ROCKWOOL
Annual Report 2023

ROCKWOOL®

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Management's review

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For more information on what we retain our business in Russia, please visit, Why ROCKWOOL stays in Russia.

Other reports ↓

Sustainability Report 2023

Remuneration Report 2023

Corporate Governance Report 2023

Chairman Thomas Kähler and CEO Jens Birgersson

Rising to the challenge

Dear stakeholders,

As central banks continued tightening financial conditions to fight inflation, construction activity declined significantly in many of our markets, negatively impacting sales. That said, pricing stability, declining energy prices, and our colleagues' ability to adapt to changing circumstances helped us to regain a more normal profitability level for the year.

Considering the market conditions, our 2023 financial results were good.

Sales were 3.6 BEUR, down four percent in local currencies compared to 2022, a much smaller decline than expected at the start of 2023. On profitability, the EBIT margin came in at 14.3 percent, good progress from the low in 2022 (during the energy crisis) and more in line with the 13 percent EBIT margin in 2021.

Lower construction activities in important markets like Germany, Poland and the Nordics led to an overall sales decline in local currencies. In contrast, sales developed positively in North America and Asia where stone wool's qualities (i.e. non-combustibility, durability, circularity, acoustic) increasingly gain acceptance. In Europe, sales in the United Kingdom grew well, driven by an increased focus on fire safety.

The significant improvement in the EBIT margin was positively affected by country and product application mix as well as productivity improvements, especially in our North American operations. At the end of 2023, we were back in a net cash position of 239 MEUR and with a solid equity ratio of 79 percent.

If it isn't safe, it isn't worth doing

As an industrial company, we have an inherently high level of potential safety risk. For people working with and for us, our goal every year is zero fatalities, zero serious accidents and a steady reduction in the lost time incident (LTI) rate. This year, we had two serious accidents, while the overall LTI rate continued the trend downward. Most important, we had no fatalities.

And while the number of incidents remains an important performance indicator, there is increased emphasis on leading performance indicators to help reduce risks at production sites, including unsafe behaviours, near misses and hazard-spotting tours.

Investments in capacity and decarbonisation

Electrification is a key element in our decarbonisation strategy. This means that our factories will be converted either to electricity, or in some cases, biogas (or natural gas where biogas is not available).

This is a significant undertaking that will take years to complete, but we are committed to reaching our goals. As with any major investment plan, there are many factors when it comes to converting existing factories to electric melting and building new ones. This is covered in more detail in our Sustainability Report.

The bulk of the 317 MEUR investments in 2023 went to the electric melter conversion at our factory in Flums, Switzerland. We also added production capacity at the factories in Czechia, the Netherlands (for Rockpanel), and in Canada (for Grodan). Smaller investments of note included rebuilding a production line in Germany to run on natural gas instead of coal, and installing sulphur emission reduction equipment at our Toronto, Canada factory.

In November, we began initial site preparation work for the new factory in Soissons, France. Its electric melting technology will enable us to leverage France's low-carbon electrical grid to produce stone wool with an 80 percent reduction in carbon emissions. Also in November, the Board approved plans to convert three coke-fired factories to electric melting.

Helping Ukraine rebuild

The Foundation for Ukrainian Reconstruction was established in March 2023 with ROCKWOOL shareholder approval, and is supporting reconstruction in Ukraine. Our shareholders have approved donating a total of 300 MDKK to the Foundation for Ukrainian Reconstruction. The Foundation has two main purposes: aid and supply donations, and reconstruction.

The road ahead

While market conditions in North America look positive, we expect challenges in many parts of Europe, especially Germany, to continue in 2024.

At the end of 2023, the EU reached a provisional agreement to strengthen the Energy Performance of Buildings Directive. This is welcome news. However, its implementation and impact on the pace and scale of building renovation will likely be slower than we would like to see.

Medium-term, the revised directive, with its zero-emission buildings standard, will have a positive impact on demand for insulation.

Likewise, the directive's requirement to install rooftop solar panels on all new public and non-residential buildings of a certain size by 2027 (with other types to follow in the years after), will also positively affect demand in the EU for non-combustible insulation.

With inflation starting to decline in many markets and rising expectations for a stable or even declining interest rate level, we are less concerned about the risk of a broad construction market recession in Europe. However, it is still early, and we are cautious when it comes to sales forecasts. The outlook for sales in 2024 is expected to be roughly at the same level as in 2023 in local currencies.

So far in 2024, we have seen a shift in demand within our product applications with more requests for flat roof and façade insulation, which traditionally have lower margins.

Based on these assumptions, we forecast an EBIT margin around 13 percent for 2024.

The Board has initiated a share buy-back programme on 8 February 2024 and running up to 12 months totalling up to 160 MEUR. The Board will at the Annual General Meeting in 2025 propose that the shares purchased under this programme are cancelled.

In closing, we would like to extend our gratitude and appreciation to our colleagues for their continued commitment and hard work this past year. And to our customers and suppliers, thank you for your support and trust.

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

Five-year overview

	2023 (MDKK)	2023 MEUR	2022 MEUR	2021 MEUR	2020 MEUR	2019 MEUR
Income statement						
Net sales	26 972	3 620	3 907	3 088	2 602	2 757
EBITDA	5 809	779	638	602	522	548
Amortisation, depreciation and impairment	1 948	261	236	201	184	176
EBIT	3 861	518	402	401	338	372
Financial items	28	4	-44	-8	-13	-5
Profit before tax	3 889	522	358	393	325	367
Profit for the year	2 898	389	273	303	251	285
Balance sheet						
Non-current assets	17 600	2 361	2 301	2 129	1 927	1 825
Current assets	8 890	1 193	1 127	951	817	869
Total assets	26 490	3 554	3 428	3 080	2 744	2 694
Equity	20 898	2 804	2 580	2 394	2 092	2 118
Non-current liabilities	1 486	199	206	163	158	160
Current liabilities	4 108	551	642	523	494	416
Net interest-bearing cash / (debt)	1 778	239	-23	76	95	212
Net working capital	2 668	358	441	306	213	247
Invested capital	19 097	2 562	2 596	2 294	1 961	1 889
Gross investment in plant, property and equipment	2 392	321	328	301	335	393
Cash flow						
Cash flow from operating activities	5 267	707	394	426	438	402
Cash flow from investing activities	2 322	312	334	310	362	400
Free cash flow	2 946	395	60	116	76	2

For definitions of key figures and ratios see p. 84.

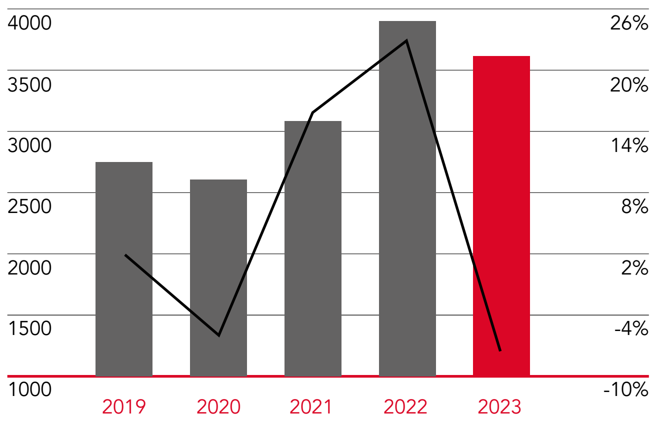
	2023 (MDKK)	2023 MEUR	2022 MEUR	2021 MEUR	2020 MEUR	2019 MEUR
Others						
R&D costs	477	64	55	45	41	41
Number of patents granted	244	244	179	253	148	235
Number of full-time employees (year-end)	11 993	11 993	12 197	11 968	11 448	11 691
Ratios						
EBITDA margin	21.5%	21.5%	16.3%	19.5%	20.1%	19.9%
EBIT margin	14.3%	14.3%	10.3%	13.0%	13.0%	13.5%
Payout ratio	32.1%	32.1%	37.3%	33.5%	37.7%	33.3%
ROIC	20.1%	20.1%	16.4%	18.8%	17.6%	21.7%
Return on equity	14.4%	14.4%	11.0%	13.5%	11.9%	14.3%
Equity ratio	78.9%	78.9%	75.3%	77.7%	76.1%	78.5%
Leverage ratio	-0.31	-0.31	0.04	-0.13	-0.18	-0.39
Financial gearing	-0.09	-0.09	0.01	-0.03	-0.05	-0.10

	2023	2022	2021	2020	2019
Non-financial key figures					
CO_2 intensity (Scope 1+2) per tonne stone wool (index*)	86	83	85	91	96
Energy efficiency in own buildings (index*)	61	61	81	95	94
Water use intensity from stone wool production (index*)	84	86	85	90	93
Number of countries where we offer recycling service	21	19	17	14	11
Landfill waste from our stone wool production (index*)	47	49	49	50	84
Lost time incident frequency rate	2.4	2.7	3.6	3.0	2.9
Absolute GHG emissions (Scope 1+2) (index**)	84	97	100	90	-
Absolute GHG emissions (Scope 3) (index**)	89	99	100	89	-

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

Financial highlights 2023

Net sales & sales growth
(MEUR)



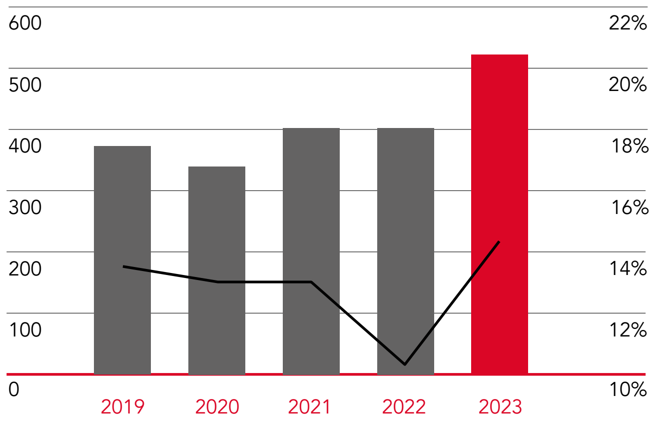
Sales decreased

4%

in local currencies

- Net sales
- Growth (reported)

EBIT & EBIT margin
(MEUR)



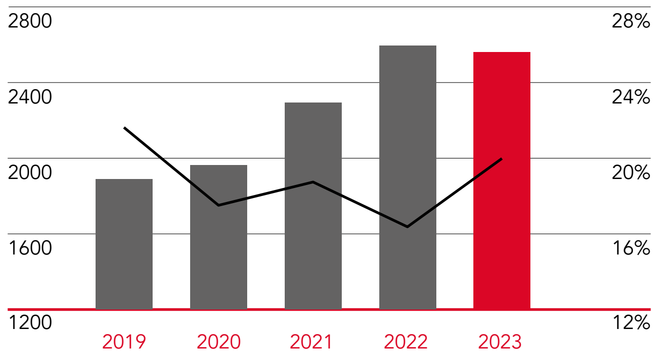
EBIT

518 MEUR

Up 29% compared to 2022

- EBIT
- EBIT margin

ROIC & Invested capital
(MEUR)



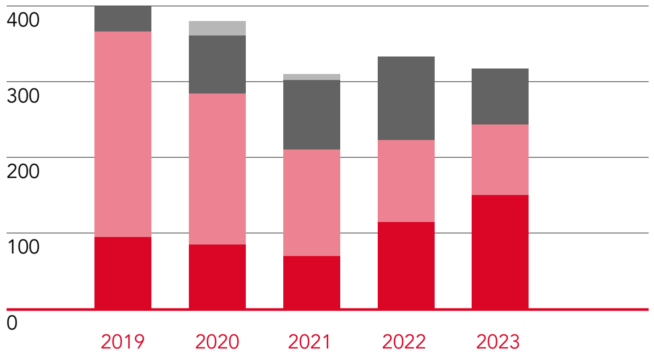
ROIC

20.1%

Up from 16.4% in 2022

- Invested capital
- ROIC

Investments
(MEUR)



Sustainability investments

74 MEUR

Down from 109 MEUR in 2022

- 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 market coverage 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, we will expand and grow our business in selected attractive markets 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.

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Our business model

What does ROCKWOOL Group do?

We transform volcanic rock into stone wool, a versatile material with many inherent 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)

85%
of sales does not cross customs borders

51
manufacturing facilities in **23** countries

120+
countries with sales activity

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

Stone wool is fully recyclable

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 water use for vegetable growing by up to **50%**.

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.

Market conditions in Europe will continue to be sluggish, while the outlook for North America and Asia is more positive. Our focus will be on optimising our manufacturing footprint and maintaining a good service level for our customers.

Outlook 2024

Market review

Throughout most of 2023, construction markets in Northern, Central and Eastern Europe witnessed significant declines. Higher construction costs combined with rising interest rates resulted in a slow-down in new construction both for residential and commercial buildings. Especially the single family home segment was impacted but also the application segment for multi-unit housing had a difficult year in these markets.

Market demand began slowing already in the second half of 2022, and this negative development continued until the fourth quarter of 2023, where we achieved a small but important growth in sales. In that quarter, we saw early signs of sales stabilising in Eastern Europe and in the non-residential segment in Central Europe.

A few markets developed more positively than expected. As a result, we decided in early 2023 to re-establish shifts at the factories in the United Kingdom and North America, where demand continues to increase for our non-combustible stone wool insulation.

Energy prices continued to decline during the year, which together with stable sales prices and a strong control of production costs allowed for an improvement in margins, back to a more normal level.

During 2023, we added capacity for Grodan in North America, invested in expanding capacity for Rockpanel in the Netherlands, and purchased land sites in a few markets to prepare for future expansion for insulation capacity. We made substantial progress and nearly completed expanding and converting to electric melting at our manufacturing facility in Switzerland. The factory is making a planned shut-down over the winter to complete the transition from foundry coke to electricity as a main energy source.

At the end of 2023, the EU reached a provisional agreement to strengthen the Energy Performance of Buildings Directive. This is welcome news. However, its implementation and impact on the pace and scale of building renovation will likely be slower than we would like to see.

Medium-term, the revised directive with its zero-emission buildings standard will have a positive impact on demand for insulation. Likewise, the directive's requirement to install rooftop solar panels on all new public and non-residential buildings of a certain size by 2027 (with other types to follow in the years after), will also positively affect demand in the EU for non-combustible insulation.

Outlook 2024

With inflation starting to decline in many markets and an expectation for stable or even declining interest rates, we do not see a significant risk for a broad construction market recession in Europe during 2024. In our expectations for the year, we have not included any significant uptake in energy efficiency-driven renovation. We continue to work with EU and national legislators to encourage and promote deep renovation to optimise the energy efficiency of buildings in order to meet the carbon reduction goals. The next step – and it is a big one – will be to pull together the funding, project development, production, and workforce capacity to deliver real on-the-ground change.

For the Insulation segment in Europe, we expect low construction activities in most markets, especially in Germany. The notable exception is the United Kingdom, where we anticipate continued support for our non-combustible insulation. While single family home construction is likely to remain modest, there is a somewhat higher potential in the multi-unit housing segment, given the relatively low level of new build activity in 2023. There is clearly a need to increase the construction of especially social housing, however it is still too early to see signs of a turnaround in this important segment. That said, we do see growing support for construction and renovation of public buildings in key markets.

In North America, insulation sales are benefiting from the high activity level in the commercial segment, where the Inflation Reduction Act of 2022 has created a small boom in the construction of manufacturing facilities, and we are gaining a stronger footprint in existing and new distribution channels every year. We forecast a positive sales development in the U.S. market, and we are increasing production at our factories to serve the growing customer demand.

Although still small from a Group perspective, we expect the positive development in Asia sales that we achieved during 2023 to continue into 2024.

For most of the business units within the Systems segment, we expect to deliver positive growth for 2024. Grodan continues benefitting from the stabilisation of sales in North America and a needed restructuring of the sales channels, which combined with the emerging market for strawberries provide opportunities for growth. The largest business unit within Systems segment, Rockfon is expecting a challenging year within our traditional channels for commercial buildings, although having introduced a new design portfolio in Europe should have a positive impact already in 2024.

On pricing, we will introduce inflation-related increases, though differentiated across markets to protect market share. This early in the year, we are cautious when it comes to both volume forecasts and pricing expectations. The outlook for sales in 2024 is expected to be roughly at the same level as in 2023 in local currencies.

So far in 2024, we have seen a shift in demand within our product applications with more requests for flat roof and façade insulation, which traditionally have lower margins. Despite energy prices coming down, there is still uncertainty on how prices will evolve during the year, and we also expect general inflation and some salary inflation to impact margins. Based on these assumptions, we forecast an EBIT margin around 13 percent for 2024.

With the provisional approval of the building permit in France, we have commenced initial work at the construction site in Soissons. Together with the planned expansion of the current factory in Romania, these will be the two major investments in new stone wool capacity in 2024. We expect to begin the conversion process from foundry coke to electricity in three factories during 2024, which combined with our regular maintenance investments will result in an expected capital expenditure of 375 MEUR for 2024, excluding acquisitions.

Outlook 2024

Sales

roughly the same

in local currencies

EBIT margin around

13%

Investments excl. acquisitions around

375 MEUR

Insulation segment

Financial results

Insulation segment sales reached 2792 MEUR, a decrease of five percent in local currencies and eight percent in reported figures. The decrease was related to lower volume while sales prices remained stable during the year.

Based on our commitment to support reconstruction activities in Ukraine, a donation of 27 MEUR to the Foundation for Ukrainian Reconstruction was recognised in the Insulation segment in 2023, half in Q1 and half in Q2.

Insulation segment EBIT reached 431 MEUR with an EBIT margin of 13.6 percent, an increase of 4.6 percentage points compared to 2022. Stable sales prices, lower energy prices and focus on productivity helped restore profitability.

Key figures Insulation segment

MEUR	**Q4 2023**	Q4 2022	**2023**	2022
External net sales	**694**	707	**2 792**	3 034
EBIT	**124**	71	**431**	312
EBIT margin	**15.2%**	8.4%	**13.6%**	9.0%

Insulation segment
Business update

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

With central banks raising interest rates to fight inflation, the general market appetite for residential and industrial construction – especially newbuild – fell sharply in many regions during the year.

While sales in the Insulation segment developed quite differently across and even within regions, they declined overall due to a double-digit drop in volumes. Nonetheless, focus on productivity and positive country and product mix combined with lower energy prices helped restore profitability to a satisfactory level.

In Europe, especially Central and Eastern Europe, sales declined significantly due to high inflation and increasing interest rates, weak economic growth and weakening consumer confidence and spending. Other European markets, such as France and the UK, fared better due to effective incentive schemes and market share momentum.

Sales in North America declined in the first quarter and then recovered as the U.S. economy showed resilience, buoyed by government spending programmes like the Inflation Reduction Act and businesses increasingly nearshoring production. Sales in the technical insulation business increased in North America mainly due to activity in the energy sector.

Growth in Asia was solid, driven by continued industrialisation and urbanisation in major markets such as India and Indonesia. Sales in China were more modest, affected by a slower than expected pick-up in the economy and challenges in international trade and the property sector.

Overall, the insulation business performed well, maintaining profitability and market position despite tough conditions and low visibility that most likely will continue into 2024. A greater public policy focus on energy efficiency and building renovation would contribute to longer-term market visibility as well as bolstering energy independence.

Systems segment

Financial results

Systems segment sales amounted to 828 MEUR, which is a decrease of one percent in local currencies and five percent in reported figures. Sales grew slightly in Grodan and Rockfon while sales in Rockpanel were lower than last year.

Systems segment generated an EBIT of 87 MEUR with an EBIT margin of 10.5 percent. EBIT was impacted by restructuring costs of 16 MEUR related to operational restructuring in Rockfon recognised in Q4 2023. Adjusted for restructuring costs, EBIT margin in Q4 2023 was at level with last year.

Key figures

MEUR	**Q4 2023**	Q4 2022	**2023**	2022
External net sales	**240**	248	**828**	873
EBIT	**11**	30	**87**	90
EBIT margin	**4.7%**	11.9%	**10.5%**	10.3%

ROCKWOOL Rainwater Systems project, Amsterdam, the Netherlands

Rockfon

Systems segment
Business update

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

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

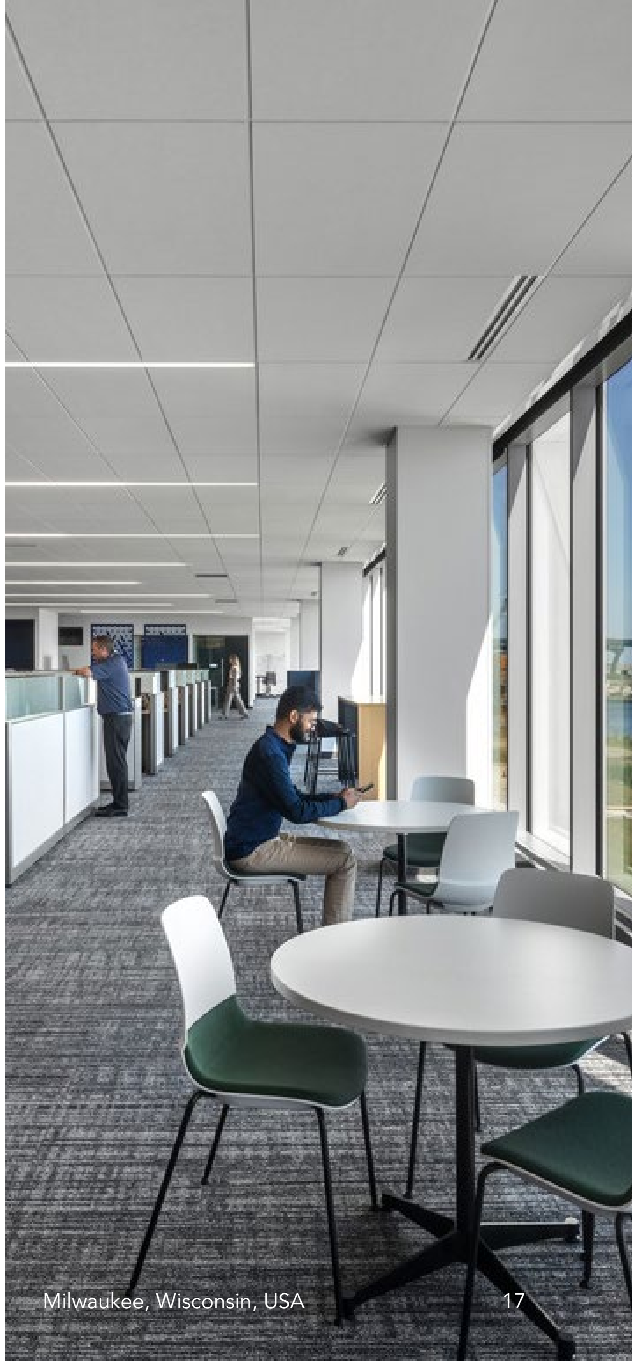
Our indoor acoustic systems combine stone wool acoustic tiles with suspension and specialty ceiling and wall systems that create beautiful, comfortable spaces. Our acoustic products are easy to install, durable and help reduce noise and lower stress levels, significantly improving wellbeing and indoor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

Sales for Rockfon in 2023 grew in several markets around the world, mainly driven by price increases. 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 public buildings continues to be positively influenced by government-sponsored and private renovation programmes. Additionally, growth in data centres, education and healthcare facilities presents significant opportunities for Rockfon stone wool acoustical solutions. However, we do see a slowdown in office real estate across major cities.

Meanwhile, the design community continues to recognise and appreciate the inherent benefits of stone wool. In Europe, for example, we see good traction with 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.


Milwaukee, Wisconsin, USA

Grodan®

Systems segment
Business update

Designed to grow
Grodan's soilless rootzone management solutions help feed and treat the world's growing population, enabling higher yields anytime, anywhere, while using fewer natural resources.

We are the global leader in supplying innovative, sustainable rootzone management systems for Controlled Environment Agriculture.

Grodan's soilless rootzone management system is used in Controlled Environment Agriculture (CEA), and is designed to grow food and medicinal cannabis more efficiently than conventional soil-based cultivation.

Using Grodan in CEA delivers higher yields while using less water, less land and less fertilizer. Our combination of stone wool growing media, sensor systems, rootzone management software, green expertise and support, including recycling services, facilitate the reliable and sustainable production of healthy, safe and fresh produce.

This past year was a challenging one for the business, largely due to rising interest rates and general economic volatility affecting customer decisions.

In Europe, the fresh produce business slowed as greenhouse growers cut costs by, among other things, postponing crop cycles. In North America, growth in the fresh produce market was less than expected as customers postponed expansions, citing the uncertain economic climate and higher interest rates. After declining in 2022, the North American cannabis market stabilised in 2023, albeit at a lower level than 2021 and 2020.

We continue to develop new applications, including strawberry cultivation on Grodan stone wool. We began working with strawberry growers in 2021 and began seeing tangible results for these growers, including higher yields, already in 2022. In 2023, the transformation from outdoor to indoor and out-of-soil strawberry cultivation took further shape, initiating promising partnership trials that focus on extending strawberry cultivation throughout colder seasons, which would enable reliable high-quality yields anywhere, anytime.

Overall, we see solid growth in CEA in several regions, including Mexico, the Middle East and Asia.

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.

In 2023, Rockpanel was affected by the overall construction industry slowdown but was able to maintain a solid business. In Norway, one of our newer markets, we were able to grow.

We continued our digitalisation efforts with the launch of MyRockpanel in 2023, a loyalty programme for installers and small contractors, also indirectly targeting the consumer market where Rockpanel sees untapped potential.

The launch of a new Stones design with a textured, haptic surface builds on Rockpanel's efforts to be recognised as a sustainable brand that also makes beautiful, natural-looking designs.

In order to realise future growth in line with our ambitious plans, new production capacity will be added in 2024.


Swetterhage, the Netherlands

Systems segment
Business update

Modern living
Lapinus products contribute to safety and comfort in our daily life in a variety of select markets.

We develop and supply innovative stone wool-based products for a wide range of applications currently in four core areas: rainwater management systems, prefab building systems, railway vibration control, automotive and industrial OEM applications.

While most of the Lapinus business was impacted by inflation and construction market slowdowns in 2023, our prefab building systems business performed well. It is a newer and smaller business, and yet its success is encouraging.

Formerly known as Rockzero, we changed the name to ROCKWOOL Prefab Building Systems in 2023. We made the change to leverage the strength of the ROCKWOOL brand to reach a broader customer base and enable us to expand the portfolio of products beyond the current Rockzero line.

For similar reasons, we also changed the name of Rockflow to ROCKWOOL Rainwater Systems. This business develops underground systems that collect, retain, filter and infiltrate rainwater to help cities and other populated areas become more resilient to the effects of climate change. And while lower construction activity was challenging in 2023, we identified this as a growth business that addresses four increasingly common challenges for urban areas related to climate change: too much water, too little water, polluted water and urban heat islands.

The largest contributor to the Lapinus business is the fibres portfolio, which includes the automotive industry where our fibres are used in brake pads. Despite lower economic activity globally, this business remains stable, and our portfolio is well-positioned to compete successfully on quality and reliability as well as future development such as electric cars and new, stricter regulations on car brake emissions.

Our railway vibration products are sold under the Rockdelta brand. The Rockdelta portfolio is well accepted in the Nordic markets and gaining popularity in Canada. Overall, Rockdelta sales performance remains stable.


ROCKWOOL Prefab Building Systems project, Amsterdam, the Netherlands

Punggol Digital District, Singapore

Sustainability

Sustainability is integral to our business strategy

We aim to design, develop, and manufacture our products in a more environmentally friendly way.

Products that create positive value

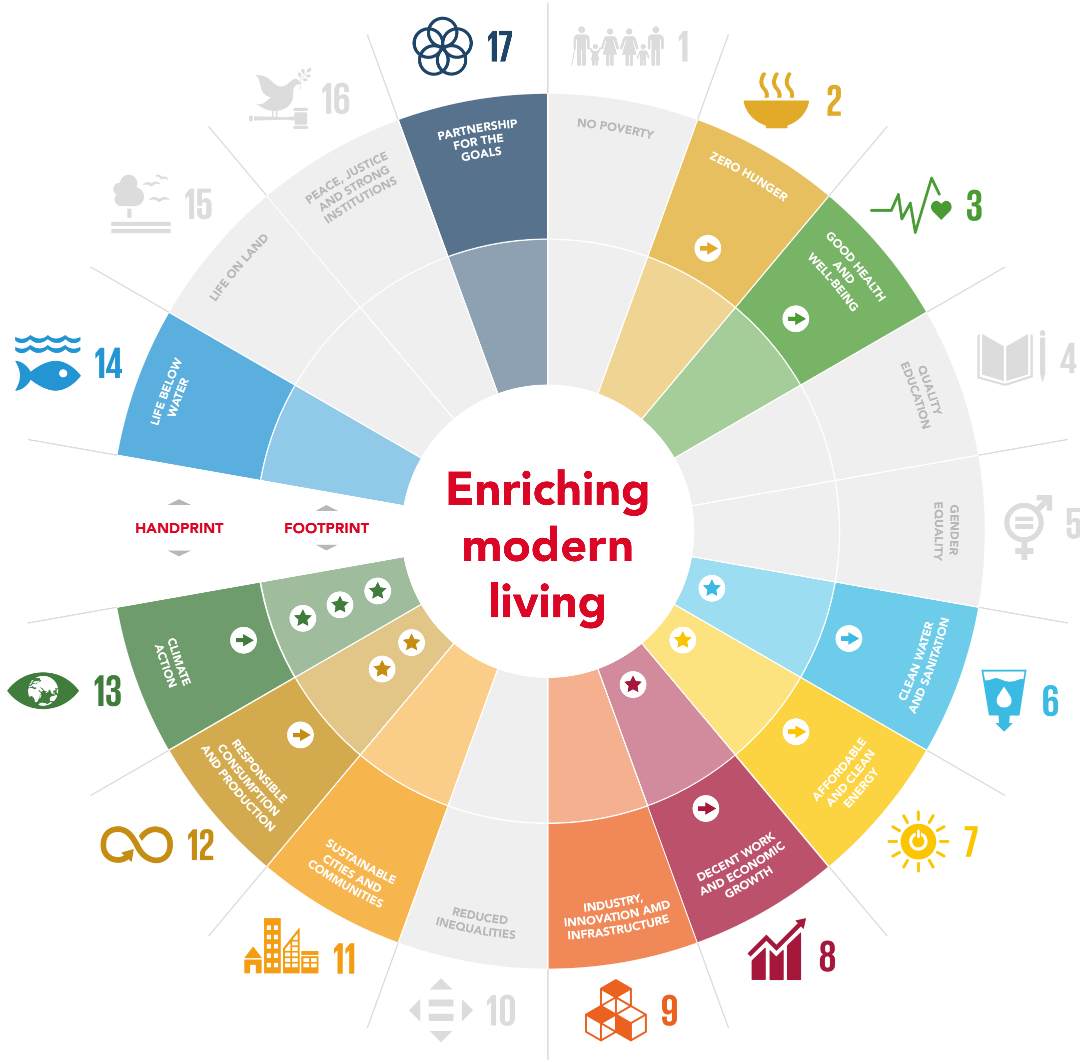
ROCKWOOL was one of the first companies in our industry to commit and contribute actively to the UN Sustainable Development Goals (UN SDGs) framework.

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 have prioritised 11 of the 17 SDGs. For seven of these 11 SDGs, we use externally developed product handprint metrics to track the positive impact of our products in use. You can read more about those metrics and their impact on the SDGs on p. 8 of our Sustainability Report.

Our commitment to zero fatalities and serious accidents

Keeping our people safe is ROCKWOOL's top priority. As a manufacturing company employing approximately 12 000 people, we recognise that our employees face safety risks, some greater than others. In 2023, we modified the Group safety goal to be "zero fatalities and zero serious accidents". We will continue to prioritise a low Lost Time (LTI) Incidents frequency rate.

In 2023, there were no fatalities but two serious accidents. We reduced our LTI rate by 14 percent, from 2.7 in 2022 to 2.4. A simple motto 'If it isn't safe, it isn't worth doing' is a daily reminder. We have also introduced a series of initiatives in ROCKWOOL production facilities such as management safety walks and local campaigns with a focus on different safety aspects including fall and slip prevention. Group SHE audits at selected factories reinforce the company's safety culture and collective sense of duty and awareness.



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

Net-zero greenhouse gas emissions by 2050

In 2023, ROCKWOOL made a commitment to achieve net-zero greenhouse gas emissions by 2050. This builds on the medium-term goals that we have set.

In 2016, we set a goal to reduce CO_2 emission intensity (tCO_2/t stone wool produced) by 2030, compared to our 2015 baseline. In 2020, we increased our ambition by committing to two science-based targets, approved and verified by the Science Based Targets initiative (SBTi) organisation. These two goals are to reduce absolute Scope 1 and 2 greenhouse gas emissions by 38 percent and absolute Scope 3 greenhouse gas emissions by 20 percent, both by 2034 with a baseline of 2019.

In 2023, the CO_2 intensity from our stone wool production was 14 percent lower than our baseline of 2015. While this represents an increase compared to 2022, we remain on track to meet the 2030 goal of a 20 percent reduction. In terms of absolute emissions, we reduced Scope 1 and 2 CO_2e emissions by 16 percent and Scope 3 CO_2e emissions by 11 percent compared to the 2019 baselines. For more information, see p. 11 of our Sustainability Report.

We have also made good progress on our other sustainability goals. We added three countries where we offer our Rockcycle® reclaimed waste service, reaching a total of 21 countries (excluding Russia) compared to our 2030 goal of 30 countries. We also further reduced the water consumption intensity of our stone wool production and have seen an improvement of 16 percent compared to our 2015 baseline. Production waste going to landfill decreased slightly compared to last year, representing a 53 percent improvement compared to the baseline.

Responsible supply chain

As a global player, we are aware that our sourcing and procurement activities can have an impact on both human rights and the environment. We cooperate closely with our suppliers and see them as important players in our common pursuit of a more sustainable supply chain. In 2023, we strengthened our sustainable sourcing practices with two initiatives, including implementing a revised Suppliers' Code of Conduct and a risk management platform for our supply chain business partners. Please see p. 43 in our Sustainability Report for more details.

Our people

We recognise that each one of us brings to work our own unique capabilities, experiences, competences, and perspectives, regardless of our differences.

We believe diverse, well-coordinated teams working together create opportunities for greater efficiency, productivity, and creativity among employees and that respecting individual uniqueness increases work satisfaction.

That is why in 2023, we introduced a formal Diversity, Equity, and Inclusion (DEI) policy, meeting evolving stakeholder expectations from employees, investors, policymakers, regulators, NGOs, and others. The policy reflects ROCKWOOL's long-standing commitment to creating equal access to resources and opportunities and encouraging people with diverse backgrounds, perspectives, and cultures to work together. We believe this further develops talent, drives creativity, and promotes innovation.

Our initial work regarding implementing the DEI policy is focused on making the workplace more inclusive and accessible for people with disabilities.

Please see p. 37 in our Sustainability Report for more information.

Impact and materiality of sustainability

In 2023, we continued to align our commitments to European and international standards and completed a comprehensive assessment of our sustainability topics including positive and negative impacts as well as risks and opportunities, using the double materiality principle. As a result, a list of 15 material sustainability topics was defined.

Please see pp. 48-49 in our Sustainability Report for more information.

Data ethics

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

The guideline 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.

2023 Sustainability Report. ↑

www.rockwool.com/group/about-us/sustainability/sustainability-report-2023/

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 2023 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 on management gender composition in accordance with section 99b of the Danish Financial Statements Act, please see p. 90.

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 2023 Sustainability Report.

EU Taxonomy

ROCKWOOL products are made from volcanic rock and provide numerous benefits to people, industries and society. These benefits include energy efficiency and durability, superior fire safety, excellent acoustics, and a comfortable and healthy indoor climate.

The EU Taxonomy was established by EU Commission as a specific, science-based classification framework to identify economic activities that are environmentally sustainable and have a substantial positive climate and environmental impact. For each relevant business activity, ROCKWOOL has to disclose how much of net sales, capital expenditures (CAPEX), and operating expenses (OPEX) can be considered eligible and aligned, respectively.

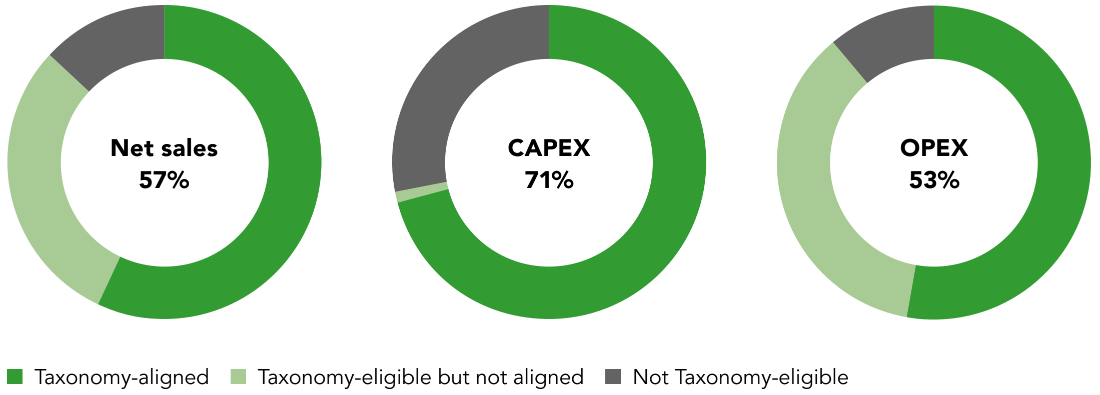
Eligibility and alignment

Economic activities can be reported as EU Taxonomy-eligible activities when they are in scope of the EU Taxonomy Regulation and contribute to at least one of the EU Taxonomy's six environmental objectives. EU Taxonomy alignment is the positive assessment that an EU Taxonomy-eligible activity meets the applicable EU Taxonomy requirements to substantially contribute to at least one of the EU Taxonomy's six objectives, and in addition, does no significant harm to any other environmental objective, and meet the minimum safeguards.

In 2023, ROCKWOOL identified the eligible economic activities based on the six published environmental objectives. Each of the economic activities was assessed on EU Taxonomy-eligibility and, for those related to the environmental objectives of 'Climate change mitigation' and 'Climate change adaptation', also on EU Taxonomy-alignment.

ROCKWOOL is reporting under the economic activity '3.5 – Manufacture of energy efficiency equipment for buildings'. A small part of CAPEX related to energy renovations of own buildings is reported under the economic activity '7.2 – Renovation of existing buildings'. Both activities belongs under the environmental objective 'Climate change mitigation'.

The main EU Taxonomy-eligible activity in ROCKWOOL is the production and sales of insulation products. Sales from Systems segment have also been reported as EU-Taxonomy-eligible where the products contribute as a key component in an external wall or roofing system. Part of the light stone wool insulation products are not considered EU Taxonomy-aligned due to the use of formaldehyde in the stone wool binder.



Performance in 2023

EU Taxonomy-aligned net sales amounted to 2079 MEUR, a decrease of nine percent due to the overall decrease in sales for the Group in 2023. EU Taxonomy-aligned net sales as a percentage of total net sales was 57 percent, down two percentage points from 59 percent in 2022 as some of the aligned product applications decreased more than average.

EU Taxonomy-aligned CAPEX amounted to 225 MEUR, an increase of 5 MEUR. The aligned CAPEX as a percentage was 71 percent, up five percentage points from 66 percent, driven by a higher proportion of maintenance investments.

EU Taxonomy-aligned OPEX amounted to 210 MEUR, a minor increase of one percent due to higher R&D costs. The aligned OPEX as a percentage was 53 percent, stable compared to 2022.

EU Taxonomy accounting policy

The financial data used for the above calculations was sourced from ROCKWOOL financial and accounting systems. Double counting was avoided by making appropriate consolidation exclusions.

The following principles were used to calculate the percentage of net sales, capital expenditure (CAPEX) and operating expenses (OPEX) eligible and/or aligned with the EU Taxonomy:

Net sales - eligible and aligned

The dominant eligible activity is sales and production of insulation products. Sales from the Systems segment have also been reported as eligible where the products contribute as a key component in an external wall or roofing system.

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 denominator is the total consolidated net sales of ROCKWOOL Group in 2023, disclosed in the income statement in the Group consolidated financial statements for 2023. The numerator is derived from ROCKWOOL products and services associated with eligible and aligned activities.

CAPEX - eligible and aligned

Total CAPEX expenditures consist 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 to 3.3 in Group consolidated financial statements for 2023.

The CAPEX numerator includes part of capital expenditures that relates to construction of insulation factories and equipment, maintenance investments and capacity expansions related to taxonomy eligible and/or aligned activities as well as safety and sustainability investments including energy renovations of own buildings. No CAPEX plans have been included.

OPEX - eligible and aligned

OPEX, as the denominator, are as per the EU Taxonomy defined as day-to-day directly incurred, non-capitalisable costs related to research and development, building renovations, repair and maintenance of property, plant and equipment.

The OPEX numerator is based on an allocation key connected to the EU Taxonomy-aligned net sales. It reflects an estimation of non-capitalised costs directly related to EU Taxonomy-aligned economic activities that enable ROCKWOOL to become more low-carbon by reducing GHG emissions. The OPEX accounting policy has been redefined in 2023 to align with the regulation. The comparison figures have been restated.

For the formal and full requirements on EU Taxonomy, please see our 2023 Sustainability Report pp. 54-59.

Climate-related financial disclosures

Reviewing climate-related risks and opportunities is an integral part of strategy development for most of the Group's business unit management teams, and is a fixed part of business reviews.

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

The annual Sustainability Report details ROCKWOOL's approach and how we have performed against our Group sustainability goals and 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 this 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.	ROCKWOOL's Group Management approves and provides feedback on the sustainability-related portfolio of programmes and targets and reports to the Board of Directors. Management has established an Enterprise Risk Management (ERM) Committee and an Integrity Committee. The committees oversee the climate-related risks and opportunities work and ensure that sustainability measures are leveraged and integrated across the Group. Details about the committees can be found at www.rockwool.com/group/about-us/sustainability/. Sustainability measures are included in one long-term incentive scheme for the CEO. Please see the 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. This followed consultation with key internal and external stakeholders as well as an evaluation of our core competencies. Our annual strategy process examines how best to address the opportunities and challenges we face in making progress toward sustainability priorities and refines our implementation plans. For more information, please see our Sustainability Report, pp. 8, 13 and 42.
Risks and opportunities Disclose how the organisation identifies, assesses, and manages climate-related risks.	With a large number of manufacturing facilities and production processes that are both capital- and energy-intensive, ROCKWOOL is subject to climate-related transitional and physical risks and opportunities. Regulation can represent both a major risk and opportunity for a company like ROCKWOOL – an opportunity from positively influencing the demand for carbon emission abating solutions such as building and technical insulation – and a risk as regulation can impact the financial burden on industry relating to carbon emissions. As all ROCKWOOL's factories in the EU are included in the EU ETS, the risk of increasing carbon cost is relevant for all EU factories. In 2023, ROCKWOOL Group had 16 factories included in the EU ETS Phase IV (2020-2030), and one factory in an emission trading system connected to the EU ETS (Switzerland). 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 decarbonisation strategy will reduce our absolute CO_2 emissions, as we are increasingly using low-carbon and renewable energy sources. This will reduce the financial impact at Group level significantly in the period up to 2030. 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. In each scenario case, we used the time horizons 2030 and 2050. In addition, a separate water scarcity assessment was carried out. As part of these assessments, we identified a high risk of significant changes to our physical climate risk at four factories by 2030. At the same time, we identified five factories as being in water stressed areas.* Where factories are in water-stressed areas, we have increased focus on implementing water efficiency measures. For the remaining factories, we are strengthening our factory risk mitigation plans. The Enterprise Risk Management Committee is responsible for reviewing and updating the internal risk management framework and implementing related processes. Please see p. 29. Climate-related opportunities are closely linked to the Group's commercial strategy relating to the sale of 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 metrics and targets; 2030 CO_2 intensity goal and 2034 science-based targets; key performance indicators; and our performance against these goals and the UN Sustainable Development Goals. We disclose a comprehensive set of four-year comparable quantitative data for energy, carbon (including Scope 1, 2 and 3 emissions), water, air emissions, waste and safety. Since 2007, we have also disclosed detailed information to CDP about our greenhouse gas emissions and our approach to climate change management. For more information, please see our Sustainability Report, pp. 14-53.

*Excluding two Russian factories identified as being in water stressed areas in the 2017 assessment


Duane
ROCKWOOL

Dorsten, Germany

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, including climate-related risks, is consistent with its targeted risk profile.

The Board of Directors 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.

Climate risks

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 and product 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 2023 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 policies and associated regulatory framework is likely to lead to a risk of increasing carbon costs.

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. Finally, new abatement solutions will further lower other emissions. In the period 2024-2030, the financial impact of the risk at Group level is assessed to be between 0-100 MEUR.

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 primarily 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.

The markets for both gas and electricity have stabilised again during 2023, and the European gas storage situation is strong compared to previous years. Looking ahead, limitation on grid connections, availability and the cost of reliable supply of green electricity in certain areas in Europe could become constraints or a delaying factor in achieving the plans for conversion.

Risk trend – stable

Mitigation

ROCKWOOL's energy strategy has been reviewed and includes the possible use of power purchase agreements to ensure stable supply and act as hedges against future spikes in energy prices. Rolling plans stretching 5-7 years for conversion including grid connection are in place.

Risk management (continued)

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, accidental breach of EU, U.S., or UK economic sanctions, and loss of key intellectual property and assets.

ROCKWOOL has experienced continued media and public criticism primarily in Denmark and Ukraine due to our presence 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 western companies or otherwise transfer ownership to Russian actors.

Risk trend - stable

Mitigation

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 or management involvement from ROCKWOOL Group. All investments and cross-border sales into Russia have been stopped, including licensing of intellectual rights.

ROCKWOOL seeks to mitigate the risk of a decrease in brand value and reputation by engaging openly and extensively in the Danish 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.

A continued cash flow in the form of 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.

Düsseldorf, Germany

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 employee election takes place in 2026.

In 2023, Carsten Bjerg retired from the Board of Directors and was succeeded by Jes Munk Hansen.

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 2023, 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 five board meetings and a strategy session in 2023. 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. 36-37.

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

2023 Corporate Governance Report ↑

www.rockwool.com/group/about-us/corporate-governance/

Corporate governance (continued)

Our governance model

Shareholders and general meeting

↓

Board of Directors

↓ Chairmanship | ↓ Audit Committee | ↓ Remuneration and Nomination Committee

↓

Registered Directors

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 2023 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 (who is considered not to be independent) and the Deputy Chairman (who is considered independent). 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 whistleblower system.

2023 Remuneration Report. ↑

www.rockwool.com/group/about-us/corporate-governance/remuneration/

Remuneration and Nomination Committee

The Board of Directors has appointed a Remuneration and Nomination Committee consisting of two members of the Board of Directors: the Chairman and the Deputy Chairman.

The 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 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 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.

The 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 Committee further recommends removal of such persons, if relevant. The 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

Member of the Board since: 2008

Nationality: Danish

Other positions related to the company
Member of the Chairmanship, Member of the Audit Committee, Chairman of the Remuneration and Nomination Committee, Member of the Kähler Family Meeting.

Positions in other Danish companies
Chairman of the Board of Metier Westergaard A/S; Director and member of the Board of DURAPOR A/S; Member of the Board of Metier Westergaard Event A/S.

Other positions
Chairman of the Board of the Foundation for Ukrainian Reconstruction

Competences
Thomas Kähler has experience in management, marketing, sales and business development in international business and close relationships with major shareholders. In addition, Thomas Kähler has insight into environmental, social and governance (ESG) regulation, and energy efficiency.

Thomas Kähler participated in all Board and Audit, Remuneration and Nomination Committee meetings during 2023.

Jørgen Tang-Jensen

Deputy Chairman

Member of the Board since: 2017

Nationality: Danish

Other positions related to the company
Member of the Chairmanship, Member of the Remuneration and Nomination 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).

Competences
Jørgen Tang-Jensen has years of experience in the building materials industry and a deep understanding of corporate governance due to his active role in several organisations. In addition, he has insight into environmental, social and governance (ESG) regulation.

Jørgen Tang-Jensen participated in all Board and Remuneration and Nomination Committee meetings during 2023.

Rebekka Glasser Herlofsen

Member of the Board since: 2020

Nationality: Norwegian

Other positions related to the company
Chairperson of the Audit Committee.

Positions in other Danish companies
Member of the Boards of Egmont Fonden and Egmont International Holding A/S.

Other positions
Chairperson of the Boards 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 Board and Chairperson of Audit Committee of BW Offshore ASA*, Norway; Member of the Nomination Committee of Orkla ASA*, Norway.

Competences
Rebekka Glasser Herlofsen has international experience from executive and board positions in several large companies. Over many years, Rebekka Glasser Herlofsen has developed financial competencies that are useful in both general Board work as well as in the Audit Committee (financial expert). In addition, she has insight into environmental, social and governance (ESG) regulation, and sustainability.

Rebekka Glasser Herlofsen participated in all Board and Audit Committee meetings during 2023.

Jes Munk Hansen

Member of the Board since: 2023
Chief Executive Officer (CEO) and President, TERMA Group.

Nationality: Danish

Other positions related to the company
Member of the Audit Committee.

Positions in other Danish companies
Member of the Board of WS Audiology A/S (Widex A/S).

Other positions
Vice Chairman, The Confederation of Danish Industry (DI).

Competences
Jes Munk Hansen has extensive experience with strategic management of international companies and a strong understanding of corporate management, strategy, R&D and sales. He also has insight into environmental, social and governance (ESG) regulation, corporate social responsibility (CSR) and cyber security.

Following his election, Jes Munk Hansen participated in all Board and Audit Committee meetings during 2023.

Carsten Kähler

Member of the Board since: 2021

Nationality: Danish

Other positions related to the company
Member of the Kähler Family Meeting.

Other positions
Member of the Board of the Fahu Foundation.

Competences
Carsten Kähler has competencies and experience gained within both global and Danish legal and accounting companies that are useful in general Board work. He also has a close relationship with major shareholders.

Carsten Kähler participated in all Board meetings during 2023.

Ilse Irene Henne

Member of the Board since: 2022
Chief Transformation Officer (CTO)
thyssenkrupp Materials Services.

Nationality: Belgian

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; Member of the Board of BVL (Bundesvereinigung Logistik).

Competences
Ilse Irene Henne has substantial managerial experience within the global building materials industry, particularly in the areas of strategical renewal, performance improvement, supply chain, sales excellence and sustainability.

Ilse Irene Henne participated in all Board meetings during 2023.

Connie Enghus Theisen

Member of the Board since: 2006

Nationality: Danish

Employee representative
Senior Group Advisor, ROCKWOOL A/S.

Connie Enghus participated in all Board meetings during 2023.

Christian Westerberg

Member of the Board since: 2018

Nationality: Danish

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 2023.

Berit Kjerulf

Member of the Board since: 2022

Nationality: Danish

Employee representative
SHE-Manager, ROCKWOOL Danmark A/S.

Berit Kjerulf participated in all Board meetings during 2023.

*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 since: 2015

Nationality: Swedish

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 since: 2016

Nationality: Danish

Other positions
Member of the Board of FORCE Technology, Denmark.

Bjørn Rici Andersen

Senior Vice President, Group Operations & Technology

Member of Group Management since: 2018

Nationality: Danish

Volker Christmann

Senior Vice President, Head of Insulation Central Europe

Member of Group Management since: 2015

Nationality: German

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,
Systems Division

Member of Group
Management since: 2021

Nationality: Danish

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 since: 2007

Nationality: Danish

Rafael Rodriguez

Senior Vice President,
Head of Insulation South West Europe

Member of Group
Management since: 2022

Nationality: Spanish

Mirella Vitale

Senior Vice President,
Group Marketing, Communications
& Public Affairs

Member of Group
Management since: 2016

Nationality: Italian

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 2023, the class B share price increased by 21 percent while the class A share increased by 20 percent. That compares with a 13 percent increase in the benchmark index STOXX® Europe 600 Construction & Materials and a seven percent increase in the Nasdaq OMX C25 index during 2023.

The official share price on 31 December 2023 was 1977 DKK (B share) and 1965 DKK (A share). The combined market capitalisation at the end of the year was 42 519 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 107 761 590 DKK (2022: 109 065 220 DKK) is class A share capital, and nominally 108 445 500 DKK (2022: 107 141 870 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 36 212 (2022: 37 596) registered shareholders on 31 December 2023. By the end of 2023, 27 percent (2022: 23 percent) of the shares were owned by shareholders located outside Denmark. In terms of voting capital, eight percent (2022: seven percent) was located outside Denmark.

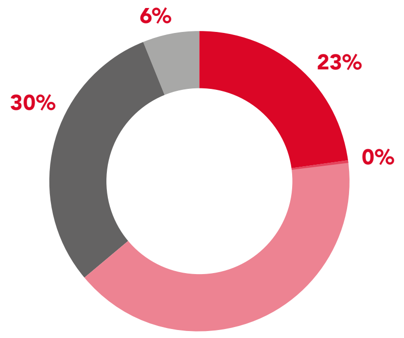
For a list of shareholders holding more than five percent of the share capital or the votes, please refer to p. 99.

Capital structure and dividend

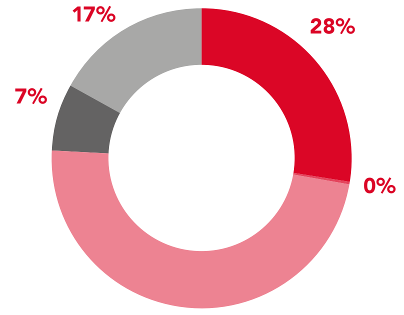
Management regularly assesses whether the ROCKWOOL capital structure is in the interests of the Group and its stakeholders. The overall objective is to ensure continued development and strengthening of the Group's capital structure that supports long-term profitable growth.

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.

Ownership per shareholder category

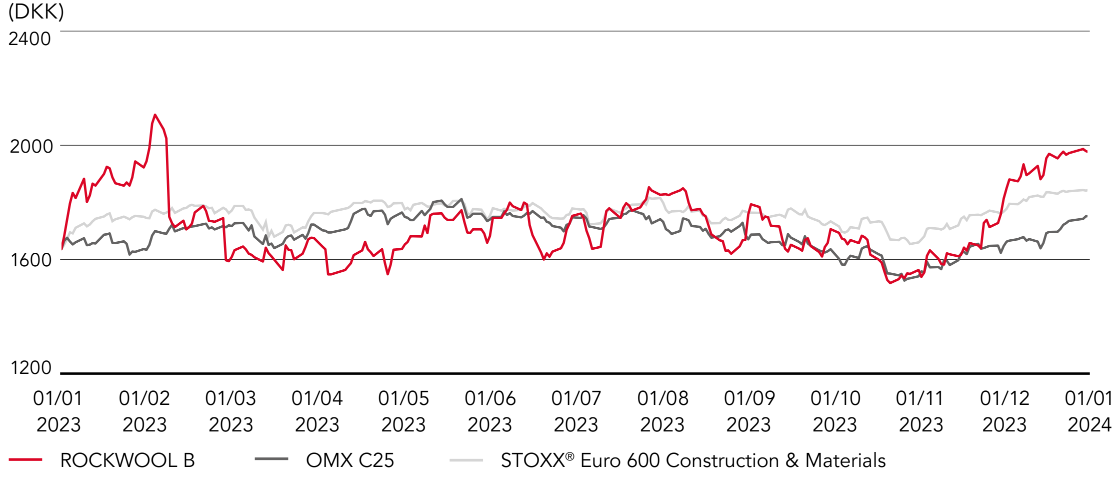


Votes per shareholder category



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 2023



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 10 April 2024, the Board of Directors will propose a dividend of 43 DKK per share for the financial year 2023 (2022: 35 DKK). The dividend payment occurs three banking days after the Annual General Meeting.

Further, the company will on 8 February 2024 initiate a share buy-back programme up to an amount of 160 MEUR, to be completed within the following 12 months, remaining within the authority granted by the Annual General Meeting to purchase up to 10 percent of the shares and assuming that this mandate will be extended at the Annual General Meeting on 10 April 2024. The shares will be purchased in accordance with the Safe Harbour Regulation and will cover only B shares. At the Annual General Meeting in 2025, the Board of Directors will propose that the shares purchased under this programme be cancelled.

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 21 equity analysts, 14 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 2024

7 February
Annual Report for 2023

10 April
Annual General Meeting

15 May
Report on the first quarter of 2024

22 August
Report on the first half-year of 2024

27 November
Report on the first nine months of 2024

Stock market information

	2023 (EUR)	2023 DKK	2022 DKK	2021 DKK	2020 DKK	2019 DKK
Earnings per share	18	134	93	104	86	97
Dividend per share	5.8	43.0	35.0	35.0	32.0	32.0
Cash flow per share	33	244	136	147	150	136
Book value per share	130	967	887	823	707	719
Share capital (million)	29	216	216	216	220	220
Price per A share	264	1 965	1 636	2 379	2 075	1 439
Price per B share	265	1 977	1 637	2 859	2 296	1 585
Market cap (million)	5 705	42 519	35 311	56 295	47 062	33 072
Number of own shares	50 288	50 288	47 857	56 228	403 912	72 894
Number of A shares of 10 DKK (10 votes)	10 776 159	10 776 159	10 906 522	11 155 558	11 231 627	11 231 627
Number of B shares of 10 DKK (1 vote)	10 844 550	10 844 550	10 714 187	10 465 151	10 743 296	10 743 296

Financial performance

A difficult macro-economic environment mainly in Europe resulted in a market slowdown and a sales decrease of four percent in local currencies in 2023. Declining energy prices, sales price stability, and agility in operations normalised profitability to a full-year EBIT margin of 14.3 percent. Considering the market conditions, the 2023 financial results were satisfactory.

Global sales development

As central banks continued tightening financial conditions to fight inflation, the low economic activity and high interest rates reduced new-build construction activity in most European markets, while energy efficiency renovation activities were more resilient.

Well-executed pricing strategies, market agility and good sales efforts helped preserve our market shares throughout the year. Towards the end of 2023, some markets performed better, and sales in the fourth quarter grew two percent in local currencies mainly from higher volumes.

Net sales for 2023 reached 3620 MEUR, a decrease of four percent in local currencies and seven percent in reported figures, which is at level with the latest announced expectation. Compared to the outlook announced in the 2022 Annual Report, markets in North America and Asia as well as the UK market performed better. Overall sales prices remained relatively stable, resulting in a lower sales decline than initially expected.

Regional sales development

Sales in Western Europe reached 2125 MEUR, a decrease of six percent in local currencies and seven percent in reported figures. The United Kingdom, Spain and France performed well, while most other markets, especially Germany, remained sluggish. Towards the end of the year, sales in Italy regained momentum with solid growth.

Sales in Eastern Europe reached 679 MEUR, down seven percent in local currencies and 17 percent in reported figures. Most main markets showed double-digit sales decline. Towards the end of the year, sales stabilised in Eastern Europe.

In the rest of the world, sales reached 816 MEUR, an increase of six percent in local currencies and one percent in reported figures. Sales in North America showed good growth during the year in both the United States and in Canada. The insulation business in North America showed strong double-digit sales growth well supported by the new factory in West Virginia.

In Asia, sales in most main markets increased in second half of the year, which compensated for the sales decrease in the first half of the year. Especially Malaysia, India and Japan performed well with double-digit full-year sales growth. Due to difficult market conditions, sales in China remained sluggish.

Group profitability

During 2023, energy prices came down to a more stable although still high level. Lower input costs together with a well-executed strategy to keep sales prices stable while maintaining a high level of customer focus contributed positively to a more normalised earnings level. In addition, agility in production and swift capacity adjustments to match the changes in demand have preserved operational productivity, while investments in new competencies, more automated production facilities, digitalisation and growth initiatives supported the profitability.

EBITDA increased 22 percent to 779 MEUR with an EBITDA margin of 21.5 percent. This is a satisfactory achievement in a year with difficult market conditions.

In 2023, depreciation amounted to 261 MEUR, an increase of 25 MEUR compared to 2022. Adjusted for impairment of intangible assets mainly in the Insulation segment and tangible assets in the Systems segment from operational restructuring, the increase was 9 MEUR. The increased depreciation was mainly related to investements in new capacity especially in North America.

EBIT for the year reached 518 MEUR, up 29 percent with an EBIT margin of 14.3 percent, up four percentage points. This includes donation of 27 MEUR to the Foundation for Ukrainian Reconstruction.

There is no direct comparison to the initial outlook announced in February 2023 on EBIT margin, as the outlook for the full year was based on assumptions of possible recessions in both Europe and North America. The full-year

Net sales development

	Growth	MEUR
Net sales 2022		3 907
Organic development	-4%	-152
Currency translation adjustment	-3%	-135
Net sales 2023	**-7%**	**3 620**

EBIT development

	Development	MEUR	EBIT Margin
EBIT 2022		402	10.3%
Earnings from operation	38.1%	153	4.5pp
Currency translation adjustment	-9.1%	-37	-0.5pp
EBIT 2023	**29.0%**	**518**	**14.3%**

Financial performance (continued)

EBIT margin ended at level with the outlook announced later in 2023.

Net financial income amounted to 2 MEUR, compared to a net financial cost of 45 MEUR in 2022. The development is driven by foreign currency exposure on the intercompany balance between ROCKWOOL A/S and one of the subsidiaries 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 rate gain of 18 MEUR in 2023, partly off-setting the unrealised loss of 34 MEUR recognised in 2022.

Tax on profit for the year amounted to 133 MEUR compared to 85 MEUR in 2022. The effective tax rate ended at 25.5 percent, up 1.8 percentage points compared to 2022. The increase in effective tax rate mainly relates to increased payment of withholding taxes.

Group profit after tax totalled 389 MEUR, a 116 MEUR increase, which we consider to be a satisfactory result taking the difficult market conditions into consideration.

Balance sheet and equity

Net working capital ended at 358 MEUR, a decrease of 83 MEUR compared to 2022. The decrease mainly relates to lower inventory due to decreased input costs, primarily from energy. Lower trade receivables from the decrease in sales was offset by lower trade payables. Net working capital as a percentage of sales was back to a more normal level and ended at 9.9 percent compared to 11.3 percent in 2022.

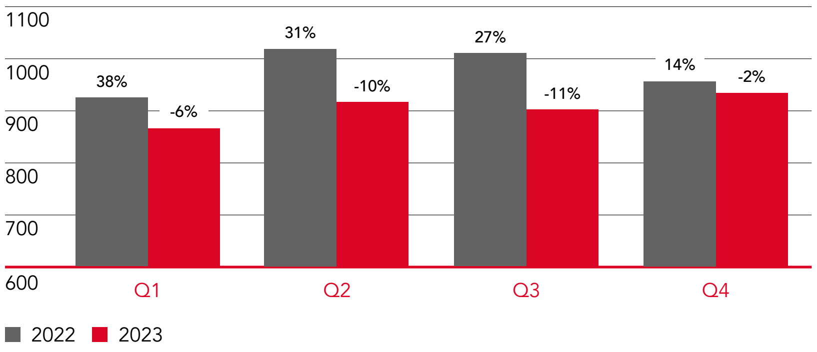
Total assets at the end of 2023 amounted to 3554 MEUR, an increase of 126 MEUR compared to 2022 mainly from increased tangible assets and cash.

Equity of the Group totalled 2804 MEUR as of 31 December 2023 compared to 2580 MEUR in 2022, corresponding to an equity ratio of 79 percent. Equity was mainly affected by the profit for the year.

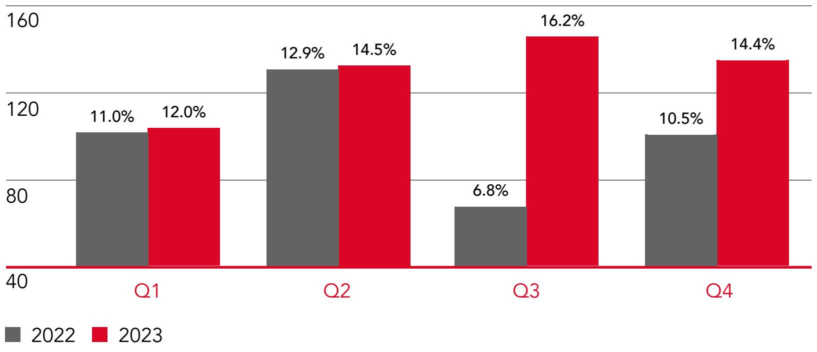
The proposed dividend for 2023 is 43 DKK per share, an increase of 8 DKK per share from 35 DKK for 2022.

Declining energy prices, sales price stability and agility in operation normalised profitability levels.

Quarterly sales & sales growth (reported)
(MEUR)



EBIT & EBIT margin
(MEUR)



Invested capital

Return on invested capital increased in 2023, reaching 20.1 percent compared to 16.4 percent in 2022. The increase was due to increased earnings. Invested capital amounted to 2562 MEUR, down 34 MEUR compared to 2022. The minor decrease mainly came from lower net working capital, which was partly offset by higher tangible assets, as we continue to invest in future growth.

Cash flow and investments

The Group's financial situation strengthened during the year with a net interest-bearing positive cash position of 239 MEUR and unused credit facilities of 600 MEUR at the end of 2023.

Cash flow from operating activities ended at 707 MEUR, an increase of 313 MEUR from 394 MEUR in 2022. The positive impact was derived from both increased cash earnings and less cash tied up in net working capital.

Capital expenditure excluding acquisitions reached 317 MEUR, a decrease of 16 MEUR compared to 2022, slightly lower than our latest expectation due to timing of some larger investments. Compared to our expectation announced in February 2023, the new insulation factory in France was delayed. The largest individual investments in 2023 relate to the electric melter conversion in Switzerland, additional production capacity in Czechia and new capacity for Grodan and Rockpanel.

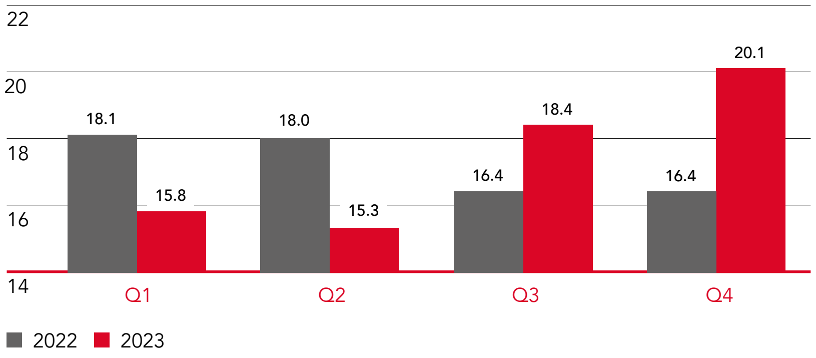
In September 2023, the Belgian Rockfon distribution business Charles Wille was sold.

Free cash flow amounted to 395 MEUR, an increase of 335 MEUR compared to 2022, primarily due to higher earnings and stable investments.

Cash flow from financing activities ended at negative 238 MEUR, mainly from dividend payments of 101 MEUR and repayments of drawings on the credit facilities of 100 MEUR.

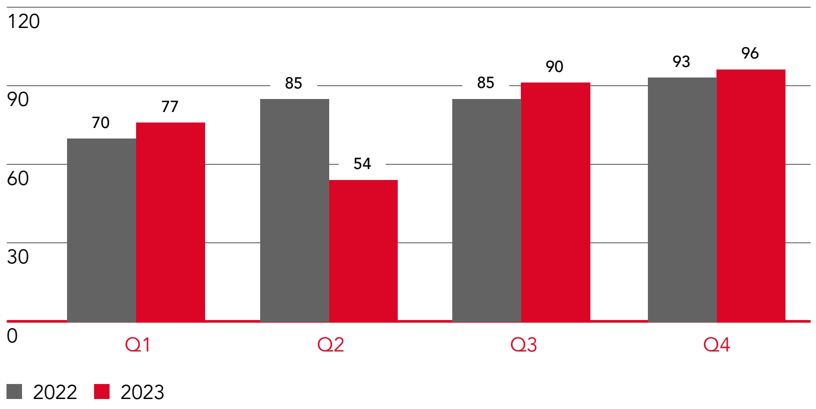
Return on invested capital (ROIC)

(%)



Investments excl. acquisitions

(MEUR)



Quarterly follow-up

Global sales development

Sales in Q4 2023 reached 934 MEUR, an increase of two percent in local currencies compared to Q4 2022. Foreign exchange rates had a negative impact of four percent, resulting in a decrease of two percent in reported figures. Q4 2023 was the first sales growth quarter in 2023.

The sales growth was primarily driven by higher volume compared to a low Q4 2022, and early signs of sales stabilisation in Eastern Europe and in the non-residential segment in Eastern and Central Europe were seen.

Regional sales development

Sales in Western Europe ended at 537 MEUR in Q4 2023, a decrease of four percent measured in local currencies and five percent in reported currencies. Sales decreased in many markets and Germany continued to struggle. Sales in Italy increased with regained momentum and also United Kingdom, Spain and Norway increased sales compared to Q4 2022.

In Q4 2023, net sales in Eastern Europe amounted to 191 MEUR, an increase of 22 percent in local currencies and five percent in reported figures compared to Q4 2022. Sales grew in all main markets and especially Poland and Hungary performed well. The weakening of the Russian rouble had a negative impact in Q4 2023, and in reported figures sales in Russia declined.

Sales in the rest of the world reached 206 MEUR in Q4 2023, an increase of five percent in local currencies compared to Q4 2022. In reported figures, sales in Q4 2023 decreased one percent. Sales in North America were back to growth after a slow third quarter as the Insulation sales recovered after the strike in one of the Canadian factories.

Sales in Asia grew 14 percent. Especially sales in India, Malaysia and Japan showed good performance, although the market in China showed no signs of recovery.

Group profitability

In Q4 2023, energy prices remained stable and at the same level as Q3, which was significantly lower than in Q4 2022. Lower input costs combined with stable sales prices, kept profitability at a good level in the quarter.

	2023				2022			
MEUR	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Income statement								
Net sales	866	917	903	934	924	1 018	1 010	955
Operating income	872	924	904	935	925	1 020	1 013	964
Raw material and production material costs	326	327	316	333	392	424	470	396
Delivery costs and indirect costs	106	114	102	115	128	141	135	114
Other external costs	77	85	67	71	55	62	71	85
Personnel costs	199	204	200	214	195	206	206	204
Operating costs	708	730	685	733	770	833	882	799
EBITDA	164	194	219	202	155	187	131	165
Amortisation, depreciation and impairment	60	61	73	67	53	56	63	64
EBIT	104	133	146	135	102	131	68	101
Income from investments in associated companies	-	-	-	2	-	-	-	1
Financial items	2	4	2	-6	-19	-45	-5	24
Profit before tax	106	137	148	131	83	86	63	126
Tax on profit for the period	28	35	39	31	20	24	18	23
Profit for the period	**78**	**102**	**109**	**100**	**63**	**62**	**45**	**103**
EBITDA margin	18.9%	21.2%	24.3%	21.7%	16.8%	18.4%	13.0%	17.2%
EBIT margin	12.0%	14.5%	16.2%	14.4%	11.0%	12.9%	6.8%	10.5%
Statement of comprehensive income								
Profit for the period	78	102	109	100	63	62	45	103
Exchange rate adjustments of foreign subsidiaries	-43	-8	-21	18	-	154	5	-142
Change in pension obligations	-	-	-	-10	-	-	-	-
Hedging instruments, value adjustments	4	-1	-	-6	-	2	5	-6
Tax on comprehensive income	-	-	-	4	-	-	-	-5
Total comprehensive income	**39**	**93**	**88**	**106**	**63**	**218**	**55**	**-50**

EBITDA in Q4 2023 reached 202 MEUR, an increase of 37 MEUR or 23 percent compared to Q4 2022. The EBITDA margin was 21.7 percent compared to 17.2 percent in Q4 2023.

Depreciation in Q4 2023 amounted to 67 MEUR, 3 MEUR above Q4 2022 due to restructuring impairments mainly in Systems segment.

EBIT in Q4 2023 was 135 MEUR, compared to 101 MEUR in Q4 2022. EBIT margin ended at 14.4 percent, up 3.9 percentage points from Q4 2022.

Business segments

External sales in Q4 2023 in Insulation segment amounted to 694 MEUR, an increase of three percent in local currencies and a decrease of two percent in reported figures compared to Q4 2022. The slowdown in sales in some of the European Insulation markets was offset by solid performance in North America, Eastern Europe and South Asia.

EBIT in the Insulation segment reached 124 MEUR resulting in an EBIT margin of 15.2 percent compared to 8.4 percent in Q4 2022.

In Systems segment, quarterly net sales reached 240 MEUR in Q4 2023, an increase of one percent in local currencies. Measured in reported figures sales decreased three percent compared to Q4 2022. Grodan showed good growth, while sales mainly in Rockfon North America and Rockpanel were lower than last year.

EBIT in Systems segment reached 11 MEUR in Q4 2023, a decrease of 19 MEUR compared to Q4 2022. EBIT in Q4 2023 was impacted by restructuring costs of 16 MEUR related to operational restructuring in Rockfon. EBIT margin was 4.7 percent, a decrease of 7.2 percentage point compared to Q4 2022. Adjusted for restructuring costs, EBIT margin was at level with Q4 2022.

	2023				2022			
MEUR	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Cash flow statement								
EBIT	104	133	146	135	102	131	68	101
Adjustments for amortisation, depreciation and impairment	60	61	73	67	53	56	63	64
Adjustments of non-cash operating items	-5	1	-5	7	-3	-1	3	5
Change in net working capital	-72	8	77	58	-114	-70	51	-15
Cash flow from operations before financial items and tax	87	203	291	267	38	116	185	155
Cash flow from operating activities	65	173	263	206	2	105	145	142
Cash flow from investing activities	-77	-54	-85	-96	-70	-85	-86	-93
Free cash flow	-12	119	178	110	-68	20	59	49
Cash flow from financing activities	139	-234	-133	-10	136	-4	-106	-40
Net cash flow	127	-115	45	100	68	16	-47	9
Business segments								
Insulation segment:								
External net sales	664	723	711	694	724	807	796	707
Internal net sales	95	87	87	120	101	102	103	131
EBIT	79	110	118	124	79	110	52	71
EBIT margin	10.4%	13.7%	14.9%	15.2%	9.5%	12.1%	5.8%	8.4%
Systems segment:								
External net sales	202	194	192	240	200	211	214	248
EBIT	25	23	28	11	23	21	16	30
EBIT margin	12.4%	11.6%	14.6%	4.7%	11.6%	10.0%	7.7%	11.9%
Geographical segments								
Western Europe	528	541	519	537	557	593	575	565
Eastern Europe and Russia	138	161	189	191	178	217	236	182
North America, Asia and others	200	215	195	206	189	208	199	208
Total net sales	**866**	**917**	**903**	**934**	**924**	**1 018**	**1 010**	**955**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Consolidated financial statements

Income statement

1 January – 31 December

MEUR	Note	2023	2022
Net sales	2.1	3 620	3 907
Other operating income		15	15
Operating income		**3 635**	**3 922**
Raw material costs and production material costs		1 302	1 682
Delivery costs and indirect costs		437	518
Other external costs		300	273
Personnel costs	2.2	817	811
Operating costs		**2 856**	**3 284**
EBITDA		**779**	**638**
Amortisation, depreciation and impairment	3.4, 3.5	261	236
EBIT		**518**	**402**
Income from investments in associated companies		2	1
Financial income	5.1	38	16
Financial expenses	5.1	36	61
Profit before tax		**522**	**358**
Tax on profit for the year	6.1	133	85
Profit for the year		**389**	**273**

EUR			
Earnings per share:	5.7		
Earnings per share of 10 DKK (1.3 EUR)		18.0	12.7
Diluted earnings per share of 10 DKK (1.3 EUR)		18.0	12.6

Statement of comprehensive income

1 January – 31 December

MEUR	Note	2023	2022
Profit for the year		**389**	**273**
Items that will not be reclassified to income statement:			
Actuarial gains and losses of pension obligations	3.6	-10	-
Tax on other comprehensive income		3	-4
Items that may be subsequently reclassified to income statement:			
Currency adjustment from translation of entities		-54	17
Hedging instruments, value adjustments		-3	1
Tax on other comprehensive income		1	-1
Other comprehensive income		**-63**	**13**
Comprehensive income for the year		**326**	**286**

Balance sheet

Assets – as at 31 December

MEUR	Note	2023	2022
Goodwill		98	107
Software		10	14
Customer relationships		23	29
Other intangible assets		8	12
Software in progress		6	3
Total intangible assets	3.1	145	165
Buildings and sites		881	908
Plant and machinery		740	702
Other operating equipment		26	18
Tangible assets in progress		432	359
Total tangible assets	3.2	2 079	1 987
Right-of-use assets	3.3	72	88
Shares in associated companies		11	9
Long-term deposits and receivables		8	4
Deferred tax assets	6.1	46	48
Total financial assets		65	61
Non-current assets		**2 361**	**2 301**
Inventories	4.1	375	433
Trade receivables	4.2, 5.2	337	347
Other receivables	5.2	53	80
Prepayments		30	31
Income tax receivable	6.1	44	27
Cash	5.2, 5.3	354	209
Current assets		**1 193**	**1 127**
Total assets		**3 554**	**3 428**

Equity and liabilities – as at 31 December

MEUR	Note	2023	2022
Share capital	5.5	29	29
Currency translation adjustments		-171	-117
Proposed dividend		125	102
Retained earnings		2 824	2 567
Hedging		-3	-1
Total equity		**2 804**	**2 580**
Deferred tax liabilities	6.1	66	55
Pension obligations	3.6	39	32
Lease liabilities	3.3	48	61
Provisions	3.7	22	19
Bank loans and other loans	5.2, 5.4	24	39
Non-current liabilities		**199**	**206**
Short-term portion of bank loans and other loans	5.2, 5.4	13	102
Bank debt	5.2, 5.3	1	7
Trade payables	5.2	241	270
Lease liabilities	3.3	29	24
Provisions	3.7	15	17
Income tax payable	6.1	41	26
Other payables	5.2	211	196
Current liabilities		**551**	**642**
Total liabilities		**750**	**848**
Total equity and liabilities		**3 554**	**3 428**

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	2023	2022
EBIT		518	402
Adjustments for amortisation, depreciation and impairment	3.4	261	236
Adjustments of non-cash operating items	4.3	-2	4
Changes in net working capital	4.3	71	-148
Cash flow from operations before financial items and tax		**848**	**494**
Finance income etc. received		14	10
Finance costs etc. paid		-34	-38
Taxes paid		-121	-72
Cash flow from operating activities		**707**	**394**
Purchase of tangible assets		-321	-326
Proceeds from sale of tangible assets		9	1
Purchase of intangible assets		-5	-8
Business acquisitions, net of cash acquired		-	-1
Business disposals, net of cash disposed of		5	-
Cash flow from investing activities		**-312**	**-334**
Free cash flow		**395**	**60**
Dividend paid		-101	-102
Purchase of own shares		-3	-2
Sale of own shares		-	1
Repayment of lease liabilities	3.3	-29	-26
Repayment of non-current receivables		-5	-
Proceeds from borrowings		1	124
Repayment of current debt		-101	-9
Cash flow from financing activities		**-238**	**-14**
Net cash flow		157	46
Cash 1/1		202	165
Exchange rate adjustments on cash		-6	-9
Cash 31/12	5.3	**353**	**202**
Unutilised, committed credit facilities		**600**	**500**

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.

	Shareholders of ROCKWOOL A/S					
MEUR	Share capital	Currency translation adjustments	Proposed dividend	Retained earnings	Hedging	Total equity
Equity 1/1 2023	**29**	**-117**	**102**	**2 567**	**-1**	**2 580**
Profit for the year	-	-	125	264	-	389
Actuarial gains and losses of pension obligations	-	-	-	-10	-	-10
Hedging instruments, value adjustments	-	-	-	-	-3	-3
Currency adjustments from translation of entities	-	-54	-	-	-	-54
Tax on other comprehensive income	-	-	-	3	1	4
Comprehensive income for the year	-	-54	125	257	-2	326
Purchase of own shares	-	-	-	-3	-	-3
Expensed value of Restricted Share Units (RSUs) issued	-	-	-	2	-	2
Dividend paid	-	-	-102	1	-	-101
Equity 31/12 2023	**29**	**-171**	**125**	**2 824**	**-3**	**2 804**
Equity 1/1 2022	**29**	**-134**	**102**	**2 398**	**-1**	**2 394**
Profit for the year	-	-	102	171	-	273
Hedging instruments, value adjustments	-	-	-	-	1	1
Currency adjustments from translation of entities	-	17	-	-	-	17
Tax on other comprehensive income	-	-	-	-4	-1	-5
Comprehensive income for the year	-	17	102	167	-	286
Purchase of own shares	-	-	-	-2	-	-2
Sale of own shares	-	-	-	1	-	1
Expensed value of Restricted Share Units (RSUs) issued	-	-	-	2	-	2
Dividend paid	-	-	-102	1	-	-101
Equity 31/12 2022	**29**	**-117**	**102**	**2 567**	**-1**	**2 580**


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Notes

Note 1 Basis of preparation

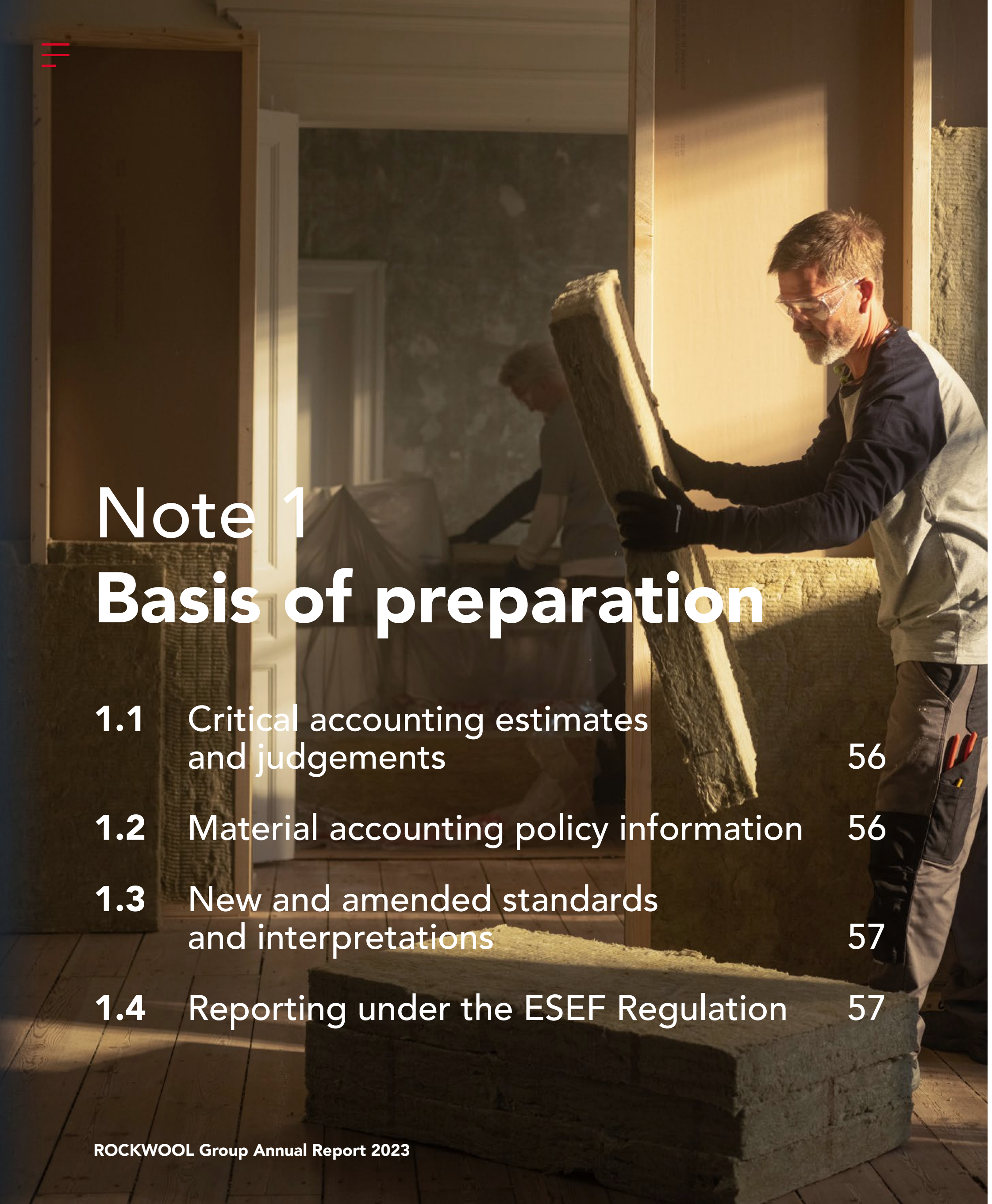
Note 2 Operating profit

Note 3 Invested capital

Note 4 Working capital

Note 5 Capital structure and financing

Note 6 Other



Note 1
Basis of preparation

Notes

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)

– Valuation of inventories (note 4.1)

– 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 Material accounting policy information

The Annual Report for ROCKWOOL A/S has been prepared in accordance with IFRS Accounting Standards 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 2023.

Notes

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.

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. The functional currency of the parent company is Danish kroner (DKK), however the parent financial statements are presented in Euro (EUR).

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 standards, amendments and interpretations

Effective from 1 January 2023, the Group has implemented the following amendments to standards (IAS and IFRS):

– IAS 1, IAS 8, IAS12, IFRS 17.

The adoption of the new or amended standards has not impacted our consolidated financial accounts for 2023 and is not anticipated to have a significant impact on future periods.

New standards, amendments and interpretations adopted but not yet effective

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 2023. 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).

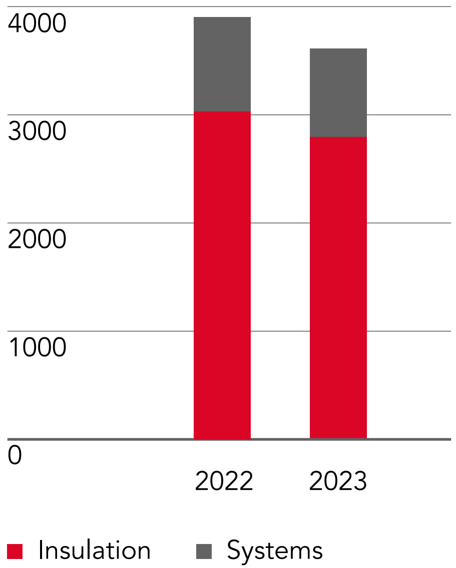
IXBRL tags shall comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published in the IFRS Foundation.

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 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-2023-12-31-en.zip.

Note 2
Operating profit

Sales per business segment (MEUR)



Reported sales decrease
-7%

Average number of FTEs
11 996

EBIT margin
14.3%

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	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
External net sales	2 792	3 034	828	873	-	-	3 620	3 907
Internal net sales	389	437	-	-	-389	-437	-	-
EBIT	**431**	**312**	**87**	**90**	**-**	**-**	**518**	**402**
EBIT margin	*13.6%*	*9.0%*	*10.5%*	*10.3%*	-	-	*14.3%*	*10.3%*
Financial items and income from associated companies	-	-	-	-	-	-	4	-44
Tax on profit for the year	-	-	-	-	-	-	-133	-85
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**389**	**273**
Goods transferred at a point in time	2 792	3 034	828	873	-	-	3 620	3 907
Non-current asset additions	273	289	71	83	-	-	344	372

Geographical segments

	Net sales		**Intangible and tangible assets**	
MEUR	**2023**	**2022**	**2023**	**2022**
Western Europe	2 125	2 290	1 050	972
Eastern Europe and Russia	679	813	433	427
North America, Asia and others	816	804	741	753
Total	**3 620**	**3 907**	**2 224**	**2 152**

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 three percent of the Group's net sales in both 2023 and 2022. The domestic intangible and tangible assets in Denmark amount to 179 MEUR (2022: 196 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 2023 and 2022. In the United States net sales amount to between 10-15 percent of the Group's total net sales in 2023. In no other country does net sales exceed 10 percent of the Group's total net sales.

In 2023 and 2022, intangible and tangible assets in the United States and Germany amount to between 10-20 percent of the Group's total intangible and tangible assets. In 2023, intangible and tangible assets in Canada amount to between 10-20 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 neither 2023 nor 2022.

Personnel costs

MEUR	2023	2022
Wages and salaries	681	684
Expended value of RSUs issued	3	2
Pension Cost	36	34
Other social security cost	97	91
Personnel costs	**817**	**811**
Average number of employees	11 996	12 302

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	2023	2022
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.

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

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 2023 was 3 MEUR (2022: 3 MEUR) at grant date.

In 2023, 3 MEUR was expensed related to the RSUs (2022: 2 MEUR), of which 3 MEUR (2022: 2 MEUR) was recognised in personnel costs. In 2023, the fair value adjustment under finance expenses was close to zero (2022: close to zero).

Cash-settled programmes

The cash-settled programmes consist of phantom shares granted during the years 2020-2023.

The employees granted the phantom shares participate on terms and conditions similar to those applying to the RSUs. The outstanding RSUs from 2020-2023 include 2792 phantom shares (2022: 3117).

The total intrinsic value of the phantom RSUs at year-end amounts to less than 1 MEUR (2022: less than 1 MEUR), which is recognised as a liability.

Restricted share units (RSUs)

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

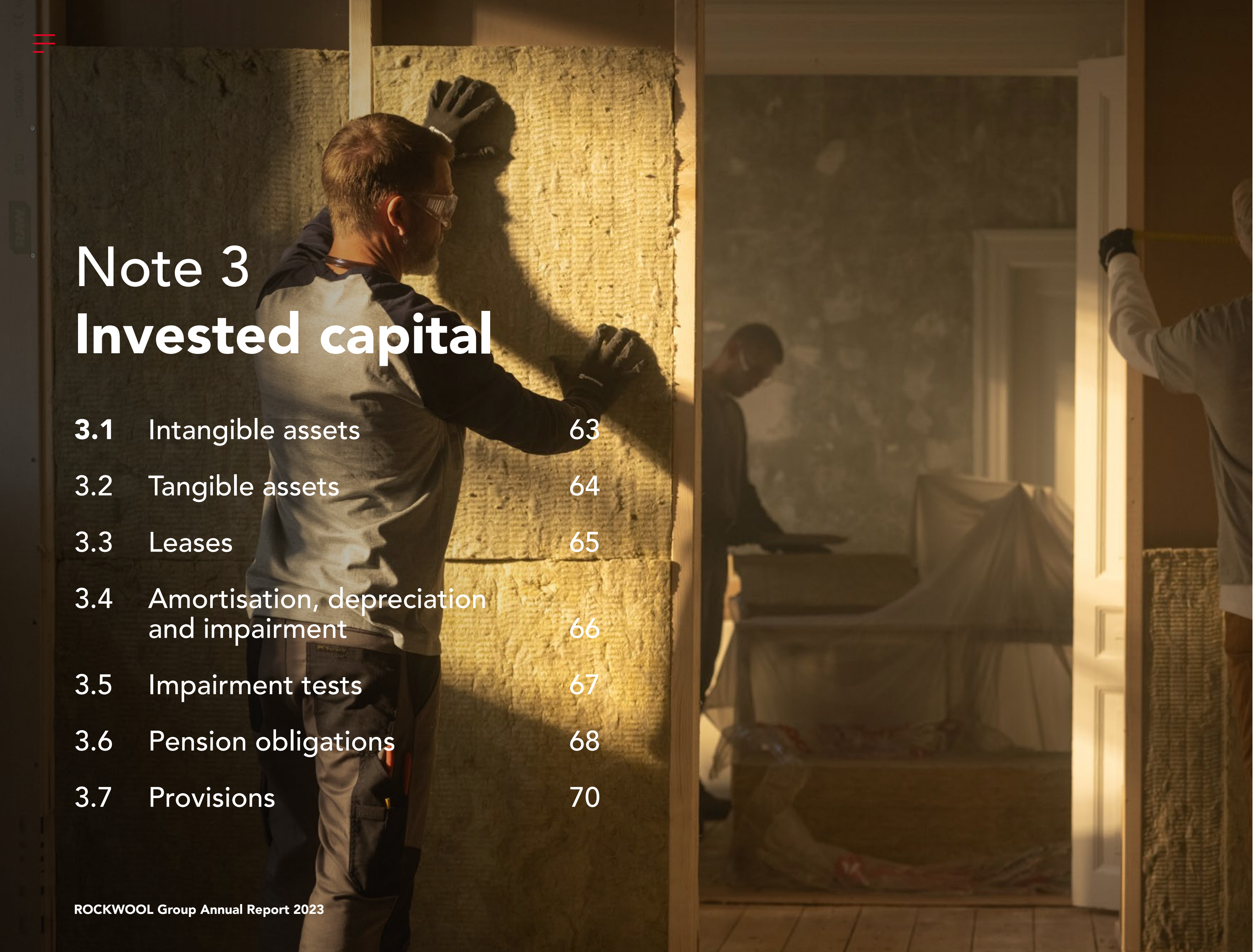
Time of grant	Vesting date	Number of RSUs 2023	Number of RSUs 2022
2020	23.05.2023	-	14 190
2020, one-time award	26.05.2025	9 272	9 272
2021	22.05.2024	7 192	7 237
2022	21.05.2025	9 303	9 353
2023	20.05.2026	12 900	-
		38 667	**40 052**
Weighted average remaining contractual life of the outstanding RSUs at year-end (Year)		1.6	1.5

Of the number of RSUs 15 858 belong to Registered Directors and 22 809 to other senior executives. In 2022, 15 972 belonged to Registered Directors and 24 080 to other senior executives.

Development in number of outstanding RSUs

	2023	2022
Outstanding RSUs 1/1	40 052	41 060
Granted	13 718	9 908
Vested	15 008	10 849
Forfeited	95	67
Outstanding RSUs 31/12	**38 667**	**40 052**

The average share price at vesting date was 234 EUR.



Note 3
Invested capital

Capital expenditure

317 MEUR

Down 16 MEUR compared to 2022

ROU assets

72 MEUR

ROIC

20.1%

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 impairment.

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 impaired to the estimated net sales price or the value in use, if greater. Software in progress is also tested for impairment annually.

Intangible assets

	2023						2022					
MEUR	Goodwill	Software	Customer relationships	Other intangible assets	Software in progress	Total	Goodwill	Software	Customer relationships	Other intangible assets	Software in progress	Total
Cost 1/1	138	97	91	31	3	360	133	93	89	34	17	366
Exchange rate adjustments	-1	-	1	-	-	-	5	-	2	-	-	7
Additions for the year	-	-	-	-	5	5	-	3	-	-	4	7
Transfer of assets in progress	-	2	-	-	-2	-	-	18	-	-	-18	-
Disposals for the year	-	-1	-	-	-	-1	-	-17	-	-3	-	-20
Cost 31/12	**137**	**98**	**92**	**31**	**6**	**364**	**138**	**97**	**91**	**31**	**3**	**360**
Amortisation and impairment 1/1	31	83	62	19	-	195	31	84	55	20	-	190
Exchange rate adjustments	-	-	-	-	-	-	-	-	1	-	-	1
Amortisation for the year	-	6	7	3	-	16	-	7	6	2	-	15
Impairment for the year	8	-	-	1	-	9	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Disposals for the year	-	-1	-	-	-	-1	-	-8	-	-3	-	-11
Amortisation and impairment 31/12	**39**	**88**	**69**	**23**	**-**	**219**	**31**	**83**	**62**	**19**	**-**	**195**
Carrying amount 31/12	**98**	**10**	**23**	**8**	**6**	**145**	**107**	**14**	**29**	**12**	**3**	**165**

During the year R&D costs amounting to 64 MEUR (2022: 55 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 37 MEUR (2022: 45 MEUR) and to CGUs in Systems segment at an amount of 61 MEUR (2022: 62 MEUR).

Goodwill has been impairment tested for the identified CGUs, which for 2023 lead to impairments of 8 MEUR (2022: 0 MEUR), related to Wall Systems in the Insulation segment.

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 5 MEUR (2022: 8 MEUR) and patents amounting to 3 MEUR (2022: 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 impairments 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 (2022: 121 MEUR) represent sites not subject to depreciation.

Accumulated capitalised interests amounting to 6 MEUR (2022: 7 MEUR) are included in the cost of tangible assets. The interest rate used for capitialisation was between 1-9 percent.

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.

Tangible assets have been impairment tested, which for 2023 has lead to impairment of 4 MEUR (2022: 0 MEUR), of which 4 MEUR relate to operational restructuring in Rockfon in the Systems segment.

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 2023 amount to 5 MEUR (2022: 4 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 2023 amount to 121 MEUR (2022: 152 MEUR).

Notes

3.2 Tangible assets (continued)

Tangible assets

MEUR	2023 Buildings and sites	2023 Plant and machinery	2023 Other operating equipment	2023 Tangible assets in progress	2023 Total	2022 Buildings and sites	2022 Plant and machinery	2022 Other operating equipment	2022 Tangible assets in progress	2022 Total
Cost 1/1	1 443	2 565	153	359	4 520	1 358	2 460	140	273	4 231
Exchange rate adjustments	-25	-27	-	-1	-53	8	11	-	13	32
Additions for the year	7	27	2	285	321	25	60	6	237	328
Transfer of assets in progress	34	151	26	-211	-	65	87	12	-164	-
Disposals for the year	-18	-19	-8	-	-45	-13	-53	-5	-	-71
Cost 31/12	**1 441**	**2 697**	**173**	**432**	**4 743**	**1 443**	**2 565**	**153**	**359**	**4 520**
Depreciation and impairment 1/1	535	1 863	135	-	2 533	498	1 780	124	-	2 402
Exchange rate adjustments	-8	-22	-2	-	-32	-	1	-	-	1
Depreciation for the year	45	134	17	-	196	50	129	16	-	195
Impairment for the year	-	-	4	-	4	-	-	-	-	-
Disposals for the year	-12	-18	-7	-	-37	-13	-47	-5	-	-65
Depreciation and impairment 31/12	**560**	**1 957**	**147**	**-**	**2 664**	**535**	**1 863**	**135**	**-**	**2 533**
Carrying amount 31/12	**881**	**740**	**26**	**432**	**2 079**	**908**	**702**	**18**	**359**	**1 987**
Hereof investment grants	**-17**	**-26**	**-**	**-**	**-43**	**-17**	**-27**	**-**	**-**	**-44**

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	2023	2022
Right-of-use assets:		
Offices, other buildings and sites	22	14
Warehouses	30	48
Forklifts, cars and other assets	20	26
Carrying amount of right-of-use assets 31/12	**72**	**88**
Contractual maturity of lease liabilities:		
< 1 year	29	30
1-5 years	44	60
> 5 years	14	15
Total undiscounted lease liabilities	**87**	**105**
Current/non-current lease liabilities classification (discounted):		
Non-current	48	61
Current	29	24

In 2023, additions to right-of-use assets were 18 MEUR (2022: 37 MEUR).

Leases in the income statement

MEUR	2023	2022
Depreciation and impairment of right-of-use assets:		
Offices, other buildings and sites	7	5
Warehouses	19	10
Forklifts, cars and other assets	10	11
Total depreciation and impairment of right-of-use assets	**36**	**26**
Interest expense (included in financial expenses)	3	3
Expense relating to short-term leases (included in operating costs)	13	11
Expense relating to low-value leases (included in operating costs)	1	1
Variable lease payments not included in the lease liabilities (included in operating costs)	2	2

The total cash outflow for leases in 2023 was 48 MEUR (2022: 43 MEUR), of which 29 MEUR (2022: 26 MEUR) is classified as cash flow from financing activities and 19 MEUR (2022: 17 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.

Comments

RoU assets have been impairment tested, which for 2023 has lead to impairment of 6 MEUR (2022: 0 MEUR), of which 6 MEUR relate to operational restructuring in Rockfon in the Systems segment.

3.4 Amortisation, depreciation and impairment

Amortisation, depreciation and impairment

MEUR	2023	2022
Amortisation and impairment of intangible assets	25	15
Depreciation and impairment of tangible assets	200	195
Depreciation and impairment of right-of-use assets	36	26
Amortisation, depreciation and impairment	**261**	**236**

Comments

Please refer to notes 3.1, 3.2 and 3.3 for further details regarding impairment.

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 impairments 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 2-9 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).

2023

During 2023, most markets have recovered from high inflation in the second half of 2022 and profitability is again at a normal level. However, that has not been the case for the Wall Systems business. Wall Systems is a non-stonewool producing unit within the Insulation segment. The business unit produces and sell dry mortar, pasty render and paints. Challenging market conditions in Germany and Poland have significantly impacted the business. Wall Systems has not performed as expected and has recorded low earnings. Impairment tests based on market outlooks have resulted in impairment of goodwill related to Wall Systems of 8 MEUR. The net present value of Wall Systems amounts to 23 MEUR. The key assumptions used is growth depending on the market conditions. All other cash generating units are showing a solid headroom to the carrying amount. Due to difficult market conditions sales in China remained sluggish, which was expected. The Chinese Insulation business is followed closely to ensure that the expected future outcome of the investment in a new factory in Fogang in 2022 is realised. We expect sales growth to come back within the Chinese Insulation business with improved profitability.

2022

The impairment tests for 2022 have not shown a need for impairment or reversals of impairment 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.

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.

2023

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. We consider the chosen scenarios as the most realistic. The impairment related to Wall Systems would have been 2-12 MEUR higher if the discount rate was to increase one percent, the growth was one percent lower or input costs one percent higher.

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 impairment.

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	2023			
CGUs	Carrying amount, Goodwill	Discount rate	Average growth rate in the budget period	Headroom
Chicago Metallic Corporation (Rockfon)	61	8.9%	3%	Large
HECK Wall Systems	-	8.2%	2%	-
CSR including KEWO	14	8.7%	8%	Large
Flumroc	17	7.2%	3%	Large
Other	6	11-18%	4-6%	Large
Total	**98**			

Impairment test of goodwill

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

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.

If a benefit plan constitutes a net asset, the net asset is recognised only to the extent that it equals the value of future repayments or will lead to reduced future payments.

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

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 24 percent (2022: 24 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)

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.

Pension costs

MEUR	2023	2022
Defined contribution plans:		
Total pension costs recognised	**32**	**30**
Defined benefit plans:		
Pension costs	3	3
Interest costs	7	3
Interest income	-6	-2
Total pension costs recognised	**4**	**4**

In 2024, the Group expects to pay contributions of 8 MEUR to defined benefit plans.

Defined benefit pension plans

MEUR	2023	2022	2021	2020	2019
Present value of pension liabilities	198	177	239	250	247
Fair value of plan assets	-189	-179	-214	-184	-185
Asset ceiling limitation	30	34	10	-	-
Pension obligation, net 31/12	**39**	**32**	**35**	**66**	**62**

Key assumptions

Weighted average	2023	2022
Increase in salaries and wages	1.7%	1.7%
Discount rate	2.8%	3.3%
Remaining life expectancy at the time of retirement (years)	22	24

Defined benefit pension obligations

MEUR	2023	2022
Obligations 1/1	177	239
Exchange rate adjustments	6	-
Pension costs	4	4
Interest costs	6	3
Actuarial gains/losses from changes in demographic assumptions	-1	-
Actuarial gains/losses from changes in financial assumptions	13	-67
Actuarial gains/losses from changes in experience	3	5
Benefits paid	-10	-7
Obligations 31/12	**198**	**177**

The weighted average expected duration of the defined benefit obligations is 14 years (2022: 14 years).

Sensitivity analysis

Assumptions	**Discount rate**		**Salary increase**		**Life expectancy**	
	-1.0%	**+1.0%**	**-1.0%**	**+1.0%**	**-1 year**	**+1 year**
MEUR						
2023 - Impact on obligations	24	-21	-2	2	-5	5
2022 - Impact on obligations	21	-20	-1	1	-4	4

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)

Pension plan assets

MEUR	2023	2022
Pension plan assets 1/1	179	214
Exchange rate adjustments	8	1
Interest income	6	2
Return on plan assets	-2	-38
Employer's contribution	5	4
Participant's contribution	1	1
Benefits paid	-8	-5
Pension plan assets 31/12	**189**	**179**

Composition of pension plan assets

MEUR	2023	2022
Assets quoted in active markets:		
Equities in European markets	25%	36%
Bonds in European markets	37%	27%
Assets unquoted:		
Cash	10%	9%
Other	28%	28%

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 2023 other provisions include a provision of 3 MEUR (2022: 1 MEUR) for restructuring measures. This provision is expected to be utilised within one year.

Provisions

	2023				2022			
MEUR	Employees	Claims and legal actions	Other	Total	Employees	Claims and legal actions	Other	Total
Provisions 1/1	13	2	21	36	13	4	7	24
Additions for the year	5	8	6	19	3	3	16	22
Used during the year	-3	-1	-10	-14	-1	-2	-1	-4
Reversed during the year	-	-2	-2	-4	-2	-3	-1	-6
Provisions 31/12	**15**	**7**	**15**	**37**	**13**	**2**	**21**	**36**
Current/non-current classification:								
Non-current liabilities	11	1	10	22	10	-	9	19
Current liabilities	4	6	5	15	3	2	12	17
Provisions 31/12	**15**	**7**	**15**	**37**	**13**	**2**	**21**	**36**

Note 4
Working capital

Net working capital in % of net sales

9.9%

Decreased compared to 11.3% in 2022

Total net working capital

358 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.

Critical estimates and judgements

At least once a year, management assesses whether the standard cost of inventories approximates actual cost. During the year, standard cost is revised if it deviates significantly from actual cost. Indirect production costs are assessed on an ongoing basis to ensure reliable measurement of capacity utilisation, production hours, product applications and other factors.

Calculation of the net realisable value of inventories is relevant mainly for finished goods and spare parts. The estimate of inventory write-downs is considering excess quantities, condition of the inventory and lower selling prices.

Inventories

MEUR	2023	2022
Raw materials and consumables	184	212
Work in progress	15	20
Finished goods	176	201
Inventories 31/12	**375**	**433**
Inventory before write-downs	462	512
Write-downs 1/1	-79	-81
Change in the year	-8	2
Write-downs 31/12	-87	-79
Inventories 31/12	**375**	**433**

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 2023 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	2023	2022
Trade receivables before allowance for bad debts (maximum credit risk)	347	360
Allowance for bad debts 1/1	-13	-11
Movements during the year	2	-3
Realised losses during the year	1	1
Allowance for bad debts 31/12	-10	-13
Trade receivables 31/12	**337**	**347**

Notes

4.2 Trade receivables (continued)

Allowance for bad debts based on the expected credit loss model

2023				
MEUR	Expected loss rate	Gross carrying amount	Allowance for bad debt	Total
Current	0.1%	331	-	331
More than 30 days past due	2%	5	-	5
More than 60 days past due	40%	2	-1	1
More than 90 days past due	100%	9	-9	-
Total 31/12		**347**	**-10**	**337**

2022				
MEUR	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**

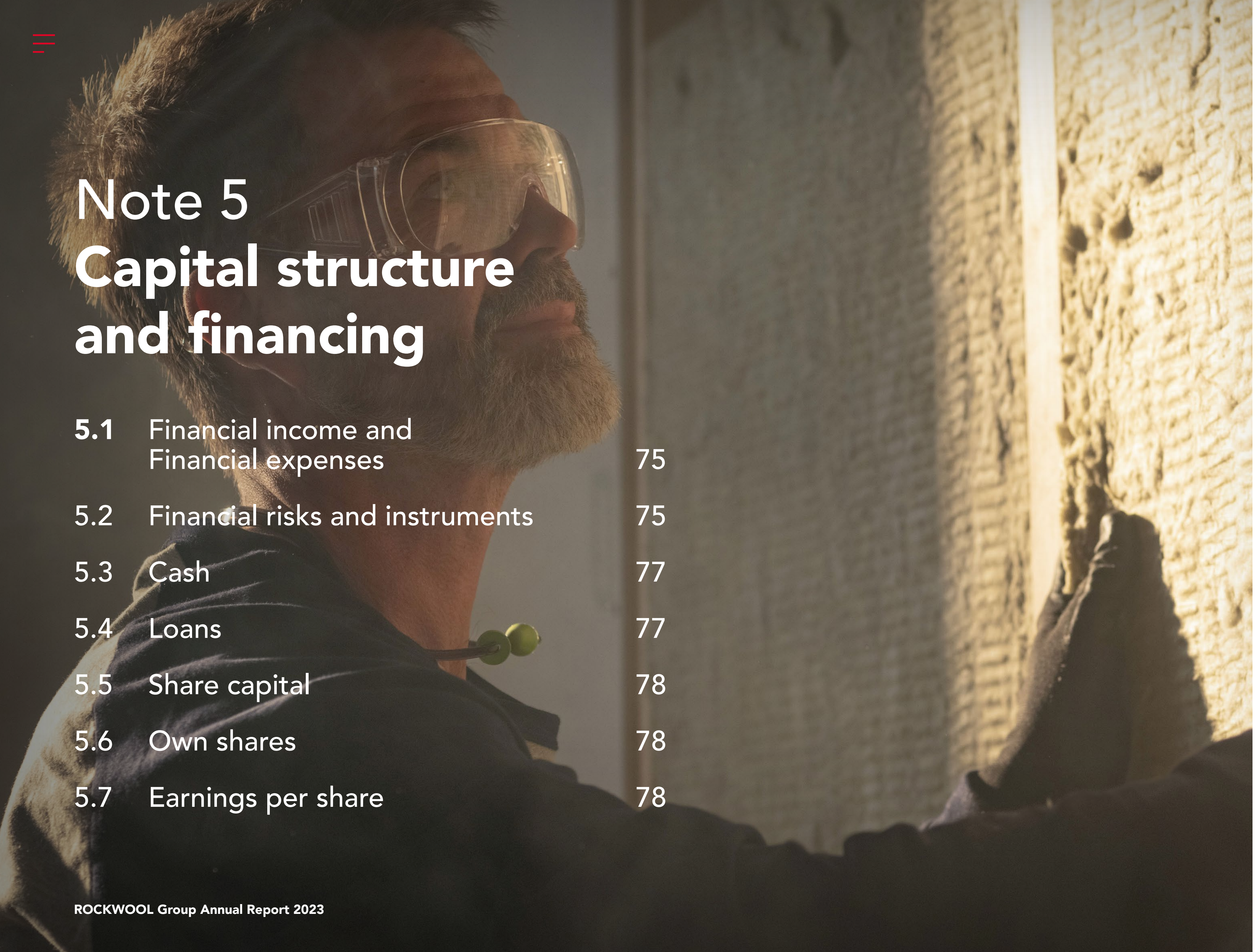
4.3 Other cash flow notes

Adjustments of non-cash operating items

MEUR	2023	2022
Provisions	-	2
Expensed value of RSUs issued	2	3
Gain/loss on sale of intangible and tangible assets	-4	-1
Adjustments of non-cash operating items	**-2**	**4**

Changes in net working capital

MEUR	2023	2022
Change in inventories	49	-113
Change in trade receivables	18	-48
Change in other receivables	24	10
Change in trade payables	-26	-8
Change in other payables	6	11
Change in net working capital	**71**	**-148**



Note 5
Capital structure and financing

Equity ratio

79%

Compared to 75% in 2022

Cash

353 MEUR

Up 151 MEUR from 2022

Earnings per share

18.0 EUR

Up 5.3 EUR from 2022

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	2023	2022
Interest income	13	5
Fair value adjustment Phantom shares	-	1
Foreign exchange gains	25	10
Financial income	**38**	**16**
Hereof financial income on financial assets at amortised cost	13	4

Financial expenses

MEUR	2023	2022
Interest expenses and similar	19	8
Interest expenses lease liabilities	3	3
Foreign exchange losses	14	50
Financial expenses	**36**	**61**
Hereof financial expenses on financial liabilities at amortised cost	17	6

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.

Categories of financial assets and liabilities

MEUR	2023	2022
Financial assets: Financial instruments for hedging of future cash flows	-	1
Financial assets at fair value through other comprehensive income	**-**	**1**
Trade receivables	337	347
Other receivables and receivables from associated companies	53	80
Cash	354	209
Financial assets at amortised costs	**744**	**636**
Financial instruments for hedging of future cash flows	6	3
Financial liabilities at fair value through other comprehensive income	**6**	**3**
Bank loans and other loans including short-term portion	37	141
Bank debt	1	7
Trade payables	241	270
Other payables	205	196
Financial liabilities at amortised costs	**484**	**614**

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 2023 and 2022, and amount to 53 MEUR (2022: 80 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 impact on the net sales of the difference between average rate and year-end rate amounts to 12 MEUR (2022: 50 MEUR) for the five most exposed currencies (USD, RUB, CAD, PLN, and GBP), which is a change of -0.3 percent (2022: -1.3 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.

The Group is currently exposed to foreign currency risk on the intercompany balance between ROCKWOOL A/S and one of the subsidiaries 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 rate gain of 18 MEUR in 2023 partly off-setting an unrealised loss of 34 MEUR recognised in 2022.

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	
Change in exchange rate	**%**	**2023**	**2022**
USD (+/-)	5%	12	10
RUB (+/-)	10%	9	11
CAD (+/-)	5%	5	4
PLN (+/-)	5%	2	1
GBP (+/-)	5%	9	8

		Equity	
Change in exchange rate	**%**	**2023**	**2022**
USD (+/-)	5%	14	14
RUB (+/-)	10%	31	35
CAD (+/-)	5%	14	12
PLN (+/-)	5%	15	13
GBP (+/-)	5%	8	11

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 write-down of trade receivables 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	2023	2022
Cash	354	209
Bank debt	1	7
Cash 31/12	**353**	**202**

5.4 Loans

Comments

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

Bank loans amounted to 37 MEUR at 31 December 2023. The loans are to be fully repaid within three years, of which the majority are due after more than one year. The loans are fixed and floating interest loans, and are denominated in CNY, INR and EUR.

In 2022, bank loans amounted to 141 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 Share capital

Comments

The share capital consists of A shares and B shares.

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.

Completion of voluntary conversion of A shares to B shares in accordance with the company's articles of association for 2023 were completed on 18 December 2023, and the company's articles of association have been updated with the resulting changes to the size of the company's A- and B share capital. The total share capital is unchanged.

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.

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

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, ROCKWOOL can further decide to initiate share buy-backs to adjust the capital structure.

Share capital

MEUR	2023	2022
A shares - 10 776 159 shares of 10 DKK each (1.3 EUR)	14	
B shares - 10 844 550 shares of 10 DKK each (1.3 EUR)	15	
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
Share capital	**29**	**29**

5.6 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 restricted share unit programme and as part of the Group's share buy-back programme.

Own shares

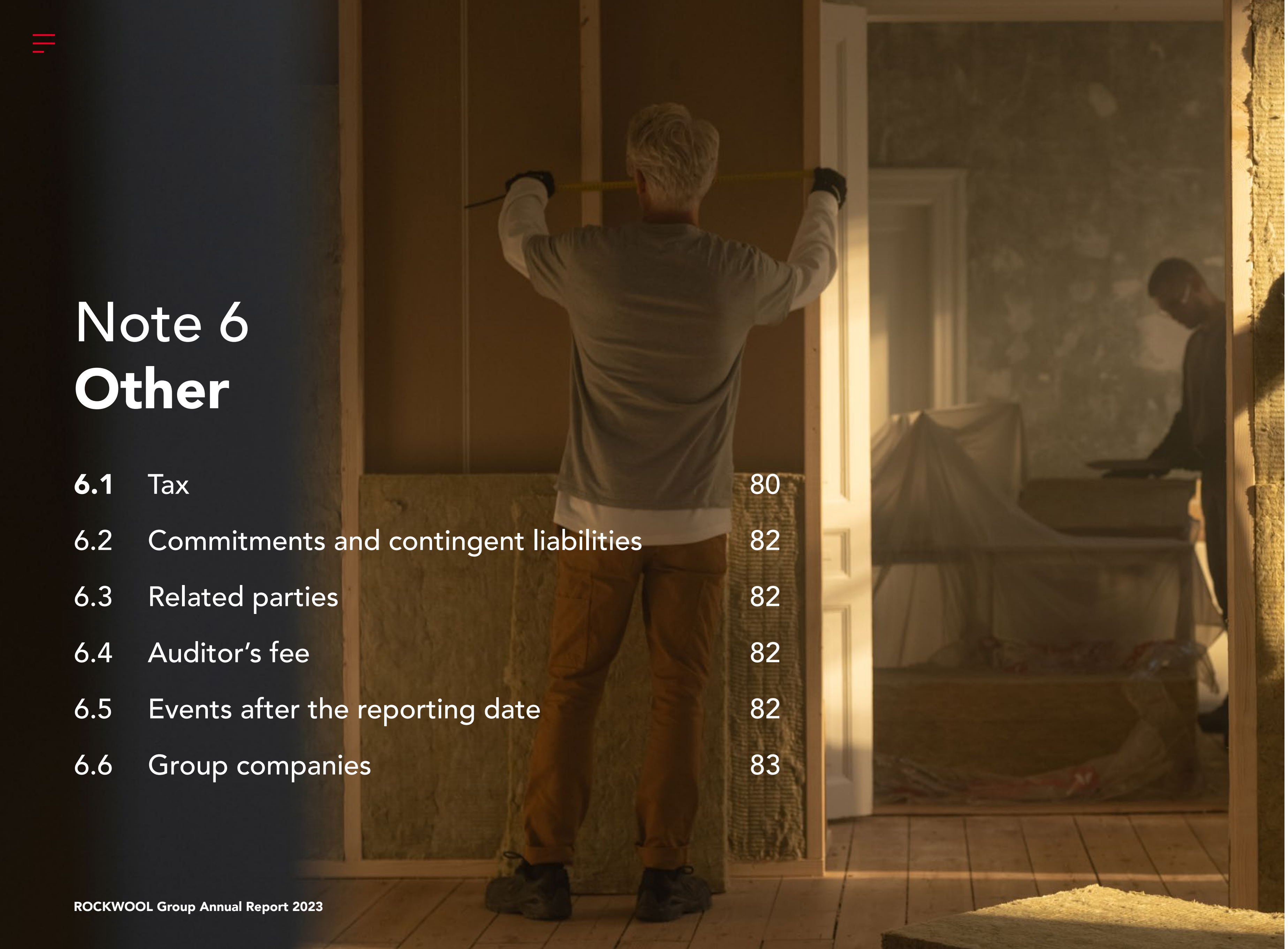
EUR	2023			2022		
B shares	**Number of shares**	**Average purchase/ sales price**	**% of share capital**	**Number of shares**	**Average purchase/ sales price**	**% of share capital**
Own shares 1/1	47 857		0.2	56 228		0.3
Purchase	15 000	217	0.1	5 000	314	0.0
Settlement/sale	12 569	-	0.1	13 371	103	0.1
Own shares 31/12	**50 288**		**0.2**	**47 857**		**0.2**

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

5.7 Earnings per share

Earnings per share

MEUR	2023	2022
Profit for the year attributable to shareholders of ROCKWOOL A/S	389	273
Average number of shares ('000)	21 621	21 621
Average number of own shares ('000)	52	54
Average number of outstanding shares ('000)	**21 569**	**21 567**
Dilution effect of restricted share unit programme ('000)	39	42
Average number of diluted shares ('000)	**21 608**	**21 609**
Earnings per share	18.0	12.7
Earnings per share, diluted	18.0	12.6



Note 6
Other

Effective tax rate in 2023

25.5%

Number of subsidiaries in the Group

59

Number of associated companies in the Group

4

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	2023	2022
Current tax for the year	106	85
Change in deferred tax	24	6
Adjustment to valuation of tax assets	-	-3
Withholding taxes	6	-
Adjustment in current and deferred tax in previous years	-3	-3
Tax on profit for the year	**133**	**85**

Reconciliation of effective tax rate

%	2023	2022
Danish tax rate	22.0	22.0
Deviation in non-Danish subsidiaries' tax compared to Danish tax percentage	1.4	0.6
Withholding tax adjustment	1.2	-
Permanent differences	1.4	1.8
Effect on change in income tax rates	0.1	0.2
Adjustment to valuation of tax assets	-	-0.8
Other deviations	-0.6	-0.1
Effective tax rate (%)	**25.5**	**23.7**

Income tax receivable and payable

MEUR	2023	2022
Income tax receivable and payable 1/1	-1	-13
Exchange rate adjustments	-2	3
Current tax for the year including withholding taxes	112	85
Payments during the year	-116	-76
Adjustment in respect of prior years	4	-1
Current tax for the year recognised in other comprehensive income	-	1
Income tax receivable and payable 31/12	**-3**	**-1**
Income tax is recognised as follows:		
Income tax receivable	44	27
Income tax payable	41	26
Income tax receivable and payable 31/12	**-3**	**-1**

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.

Minimum Taxation

ROCKWOOL is within the scope of the OECD Pillar Two minimum taxation rules. Pillar Two legislation was enacted in Denmark where the parent entity is incorporated, and will come into effect from 1 January 2024. Since the Pillar Two legislation was not effective at the reporting date, the group has no related current tax exposure. The group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023. Under the legislation, the group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate.

Management has performed a preliminary assessment of the impact of this new regulation based on historical data and concluded that the impact on the ROCKWOOL Group's effective tax rate is immaterial, although a small impact is expected in a few of the smaller jurisdictions that ROCKWOOL is operating in.

Comments

Tax assets not recognised amount to 20 MEUR (2022: 16 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, 17 MEUR (2022: 20 MEUR) relate to tax loss carry forwards.

Deferred tax

MEUR	2023	2022
Deferred tax, net 1/1	7	-1
Exchange rate adjustments	1	3
Change in deferred tax recognised in profit and loss	16	4
Adjustment to valuation of tax assets	-	-3
Deferred tax for the year recognised in other comprehensive income for the year	-4	4
Deferred tax, net 31/12	**20**	**7**
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax assets	46	48
Deferred tax liabilities	66	55
Deferred tax, net 31/12	**20**	**7**
Deferred tax relates to:		
Non-current assets	60	44
Current assets	6	-
Non-current liabilities	-18	-7
Current liabilities	-15	-14
Tax loss carried forward	-17	-20
Re-taxable amounts	4	4
Deferred tax, net 31/12	**20**	**7**

Unrecognised tax assets expire as follows

MEUR	2023	2022
< 1 year	-	-
1-5 years	3	4
> 5 years	13	12
Do not expire	4	-
Unrecognised tax assets	**20**	**16**

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 28 MEUR (2022: 31 MEUR), which mainly relates to a number of long-term supply agreements and one conditional tangible asset purchase obligation. Contractual obligations for purchase of tangible assets are mentioned in note 3.2. Contingent liabilities amount to 9 MEUR (2022: 6 MEUR).

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 2023 (as well as at 31 December 2022).

6.3 Related parties

Comments

At 31 December 2023, own shares accounted for 0.2 percent (2022: 0.2 percent) of the share capital, see note 5.6.

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 2023, as well as in 2022, 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	2023	2022
Transactions with associated companies:		
Net sales to associated companies	26	24
Loan to associated companies	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 2023 and 2022.

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 2023 and 2022.

Fees to auditors elected at the Annual General Meeting

MEUR	2023	2022
Statutory audit	2	2
Other opinions	-	-
Tax consultancy	-	-
Other services	-	-
Fees to auditors	**2**	**2**

6.5 Events after the reporting date

We are not aware of events subsequent to 31 December 2023, 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 Australia Pty. Ltd.	Australia	100
ROCKWOOL Handelsgesellschaft m.b.H.	Austria	100
ROCKWOOL Belgium N.V.	Belgium	100
ROCKWOOL Bulgaria EooD	Bulgaria	100
ROXUL Inc.	Canada	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.	Czechia	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
ROXUL ROCKWOOL Insulation India Ltd.	India	100

Subsidiaries	Country	% Shares owned
ROXUL ROCKWOOL Technical Insulation India Pvt. Ltd.	India	100
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
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.	Türkiye	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
RESO SWISS SA	Switzerland	20

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

Definition of key figures and ratios

Part of management review

EBITDA

Earnings before amortisation, depreciation, impairment, 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.

Sustainability investments

Investments that support the Group's sustainability goals or in another way reduce the environmental footprint or increase health and safety.

CO_2 intensity (Scope 1+2) per tonne stone wool

Defined according to the Greenhouse Gas Protocol. Scope 1 emissions are direct emissions from the stone wool factories. It includes emissions from all combustion sources and process emissions. Scope 2 emissions are indirect emissions from purchased electricity, heat or steam.

Energy efficiency in own buildings

Energy efficiency improvement in own buildings calculated in metrics of kWh/m2/year.

Water use intensity from stone wool production

All water (surface water, groundwater, public water, and water from other external sources) used in stone wool production and not returned to its original source.

Number of countries with recycling service

Number of countries where ROCKWOOL can take back used stone wool from the market through Rockcycle®.

Landfill waste from our stone wool production

Total quantity of production waste sent to landfill by the stone wool factories.

Lost time incident frequency rate

Number of recorded lost time injuries resulting in more than one day of absence per million working hours for the year.

Absolute greenhouse gas (GHG) emissions (Scope 1+2)

Defined according to the Greenhouse Gas Protocol. Scope 1+2 GHG emissions are the sum of CO_2 emissions and other GHG emissions measured as CO_2-equivalents. Scope 2 emissions include indirect emissions from electricity, heat and steam.

Absolute greenhouse gas (GHG) emissions (Scope 3)

Defined according to the Greenhouse Gas Protocol and includes other indirect emissions from our activities that result from sources we do not own or control.

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.

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 2023.

The Consolidated Financial Statements have been prepared in accordance with IFRS Accounting 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 Statements Act.

Management's Review has been prepared in accordance with the Danish Financial Statements Act and Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation).

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 2023 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 2023.

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 most 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 2023 with the file name ROCK-2023-12-31-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, 7 February 2024

Registered Directors

Jens Birgersson
CEO

Kim Junge Andersen
CFO

Board of Directors

Thomas Kähler
Chairman

Jørgen Tang-Jensen
Deputy Chairman

Rebekka Glasser Herlofsen

Jes Munk Hansen

Carsten Kähler

Ilse Irene Henne

Connie Enghus Theisen

Christian Westerberg

Berit 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 2023 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2023 in accordance with IFRS Accounting 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 2023 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2023 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. 49-83) and the Parent Company Financial Statements (pp. 91-99) of ROCKWOOL A/S for the financial year 1 January to 31 December 2023, comprise income statement, balance sheet, statement of changes in equity and notes, including material accounting policy information 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 10 years including the financial year 2023.

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 2023. 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 the applied 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 the applied margin, cost inflation and efficiency improvements, as well as 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. 3-47, p. 84 and p. 90).

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 and Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation).

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 and the disclosure requirements of Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation). 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 IFRS Accounting 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 2023 with the filename ROCK-2023-12-31-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 2023 with the file name ROCK-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 7 February 2024

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.

Diversity

Statement in accordance with the Danish Financial Statements Act section 99b.

In 2023, the proportion of females (being the underrepresented gender), in management levels one and two, amounted to 24 percent; and among shareholder-elected members of the Board of Directors, 33 percent, which is on target. Overall, 30 percent of employees are female.

Our aim is that the percentage of the underrepresented gender in management positions is similar to the organisation in general and that we will reach this target within a five-year horizon.

In 2023, ROCKWOOL Group implemented a new Diversity, Equity, and Inclusion (DE&I) policy that embodies our commitment to "creating a workplace where all employees have equal access to resources and opportunities, including but not limited to recruitment, training, remuneration, and career development. For ROCKWOOL, inclusion also means considering the preferences and needs of employees with different perspectives, including from among vulnerable groups, ensuring that everyone feels valued and supported".

Further, the policy states, "At ROCKWOOL we recognise that each one of us brings to work our own unique capabilities, experiences, competences, and perspectives, regardless of our differences. These differences can be based on visible and invisible, innate and acquired characteristics, such as age, gender, race, colour, disability, religion, sexual orientation, political opinion, social origin, or other grounds".

During 2023 we have made further progress on our job adverts to ensure inclusive language that attracts more female candidates as well as a younger audience.

Additionally, the DE&I working group within Group Operations and Technology launched actions such as anti-bias training and a detailed analysis of DE&I related data and insights based on the annual employee engagement survey, where learnings will form the base for future actions.

Gender diversity

Shareholder-elected Board Members	**2023**
Total Members	6
Underrepresented gender in percent	33%
Target in percent	33%
Year for fulfilling target	2024
Management (level 1&2)	**2023**
Total Members	33
Underrepresented gender in percent	24%
Target in percent	30%
Year for fulfilling target	2028

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 2023, sale from constructing and maintaining the Group's manufacturing facilities was 108 MEUR (2022: 123 MEUR), a decrease of 15 MEUR as a result of decreased investment activities during 2023.

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 358 MEUR (2022: 248 MEUR).

Income from investments in subsidiaries was 296 MEUR (2022: 250 MEUR). The increase is related to increased activity and profitability in the Group companies. Net financial income amounted to 17 MEUR (2022: net financial expenses of 35 MEUR) the increase 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 in 2023 has resulted in an unrealised exchange gain, where 2022 resulted in an unrealised exchange loss. In 2023, profit for the year totalled 381 MEUR against 262 MEUR in 2022.

Balance sheet

Total assets at year-end amounted to 3299 MEUR (2022: 3125 MEUR) and the equity was 2751 MEUR (2022: 2534 MEUR).

Investment in subsidiaries was 2331 MEUR (2022: 2299 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. 3-47.

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

Income statement – ROCKWOOL A/S

1 January – 31 December

MEUR	Note	2023	2022
Net sales	2.1	466	371
Costs of raw material and consumables		83	97
Other external costs		188	140
Gross profit		**195**	**134**
Personnel costs	2.2	72	67
Amortisation, depreciation and impairment	3.1, 3.2	15	13
Operating profit / EBIT		**108**	**54**
Income from investments in subsidiaries	2.3	296	250
Financial income	2.4	40	10
Financial expenses	2.4	23	45
Profit before tax		**421**	**269**
Tax on profit for the year	2.5	40	7
Profit for the year	2.6	**381**	**262**

Balance sheet – ROCKWOOL A/S

Assets – as at 31 December

MEUR	Note	2023	2022
Completed development projects		9	13
Acquired patents, licenses and trademarks		9	17
Development projects in progress		7	3
Intangible assets	3.1	**25**	**33**
Land and buildings		19	19
Other fixtures and fittings, tools and equipment		9	7
Prepayments and property, plant and equipment in progress		7	5
Property, plant and equipment	3.2	**35**	**31**
Investment in subsidiaries	3.3	2 331	2 299
Investment in associated companies		1	1
Receivables from subsidiaries	3.3	210	184
Fixed assets investments		**2 542**	**2 484**
Fixed assets		**2 602**	**2 548**
Inventories		**1**	**1**
Contract work in progress	3.4	21	35
Receivables from subsidiaries		485	509
Tax receivables		-	2
Other receivables		6	1
Prepayments	3.5	16	10
Receivables		**528**	**557**
Cash		**168**	**19**
Current assets		**697**	**577**
Assets		**3 299**	**3 125**

Equity and liabilities – as at 31 December

MEUR	Note	2023	2022
Share capital		29	29
Revaluation reserve according to the equity method		522	472
Reserve for development costs		11	12
Retained earnings		2 064	1 919
Proposed dividend		125	102
Shareholders' equity		**2 751**	**2 534**
Deferred tax	3.6	6	8
Payables to subsidiaries		58	73
Other provisions		1	1
Non-current liabilities		**65**	**82**
Bank debt		-	100
Trade payables		18	18
Payables to subsidiaries		440	379
Tax payable		13	-
Other payables		12	12
Current liabilities		**483**	**509**
Liabilities		**548**	**591**
Liabilities and shareholders' equity		**3 299**	**3 125**

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 2023	**29**	**472**	**12**	**1 919**	**102**	**2 534**
Exchange rate adjustments	-	-	-	-5	-	-5
Profit for the year	-	101	-	155	125	381
Development costs for the year	-	-	-1	1	-	-
Currency revaluation of investments in subsidiaries	-	-54	-	-	-	-54
Other adjustments	-	3	-	-5	-	-2
Expensed value of RSUs issued	-	-	-	1	-	1
Purchase of own shares	-	-	-	-3	-	-3
Dividend paid to the shareholders	-	-	-	1	-102	-101
Shareholders' equity 31/12 2023	**29**	**522**	**11**	**2 064**	**125**	**2 751**
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**

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 Euro (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:

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

Note 2

2.1 Net sales

MEUR	2023	2022
Revenue from projects	108	123
Royalties and other fees	358	248
Net sales	**466**	**371**

2.2 Personnel costs

MEUR	2023	2022
Wages and salaries	64	60
Expensed value of RSUs issued	1	1
Pension costs	6	6
Other social security costs	1	-
Personnel costs	**72**	**67**
Average number of employees in ROCKWOOL A/S	497	480

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	2023	2022
Share of net profit/(loss)	306	261
Amortisation of goodwill	-10	-11
Income from investments in subsidiaries	**296**	**250**

2.4 Financial income and Financial expenses

MEUR	2023	2022
Interest income	9	2
Interest income from subsidiaries	6	4
Foreign exchange gains	25	4
Financial income	**40**	**10**

MEUR	2023	2022
Interest expenses etc.	12	3
Interest expenses to subsidiaries	6	5
Foreign exchange losses	5	37
Financial expenses	**23**	**45**

2.5 Tax on profit for the year

MEUR	2023	2022
Current tax for the year	34	7
Change in deferred tax	-2	2
Withholding taxes	6	-1
Adjustment in current and deferred tax in previous years	2	-1
Tax on profit for the year	**40**	**7**

2.6 Proposed distribution of profit

MEUR	2023	2022
Proposed distribution of profit:		
Proposed dividend to shareholders	125	102
Revaluation reserve according to equity method	101	162
Retained earnings	155	-2
Total profit	**381**	**262**

Note 3

3.1 Intangible assets

Impair

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	2023 Total	2022 Total
Cost 1/1	90	46	3	139	139
Exchange rate adjustments	-1	-	1	-	-
Additions for the year	-	-	6	6	8
Transfer of development projects in progress	3	-	-3	-	-
Disposals for the year	-1	-4	-	-5	-8
Cost 31/12	**91**	**42**	**7**	**140**	**139**
Amortisation and impairment 1/1	77	29	-	106	105
Exchange rate adjustments	-	-	-	-	1
Amortisation for the year	6	3	-	9	8
Impairment for the year	-	1	-	1	-
Disposals for the year	-1	-	-	-1	-8
Amortisation and impairment 31/12	**82**	**33**	**-**	**115**	**106**
Carrying amount 31/12	**9**	**9**	**7**	**25**	**33**

3.2 Property, plant and equipment

Comments

Of the total net book value of land and buildings, 1 MEUR (2022: 1 MEUR) represent land not subject to depreciation.

MEUR	Land and buildings	Other fixtures and fittings, tools and equipment	Prepayments and property, plant and equipment in progress	2023 Total	2022 Total
Cost 1/1	38	25	5	68	64
Exchange rate adjustments	-	-	1	1	-1
Additions for the year	-	-	8	8	6
Transfer of property, plant and equipment in progress	1	6	-7	-	-
Disposals for the year	-	-2	-	-2	-1
Cost 31/12	**39**	**29**	**7**	**75**	**68**
Depreciation and impairment 1/1	19	18	-	37	33
Exchange rate adjustments	-	-	-	-	-
Depreciation for the year	1	4	-	5	5
Disposals for the year	-	-2	-	-2	-1
Depreciation and impairment 31/12	**20**	**20**	**-**	**40**	**37**
Carrying amount 31/12	**19**	**9**	**7**	**35**	**31**

Note 3

3.3 Fixed assets investments

MEUR	Investments in subsidiaries	Receivables from subsidiaries	2023 Total	2022 Total
Cost 1/1	1 827	184	2 011	2 029
Exchange rate adjustments	-4	2	-2	-
Additions for the year	-	92	92	14
Reductions/disposals for the year	-14	-68	-82	-32
Cost 31/12	**1 809**	**210**	**2 019**	**2 011**
Value adjustments 1/1	472	-	472	296
Exchange rate adjustments	-54	-	-54	17
Share of net profit	306	-	306	261
Amortisation of goodwill	-10	-	-10	-11
Dividends received	-195	-	-195	-88
Other adjustments	3	-	3	-3
Value adjustments 31/12	**522**	**-**	**522**	**472**
Carrying amount 31/12	**2 331**	**210**	**2 541**	**2 483**

3.4 Contract work in progress

MEUR	2023	2022
Sales values of work performed	218	171
Invoiced on account	-197	-136
Contract work in progress, net	**21**	**35**
Recognised as follows:		
Contract work in progress (assets)	21	35

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	2023	2022
Deferred tax 1/1	8	7
Change in deferred tax recognised in profit and loss	-2	1
Deferred tax 31/12	**6**	**8**

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 2023 and 2022 amount to less than 1 MEUR. The majority of lease commitments expire within one year from the balance sheet date.

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 2023 and 2022.

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

	2023	
	Share capital	**Votes**
ROCKWOOL Foundation, DK-1360 Copenhagen K	23%	28%
15. Juni Fonden, DK-2970 Hoersholm	6%	11%
B/E Dorrit Eegholm Kähler, DK-1609 Copenhagen V	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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