our progress and achievements. Drawing on extensive consultation with both internal and external stakeholders, we initially prioritised 10 of the 17 SDGs. In 2022 we added an 11th – SDG14 "Life below water". You can read more about our commitment to SDG14 on p. 6 of our Sustainability Report. We consider these 11 SDGs to be the most material for our business. We review this materiality every year through our annual strategy process.

We take a lifecycle approach

The 11 SDGs provide the framework for our eight Group-level sustainability goals, two of which are science-based targets, verified and approved by the Science Based-Targets initiative (SBTi). True sustainability, however, goes beyond reducing one's operational footprint. For seven of our 11 priority SDGs, we use externally developed product handprint metrics to track the positive impact of our products in use. For more information on our handprint and footprint progress, see pp. 8-9 of our Sustainability Report. On p. 15 in the Sustainability Report, you can see how our handprint product metrics and sustainability goals are distributed along our value chain.



Handprint – Seven externally developed product handprint metrics to measure positive value creation of our products

Footprint – Eight Group-level sustainability goals including two science-based targets

Diverse and inclusive culture

We want all our people to feel comfortable being who they are at work and to feel valued and included. To achieve this, we are committed to providing equal opportunities to all employees, promoting diversity, and working against all forms of discrimination among ROCKWOOL employees.

The diversity of our workforce is one of our strengths. Our employees represent a multiplicity of backgrounds, nationalities and competencies. There are 79 nationalities represented across the Group, including 34 at the headquarters in Hedehusene and five in the Group Management team.

However, we recognise that we still have a lot of progress to make and have set Group goals to achieve this. Increasing female representation in management roles is a particular focus area.

For further information about our goals and progress related to female representation in the Group, please see p. 38 in our Sustainability Report.

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. There were 179 new patents granted in 2022.

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 intranet.

2022 Sustainability Report. ↑

www.rockwool.com/group/about-us/sustainability/sustainability-report-2022/

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 2022 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 2022 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 2022 Sustainability Report.

EU Taxonomy

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, avoid greenwashing, and increase market transparency by introducing disclosure obligations on companies and financial market participants. At ROCKWOOL, we welcome this initiative.

An economic activity is taxonomy-aligned when it complies with all the requirements as described in the Taxonomy Regulation. This means that the activity contributes substantially to one or more of the taxonomy-specific environmental objectives, it does not harm any of the environmental objectives, and it is carried out in compliance with the minimum safeguards.

We have identified our 2022 global activities that pass the screening criteria for substantial contribution in the Climate Delegated Act in the EU Taxonomy and are thereby considered to be taxonomy-eligible. We have carried out the “Do No Significant Harm” (DNSH) assessment and assessed our alignment with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights, to determine the extent to which these activities are aligned with the taxonomy.

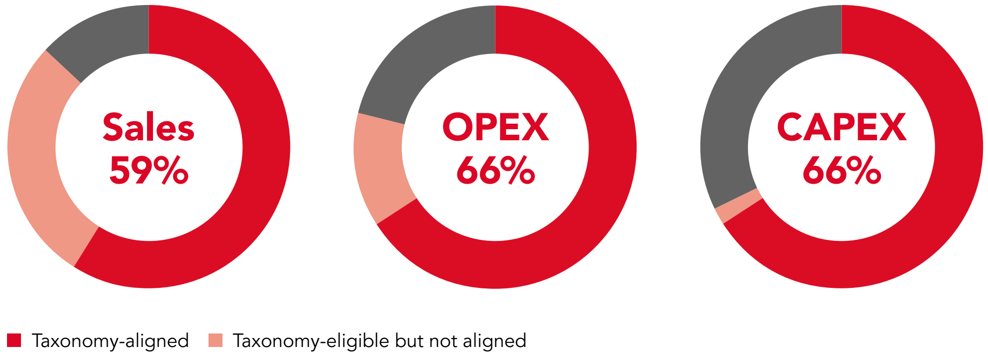
DNSH to "Climate change adaptation"

In 2022, ROCKWOOL conducted a climate scenario analysis to evaluate physical climate-related risks across our global manufacturing sites. Two alternative climate change scenarios were analysed: a ‘high physical impact’ 4°C warming scenario; and a ‘rapid transition’ scenario whereby warming is limited to 2.0°C, considering the time horizons 2030 and 2050.

The analysis shows that while the physical climate-related risks across our global manufacturing sites will not change significantly for either scenario in the foreseeable future, new potential climate-related risks have been identified at certain sites. We will collaborate with relevant business units to ensure mitigation plans for all applicable physical climate-related risks are in place and assessed at regular intervals.

DNSH to "Sustainable use and protection of water and marine resources"

We control and mitigate risks to local water quality at our manufacturing sites among other ways through our environmental permits and environmental management programmes. At many of our factories, production process water is recirculated in a closed-loop without any discharge. At the remaining factories process water is discharged to municipal wastewater treatment plants. We will ensure continued focus on mitigating risks to local water quality at all our manufacturing sites, and reinforce these mitigation efforts when necessary.



In 2022, we conducted a water scarcity assessment covering all stone wool manufacturing sites, with the exception of those in Russia. The assessment determined that five ROCKWOOL manufacturing sites were located in areas of high or extreme high water stress. However, these factories’ water usage is estimated to be immaterial. Nonetheless, on the basis of dedicated water management plans, we will continue to prioritise implementing water efficiency improvements at these factories as part of our overall efforts to fulfil the Group sustainability goal of reducing water use intensity by 20 percent in 2030 compared to 2015.

DNSH to "Transition to a circular economy"

ROCKWOOL has a strong circular business model with products that are durable and long-lasting, easily disassembled, recyclable, and containing recycled material. In addition, we have set ambitious circularity goals to further strengthen this business model. These goals are to reduce factory waste going to landfill by 85 percent by 2030 compared to 2015 and offer reclaimed material services in 30 countries by 2030.

DNSH to "Pollution prevention and control"

The DNSH criterion to the objective of "Pollution prevention and control" requires the activity not to use specific substances of concern/chemicals listed in European Regulations, as specified by Appendix C in Annex I of the Commission Delegated Regulation (EU) 2021/2139.

ROCKWOOL has carried out a review of substances and chemicals used in its production process. ROCKWOOL has identified the use of one chemical for the binder, formaldehyde, which is covered by subparagraph (g) in Appendix C.

The use of formaldehyde has been assessed to qualify for the derogation "essential use for society" for the main part of our product range as there are no better alternatives to guarantee the needed performance that are acceptable for the environment and health. For part of our light stone wool product range, alternative binder solutions exist in the market, and therefore it is our assessment that the "essential to society" derogation cannot be claimed for these products. To reduce our environmental impact still further, we will continue to focus attention on the use of all Appendix C substances.

DNSH to "Protection and restoration of biodiversity and ecosystems"

All our stone wool factories have an environmental permit where requirements are made to protect the environment. Furthermore, all factories are part of the Group's environmental management programme. Robust compliance and conformance programmes are in place at all sites. In 2022, all ROCKWOOL stone wool factories were mapped to determine the location of biodiversity-sensitive areas in close proximity to the factories. To ensure continuous protection of specific biodiversity-sensitive areas, we will be assessing more closely our environmental management programmes at relevant sites and strengthening them where deemed necessary.

Compliance with "Minimum safeguards"

In 2021 and 2022, ROCKWOOL carried out several activities to strengthen its due diligence governance and internal processes within human rights. These activities included revising the Group Code of Conduct for which the Board of Directors are responsible and approving a dedicated Human Rights policy and procedure replacing the former Human Rights commitment. These key actions provide the necessary framework within which we can ensure compliance with internationally recognised human rights. Also in 2022, a risk assessment was conducted to identify salient human rights risks in own operations, thereby ensuring that we focus our efforts on the most important areas.

No material negative events or impacts were identified during 2022.

As we continue to strengthen our efforts in this area, we will enhance supplier management processes and guiding documents to define, control, communicate, and document ROCKWOOL's approach to sustainable sourcing and to ensure enforcement of a revised Supplier Code of Conduct. This process will include a tool to monitor suppliers in terms of sustainability and other risk factors.

It is our assessment that there are adequate internal controls as well as ethics and compliance programmes for preventing and detecting bribery. The Group treats tax governance and compliance as important elements of oversight, and considers there to be adequate tax risk management strategies and processes in place. The Group promotes employee awareness of the importance of compliance with all applicable competition laws and regulations.

Taxonomy-aligned net sales

The dominant taxonomy-eligible activity is the production and sales 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. The sources of net sales are contracts with customers.

Based on the result of the DNSH screening, some light stone wool products are deemed not to fulfil the alignment criteria due to the use of formaldehyde in the stone wool binder.

The total taxonomy-aligned net sales amount to 59 percent.

The taxonomy-aligned KPI is based on full year figures and net sales can be reconciled to the Group's consolidated income statement.

Taxonomy-aligned OPEX

Total operating expenses consists of direct costs related to research and development, building renovation activities, maintenance and repair and any other cost related to day-to-day servicing of assets property, plant and equipment.

The share of operating expenses considered taxonomy-eligible primarily relates to the 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.

Where both taxonomy-aligned and taxonomy non-aligned activities are carried out, the taxonomy-aligned portion of the operating expenses is determined on the basis of the taxonomy-aligned net sales. Operating expenses is a subset of operating costs in the Group's consolidated income statement.

66 percent of the operating expenses is assessed to be taxonomy-aligned.

Taxonomy-aligned CAPEX

Total capital expenditure consists of additions to tangible and intangible fixed assets including right-of-use assets during the year. The CAPEX figures can be reconciled to the additions in notes 3.1-3.3. No CAPEX plans have been included.

ROCKWOOL's taxonomy-eligible share of investments primarily relates to construction of insulation factories and equipment, capacity expansion related to taxonomy-eligible activities as well as safety and environmental investments including energy renovations of own buildings.

66 percent of investments are assessed to be taxonomy-aligned.

EU Taxonomy (continued)

	Economic activities	Total	Proportion	Substantial contribution criteria: Climate change mitigations	Substantial contribution criteria: Climate change adaptations	DNSH criteria: Climate change mitigations	DNSH criteria: Climate change adaptations	DNSH criteria: Water & marine resource	DNSH criteria: Circular economy	DNSH criteria: Pollution	DNSH criteria: Biodiversity and ecosystems	Minimum safe guards	Taxonomy-aligned proportion
		MEUR	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N		%
Net sales	**Environmentally sustainable activities (taxonomy-aligned)**												
Net sales	3.5 Manufacture of energy efficiency equipment for buildings	2 297	59%	100%	0%	Y	Y	Y	Y	Y	Y	Y	59%
Net sales	**Taxonomy-eligible - but not aligned - activities**												
Net sales	3.5 Manufacture of energy efficiency equipment for buildings	1 108	28%	100%	0%	Y	Y	Y	Y	N	Y	Y	-
Net sales	**Taxonomy non-eligible activities or activities not covered**												
Net sales	Taxonomy non-eligible activities	502	13%	-	-	-	-	-	-	-	-	-	-
Net sales	**Total activities**	3 907	100%	87%	0%	Y	Y	Y	Y	Y/N	Y	Y	59%
OPEX	**Environmentally sustainable activities (taxonomy-aligned)**												
OPEX	3.5 Manufacture of energy efficiency equipment for buildings	2 167	66%	100%	0%	Y	Y	Y	Y	Y	Y	Y	66%
OPEX	**Taxonomy-eligible - but not aligned - activities**												
OPEX	3.5 Manufacture of energy efficiency equipment for buildings	439	13%	100%	0%	Y	Y	Y	Y	N	Y	Y	-
OPEX	**Taxonomy non-eligible activities or activities not covered**												
OPEX	Taxonomy non-eligible activities	678	21%	-	-	-	-	-	-	-	-	-	-
OPEX	**Total activities**	3 284	100%	79%	0%	Y	Y	Y	Y	Y/N	Y	Y	66%
CAPEX	**Environmentally sustainable activities (taxonomy-aligned)**												
CAPEX	3.5 Manufacture of energy efficiency equipment for buildings	206	62%	100%	0%	Y	Y	Y	Y	Y	Y	Y	62%
CAPEX	7.2 Renovation of existing buildings	14	4%	100%	0%	Y	Y	Y	Y	Y	Y	Y	4%
CAPEX	**Taxonomy-eligible - but not aligned - activities**												
CAPEX	3.5 Manufacture of energy efficiency equipment for buildings	8	2%	100%	0%	Y	Y	Y	Y	N	Y	Y	-
CAPEX	**Taxonomy non-eligible activities or activities not covered**												
CAPEX	Taxonomy non-eligible activities	105	32%	-	-	-	-	-	-	-	-	-	-
CAPEX	**Total activities**	333	100%	68%	0%	Y	Y	Y	Y	YN	Y	Y	66%

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 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, please visit www.rockwool.com/group/about-us/sustainability/.

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
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 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. Details about the committees can be found at www.rockwool.com/group/about-us/sustainability/. Sustainability measures are used in the long-term incentive schemes for the CEO, please see 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 have prioritised 11 SDGs on which to focus our efforts and set eight sustainability goals, including two science-based targets, 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 the implementation plans. For more information please see Sustainability Report, pp. 13-15.
Risks and opportunities Disclose how the organisation identifies, assesses and manages climate-related risks.	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 caused by rivers overflowing, which could impact one of our factories in Germany and to a lesser extent our factories in Canada and the United states. In 2022, ROCKWOOL conducted a climate scenario analysis to evaluate physical climate-related risks across our global manufacturing sites. Two alternative climate change scenarios were analysed: a 'high physical impact' 4°C warming scenario; and a 'rapid transition' scenario whereby warming is limited to 2.0°C, considering the time horizons 2030 and 2050. The analysis has given us a better understanding of the potential climate-related hazards that may impact our manufacturing sites globally. We will work closely with relevant business units to ensure we have sufficient mitigation plans in place to address these hazards. The ERM Committee is responsible for reviewing and updating the internal risk management framework and for implementing related processes, please see p. 31. 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 business unit strategies, which are updated annually.
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.	The annual Sustainability Report discloses our approach; 2030 CO_2 intensity goal and 2034 science-based targets; 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. For more information please see Sustainability Report, pp. 17-41.

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 those 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's Enterprise Risk Management Committee consists 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 of Directors.

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, energy supply, presence in Russia, and cyber threats are currently 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 achieving the decarbonisation goals that are reflected in the 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 2022 Sustainability Report.

Climate-related regulations can represent both an opportunity and risk: an opportunity to positively influence 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.

Seventeen of the Group's factories are included in or linked to the EU Emission Trading Scheme (ETS) Phase IV from 2020-2030. In addition, our factories in the UK and Ontario, Canada are included in a national ETS. The overall financial impact of being under an ETS is expected to be limited. However, in the longer-term, more ambitious 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 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 number 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 or lower carbon-intensive energy sources. Therefore, while we expect certain factories will experience an allowance deficit in the period 2020-2030, the Group level allowance stock will cover this deficit.

Energy supply

Description

ROCKWOOL is taking steps to decarbonise our production process by introducing key innovations in our melting technology. This involves switching from coke to gas in some factories, from coke or gas to electricity in other factories, and building new factories based on electricity. Consequently, our future dependence on gas will remain fairly stable and downward trending, while our dependence on electricity will increase.

In 2022, the war in Ukraine and the subsequent sanctions and diplomatic crisis between Russia and the Western world resulted in the almost total collapse of Russian gas exports to Europe. The resulting natural gas shortage in the European grid caused a spike in gas prices and increased the risk of industrial disruption in many countries.

The shortage of natural gas combined with electricity production issues in Europe had a significant impact on the electricity price, which soared to unprecedented levels in 2022. The high energy prices had a negative impact on profitability and increased the risk of disruption in our operations.

Risk trend – up

Risk management (continued)

Mitigation

To mitigate the risk of production disruption, alternative energy processes and energy sources are being identified for key European factories, with the focus of continued compliance with the environmental and safety permits. Furthermore, ROCKWOOL's energy strategy was reviewed in 2022, including how to source and the possible use of power purchase agreements to ensure supply and act as hedges against future spikes in energy prices.

Presence in Russia

Description

ROCKWOOL's ownership of four Russian factories and the consequences of Russia's war against Ukraine increase certain risks for ROCKWOOL. The main risk factors are loss of brand value, breach of EU, U.S., or UK economic sanctions, and loss of key intellectual property and assets.

ROCKWOOL has experienced media and public criticism primarily in Denmark due to our continued operations in Russia. Worsening of the war, breach of sanctions or actions by the Russian authorities could lead to a decrease in brand value and reputation.

The significant EU, U.S., and UK economic sanctions have increased the complexity of maintaining the business in Russia, as have Russian government sanctions. Sanctions compliance remains a fundamental priority for ROCKWOOL.

Additionally, there remains a risk that the Russian government will nationalise the four factories or otherwise transfer ownership, including key technologies and intellectual property, to Russian actors. This would result in the Russian state or a Russian competitor taking over significant assets and income streams.

Risk trend - up

Mitigation

ROCKWOOL seeks to mitigate the risk of a decrease in brand value and reputation by engaging openly and extensively in the public debate, primarily via the media, to explain the reasoning behind our decisions and to provide timely responses as questions arise. Similar discussions occur privately among key stakeholders as well.

Procedures and internal controls have been established to secure compliance with all sanctions. The Russian business operates on a stand-alone basis with no operational management involvement from ROCKWOOL Group. All investments and cross-border sales have been stopped. A continued cash flow in the form of regular license income and dividend from the Russian business is secured in close cooperation with existing financial institutions.

Cyber threats

Description

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 the digitalisation of business processes, a cyberattack or non-availability of IT systems increases the potential 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 - stable

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 cyber threats. 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 of this IT risk 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 level.

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 nine 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. Three members are elected by the employees, for a period of four years, pursuant to the Danish Companies Act. The next ordinary election takes place in 2026.

In 2022, Andreas Ronken retired from the Board of Directors and was succeeded by Ilse Irene Henne.

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 shall facilitate an in-depth self-evaluation every third year, next time in 2024. In 2022, the Board of Directors conducted the annual evaluation based on a detailed questionnaire. 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/about-us/rockwool-group/people/.

The Board of Directors held 10 board meetings and a strategy session in 2022. 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. 38-39.

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.

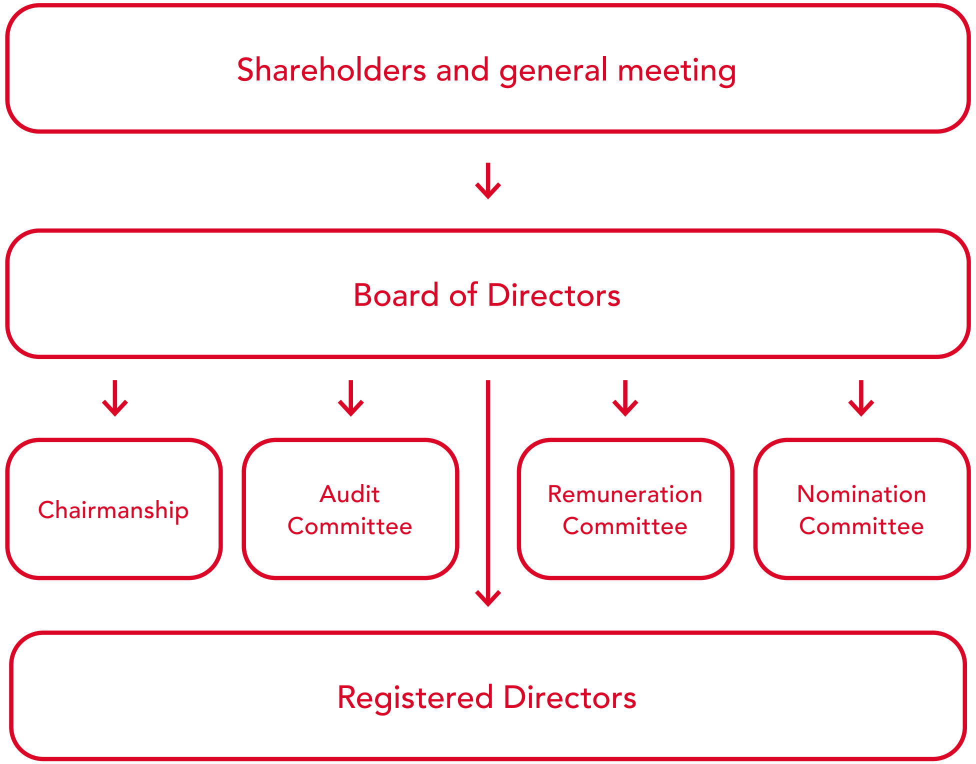
Registered Directors

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/about-us/corporate-governance/remuneration/.

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 2022 ROCKWOOL Remuneration Report at www.rockwool.com/group/about-us/investors/.

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 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 Group 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/.

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 Committees, Member of the Kähler Family Meeting.

Positions in other Danish companies

Chairman of the Board of Dansk Celleglas ApS; Director and member of the Board of DURAPOR A/S; Member of the Board of Metier Westergaard A/S.

Thomas Kähler participated in all Board and Audit, Remuneration and Nomination Committee meetings during 2022.

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 Committees.

Positions in other Danish companies

Chairman of the Boards of Hydrema Group A/S; Arminox Investment A/S (and one fully-owned subsidiary); 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; Bjerringbro-Silkeborg Håndbold A/S; and COWI Holding A/S.

Carsten Bjerg participated in all Board and Remuneration and Nomination Committee meetings during 2022.

Ilse Irene Henne

Elected to the Board: 2022
Chief Transformation Officer (CTO) thyssenkrupp Materials Services.

Other positions

Member of the Baden-Badener Unternehmer Gesprache e.V., Klasse 135, Germany; Member of the Board and member of the Audit Committee of Arkema S.A., France; Chairperson of the Supervisory Board of thyssenkrupp Materials Services, Essen, Germany.

Following her election, Ilse Irene Henne participated in all Board meetings during 2022 except one meeting.

Rebekka Glasser Herlofsen

Elected to the Board: 2020

Other positions related to the company

Chairperson of the Audit Committee.

Other positions

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

Rebekka Glasser Herlofsen participated in all Board and Audit Committee meetings during 2022 except two meetings.

Carsten Kähler

Elected to the Board: 2021

Other positions related to the company

Member of the Kähler Family Meeting.

Other positions

Member of the Board of the Fahu Foundation.

Carsten Kähler participated in all Board meetings during 2022 except one meeting.

Jørgen Tang-Jensen

Elected to the Board: 2017

Other positions related to the company

Member of the Audit Committee.

Positions in other Danish companies

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 2022.

Berit Kjerulf

Elected to the Board: 2022
Employee representative

Environmental Manager, ROCKWOOL NORDICS.

Following her election, Berit Kjerulf participated in all Board meetings during 2022.

Connie Enghus Theisen

Elected to the Board: 2006
Employee representative

Senior Group Advisor, ROCKWOOL A/S.

Connie Enghus Theisen participated in all Board meetings during 2022.

Christian Westerberg

Elected to the Board: 2018
Employee representative

Design Manager, ROCKWOOL A/S.

Other positions related to the company

Member of the Board of the ROCKWOOL Foundation.

Christian Westerberg participated in all Board meetings during 2022 except one meeting.

*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

Positions in other Danish companies

Chairman of the Board of Randers Reb International A/S, Denmark.

Other positions

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.

Positions in other Danish companies

Member of the Board of H+H International A/S, Denmark.

Other positions

President of BuVEG Bundesverband energieeffiziente Gebäudehülle e.V., Germany (federal association of energy-efficient building envelope).

Anders Espe Kristensen

Senior Vice President,
Head of Systems Division

Member of Group
Management: 2021

Other positions related to the company

Member of the Board of AKUART A/S.

Henrik Frank Nielsen

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

Member of Group
Management: 2007

Rafael Rodriguez

Senior Vice President,
Head of Insulation South West Europe

Member of Group
Management: 2022

Other positions

Member of The Shift Forum, France.

Mirella Vitale

Senior Vice President,
Group Marketing, Communications
& Public Affairs

Member of Group
Management: 2016

Shareholder information

ROCKWOOL shares

ROCKWOOL 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 2022, the class B share price decreased by 43 percent while the class A share decreased by 31 percent. That compares with a 13 percent decrease in the benchmark index STOXX® Europe 600 Construction & Materials and a 14 percent decrease in the Nasdaq OMX C25 index during 2022.

The official share price on 31 December 2022 was 1637 DKK (B share) and 1636 DKK (A share). The combined market capitalisation at the end of the year was 35 311 MDKK.

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.

Share capital amounts to a nominal value of 216 207 090 DKK, of which nominally 109 065 220 DKK (2021: 111 555 580 DKK) is class A share capital, and nominally 107 141 870 DKK (2021: 104 651 510 DKK) is class B share capital.

The changes in nominal value between class A and class B shares arise from the conversion scheme initiated 24 August 2022. The conversion scheme gives shareholders a voluntary right to convert class A shares to class B shares, under certain terms and conditions, four times a year. Further details are available at www.rockwool.com/group/about-us/investors/conversion-shares/.

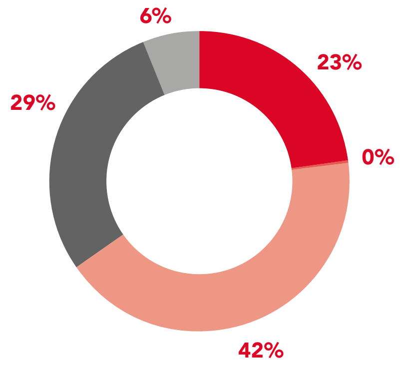
The company had 37 596 (2021: 31 867) registered shareholders on 31 December 2022. By the end of 2022, 23 percent (2021: 22 percent) of the shares were owned by shareholders located outside Denmark. In terms of voting capital, seven percent (2021: seven percent) was located outside Denmark.

For a list of shareholders holding more than five percent of the share capital or the votes, please refer to p. 101.

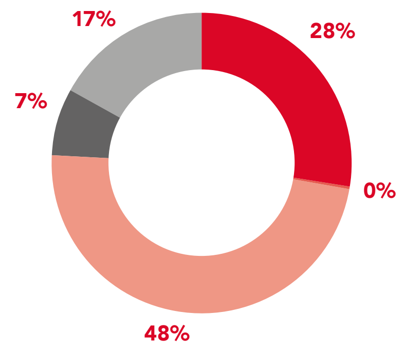
Capital structure and dividend

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

Ownership per shareholder category

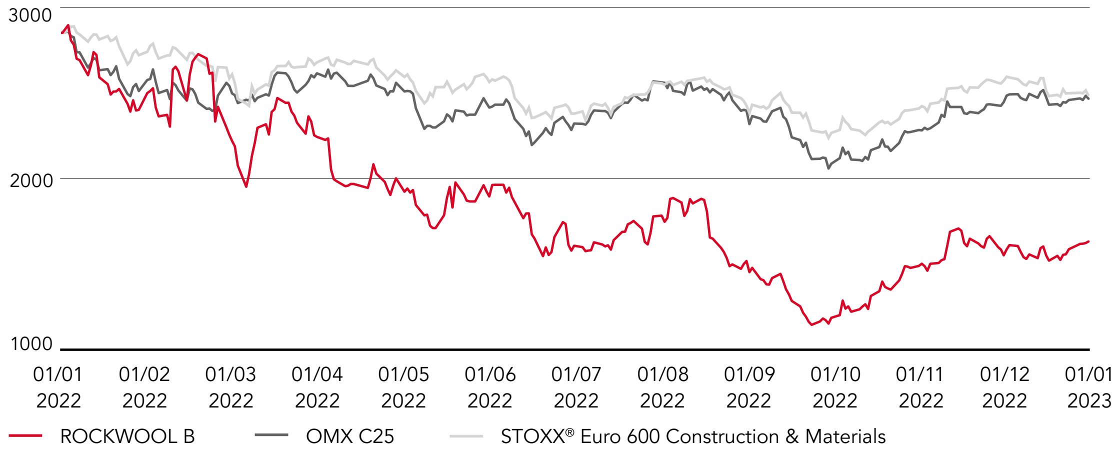


Votes per shareholder category



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 2022



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

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 29 March 2023, the Board of Directors will propose a dividend of 35.00 DKK per share for the financial year 2022 (2021: 35.00 DKK). The dividend payment occurs three banking days after the Annual General Meeting.

Investor relations

As a listed company ROCKWOOL A/S has defined a policy for its activities relating to ROCKWOOL 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 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 A/S itself and by persons considered insiders.
- Strive to ensure that ROCKWOOL 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 A/S' shares are generally categorised within Construction and Materials and are currently covered by 20 equity analysts, 13 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 contact information are available to investors at www.rockwool.com/group/about-us/investors/.

Financial calendar 2023

8 February
Annual Report for 2022

29 March
Annual General Meeting

10 May
Report on the first quarter of 2023

30 August
Report on the first half-year of 2023

22 November
Report on the first nine months of 2023

Stock market information

	2022 (EUR)	2022 DKK	2021 DKK	2020 DKK	2019 DKK	2018 DKK
Earnings per share	13	93	104	86	97	91
Dividend per share	4.7	35.0	35.0	32.0	32.0	29.9
Cash flow per share	18	136	147	150	136	140
Book value per share	119	887	823	707	719	638
Share capital (million)	29	216	216	220	220	220
Price per A share	220	1 636	2 379	2 075	1 439	1 430
Price per B share	220	1 637	2 859	2 296	1 585	1 697
Market cap (million)	4 748	35 311	56 295	47 062	33 072	34 168
Number of own shares	47 857	47 857	56 228	403 912	72 894	75 865
Number of A shares of 10 DKK (10 votes)	10 906 522	10 906 522	11 155 558	11 231 627	11 231 627	11 231 627
Number of B shares of 10 DKK (1 vote)	10 714 187	10 714 187	10 465 151	10 743 296	10 743 296	10 743 296

Financial performance

Record high sales with 23 percent growth in local currency. Profitability remained double-digit despite soaring inflation during the year, especially in the third quarter, achieving a 10.3 percent full-year EBIT margin. Based on our commitment to support Ukraine with relief aid and reconstruction activities, spent and accrued costs of 13 MEUR were recognised in the fourth quarter.

Global sales development

Sales in the first half of the year showed strong growth supported by sales price increases and volume growth. Despite the increasing inflation, the growth was substantially driven by pandemic-related government-funded economic recovery and stimulus packages, and a strong focus on climate-related energy efficiency actions.

During the second half of the year, and especially in the third quarter, high energy prices, the unfolding war in Ukraine, continued soaring inflation, and steady increases in interest rates changed the picture considerably, contributing to a decline in construction activity in key markets. Considering this context, the business performed well, and towards the end of the year, capacity was adjusted to adapt to the market situation.

Net sales for 2022 reached 3907 MEUR, an increase of 23 percent in local currencies and 27 percent in reported figures, which is at level with the latest announced expectation. Compared to the outlook announced in the Annual Report 2021, sales price increases throughout the year were higher than initially planned and added to the higher growth.

Regional sales development

Sales in Western Europe reached 2290 MEUR, an increase of 25 percent in local currencies and reported figures. All markets showed solid double-digit sales growth. Sales in Italy continued to show record high levels supported by government incentive schemes for energy efficiency renovation, although somewhat slower in the fourth quarter. Germany and the Nordic regions also achieved strong sales growth.

Sales in Eastern Europe reached 813 MEUR, up 37 percent in local currencies and 45 percent in reported figures, due to positive currency impact. All markets except Ukraine saw double-digit growth rates with especially Poland, Hungary and Romania performing very well. The sales decline in Russia accelerated in the fourth quarter.

In the rest of the world, sales reached 804 MEUR, an increase of seven percent in local currencies and 16 percent in reported figures. Sales in North America showed good growth during the year although hampered by the decreasing sales in Grodan North America. The insulation business in North America showed strong double-digit sales growth well supported by the new factory in West Virginia.

In Asia, most main markets achieved double-digit growth throughout the year. Especially sales in India and Japan showed strong growth, the latter well supported by the new factory in Japan. Sales in China were still impacted by COVID restrictions during the year.

Net sales development

	Growth	MEUR
Net sales 2021		3 088
Organic development	23%	704
Currency translation adjustment	4%	115
Net sales 2022	**27%**	**3 907**

EBIT development

	Development	MEUR	EBIT Margin
EBIT 2021		401	13.0%
Earnings from operation	-6.0%	-24	-3.0%
Currency translation adjustment	6.3%	25	0.3%
EBIT 2022	**0.3%**	**402**	**10.3%**
Costs related to relief aid and reconstruction in Ukraine	3.3%	13	0.3%
EBIT 2022 adjusted for the Ukrainian relief aid and reconstruction costs	**3.6%**	**415**	**10.6%**

Group profitability

Despite continued inflation in energy prices and raw materials, the profitability was partly recovered in the fourth quarter with an EBIT margin of 10.5 percent. Adjusted for the Ukrainian relief aid and reconstruction costs of 13 MEUR, the fourth quarter EBIT margin was 11.9 percent, an increase of 0.7 percentage points compared to the fourth quarter in 2021. We achieved a 10.3 percent full-year EBIT margin. Adjusted for the costs related to relief aid and reconstruction activities in Ukraine of 13 MEUR EBIT margin ended at 10.6 percent, a decrease of 2.4 percentage points compared to 2021.

Due to the decrease in sales volume from lower construction activity in key markets, the capacity in the factories was adjusted in the fourth quarter, which temporarily impacted the operational efficiency and cost savings activities. Overall, during the year, a strong focus on driving efficiency, while investing in new competencies, digitalisation and growth initiatives supported the profitability.

EBITDA increased six percent to 638 MEUR with an EBITDA margin of 16.3 percent. This is an acceptable achievement in a year with such high energy and raw materials costs.

In 2022, depreciation amounted to 236 MEUR, an increase of 35 MEUR compared 2021 due to full year depreciation effect of the investments in insulation capacity especially in the United States as well as new capacity for Grodan and Rockfon.

EBIT for the year reached 402 MEUR. Adjusted for the costs related to relief aid and reconstruction activities in Ukraine of 13 MEUR, EBIT ended at 415 MEUR compared to 401 MEUR in 2021. The adjusted EBIT margin ended at 10.6 percent.

There is no direct comparison to the initial outlook announced in February 2022 on EBIT margin, as the outlook for the full year was based on situations with lower energy and raw material prices. The surge in energy prices especially in third quarter of 2022 that had not been fully priced in, changed the underlying assumptions. The full year EBIT margin ended within the outlook range announced later in 2022.

Net financial costs amounted to 45 MEUR, an increase of 36 MEUR compared to 2021. The increase mainly relates to foreign currency exposure on the intercompany balance between ROCKWOOL A/S and our subsidiary in Russia. Due to the economic environment, it has not been possible to hedge this position since March 2022, which has resulted in an unrealised exchange loss, which at end of 2022 amounted to 34 MEUR.

Tax on profit for the year amounted to 85 MEUR compared to 90 MEUR in 2021. The effective tax rate ended at 23.7 percent, up 0.7 percentage points compared to 2021.

Group profit after tax totalled 273 MEUR, a 30 MEUR decrease, which we consider to be a satisfactory result taking the rapidly increasing inflation and energy cost as well as the unrealised exchange rate losses into consideration.

Balance sheet and equity

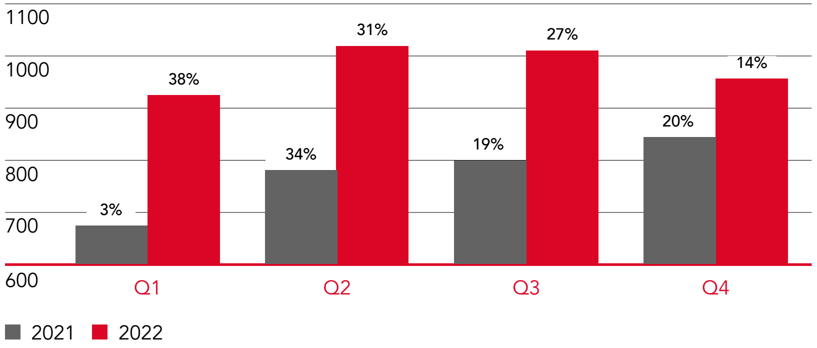
Net working capital ended at 441 MEUR, an increase of 135 MEUR compared to 2021. The increase is mainly reflecting higher inventory values due to higher purchase costs and higher volume of raw materials as many of the factories were not producing during Christmas holidays. Also increased trade receivables from the growth in sales had a negative impact on working capital. As a percentage of sales, net working capital was 11.3 percent compared to 9.9 percent in 2021.

Total assets at the end of 2022 amounted to 3428 MEUR, an increase of 348 MEUR compared to 2021 mainly from increased tangible assets, inventories, trade receivables and cash.

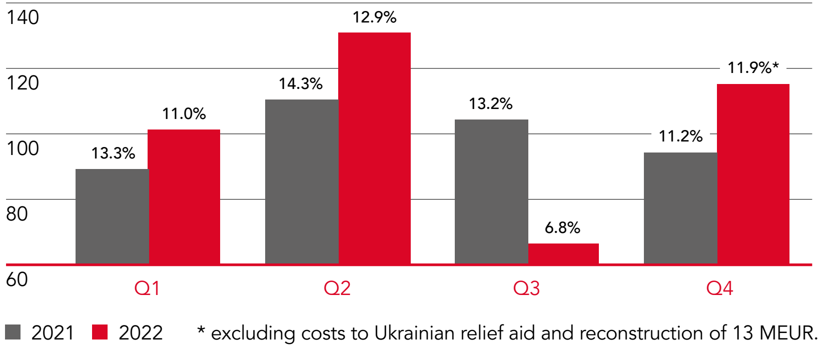
Equity of the Group totalled 2580 MEUR as of 31 December 2022 compared to 2394 MEUR in 2021, corresponding to an equity ratio of 75 percent. Equity was mainly affected by the profit for the year.

The proposed dividend for 2022 is 35.00 DKK per share, at level with 2021.

Quarterly sales & sales growth (reported)
(MEUR)



EBIT & EBIT margin
(MEUR)



* excluding costs to Ukrainian relief aid and reconstruction of 13 MEUR.

Record-high sales and respectable profitability in turbulent geopolitical and marcoeconomic environment.

Invested capital

Return on invested capital decreased in 2022, reaching 16.4 percent compared to 18.8 percent in 2021. The decrease came from higher invested capital, as earnings remained stable. Invested capital amounted to 2596 MEUR, up 302 MEUR compared to 2021. The increase mainly relates to higher net working capital and higher tangible assets, as we continue to invest in future growth.

Cash flow and investments

The Group's financial situation remains solid with a low net interest-bearing debt of 23 MEUR and unused credit facilities of 500 MEUR at the end of 2022.

Cash flow from operating activities ended at 394 MEUR, a decrease of 32 MEUR from 426 MEUR in 2021. The positive impact from increased cash earnings was offset by the negative impact from more cash tied up in net working capital.

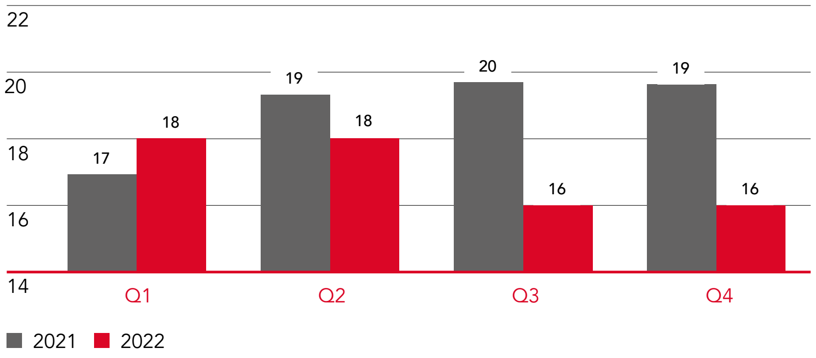
Capital expenditure excluding acquisitions reached 333 MEUR, an increase of 31 MEUR compared to 2021, at level with our latest expectation. Compared to our expectation announced in February 2022, the factory investment in Russia was cancelled and the construction of a new insulation factory in France was delayed. The largest individual investments in 2022 relate to the electric melter conversion in Switzerland and new capacity for Grodan and Rockfon.

Free cash flow amounted to 60 MEUR, a decrease of 56 MEUR compared to 2021, primarily due to higher net working capital and investments.

Cash flow from financing activities ended at negative 14 MEUR, mainly as the dividend payments of 102 MEUR was offset by drawings on our credit facilities of 115 MEUR.

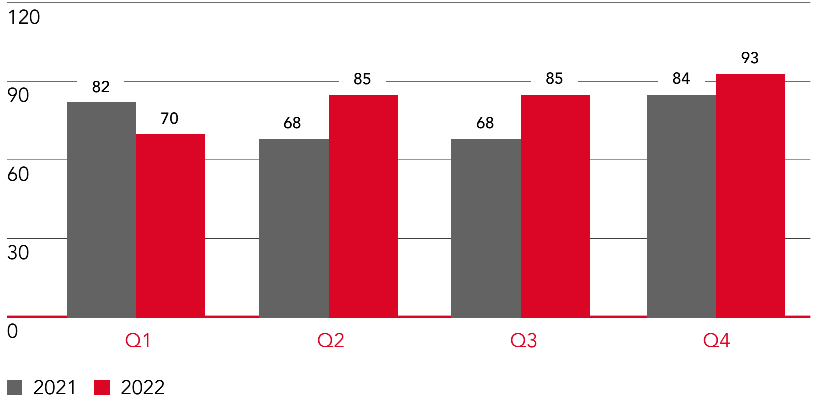
Return on invested capital (ROIC)

(%)



Investments excl. acquisitions

(MEUR)



Quarterly follow-up

Global sales development

Sales in Q4 2022 showed solid growth driven by sales price increases and reached a record high level of 955 MEUR, an increase of 11 percent in local currencies compared to Q4 2021. Foreign exchange rates had a positive impact of three percent, resulting in an increase of 14 percent in reported figures.

The sales growth in the quarter came from inflation-driven price increases while sales volume decreased compared to a very high Q4 2021. The high energy prices and continued inflation, the war in Ukraine, and increasing interest rates contributed to a decline in construction activity in key markets.

Regional sales development

Sales in Western Europe ended at 565 MEUR in Q4 2022, an increase of 16 percent measured in both local and reported currencies. Especially sales in France, Benelux and the Nordic region remained strong.

In Q4 2022, net sales in Eastern Europe amounted to 182 MEUR, an increase of two percent in local currencies and nine percent in reported figures compared to Q4 2021. The increase in the Russian rouble exchange rate had a positive impact in Q4 2022. Especially Hungary, Romania and the Czech Republic performed well during the quarter, while the Russian market declined.

Sales in the rest of the world reached 208 MEUR in Q4 2022, an increase of five percent in local currencies compared to Q4 2021. In reported figures, sales in Q4 2022 increased 12 percent. Overall sales in North America were back to growth after a slow third quarter, and Grodan sales in North America have recovered from the supply chain issues. Sales in most of Asia grew double-digit and especially sales in Japan showed good performance.

Group profitability

In Q4 2022, energy prices came down somewhat from the peak in Q3. Our contribution profit improved as the impact from sales price increases was able to offset the impact of inflation in energy and raw materials. Lower volume and the related capacity adjustments negatively impacted efficiency and cost savings in operations.

Based on our commitment to support reconstruction activities in Ukraine as approved at the General Meeting in August 2022, spent or accrued costs of 13 MEUR were recognised in operating costs in Q4 2022.

	2022				2021			
MEUR	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Income statement								
Net sales	924	1 018	1 010	955	671	778	797	842
Operating income	925	1 020	1 013	964	672	779	799	844
Raw material and production material costs	392	424	470	396	222	276	289	329
Delivery costs and indirect costs	128	141	135	114	91	107	117	123
Other external costs	55	62	71	85	48	51	51	55
Personnel costs	195	206	206	204	172	185	185	191
Operating costs	770	833	882	799	533	619	642	698
EBITDA	155	187	131	165	139	160	157	146
Depreciation, amortisation and write-downs	53	56	63	64	49	49	52	51
EBIT	102	131	68	101	90	111	105	95
Income from investments in associated companies	-	-	-	1	-	-	-	1
Financial items	-19	-45	-5	24	-2	-2	-2	-3
Profit before tax	83	86	63	126	88	109	103	93
Tax on profit for the period	20	24	18	23	20	25	24	21
Profit for the period	**63**	**62**	**45**	**103**	**68**	**84**	**79**	**72**
EBITDA margin	16.8%	18.4%	13.0%	17.2%	20.7%	20.6%	19.7%	17.2%
EBIT margin	11.0%	12.9%	6.8%	10.5%	13.3%	14.3%	13.2%	11.2%
Statement of comprehensive income								
Profit for the period	63	62	45	103	68	84	79	72
Exchange rate adjustments of foreign subsidiaries	-	154	5	-142	32	6	11	29
Change in pension obligation	-	-	-	-	-	-	-	28
Hedging instruments, value adjustments	-	2	5	-6	-	-2	2	-
Tax on comprehensive income	-	-	-	-5	-	-	-1	-1
Total comprehensive income	**63**	**218**	**55**	**-50**	**100**	**88**	**91**	**128**

Quarterly follow-up

EBITDA in Q4 2022 reached 165 MEUR, an increase of nine percent in local currencies and 13 percent in reported figures compared to Q4 2021. The EBITDA margin was 17.2 percent, unchanged compared to Q4 2021. Adjusted for costs related to Ukrainian relief aid and reconstruction activities, the EBITDA margin was 18.6 percent, an improvement of 1.4 percentage points compared to Q4 2021.

Depreciation in Q4 2022 amounted to 64 MEUR, 13 MEUR above Q4 2021 driven by impact from the high U.S. dollar exchange rate and one-off depreciation of production equipment and investment projects.

EBIT in Q4 2022 was 101 MEUR, compared to 95 MEUR in Q4 2021. EBIT margin ended at 10.5 percent, 0.7 percentage points below Q4 2021. Adjusted for costs related to Ukrainian relief aid and reconstruction activities, the EBIT margin was 11.9 percent, an improvement of 0.7 percentage points compared to Q4 2021.

Business segments

External sales in Q4 2022 in Insulation segment amounted to 707 MEUR, an increase of 11 percent in local currencies and 14 percent in reported figures compared to Q4 2021. All major businesses contributed to the solid sales performance.

In Q4 2022, costs related to Ukrainian relief aid and reconstruction activities of 13 MEUR was recognised in the Insulation segment.

EBIT in the Insulation segment reached 71 MEUR resulting in an EBIT margin of 8.4 percent, down one percentage point compared to Q4 2021. Adjusted for Ukrainian relief aid and reconstruction costs of 13 MEUR, EBIT margin in Q4 2022 was 10.0 percent, up 0.6 percentage points compared to Q4 2021.

In Systems segment, quarterly net sales reached 248 MEUR in Q4 2022, an increase in local currencies of 10 percent and 12 percent in reported figures compared to Q4 2021. All businesses showed good growth, as the supply chain difficulties in the North American market for Grodan improved.

EBIT in the Systems segment reached 30 MEUR in Q4 2022, an increase of 4 MEUR compared to Q4 2021. EBIT margin was 11.9 percent, up 0.1 percentage point compared to Q4 2021.

	2022				2021			
MEUR	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Cash flow statement								
EBIT	102	131	68	101	90	111	105	95
Adjustments for amortisation, depreciation and write-downs	53	56	63	64	49	49	52	51
Adjustments of non-cash operating items	-3	-1	3	5	1	1	1	-8
Change in net working capital	-114	-70	51	-15	-97	-2	27	-10
Cash flow from operations before financial items and tax	38	116	185	155	43	159	185	128
Cash flow from operating activities	2	105	145	142	29	145	167	85
Cash flow from investing activities	-70	-85	-86	-93	-83	-68	-74	-85
Free cash flow	-68	20	59	49	-54	77	93	0
Cash flow from financing activities	136	-4	-106	-40	2	-97	-44	-55
Net cash flow	68	16	-47	9	-52	-20	49	-55
Business segments								
Insulation segment:								
External net sales	724	807	796	707	498	568	604	621
Internal net sales	101	102	103	131	74	84	91	105
EBIT	79	110	52	71	59	69	78	69
EBIT margin	9.5%	12.1%	5.8%	8.4%	10.3%	10.6%	11.2%	9.4%
Systems segment:								
External net sales	200	211	214	248	173	210	193	221
EBIT	23	21	16	30	31	42	27	26
EBIT margin	11.6%	10.0%	7.7%	11.9%	17.6%	20.1%	14.4%	11.8%
Geographical segments								
Western Europe	557	593	575	565	417	468	459	490
Eastern Europe and Russia	178	217	236	182	105	129	161	167
North America, Asia and others	189	208	199	208	149	181	177	185
Total net sales	**924**	**1 018**	**1 010**	**955**	**671**	**778**	**797**	**842**


TEGERA

Consolidated financial statements

Income statement

1 January – 31 December

MEUR	Note	2022	2021
Net sales	2.1	3 907	3 088
Other operating income		15	6
Operating income		**3 922**	**3 094**
Raw material costs and production material costs		1 682	1 116
Delivery costs and indirect costs		518	438
Other external costs		273	205
Personnel costs	2.2	811	733
Operating costs		**3 284**	**2 492**
EBITDA		**638**	**602**
Amortisation, depreciation and write-downs	3.4, 3.5	236	201
EBIT		**402**	**401**
Income from investments in associated companies		1	1
Financial income	5.1	16	10
Financial expenses	5.1	61	19
Profit before tax		**358**	**393**
Tax on profit for the year	6.1	85	90
Profit for the year		**273**	**303**
EUR			
Earnings per share:	5.7		
Earnings per share of 10 DKK (1.3 EUR)		12.7	14.1
Diluted earnings per share of 10 DKK (1.3 EUR)		12.6	14.0

Statement of comprehensive income

1 January – 31 December

MEUR	Note	2022	2021
Profit for the year		**273**	**303**
Items that will not be reclassified to income statement:			
Actuarial gains and losses of pension obligations	3.6	-	28
Tax on other comprehensive income		-4	-2
Items that may be subsequently reclassified to income statement:			
Currency adjustment from translation of entities		17	78
Hedging instruments, value adjustments		1	-
Tax on other comprehensive income		-1	-
Other comprehensive income		**13**	**104**
Comprehensive income for the year		**286**	**407**

Balance sheet

Assets – as at 31 December

MEUR	Note	2022	2021
Goodwill		107	102
Software		14	9
Customer relationships		29	34
Other intangible assets		12	14
Software in progress		3	17
Total intangible assets	3.1	165	176
Buildings and sites		908	860
Plant and machinery		702	680
Other operating equipment		18	16
Tangible assets in progress		359	273
Total tangible assets	3.2	1 987	1 829
Right-of-use assets	3.3	88	61
Shares in associated companies		9	8
Long-term deposits and receivables		4	3
Deferred tax assets	6.1	48	52
Total financial assets		61	63
Non-current assets		**2 301**	**2 129**
Inventories	4.1	433	317
Trade receivables	4.2, 5.2	347	307
Other receivables	5.2	80	98
Prepayments		31	24
Income tax receivable	6.1	27	39
Cash	5.2, 5.3	209	166
Current assets		**1 127**	**951**
Total assets		**3 428**	**3 080**

Equity and liabilities – as at 31 December

MEUR	Note	2022	2021
Share capital	5.6	29	29
Currency translation adjustments		-117	-134
Proposed dividend		102	102
Retained earnings		2 567	2 398
Hedging		-1	-1
Total equity		**2 580**	**2 394**
Deferred tax liabilities	6.1	55	51
Pension obligations	3.6	32	35
Lease liabilities	3.3	61	44
Provisions	3.7	19	16
Bank loans and other loans	5.2, 5.4	39	17
Non-current liabilities		**206**	**163**
Short-term portion of bank loans and other loans	5.2, 5.4	102	9
Bank debt	5.2, 5.3	7	1
Trade payables	5.2	270	283
Lease liabilities	3.3	24	19
Provisions	3.7	17	8
Income tax payable	6.1	26	26
Other payables	5.2	196	177
Current liabilities		**642**	**523**
Total liabilities		**848**	**686**
Total equity and liabilities		**3 428**	**3 080**

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	2022	2021
EBIT		402	401
Adjustments for amortisation, depreciation and write-downs	3.4	236	201
Adjustments of non-cash operating items	4.3	4	-5
Changes in net working capital	4.3	-148	-82
Cash flow from operations before financial items and tax		**494**	**515**
Finance income etc. received		10	10
Finance costs etc. paid		-38	-17
Taxes paid		-72	-82
Cash flow from operating activities		**394**	**426**
Purchase of tangible assets		-326	-295
Proceeds from sale of tangible assets		1	-
Purchase of intangible assets		-8	-7
Business acquisitions, net of cash		-1	-8
Cash flow from investing activities		**-334**	**-310**
Free cash flow		**60**	**116**
Dividend paid		-102	-93
Share buy-back programme		-	-3
Purchase of own shares		-2	-4
Sale of own shares		1	1
Transactions with non-controlling interests		-	-8
Repayment of lease liabilities	3.3	-26	-21
Repayment of non-current receivables		-	8
Proceeds from borrowings		124	26
Repayment of current debt		-9	-100
Cash flow from financing activities		**-14**	**-194**
Net cash flow		46	-78
Cash 1/1		165	240
Exchange rate adjustments on cash		-9	3
Cash 31/12	5.3	**202**	**165**
Unutilised, committed credit facilities		**500**	**600**

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

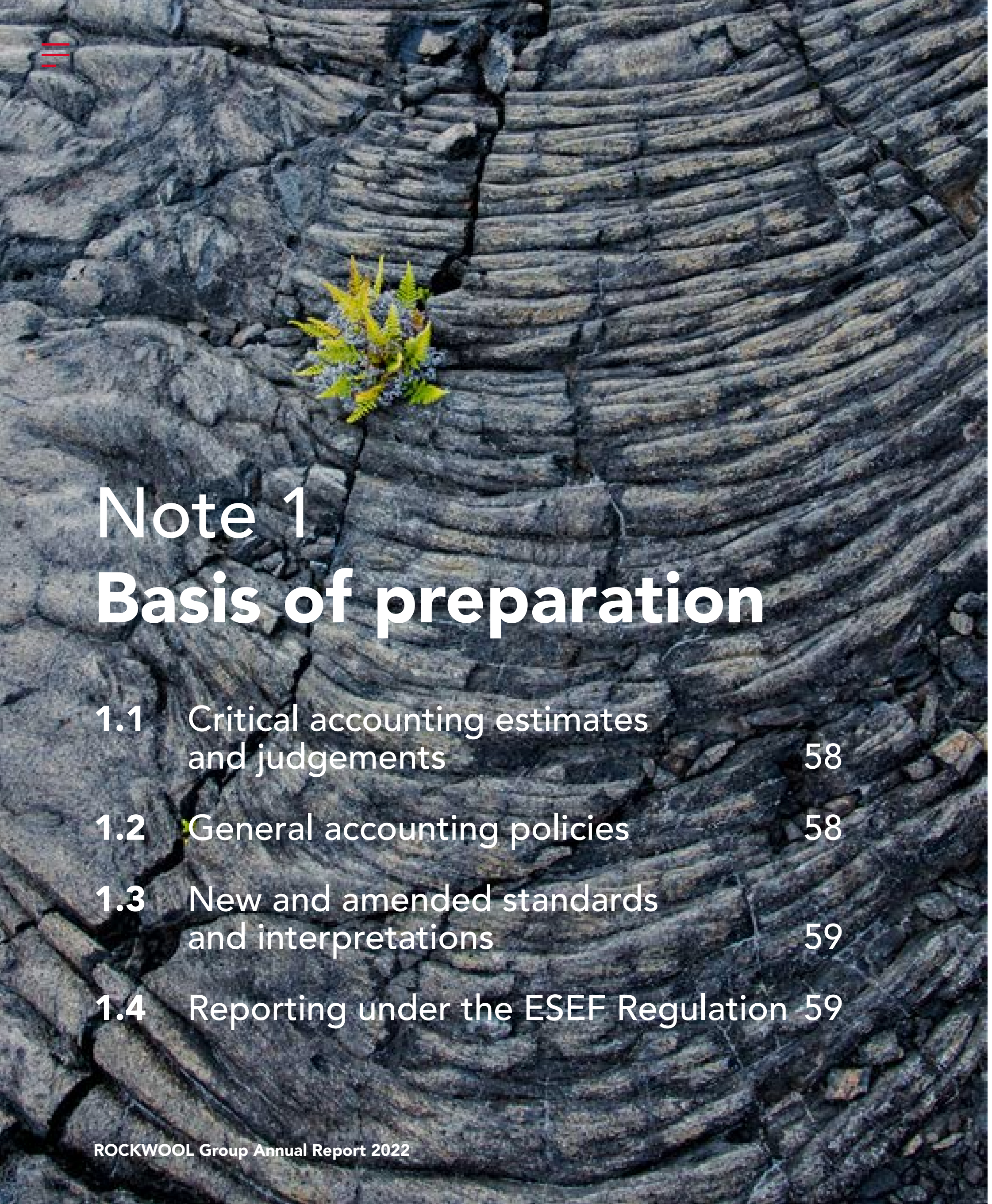
The non-controlling interests' proportionate share of the result for the year and the equity is recognised as part of the Group's result for the year and as a separate share of the Group's equity.

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

	Shareholders of ROCKWOOL A/S							
MEUR	Share capital	Currency translation adjustments	Proposed dividend	Retained earnings	Hedging	Total	Non-controlling interests	Total equity
Equity 1/1 2022	**29**	**-134**	**102**	**2 398**	**-1**	**2 394**	**-**	**2 394**
Profit for the year	-	-	102	171	-	273	-	273
Other comprehensive income	-	17	-	-4	-	13	-	13
Comprehensive income for the year	-	17	102	167	-	286	-	286
Purchase of own shares	-	-	-	-2	-	-2	-	-2
Sale of own shares	-	-	-	1	-	1	-	1
Expensed value of Restricted Share Units (RSUs) issued	-	-	-	2	-	2	-	2
Dividend paid	-	-	-102	1	-	-101	-	-101
Equity 31/12 2022	**29**	**-117**	**102**	**2 567**	**-1**	**2 580**	**-**	**2 580**
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**


ROCKWOOL

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.

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 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 2022.

Group Accounts

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

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.

Notes

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.

Transactions in Russian rubles were since March 2022 translated using exchange rates published by the Russian National bank. Transactions in rubles were 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 2022, the Group has implemented the following amendments to standards (IAS and IFRS):

– IAS 16, IAS 37, IFRS 3 and annual improvements 2018-2020.

The adoption of the new or amended standards has not impacted our consolidated financial accounts for 2022 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 2022. 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 statements and notes in the consolidated financial statements shall be tagged using inline eXtensible Business Reporting Language (iXBRL).

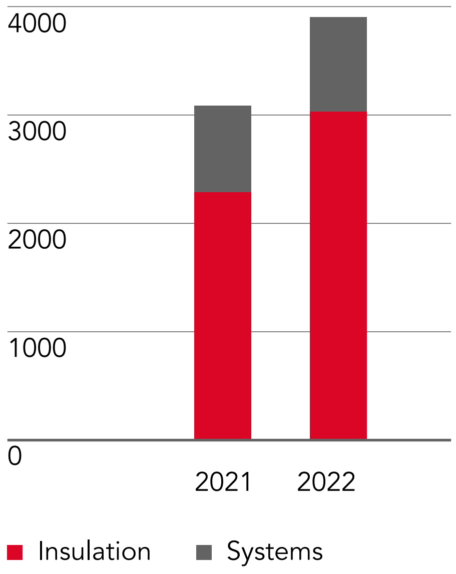
IXBRL tags shall comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published in the IFRS Foundation.

As part of the tagging process financial statement line items and notes are marked up to elements in the ESEF taxonomy. If a financial statement line item or note 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 ROCK-2022-12-31-en.zip.

Note 2
Operating profit

Sales per business segment (MEUR)



Reported sales increase

27%

Average number of FTEs

12 302

EBIT margin

10.3%

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	2022	2021	2022	2021	2022	2021	2022	2021
External net sales	3 034	2 291	873	797	-	-	3 907	3 088
Internal net sales	437	354	-	-	-437	-354	-	-
EBIT	**312**	**275**	**90**	**126**	**-**	**-**	**402**	**401**
EBIT margin	*9.0%*	*10.4%*	*10.3%*	*15.9%*	-	-	*10.3%*	*13.0%*
Financial items and income from associated companies	-	-	-	-	-	-	-44	-8
Tax on profit for the year	-	-	-	-	-	-	-85	-90
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**273**	**303**
Goods transferred at a point in time	3 034	2 291	873	797	-	-	3 907	3 088
Non-current asset additions	289	295	83	58	-	-	372	353

Geographical segments

	Net sales		Intangible and tangible assets	
MEUR	2022	2021	2022	2021
Western Europe	2 290	1 834	972	911
Eastern Europe and Russia	813	562	427	394
North America, Asia and others	804	692	753	700
Total	**3 907**	**3 088**	**2 152**	**2 005**

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.

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 were in the range of 3-4 percent of the Group's net sales in both 2022 and 2021. The domestic intangible and tangible assets in Denmark amount to 196 MEUR (2021: 172 MEUR).

No customers exceed 10 percent of the Group's net sales neither this year nor last year. In Germany and France net sales amount to between 10-15 percent of the Group's total net sales in both 2022 and 2021. In the United States net sales amount to between 10-20 percent of the Group's total net sales in 2021. In no other country does net sales exceed 10 percent of the Group's total net sales.

In 2022 and 2021, intangible and tangible assets in the United States and Germany exceeded 10 percent of the Group's total intangible and tangible assets.

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.

No termination costs are included in 2022. In 2021, termination costs of less than 1 MEUR are included in the remuneration to Group Management.

Personnel costs

MEUR	2022	2021
Wages and salaries	684	614
Expended value of RSUs issued	2	4
Pension Cost	34	31
Other social security cost	91	84
Personnel costs	**811**	**733**
Average number of employees	12 302	11 689

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	2022	2021
Group Management		
Salaries and other benefits to Group Management	7	7
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**	**9**
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 2022 was 209 EUR (2021: 409 EUR). All stock options are now exercised. In 2022, no stock options expired. In 2021, the stock options granted in 2013 expired and they were all 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 2022	Number of stock options 2021
2015	20.03.2018 - 19.03.2023	103	-	4 200
			-	**4 200**

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

Development in outstanding stock options

	2022		2021	
	Number of stock options	Average exercise price (EUR)	Number of stock options	Average exercise price (EUR)
Outstanding stock options 1/1	4 200	103	15 050	110
Exercised	4 200	103	10 850	114
Outstanding stock options 31/12	**-**	**-**	**4 200**	**103**

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.

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 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 2022 was 3 MEUR (2021: 3 MEUR) at grant date.

In 2022, 2 MEUR was expensed related to the RSUs (2021: 4 MEUR), of which 2 MEUR (2021: 4 MEUR) was recognised in personnel costs. In 2022, the fair value adjustment under finance expenses was close to zero (2021: close to zero).

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 2020-2022 include 3117 phantom shares (2021: 5014).

The total intrinsic value of the phantom stock options/ RSUs at year-end amounts to less than 1 MEUR (2021: 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 2022	Number of RSUs 2021
2019	24.05.2022	-	10 311
2020	23.05.2023	14 190	14 226
2020, one-time award	26.05.2025	9 272	9 272
2021	22.05.2024	7 237	7 251
2022	21.05.2025	9 353	-
		40 052	**41 060**
Weighted average remaining contractual life of the outstanding RSUs at year-end (Year)		1.5	1.8

Of the number of RSUs 15 972 belong to Registered Directors and 24 080 to other senior executives. In 2021, 16 364 belonged to Registered Directors and 24 696 to other senior executives.

Development in number of outstanding RSUs

	2022	2021
Outstanding RSUs 1/1	41 060	42 303
Granted	9 908	7 559
Vested	10 849	8 802
Forfeited	67	-
Outstanding RSUs 31/12	**40 052**	**41 060**

The average share price the day following the vesting date was 257 EUR.

Note 3
Invested capital

Capital expenditure

333 MEUR

Up 31 MEUR compared to 2021

ROU assets

88 MEUR

ROIC

16.4%

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

	2022					
MEUR	Goodwill	Software	Customer relationships	Other intangible assets	Software in progress	Total
Cost 1/1	133	93	89	34	17	366
Exchange rate adjustments	5	-	2	-	-	7
Additions for the year	-	3	-	-	4	7
Transfer of assets in progress	-	18	-	-	-18	-
Disposals for the year	-	-17	-	-3	-	-20
Cost 31/12	**138**	**97**	**91**	**31**	**3**	**360**
Amortisation and write-downs 1/1	31	84	55	20	-	190
Exchange rate adjustments	-	-	1	-	-	1
Amortisation for the year	-	7	6	2	-	15
Transfers	-	-	-	-	-	-
Disposals for the year	-	-8	-	-3	-	-11
Amortisation and write-downs 31/12	**31**	**83**	**62**	**19**	**-**	**195**
Carrying amount 31/12	**107**	**14**	**29**	**12**	**3**	**165**

	2021					
MEUR	Goodwill	Software	Customer relationships	Other intangible assets	Software in progress	Total
Cost 1/1	127	92	82	42	12	355
Exchange rate adjustments	6	-	3	1	1	11
Additions for the year	-	-	-	2	5	7
Transfer of assets in progress	-	3	4	-6	-1	-
Disposals for the year	-	-2	-	-5	-	-7
Cost 31/12	**133**	**93**	**89**	**34**	**17**	**366**
Amortisation and write-downs 1/1	31	79	43	21	-	174
Exchange rate adjustments	-	1	2	1	-	4
Amortisation for the year	-	6	6	2	-	14
Transfers	-	-	4	-4	-	-
Disposals for the year	-	-2	-	-	-	-2
Amortisation and write-downs 31/12	**31**	**84**	**55**	**20**	**-**	**190**
Carrying amount 31/12	**102**	**9**	**34**	**14**	**17**	**176**

During the year R&D costs amounting to 55 MEUR (2021: 45 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 45 MEUR (2021: 42 MEUR) and to CGUs in Systems segment at an amount of 62 MEUR (2021: 60 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.

The carrying amount of other intangible assets includes brands amounting to 8 MEUR (2021: 10 MEUR) and patents amounting to 4 MEUR (2021: 4 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, 121 MEUR (2021: 119 MEUR) represent sites not subject to depreciation.

Accumulated capitalised interests amounting to 7 MEUR (2021: 3 MEUR) are included in the cost of tangible assets. Additional capitalised interest has been added this year as part of ongoing investments.

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 2022 amount to 4 MEUR (2021: 13 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 2022 amount to 152 MEUR (2021: 107 MEUR).

Notes

3.2 Tangible assets (continued)

Tangible assets

MEUR	2022 Buildings and sites	2022 Plant and machinery	2022 Other operating equipment	2022 Tangible assets in progress	2022 Total	2021 Buildings and sites	2021 Plant and machinery	2021 Other operating equipment	2021 Tangible assets in progress	2021 Total
Cost 1/1	1 358	2 460	140	273	4 231	1 105	2 099	123	534	3 861
Exchange rate adjustments	8	11	-	13	32	28	45	-1	23	95
Additions for the year	25	60	6	237	328	-	-	-	301	301
Transfer of assets in progress	65	87	12	-164	-	233	330	22	-585	-
Disposals for the year	-13	-53	-5	-	-71	-12	-18	-4	-	-34
Business acquisitions	-	-	-	-	-	4	4	-	-	8
Cost 31/12	**1 443**	**2 565**	**153**	**359**	**4 520**	**1 358**	**2 460**	**140**	**273**	**4 231**
Depreciation and write-downs 1/1	498	1 780	124	-	2 402	468	1 660	101	-	2 229
Exchange rate adjustments	-	1	-	-	1	6	35	1	-	42
Depreciation for the year	50	129	16	-	195	36	103	26	-	165
Disposals for the year	-13	-47	-5	-	-65	-12	-18	-4	-	-34
Depreciation and write-downs 31/12	**535**	**1 863**	**135**	**-**	**2 533**	**498**	**1 780**	**124**	**-**	**2 402**
Carrying amount 31/12	**908**	**702**	**18**	**359**	**1 987**	**860**	**680**	**16**	**273**	**1 829**
Hereof investment grants	**-17**	**-27**	**-**	**-**	**-44**	**-9**	**-13**	**-**	**-21**	**-43**

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 reassessed 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 prepayments 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	2022	2021
Right-of-use assets:		
Offices, other buildings and sites	14	12
Warehouses	48	30
Forklifts, cars and other assets	26	19
Carrying amount of right-of-use assets 31/12	**88**	**61**
Contractual maturity of lease liabilities:		
< 1 year	30	21
1-5 years	60	35
> 5 years	15	17
Total undiscounted lease liabilities	**105**	**73**
Current/non-current classification (discounted):		
Non-current	61	44
Current	24	19

In 2022, additions to right-of-use assets were 37 MEUR (2021: 37 MEUR).

Leases in the income statement

MEUR	2022	2021
Depreciation of right-of-use assets:		
Offices, other buildings and sites	5	3
Warehouses	10	9
Forklifts, cars and other assets	11	10
Total depreciation of right-of-use assets	**26**	**22**
Interest expense (included in financial expenses)	3	2
Expense relating to short-term leases (included in operating costs)	11	10
Expense relating to low-value leases (included in operating costs)	1	-
Variable lease payments not included in the lease liabilities (included in operating costs)	2	1

The total cash outflow for leases in 2022 was 43 MEUR (2021: 35 MEUR), of which 26 MEUR (2021: 21 MEUR) is classified as cash flow from financing activities and 17 MEUR (2021: 14 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

Amortisation, depreciation and write-downs

MEUR	2022	2021
Amortisation of intangible assets	15	14
Depreciation of tangible assets	195	165
Depreciation of right-of-use assets	26	22
Amortisation, depreciation and write-downs	**236**	**201**

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.

The carrying amount of other non-current assets is tested for impairment once a year. The carrying amount of property, plant and equipment is tested for impairment when there is indication 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 and other non-current intangible assets. In addition, impairment test of property, plant and equipment 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 post-tax discount rate is based on the specific circumstances of the Group and the operating segments and is derived from the weighted average cost of capital (WACC).

2022

The impairment tests for 2022 have not shown a need for write-downs or reversals of write-downs recognised previous years. The cash generating units of CSR and KEWO have been merged as revenue from these business combinations no longer can be separated. All cash generating units are showing a solid headroom to the carrying amount. The Chinese Insulation business is followed closely to ensure that the expected future outcome of the investment in the new factory in Fogang is realised. HECK Wall Systems continues to be closely monitored due to difficult market situations. Despite a decrease in the net present value of the business, the headroom is still considered to be large.

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.

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.

2022

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.

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.

Notes

3.5 Impairment tests (continued)

Impairment test of goodwill

MEUR	2022			
CGUs	Carrying amount, Goodwill	Discount rate	Growth rate (budget period)	Headroom
Chicago Metallic Corporation (Rockfon)	62	8.1%	3%*	Large
HECK Wall Systems	6	8.0%	2%*	Large
CSR including KEWO	15	8.5%	10%*	Large
Flumroc	16	6.9%	5%*	Large
Other	8	12-16%	0-6%	Large
Total	**107**			

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

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.

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 21 percent (2021: 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	2022	2021
Defined contribution plans:		
Total pension costs recognised	**30**	**29**
Defined benefit plans:		
Pension costs	3	2
Interest costs	3	2
Interest income	-2	-1
Curtailments/settlements	-	-1
Total pension costs recognised	**4**	**2**

Defined benefit pension plans

MEUR	2022	2021	2020	2019	2018
Present value of pension liabilities	177	239	250	247	217
Fair value of plan assets	-179	-214	-184	-185	-164
Assets ceiling limitation	34	10	-	-	-
Pension obligation, net 31/12	**32**	**35**	**66**	**62**	**53**

Key assumptions

	2022	2021
Increase in salaries and wages	1.7%	1.2%
Discount rate	3.3%	1.1%
Remaining life expectancy at the time of retirement (years)	24.0	27.1

Defined benefit pension obligation

MEUR	2022	2021
Obligations 1/1	239	250
Exchange rate adjustments	-	10
Pension costs	4	6
Interest costs	3	2
Settlements	-	-3
Actuarial gains/losses from changes in demographic assumptions	-	-7
Actuarial gains/losses from changes in financial assumptions	-67	-7
Actuarial gains/losses from changes in experience	5	-2
Benefits paid	-7	-10
Obligations 31/12	**177**	**239**

Sensitivity analysis

Assumptions	**Discount rate**		**Salary increase**		**Life expectancy**	
	-0.5%	**+0.5%**	**-1.0%**	**+1.0%**	**-1 year**	**+1 year**
MEUR						
2022 - Impact on obligation	11	-10	-1	1	-4	4
2021 - Impact on obligation	19	-18	-2	2	-8	8

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	2022	2021
< 1 year	7	7
1-5 years	22	24
> 5 years	40	38
Expected contributions	**69**	**69**

The expected duration of the defined benefit plan obligation is 24 years (2021: 27 years) at year end.

Pension plan assets

MEUR	2022	2021
Pension plan assets 1/1	214	184
Exchange rate adjustments	1	10
Interest income	2	1
Return on plan assets	-38	22
Employer's contribution	4	4
Plan participants	1	1
Benefits paid	-5	-8
Pension plan assets 31/12	**179**	**214**

Composition of pension plan assets

MEUR	2022	2021
Assets quoted in active markets:		
Equities in European markets	36%	39%
Bonds in European markets	27%	31%
Assets unquoted:		
Cash	9%	8%
Other	28%	22%

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, reconstruction and relief aid activities in Ukraine, refurbishment obligation, warranties, fair value provision for phantom share, restructuring and ongoing disputes.

As at 31 December 2022 other provisions include a provision of 1 MEUR (2021: 1 MEUR) for restructuring measures. This provision is expected to be utilised within one year.

Provisions

	2022				2021			
MEUR	Employees	Claims and legal actions	Other	Total	Employees	Claims and legal actions	Other	Total
Provisions 1/1	13	4	7	24	12	4	10	26
Additions for the year	3	3	16	22	3	5	1	9
Used during the year	-1	-2	-1	-4	-2	-2	-4	-8
Reversed during the year	-2	-3	-1	-6	-	-3	-3	-6
Business acquisitions	-	-	-	-	-	-	3	3
Provisions 31/12	**13**	**2**	**21**	**36**	**13**	**4**	**7**	**24**
Current/non-current classification:								
Non-current liabilities	10	-	9	19	11	1	4	16
Current liabilities	3	2	12	17	2	3	3	8
Provisions 31/12	**13**	**2**	**21**	**36**	**13**	**4**	**7**	**24**

Note 4
Working capital

Net working capital in % of net sales

11.3%

Increased compared to 9.9% in 2021

Total net working capital

441 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

The main part of the write-down of inventory relates to write-down of spare parts inventory.

Inventories

MEUR	2022	2021
Raw materials and consumables	212	144
Work in progress	20	15
Finished goods	201	158
Inventories 31/12	**433**	**317**
Inventory before write-downs	512	398
Write-downs 1/1	-81	-77
Change in the year	2	-4
Write-downs 31/12	-79	-81
Inventories 31/12	**433**	**317**

4.2 Trade receivables

Accounting policies

Trade receivables 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 2022 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	2022	2021
Trade receivables before allowance for bad debts (maximum credit risk)	360	318
Allowance for bad debts 1/1	-11	-10
Exchange rate adjustments	-	-
Movements during the year	-3	-2
Realised losses during the year	1	1
Allowance for bad debts 31/12	-13	-11
Trade receivables 31/12	**347**	**307**

Notes

4.2 Trade receivables (continued)

Allowance for bad debts based on the expected credit loss model

MEUR	2022 Expected loss rate	Gross carrying amount	Allowance for bad debt	Total
Current	0.1%	340	-	340
More than 30 days past due	2%	6	-	6
More than 60 days past due	40%	2	-1	1
More than 90 days past due	100%	12	-12	-
Total 31/12		**360**	**-13**	**347**

MEUR	2021 Expected loss rate	Gross carrying amount	Allowance for bad debt	Total
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**

4.3 Other cash flow notes

Adjustments of non-cash operating items

MEUR	2022	2021
Provisions	2	-7
Expensed value of RSUs issued	3	2
Gain/loss on sale of intangible and tangible assets	-1	-
Adjustments of non-cash operating items	**4**	**-5**

Changes in net working capital

MEUR	2022	2021
Change in inventories	-113	-89
Change in trade receivables	-48	-47
Change in other receivables	10	-45
Change in trade payables	-8	91
Change in other payables	11	8
Change in net working capital	**-148**	**-82**

Note 5
Capital structure and financing

Equity ratio

75.3%

Compared to 77.7% in 2021

Cash

202 MEUR

Up 37 MEUR from 2021

Earnings per share

12.7 EUR

Down 1.4 EUR from 2021

Notes

5.1 Financial income and Financial expenses

Accounting policies

Financial income and 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.

Further, they 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	2022	2021
Interest income	5	2
Fair value adjustment Phantom shares	1	-
Foreign exchange gains	10	8
Financial income	**16**	**10**
Hereof financial income on financial assets at amortised cost	4	2

Financial expenses

MEUR	2022	2021
Interest expenses and similar	8	8
Interest expenses lease liabilities	3	2
Foreign exchange losses	50	9
Financial expenses	**61**	**19**
Hereof financial expenses on financial liabilities at amortised cost	6	4

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	2022	2021
Financial assets: Financial instruments for hedging of future cash flows	1	-
Financial assets at fair value through other comprehensive income	**1**	**-**
Trade receivables	347	307
Other receivables and receivables from associated companies	80	98
Cash	209	166
Financial assets at amortised costs	**636**	**571**
Financial liabilities: Fair value hedges	-	-
Financial liabilities at fair value through income statement	**-**	**-**
Financial instruments for hedging of future cash flows	3	1
Financial liabilities at fair value through other comprehensive income	**3**	**1**
Bank loans and other loans including short-term portion	141	26
Bank debt	7	1
Trade payables	270	283
Other payables	196	176
Financial liabilities at amortised costs	**614**	**486**

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 2022 and 2021, and amount to 80 MEUR (2021: 98 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 50 MEUR (2021: 27 MEUR) for the five most exposed currencies (USD, RUB, CAD, PLN, and GBP), which is a change of -1.3 percent (2021: 0.9 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	**2022**	**2021**
USD (+/-)	10	10
RUB (+/-)	6	7
CAD (+/-)	4	3
PLN (+/-)	1	1
GBP (+/-)	8	7
	Equity	
5% change in exchange rate	**2022**	**2021**
USD (+/-)	14	14
RUB (+/-)	18	12
CAD (+/-)	12	11
PLN (+/-)	13	12
GBP (+/-)	11	10

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 and the maximum credit risk, 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

Cash

MEUR	2022	2021
Cash	209	166
Bank debt	7	1
Cash 31/12	**202**	**165**

5.4 Loans

Comments

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

Bank loans amounted to 141 MEUR at 31 December 2022. The loans are to be fully repaid within three years, of which the majority are due within one year. The loans are fixed interest loans, and are denominated in EUR and CNY.

In 2021, bank loans amounted to 26 MEUR. The loans were fixed interest loans, were to be fully repaid within three years, and were denominated in EUR and CNY.

Notes

5.5 Own shares

Accounting policies

ROCKWOOL 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	2022			2021		
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	-	-	-	-	-	-
Cancellation of shares	-	-	-	76 069	-	0.4
Own shares 31/12	**-**		**-**	**-**		**-**
B-shares						
Own shares 1/1	56 228		0.3	327 843		1.4
Purchase	5 000	314	0.0	18 630	330	0.1
Cancellation of shares	-		-	278 145		1.2
Sale	13 371	103	0.1	12 100	114	0.0
Own shares 31/12	**47 857**		**0.2**	**56 228**		**0.3**

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 A/S on 6 April 2022 adopted the board of directors' proposal for amendments to the articles of associations regarding the opportunity to convert on a voluntary basis A shares to B shares in a ratio of 1:1. The conversions for 2022 were completed on 15 December 2022 and the company's articles of association were updated with the resulting changes to the size of the company's A- and B share capital.

The Annual General Meeting of ROCKWOOL 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.

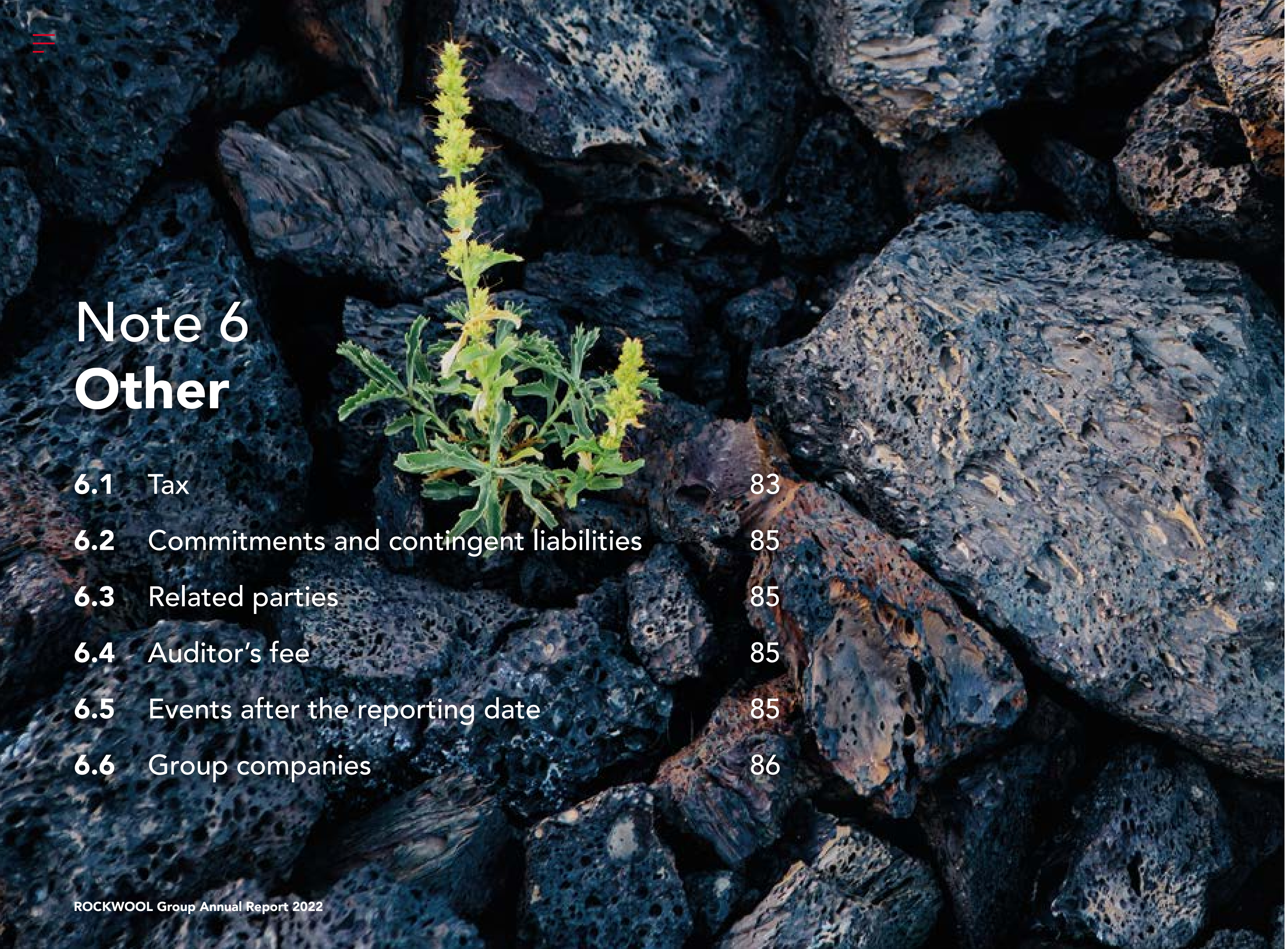
Share capital

MEUR	2022	2021
A shares - 10 906 522 shares of 10 DKK each (1.3 EUR)	15	
B shares - 10 714 187 shares of 10 DKK each (1.3 EUR)	14	
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
Share capital	**29**	**29**

5.7 Earnings per share

Earnings per share

MEUR	2022	2021
Profit for the year attributable to shareholders of ROCKWOOL A/S	273	303
Average number of shares ('000)	21 621	21 744
Average number of own shares ('000)	54	177
Average number of outstanding shares ('000)	**21 567**	**21 567**
Dilution effect of stock options ('000)	42	49
Average number of diluted shares ('000)	**21 609**	**21 616**
Earnings per share	12.7	14.1
Earnings per share, diluted	12.6	14.0



Note 6
Other

Effective tax rate in 2022

23.7%

Number of subsidiaries in the Group

60

Number of associated companies in the Group

3

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	2022	2021
Current tax for the year	85	86
Change in deferred tax	6	4
Adjustment to valuation of tax assets	-3	-1
Withholding taxes	-	2
Adjustment in current and deferred tax in previous years	-3	-1
Tax on profit for the year	**85**	**90**

Reconciliation of effective tax rate

%	2022	2021
Danish tax rate	22.0	22.0
Deviation in non-Danish subsidiaries' tax compared to Danish tax percentage	0.6	1.4
Withholding tax adjustment	0.0	0.5
Permanent differences	1.8	0.0
Effect on change in income tax rates	0.2	-0.4
Adjustment to valuation of tax assets	-0.8	-0.3
Initial recognition of tax credit	0.0	-0.2
Other deviations	-0.1	0.0
Effective tax rate (%)	**23.7**	**23.0**

Income tax receivable and payable

MEUR	2022	2021
Income tax receivable and payable 1/1	-13	-13
Exchange rate adjustments	3	-2
Current tax for the year including withholding taxes	85	88
Payments during the year	-76	-85
Adjustment in respect of prior years	-1	-1
Current tax for the year recognised in other comprehensive income	1	-
Income tax receivable and payable 31/12	**-1**	**-13**
Income tax is recognised as follows:		
Income tax receivable	27	39
Income tax payable	26	26
Income tax receivable and payable 31/12	**–1**	**-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 estimates 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 16 MEUR (2021: 21 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, 20 MEUR (2021: 3 MEUR) relate to tax loss carry forwards.

Deferred tax

MEUR	2022	2021
Deferred tax, net 1/1	-1	-7
Exchange rate adjustments	3	1
Change in deferred tax recognised in profit and loss	4	4
Adjustment to valuation of tax assets	-3	-1
Deferred tax for the year recognised in other comprehensive income for the year	4	2
Deferred tax, net 31/12	**7**	**-1**
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax assets	48	52
Deferred tax liabilities	55	51
Deferred tax, net 31/12	**7**	**-1**
Deferred tax relates to:		
Non-current assets	44	20
Current assets	-	1
Non-current liabilities	-7	-12
Current liabilities	-14	-11
Tax loss carried forward	-20	-3
Re-taxable amounts	4	4
Deferred tax, net 31/12	**7**	**-1**

Unrecognised tax assets expire as follows

MEUR	2022	2021
< 1 year	-	1
1-5 years	4	5
> 5 years	12	13
Do not expire	-	2
Unrecognised tax assets	**16**	**21**

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 31 MEUR (2021: 26 MEUR), which mainly relates to a number of long-term supply agreements and one conditional tangible asset purchase obligation. Contingent liabilities amount to 6 MEUR (2021: 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 2022 (as well as at 31 December 2021).

6.3 Related parties

Comments

At 31 December 2022, own shares accounted for 0.2 percent (2021: 0.3 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 2022, as well as in 2021, no shares were purchased from major shareholders.

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	2022	2021
Transactions with associated companies:		
Net sales to associated companies	24	21
Dividend from associated companies	2	1

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 2022 and 2021.

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 2022 and 2021.

Fees to auditors elected at the Annual General Meeting

MEUR	2022	2021
Statutory audit	2	1
Other opinions	-	-
Tax consultancy	-	-
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 2022, which are expected to have a material impact on the Group's financial position.

Notes

6.6 Group companies

Parent company

ROCKWOOL 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 (Guangdong) 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 Danmark 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
ROCKWOOL Building Materials Ltd.	Hong Kong	100
ROCKWOOL Hungary Kft.	Hungary	100

Subsidiaries	Country	% Shares owned
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
ROCKWOOL UAB	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
ROCKWOOL AB	Sweden	100

Subsidiaries	Country	% Shares owned
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
ScanArc Plasma Technologies AB	Sweden	34

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 at www.rockwool.com/group/about-us/sustainability/sustainability-report-2022/.

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

2022	7.44
2021	7.44
2020	7.45
2019	7.46
2018	7.45

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 A/S for the financial year 1 January - 31 December 2022.

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 2022 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 2022.

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 A/S for the financial year 1 January - 31 December 2022 identified as ROCK-2022-12-31-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, 8 February 2023

Registered Directors

Jens Birgersson CEO	Kim Junge Andersen CFO

Board of Directors

Thomas Kähler Chairman	Carsten Bjerg Deputy Chairman	Rebekka Glasser Herlofsen
Jørgen Tang-Jensen	Carsten Kähler	Ilse Irene Henne
Connie Enghus Theisen	Christian Westerberg	Berit Anette Kjerulf

Independent Auditor's Reports

To the shareholders of ROCKWOOL 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 2022 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2022 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 2022 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2022 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. 51-86) and the Parent Company Financial Statements (pp. 93-101) of ROCKWOOL A/S for the financial year 1 January to 31 December 2022, 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 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 9 years including the financial year 2022.

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 2022. 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 and the significant assumptions applied by Management in this estimation, including sales growth and margin, cost inflation and efficiency improvements; – long-term growth rates; and – discount rates applied in discounting future cash flows. Reference is made to notes 3.1, 3.2, 3.4 and 3.5 to the Consolidated Financial Statements.	We carried out risk assessment procedures in order to obtain an understanding of IT systems, business processes and relevant controls regarding impairment of intangible and tangible assets. For the controls, we assessed whether they were designed and implemented to effectively address the risk of material misstatement. 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. We also assessed significant assumptions related to the key drivers of the future cash flows, including sales growth and margin, cost inflation and efficiency improvements, as well as applied long-term growth rates and discount rates. We examined sensitivity analyses regarding changes in sales growth, margin and discount rates. We also considered the historical outcome of accounting estimates made in prior periods by comparing budgeted figures to actual figures for the past years. We evaluated the disclosures regarding impairment tests included in the notes.

Independent Auditor's Reports

(continued)

Statement on Management's Review

Management is responsible for Management's Review (pp. 3-49, p. 87 and p. 92).

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.

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 A/S for the financial year 1 January to 31 December 2022 with the filename ROCK-2022-12-31-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 including notes.

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 including notes;
- 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 A/S for the financial year 1 January to 31 December 2022 with the file name ROCK-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 8 February 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no 33 77 12 31

Kim Tromholt

State Authorised Public Accountant
mne33251

Rune Kjeldsen

State Authorised Public Accountant
mne34160

Management's review of ROCKWOOL A/S

Statement on Management's Review

The activities in the parent company ROCKWOOL 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 A/S consists of income from constructing and maintaining the Group's manufacturing facilities and royalty for the use of patents and trademarks.

In 2022, sale from constructing and maintaining the Group's manufacturing facilities was 123 MEUR (2021: 103 MEUR), an increase of 20 MEUR as a result of increased investment activities during 2022.

ROCKWOOL 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 248 MEUR (2021: 220 MEUR).

Income from investments in subsidiaries was 250 MEUR (2021: 238 MEUR). The increase is related to slightly increased activity and profitability in the Group companies. Net financial expenses amounted to 35 MEUR (2021: net financial income of 2 MEUR) the decrease is related to foreign currency exposure on the intercompany balance between ROCKWOOL A/S and our subsidiary in Russia. Due to the economic environment, it has not been possible to hedge this position since March 2022, which has resulted in an unrealised exchange loss. In 2022, profit for the year totalled 262 MEUR against 292 MEUR in 2021.

Balance sheet

Total assets at year-end amounted to 3125 MEUR (2021: 2909 MEUR) and the equity was 2534 MEUR (2021: 2360 MEUR).

Investment in subsidiaries was 2299 MEUR (2021: 2124 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. 3-50.

Parent company financial statements for ROCKWOOL A/S

Income statement – ROCKWOOL A/S

1 January – 31 December

MEUR	Note	2022	2021
Net sales	2.1	371	323
Costs of raw material and consumables		97	74
Other external costs		140	105
Gross profit		**134**	**144**
Personnel costs	2.2	67	62
Depreciation, amortisation and write-downs	3.1, 3.2	13	13
Operating profit / EBIT		**54**	**69**
Income from investments in subsidiaries	2.3	250	238
Financial income	2.4	10	13
Financial expenses	2.4	45	11
Profit before tax		**269**	**309**
Tax on profit for the year	2.5	7	17
Profit for the year	2.6	**262**	**292**

Balance sheet – ROCKWOOL A/S

Assets – as at 31 December

MEUR	Note	2022	2021
Completed development projects		13	9
Acquired patents, licenses and trademarks		17	17
Development projects in progress		3	8
Intangible assets	3.1	**33**	**34**
Land and buildings		19	20
Other fixtures and fittings, tools and equipment		7	7
Prepayments and property, plant and equipment in progress		5	4
Property, plant and equipment	3.2	**31**	**31**
Investment in subsidiaries	3.3	2 299	2 124
Investment in associated companies		1	-
Receivables from subsidiaries	3.3	184	201
Fixed assets investments		**2 484**	**2 325**
Fixed assets		**2.548**	**2 390**
Inventories		**1**	**1**
Contract work in progress	3.4	35	21
Receivables from subsidiaries		509	409
Tax receivables		2	15
Other receivables		1	32
Prepayments	3.5	10	8
Receivables		**557**	**485**
Cash		**19**	**33**
Current assets		**577**	**519**
Assets		**3 125**	**2 909**

Equity and liabilities – as at 31 December

MEUR	Note	2022	2021
Share capital		29	29
Revaluation reserve according to the equity method		472	296
Reserve for development costs		12	14
Retained earnings		1 919	1 919
Proposed dividend		102	102
Shareholders' equity		**2 534**	**2 360**
Deferred tax	3.6	8	7
Payables to subsidiaries		73	-
Other provisions		1	2
Non-current liabilities		**82**	**9**
Bank debt		100	3
Trade payables		18	19
Payables to subsidiaries		379	508
Other payables		12	10
Current liabilities		**509**	**540**
Liabilities		**591**	**549**
Liabilities and shareholders' equity		**3 125**	**2 909**

Statement of shareholders' equity – ROCKWOOL 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 2022	**29**	**296**	**14**	**1 919**	**102**	**2 360**
Exchange rate adjustments	-	-	-	-	-	-
Profit for the year	-	162	-	-2	102	262
Development costs for the year	-	-	-2	2	-	-
Currency revaluation of investments in subsidiaries	-	17	-	-	-	17
Other adjustments	-	-3	-	-1	-	-4
Expensed value of RSUs issued	-	-	-	1	-	1
Purchase of own shares	-	-	-	-2	-	-2
Sale of own shares	-	-	-	1	-	1
Dividend paid to the shareholders	-	-	-	1	-102	-101
Shareholders' equity 31/12 2022	**29**	**472**	**12**	**1 919**	**102**	**2 534**
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**

Notes for **ROCKWOOL A/S**

Note 1

1.1 Accounting policies

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

The financial statements 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 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 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	2022	2021
Revenue from projects	123	103
Royalties and other fees	248	220
Net sales	**371**	**323**

2.2 Personnel costs

MEUR	2022	2021
Wages and salaries	60	54
Expensed value of RSUs issued	1	3
Pension costs	6	5
Personnel costs	**67**	**62**
Average number of employees in ROCKWOOL A/S	480	435

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	2022	2021
Share of net profit/(loss)	261	248
Amortisation of goodwill	-11	-10
Income from investments in subsidiaries	**250**	**238**

2.4 Financial income and Financial expenses

MEUR	2022	2021
Interest income	2	1
Interest income from subsidiaries	4	3
Foreign exchange gains	4	9
Financial income	**10**	**13**

MEUR	2022	2021
Interest expenses etc.	3	6
Interest expenses to subsidiaries	5	3
Foreign exchange losses	37	2
Financial expenses	**45**	**11**

2.5 Tax on profit for the year

MEUR	2022	2021
Current tax for the year	7	15
Change in deferred tax	2	-
Withholding taxes	-1	2
Adjustment in current and deferred tax in previous years	-1	-
Tax on profit for the year	**7**	**17**

2.6 Proposed distribution of profit

MEUR	2022	2021
Proposed distribution of profit:		
Proposed dividend to shareholders	102	102
Revaluation reserve according to equity method	162	124
Retained earnings	-2	66
Total profit	**262**	**292**

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	2022 Total	2021 Total
Cost 1/1	87	44	8	139	134
Exchange rate adjustments	-	-	-	-	1
Additions for the year	3	2	3	8	6
Transfer of development projects in progress	8	-	-8	-	-
Disposals for the year	-8	-	-	-8	-2
Cost 31/12	**90**	**46**	**3**	**139**	**139**
Amortisation and write-downs 1/1	78	27	-	105	99
Exchange rate adjustments	1	-	-	1	-
Amortisation for the year	6	2	-	8	8
Disposals for the year	-8	-	-	-8	-2
Amortisation and write-downs 31/12	**77**	**29**	**-**	**106**	**105**
Carrying amount 31/12	**13**	**17**	**3**	**33**	**34**

3.2 Property, plant and equipment

Comments

Of the total net book value of land and buildings, 1 MEUR (2021: 1 MEUR) represent land not subject to depreciation.

MEUR	Land and buildings	Other fixtures and fittings, tools and equip-ment	Prepayments and property, plant and equipment in progress	2022 Total	2021 Total
Cost 1/1	38	22	4	64	61
Exchange rate adjustments	-	-	-1	-1	-1
Additions for the year	-	1	5	6	5
Transfer of property, plant and equipment in progress	-	3	-3	-	-
Disposals for the year	-	-1	0	-1	-1
Cost 31/12	**38**	**25**	**5**	**68**	**64**
Depreciation and write-downs 1/1	18	15	-	33	30
Exchange rate adjustments	-	-	-	-	-1
Depreciation for the year	1	4	-	5	5
Disposals for the year	-	-1	-	-1	-1
Depreciation and write-downs 31/12	**19**	**18**	**-**	**37**	**33**
Carrying amount 31/12	**19**	**7**	**5**	**31**	**31**

Note 3

3.3 Fixed assets investments

MEUR	Investments in subsidiaries	Receivables from subsidiaries	2022 Total	2021 Total
Cost 1/1	1 828	201	2 029	2 026
Exchange rate adjustments	-	-	-	1
Additions for the year	-	14	14	20
Reductions/disposals for the year	-1	-31	-32	-18
Cost 31/12	**1 827**	**184**	**2 011**	**2 029**
Value adjustments 1/1	296	-	296	71
Exchange rate adjustments	17	-	17	71
Share of net profit	261	-	261	248
Amortisation of goodwill	-11	-	-11	-10
Dividends received	-88	-	-88	-114
Other adjustments	-3	-	-3	30
Value adjustments 31/12	**472**	**-**	**472**	**296**
Carrying amount 31/12	**2 299**	**184**	**2 483**	**2 325**

3.4 Contract work in progress

MEUR	2022	2021
Sales values of work performed	171	206
Invoiced on account	-136	-185
Contract work in progress, net	**35**	**21**
Recognised as follows:		
Contract work in progress (assets)	35	21

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	2022	2021
Deferred tax 1/1	7	7
Change in deferred tax recognised in profit and loss	1	-
Deferred tax for the year recognised in equity	-	-
Deferred tax 31/12	**8**	**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 2022 and 2021 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.

In 2022, no deeds of postponement have been given (2021: 192 MEUR).

4.3 Related parties

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act. No such transactions took place in 2022 and 2021.

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

	2022	
	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 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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Design and production
ROCKWOOL Marketing Shared Service Center

Released
8 February 2023

ISSN
ISSN 1904-8653 (print)
ISSN 1904-8661 (online)

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