ROCKWOOL

Resilient by nature
Annual Report

2020


2020

Overview

Financial statements

At a glance

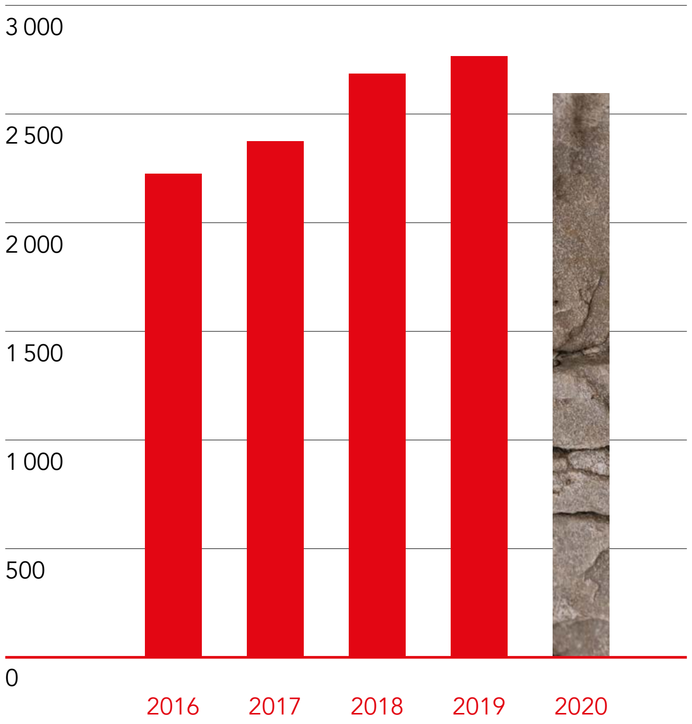
68
Nationalities worldwide

37%
White-collar positions held by women

11 500
Highly-skilled individuals

Employees by region

Net sales
(EURm)



Five brands

ROCKWOOL
Fire-safe stone wool insulation

Rockfon
Fire-safe acoustic ceiling tiles and systems

Grodan
Stone wool growing media and technology

Rockpanel
Fire-safe façade cladding, roof detailing, soffits and fascia

Lapinus
Automotive, urban acoustics and urban climate adaptation

Sales decreased

3.7%

in local currencies, incl. 0.6% from acquisitions

EBIT

338EURm

Down 9% compared to last year

World leader with local presence

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

47
Manufacturing facilities

39
Countries where we are present

120+
Countries in which we have sales

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

Five-year overview

	2020 (DKKm)	2020 EURm	2019 EURm	2018 EURm	2017 EURm	2016 EURm
Income statement						
Net sales	19,397	2,602	2,757	2,671	2,374	2,202
EBITDA	3,889	522	548	507	417	389
Amortisation, depreciation and write-downs	1,370	184	176	166	159	160
EBIT	2,519	338	372	341	258	229
Financial items	-97	-13	-5	-7	-11	-7
Profit before tax	2,422	325	367	335	275	225
Profit for the year	1,871	251	285	265	214	166
Balance sheet						
Non-current assets	14,337	1,927	1,825	1,468	1,383	1,409
Current assets	6,073	817	869	963	781	591
Total assets	20,410	2,744	2,694	2,431	2,164	1,999
Equity	15,566	2,092	2,118	1,877	1,684	1,536
Non-current liabilities	1,179	158	160	121	122	128
Current liabilities	3,665	494	416	433	358	336
Net interest-bearing cash / (debt)	709	95	212	375	241	116
Net working capital	1,588	213	247	198	190	175
Invested capital	14,591	1,961	1,889	1,542	1,452	1,433
Gross investment in plant, property and equipment	2,491	335	393	220	123	92

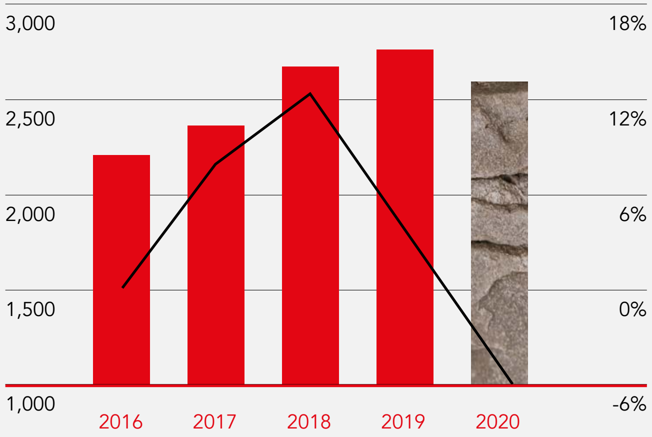
For definitions of key figures, ratios and exchange rates see p. 107.

	2020 (DKKm)	2020 EURm	2019 EURm	2018 EURm	2017 EURm	2016 EURm
Cash flow						
Cash flow from operating activities	3,261	438	402	408	332	326
Cash flow from investing activities	2,690	362	400	212	165	89
Free cash flow	571	76	2	196	167	237
Others						
R&D costs	306	41	41	38	32	32
Number of patents granted	148	148	235	268	201	280
Number of full-time employees (year-end)	11,448	11,448	11,691	11,511	11,046	10,414
Ratios						
EBITDA margin	20.1%	20.1%	19.9%	19.0%	17.6%	17.7%
EBIT margin	13.0%	13.0%	13.5%	12.8%	10.8%	10.4%
Payout ratio	37.7%	37.7%	33.3%	33.3%	33.3%	33.3%
ROIC	17.6%	17.6%	21.7%	22.8%	17.9%	15.8%
Return on equity	11.9%	11.9%	14.3%	14.9%	13.3%	11.5%
Equity ratio	76.1%	76.1%	78.5%	77.1%	77.5%	76.8%
Leverage ratio	-0.18	-0.18	-0.39	-0.74	-0.58	-0.29
Financial gearing	-0.05	-0.05	-0.10	-0.20	-0.14	-0.08

Highlights 2020

Net sales & sales growth

(EURm)



Sales decreased

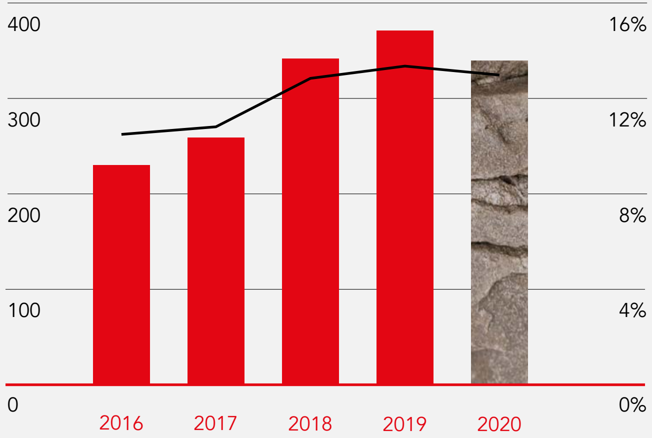
3.7%

in local currencies, incl. 0.6% from acquisitions

Net sales
Growth (reported)

EBIT & EBIT margin

(EURm)



EBIT

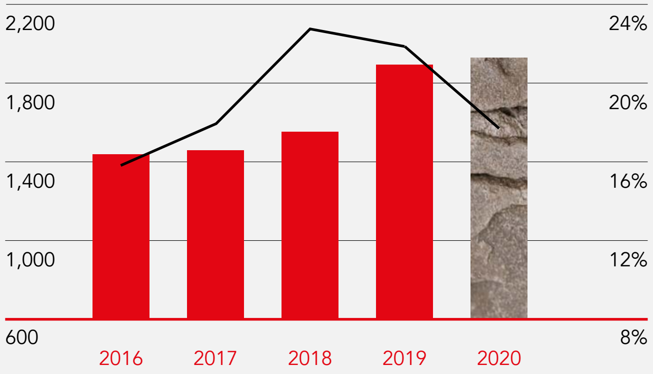
338 EURm

Down 9% compared to last year

EBIT
EBIT margin

ROIC & Invested capital

(EURm)



ROIC

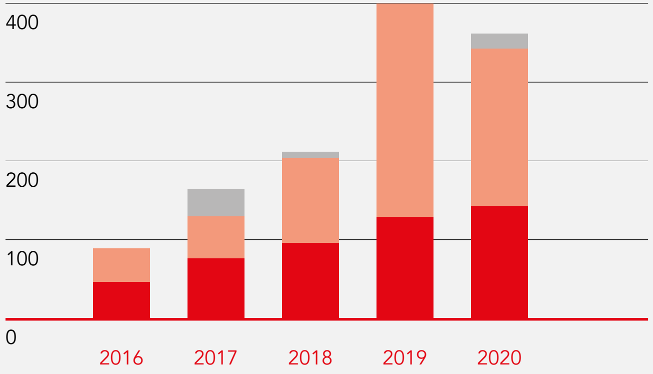
17.6%

Down from 21.7% last year

Invested capital
ROIC

Investments

(EURm)



Investments in new capacity

200 EURm

Maintenance
Capacity
Acquisitions

Organisational agility enables strong performance

Chairman Thomas Kähler and CEO Jens Birgersson

Dear stakeholders,
The year 2020 will undoubtedly be remembered most for the global pandemic, the first in more than 100 years. Its impact on our world has been profound, changing the way we interact, how we work and live, and forcing us to adapt to new and often inconvenient alternatives.

Looking back on the turbulent year, we are proud of how well our colleagues handled the many challenges that arose. Our local teams and leadership ensured employees were safe while quickly adjusting operations, sales and service activities to match the changing needs of the market and our customers.

At the same time, we kept an eye on the recovery and the opportunities for us to help society and our communities come back stronger: we continued investing in new production facilities and more efficient and sustainable technologies; accelerated our usage of digital platforms to meet customer needs; and made new and ambitious long-term commitments regarding sustainability goals that you will learn more about in this report.

Robust results
Considering the global nature of the COVID-19 shock, our performance during the year was strong. Our sales declined overall but were supported in regions where the construction sector stayed active, as many governments recognised that building sites could operate safely and contribute to the economic recovery at the same time. Importantly, we maintained a robust level of profitability by adjusting our production to demand and keeping costs down.

More specifically, net sales for the year were down 3.7 percent in local currencies including 0.6 percent from acquisitions, while EBIT margin was 13 percent, down 0.5 percentage points. Profit for the year was EUR 251 million, a 12 percent decrease from last year. We have unused committed credit facilities of EUR 630 million and have a net positive cash position of EUR 95 million.

Our largest individual investments in 2020 relate to ongoing factory projects in the United States (West Virginia), in Norway and in Germany.

We made two acquisitions during the year: the Sweden-based Parafon Acoustic Ceiling business, now part of Rockfon; and Bestofire & Thermal Pte Ltd, a Singapore-based specialist supplying fire protection and thermal insulation. Both acquisitions strengthen our position in the respective markets.

Importantly, our customer satisfaction score increased 6.5 percent this year compared to 2019, the sixth year in a row customers have rated us higher than the year before. Considering the unique challenges everyone faced during the year, we are especially proud of this result and our employees' ability to continue meeting customers' needs.

Recovery, renovation and urban regeneration
COVID-19 has created simultaneous health and economic crises, on top of a climate crisis that will not release its grip. That is why greening the economic recovery is so important. And while climate initiatives may have given way temporarily to the immediate requirements of the pandemic, governments are increasingly focusing on addressing the climate challenge also as a means of spurring economic growth and creating healthier and safer communities.

The European Commission is leading the way on this front – and they recognise that buildings are the linchpin for both climate action and economic recovery. Combined with the Commission's aim to raise the EU's 2030 greenhouse gas emissions reduction target to at least 55 percent, its "Renovation Wave" strategy calls for doubling the EU's current building renovation rate to two percent. They are working on important new policy initiatives to achieve that goal.

Doing so will require renovating the buildings in which we live and work on a large scale. Buildings are the EU's biggest carbon emitter, responsible for 36 percent of greenhouse gas emissions. They are also the EU's most valuable financial asset, worth tens of trillions of euros. And crucially in times of economic stress, buildings are a job-creation machine: per billion euros invested, building renovations are estimated to create 18,000 jobs.

Our own decarbonisation goals
In December 2020, we announced ambitious plans to accelerate the decarbonisation of our business, with specific long-term targets. Verified and approved by the Science Based Targets initiative (SBTi), these targets include:

- Reducing total factory greenhouse gas emissions in absolute terms by 38 percent by 2034 (relative to baseline year 2019); and,
- Reducing non-factory, total lifecycle greenhouse gas emissions by 20 percent by 2034 (relative to baseline year 2019)

These absolute emission reduction targets supplement our existing sustainability goals to continue reducing the carbon intensity (carbon emitted per tonne produced) of our production. The SBTi-approved targets equate to a one-third reduction of ROCKWOOL's lifecycle greenhouse gas emissions by 2034.

We are proud of this commitment, and to be among the few energy-intensive manufacturing companies whose science-based emission reduction targets SBTi has verified and approved.

Health and safety
Every year, we strive to achieve the same safety goal: zero fatalities and a minimum 10 percent annual improvement in the Lost Time Incident (LTI) rate.

Most importantly, we had no fatalities in 2020. For the LTI rate, our goal was a 10 percent improvement, from 2.9 in 2019 to 2.6 in 2020. Although we had fewer lost time incidents in 2020 compared to 2019, the LTI rate, based on the number of hours worked, was higher in 2020, at 3.0.

Looking ahead
With the pandemic surely leaving its mark throughout the year ahead, we anticipate that governments will continue prioritising keeping construction sites open, owing to the multiple economic, climate, and health benefits of especially building renovations. Together with the strong market focus on non-combustible, recyclable building materials, the existing policy emphasis on greening the economic recovery should positively influence market developments, especially in the medium- to longer-terms.

Financially, we forecast sales growth of 3-5 percent in local currencies for 2021. Input costs are likely to be higher in 2021, as especially energy costs are trending upward, which we aim to offset with operational productivity gains and cost savings. Overall, we thus expect a double-digit EBIT margin of around 11 percent, which is slightly down compared to 2020 when adjusting for the additional depreciation and costs related to new factory start-up.

The 2021 investment level will be around EUR 370 million, with the West Virginia factory and the relocation of one of the China factories being the main drivers. We will also invest in additional Rockfon and Grodan capacity as well as make additional investments supporting our sustainability and decarbonisation goals.

We want to thank all our colleagues for the hard work, perseverance and creativity that contribute so much to the Group's success; and our customers whose trust and continued business we never take for granted.

Thomas Kähler
Chairman

Jens Birgersson
CEO

The ROCKWOOL purpose and strategy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Introduction

At ROCKWOOL, we've been applying the **7 strengths of stone** to the world's biggest challenges for decades.

We keep a close eye on global megatrends to ensure that our product portfolio stays relevant to the most pressing issues facing our world. By seeing these megatrends as opportunities to improve the lives of people around the world, our products have become central to conversations on issues like climate change, health and wellbeing, urbanisation, and circularity.

Megatrends

Harnessing the 7 strengths of stone to address the world's big challenges

Urbanisation

Cities will continue to grow, increasing the need for buildings made with non-combustible, durable, and sustainable materials that are energy efficient and comfortable to be in.

2/3

of the global population is expected to live in urban areas by 2050, up from more than half today.

Circularity

Shifting to a circular economic model and using natural, recyclable materials in buildings would significantly reduce construction-related consumption and waste.

1/3

of global waste is produced by the construction sector. It also consumes 40 percent of global resources annually.

Health and wellbeing

Our homes have become even more important after COVID-19. Improving the comfort of our indoor spaces by optimising temperature, air quality and acoustics has well-known benefits to our overall happiness, health and wellbeing.

90%

The amount of time people spend indoors, on average.

Climate change

Energy renovation of buildings could provide up to 55 percent of the GHG emission reductions needed to meet UN climate targets for 2030 and align cities with a 1.5°C trajectory.

~30%

of the world's final energy demand and CO_2 emissions come from buildings.

The **7** strengths of stone

01
Fire-resilience
Withstand temperatures above 1000°C.

02
Thermal properties
Save energy by maintaining optimum indoor temperature and climate.

03
Acoustic capabilities
Block, absorb or enhance sounds.

04
Durability
Increased performance and greater stability with lower costs.

05
Aesthetics
Match performance with aesthetics.

06
Water properties
Manage our most precious resource.

07
Circularity
Reusable and recyclable material.

Our business model

What does ROCKWOOL Group do?

We transform volcanic rock into stone wool, a versatile material with many natural strengths that make it ideal for use in a range of applications in buildings, 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:

- Low-risk transactional sales
- Local business
- Capital intensive production
- Conservative financial strategy

90% of sales does not cross customs borders

39 countries where we have a presence

47 manufacturing facilities

120+ countries with sales activity

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

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 land use for vegetable growing by **75%** or more.

Lapinus
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 the weather.

Outlook 2021

COVID-19 will continue to leave its mark in 2021, though focus on greening the recovery will contribute to expected modest sales growth.

As the new year begins, the ongoing pandemic continues to influence market activities to varying degrees, which will likely be the case for the full year. We do expect, however, that governments in many countries will continue prioritising keeping construction sites open, owing to the multiple economic, climate, and health benefits of especially building renovations. Though still too early to estimate its impact, successful vaccination efforts would likely positively affect overall economic activity.

The underlying medium- to long-term structural growth drivers for stone wool products are even stronger today than last year. On top of fundamental trends like urbanisation and increasingly tighter building regulations, we expect several other trends will continue driving growth in our business. For example, the growing focus on energy efficiency, fire safety, and circularity continues to influence the decisions of consumers, the building industry and policymakers, with the pandemic accelerating these trends in multiple ways.

COVID-19 created simultaneous health and economic crises, on top of an enduring climate crisis. That is why greening the economic recovery will remain a key focus for national governments, with buildings playing a crucial role on all fronts. The EU Commission, for its part, is making energy efficiency in buildings a key feature of its economic and climate recovery plans.

This makes sense, as energy efficiency building renovations are among the highest-impact economic recovery measures to create jobs while helping deliver climate goals and ensuring more resilient and healthier communities.

For these reasons among others, including renewed focus on post-Grenfell fire safety and the need for regulatory clarity requiring non-combustible cladding and insulation materials on high-rise and high-risk buildings, we view the medium- to long-term renovation outlook as quite positive.

Regionally, in Europe, the EU commitment to greening the recovery and other positive considerations lead us to a cautiously optimistic outlook for construction sector recovery. We have also seen some early signs of positive impact from market-specific incentive schemes increasing interest in building renovation. The market in Russia is developing positively, and we expect this to continue in 2021.

In the United Kingdom, we do not expect that finalising Brexit will materially affect our business there. As is typically the case for ROCKWOOL, our UK operations are locally anchored with most sales and procurements and all of our production taking place in the local market. We do expect the post-Grenfell conversion to non-combustible, fire-safe building materials will continue in 2021, thus further bolstering demand for ROCKWOOL insulation and cladding.

The U.S. market was already back to a relatively high activity level by the end of 2020, powered by significant financial recovery funds working their way into the economy. We do not expect that the political shift following the November elections will change the fundamentals behind the recovery.

In Asia, we still see a slow recovery in the sectors where we are most active.

Competition will increase in certain markets and applications. Our latest capacity addition in Europe, in Neuburg, Germany, gives us a strong platform to capture business opportunities with a highly efficient factory in a central location.

Taking market uncertainties into account along with the expectation that EU green recovery plans will have limited short-term impact, we forecast sales growth of 3-5 percent in local currencies for 2021. While we foresee the positive impact from increased building renovation in Europe gaining traction during the year, we would expect a noticeable impact on insulation sales only after individual member states have scaled up local energy efficiency incentive schemes.

Input costs are likely to be higher in 2021, as especially energy costs are trending upward. We aim to offset higher input costs with operational productivity gains and cost savings. We expect some additional costs in connection with the factory start-ups in Germany and the United States as well as an increased depreciation level from the investments we have made during the past two years as the factories come online. Relative to 2020, the additional depreciation is expected to impact margins by around one percentage point.

Overall, we thus expect a double-digit EBIT margin of around 11 percent, which is slightly down compared to 2020 when adjusting for the additional depreciation and the start-up costs for the new factories.

The 2021 investment level will be around EUR 370 million excluding acquisitions, with the West Virginia factory and the relocation of one of the Chinese factories as the main additions within insulation. We will also invest in additional Rockfon and Grodan capacity as well as make additional investments supporting our sustainability and decarbonisation goals.

Outlook 2021

Sales growth
3-5%
in local currencies

EBIT margin around
11%

Investments excl. acquisitions around
370
EURm

San Francisco's twisted beauty

ROCKWOOL

Case study

The glistening white, twisting façade of the Mira condominium tower is a fitting addition to a city known for its innovation. Its spiralling design gives residents in its 392 apartments more than just access to ample fresh air, natural light and sweeping views of the San Francisco Bay.

For architect Jeanne Gang, high performance was just as important as good looks, with energy efficiency and sustainability being top considerations. Green roofs, a grey-water recycling system and recyclable stone wool insulation materials from ROCKWOOL helped the building meet California's strict Title 24 building code and earn Mira a LEED Gold certification as well as several design awards.

The Mira's high performance starts on the outside where a continuous layer of ROCKWOOL exterior insulation completely wraps the 40-story building. This creates an energy-efficient envelope that also improves the acoustics of each apartment's walls and, compared to using a combustible insulation, makes the façade much safer against fire, a top priority in such a tall building.

Contractors chose ROCKWOOL insulation because it met these performance needs and made an otherwise complicated job much easier, enabling installers to work efficiently and overcome the many angles, gaps and seams on the geometric façade.

"ROCKWOOL's products were favoured due to the insulation's density and ease of install. It also had no issues with exposure to the elements, thanks to its high drying potential. It held its integrity, made installation easier and saved on time and costs", says Tony Hughes of JJ Acoustics in San Jose, California.

The Mira's high-performance design isn't just reserved for Silicon Valley's wealthiest residents either – nearly 40 percent of the units are reserved for people making less than the city's median income. After two years of watching the iconic tower rise on the San Francisco skyline, proud new owners began moving into the building in July 2020. ◻

Business update
Insulation segment

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

Sales of ROCKWOOL insulation declined compared to 2019. Some markets performed better than others, depending largely on the extent of government restrictions and financial constraints resulting from COVID-19.

Following the sharp pull-back in the second quarter, construction activity recovered across most markets in the second half of the year as countries emerged from lock-down and governments shifted focus to the recovery by launching financial support and economic stimulus packages.

In many European countries, deep energy renovation of existing buildings was recognised as an effective recovery vehicle – creating jobs and stimulating spending, while also contributing to long-term decarbonisation goals. As a result, renovation of existing buildings was much less impacted than the commercial sector for new buildings.

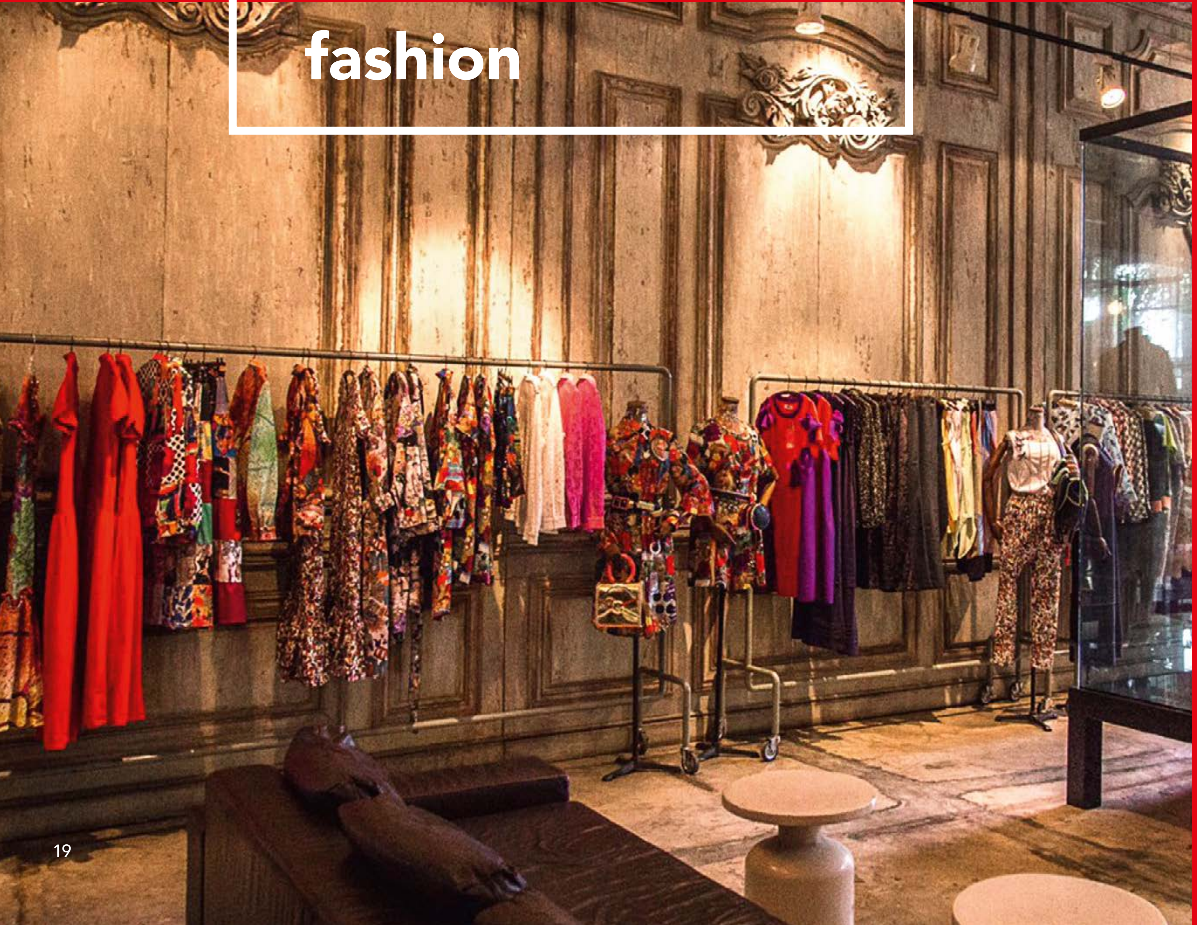
This was clear in Southern Europe, where the market dropped significantly in the second quarter but quickly bounced back in the second half of the year, amid encouraging signs in some markets that government support for building renovation programmes were gaining interest.

In Western and Eastern Europe, sales in most countries were down compared to last year, except for the Nordic markets and the Netherlands, which showed good growth.

The Nordic region increased sales each quarter during 2020, driven by the higher activity levels in home renovation; while in the UK, steady pressure from regulators and consumers bolstered demand for non-combustible building materials.

Sales in Asia were particularly affected by the impact of the virus, while in North America insulation sales overall were flat. Our Technical Insulation business continues to be challenged by the slowdown in the oil industry, particularly in the United States and Asia.

Forget the weather, in here it's about the fashion



ROCKWOOL

Case study

The same weather that makes Thailand one of the world's favourite tourist destinations can be a challenge for business owners like Somchai Songwattana.

The owner of the Red Warehouse Fashion Boutique, located in Bangkok's popular ChangChui theme park, says it can get loud inside his store when it rains on the metal roof, making it hard for customers to talk and relax. And when temperatures rise outside – to above 40°C in the hotter months and near 30°C in the cooler ones – it also gets difficult and expensive for him to cool the store.

To keep customers comfortable and lower his energy bills at the same time, Songwattana chose to install ROCKWOOL insulation on his metal deck roof.

"As an artist and designer, I bring creativity and passion into my designs and I want to share them with my customers through the right kind of ambience and atmosphere that allows them to be comfortable and inspired. I knew I could improve the indoor environment of my boutique with roof insulation, but I didn't know by how much", he says.

The first to comment after the insulation was installed was his staff, who noticed it was much cooler in the hot and humid afternoons of the summer months and strangely quiet when the rains hammered down. People could talk without raising their voices. Then came the first energy bills and another benefit of the new insulation.

"Since we are open seven days a week and for long hours, the electricity costs from cooling the store can be quite substantial", says Songwattana. "After installing the insulation, we've reduced the running time of the air conditioning while still keeping customers comfortable. I've managed to lower my electricity bill by at least 25 percent. All around it's been a good investment for my business". ◻

Rockfon®

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

Business update
Systems segment

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

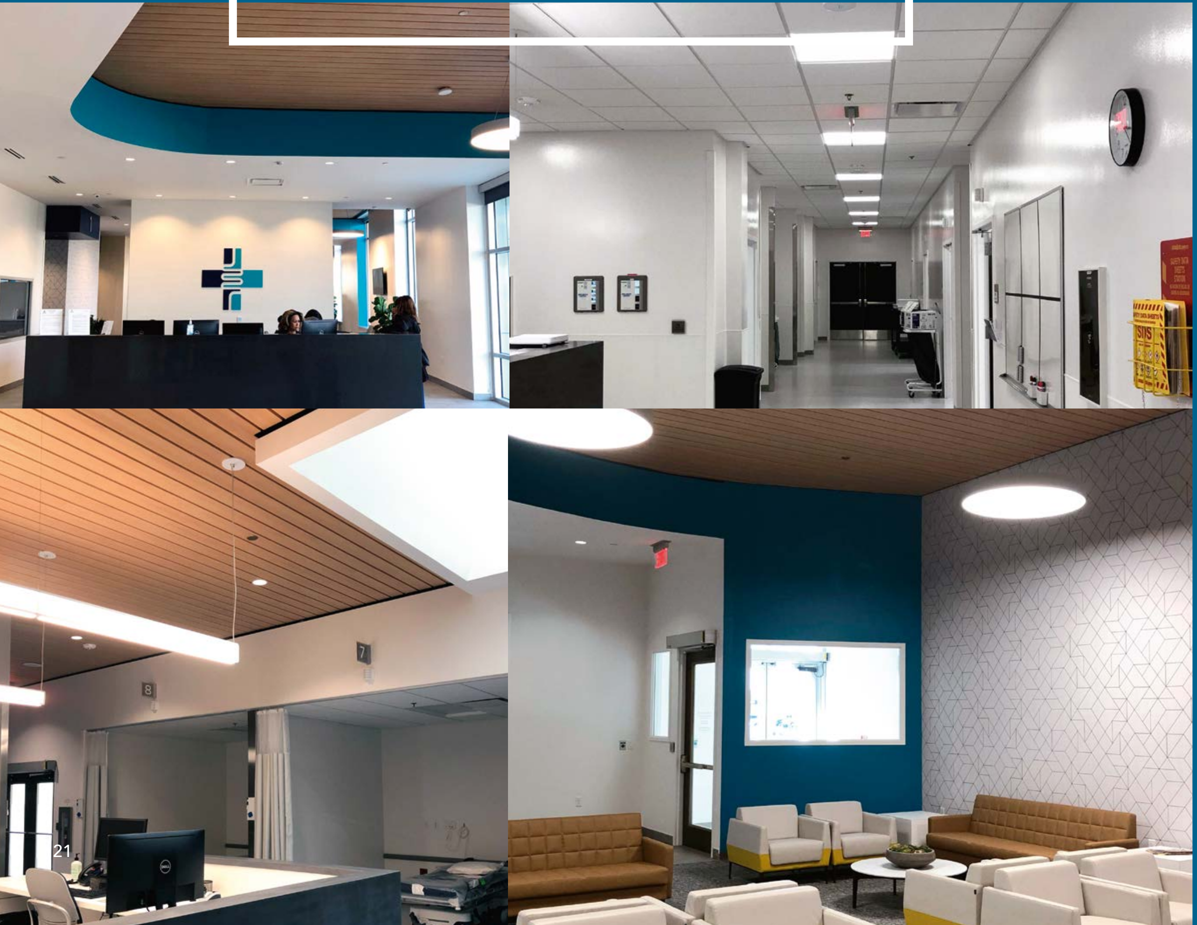
Our ceiling systems combine stone wool acoustic tiles with suspension and decorative metal systems that are a fast and simple way to create beautiful, comfortable spaces. Our stone wool-based products are easy to install, durable and significantly improve indoor acoustic comfort.

Sales for Rockfon in 2020 declined slightly in Europe and Asia, and more significantly in North America. The acquisition of the Sweden-based Parafon ceiling tile business contributed positively to the results in Europe. The Rockfon business in North America has a higher exposure to the commercial sector than in Europe and Asia, and thus was affected more there by pandemic-related market restrictions.

However, we also grew market share in the European and North American markets where we focused heavily on sales and customer service through the pandemic, leveraging digital channels and our supply chain platform to continue serving customers without interruption.

With the design community increasingly focusing on health, wellbeing and indoor air quality, the natural benefits of stone wool ceilings are becoming better appreciated and recognised within various ratings systems such as Well, LEED and Declare, for example. Overall, we are encouraged by the growing interest in our acoustic ceiling tiles and sound absorbing solutions.

Quiet comfort for patients and staff



Rockfon

Case study

For its new location in Little Rock, Arkansas, Premier Gastroenterology Associates (PGA) wanted to create an environment where patients and staff felt at home – safe, comfortable and welcome.

One potential issue in the 9,300 m^2 space was noise. "We're a high-volume clinic that sees thousands of patients a month, so sound control is critical", says William E. Greene III, CEO of PGA. Communication among doctors, nurses and patients is vital and good acoustics help protect privacy of those conversations, increase comprehension and limit disturbances to others nearby.

Local architect, WER, chose three different Rockfon ceiling products throughout the space to get the desired effect – and to enhance certain other key elements of the architectural design.

For example, white Rockfon acoustic tiles in halls and above workstations reflect 85 percent of the light coming in through the building's floor-to-ceiling windows and skylights, brightening rooms and spirits. In patient waiting areas, the maple wood linear ceiling creates a warm, inviting area – only the ceiling isn't wood at all, but part of Rockfon's metal ceiling offering, which is more durable and easier to maintain than real wood.

Finally, Rockfon's specially treated medical and hygienic ceiling tiles in the procedure and consultation rooms help maintain a high-level of cleanliness, safety and patient privacy. These stone wool tiles are easy to clean and don't absorb moisture, so they won't mildew, mould or deteriorate.

"We chose three Rockfon products, each one serving a specific purpose", says Lauren Dickey, Director of Interiors for WER. "Together they really helped us get the design and aesthetics that we needed for the client". □

Grodan®

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

Business update
Systems segment

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

Based on Precision Growing principles, these solutions are used to cultivate a variety of crops. Compared to soil-based methods, our solutions produce higher yields per square metre, require far less water and fertiliser and create the possibility to use biocontrol and reduce or even eliminate chemical plant protection products. We also offer customer-specific advice and tailor-made analytic tools, facilitating the sustainable production of healthy, safe, and fresh food produce.

The Grodan business grew in 2020, with sales increasing across all markets. It is clear that demand was not impacted by COVID-19. Other factors contributing to the growth are a growing awareness and interest in fresh produce that is sustainably grown and a shift in eating habits – indicated by the proliferation of plant-based foods into supermarkets, fast-food chains and diets in general. Fundamentally, we expect continued population growth and urbanisation – and a focus on urban regeneration post-COVID – to add to the interest in greenhouses, urban, vertical and rooftop farms in cities and other locations.

We're proud that our products help our customers grow more fresh produce using fewer resources and provide an important alternative to traditional soil-based agriculture. To look further into the impact of our products and the shifts we are seeing to more sustainable growing methods, we have initiated a project with Wagenigen University to measure how high-tech growing can help reach the UN Sustainability Goals. □

Bringing the farm inside

Grodan

Case study

Looking up at the rows of lettuce in his company's first vertical farm, Kerem Bozkurt is optimistic about his company's role in shaping the future of food production.

Farminova Plant Factories is a new venture from Turkey's CANTEK Group. This one, in Antalya, Turkey, is the first of many the company plans to build to meet a growing global demand for sustainable food production.

"Field farming agriculture alone cannot meet the world's food demands in the coming decades", says Bozkurt, Business Development Director of Farminova Plant Factories. "We need alternatives that use fewer resources to produce healthy food, year-round, and that can be placed anywhere".

Using LED lights, hydroponics, and Grodan's growing media and sensor technology, the factory produces 4,000 heads of lettuce per day in its 1,000 m^2 space. It's a yield that would require 45,000 m^2 on a conventional farm according to Farminova, and it does this with no soil, no pesticides, and 95 percent less water.

This first Plant Factory currently produces a variety of leafy greens, which are well-suited for vertical farms since they are small and grow fast. Soon, Farminova expects it will begin growing strawberries and mushrooms as well as tomatoes, peppers and eggplants.

"Grodan's stone wool products and technology are essential for us to grow and track the development of our crops and help us achieve the high yields and resource efficiency of our Plant Factories. And with Grodan's 'green advisors' always reachable by phone or email, we know we have their support when we need it", he says.

So while Bozkurt doesn't expect vertical farming will replace conventional farming, he sees it as an important alternative that will help humanity meet its food needs with a lower impact on the planet.

"Whether it's in the United States or Europe where more consumers are increasingly looking for food with certain traits – locally produced, fresh, organic – or it's in Africa where there is a significant food access problem, vertical farming will be part of the solution and we're excited to be a part of that". □

Rockpanel®

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

Business update
Systems segment

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

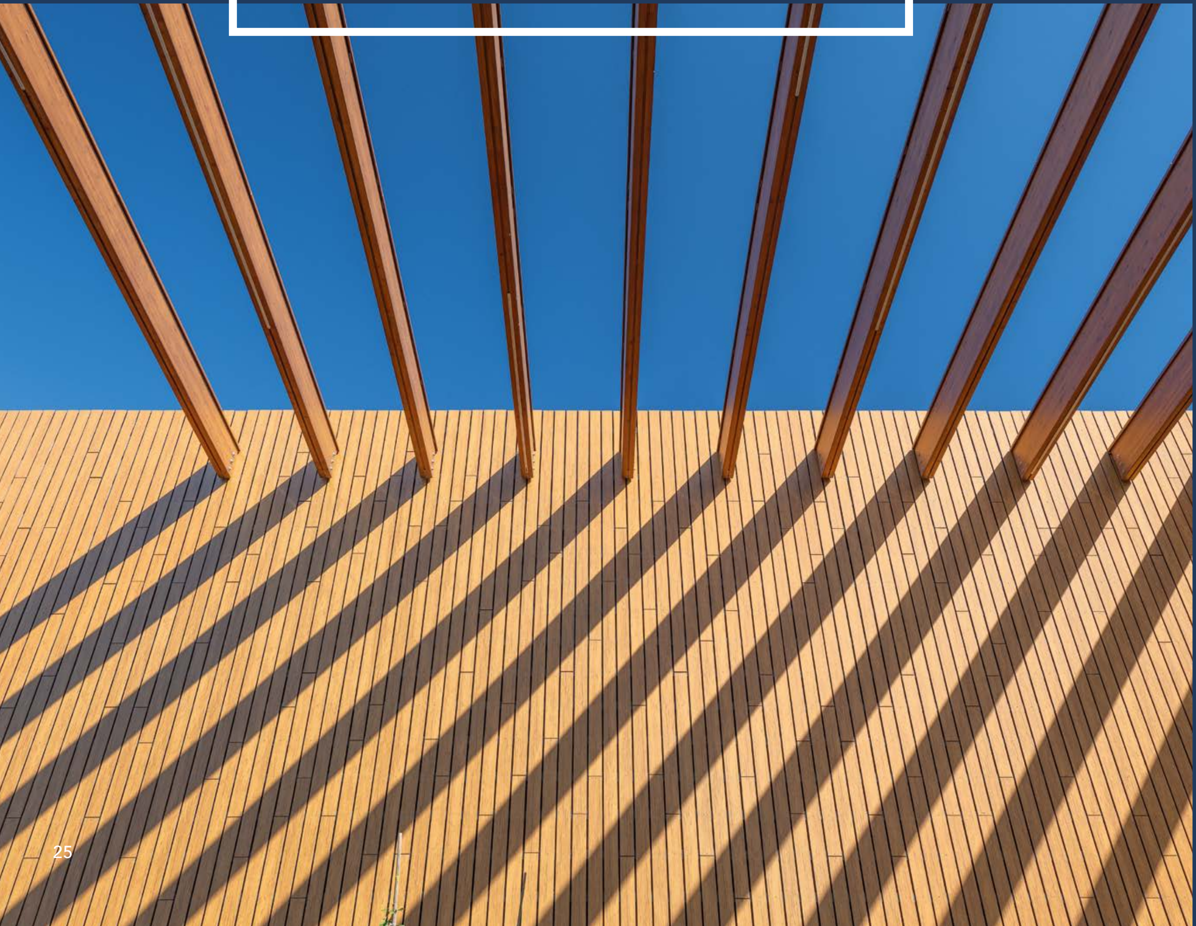
Our cladding and other boards are robust and flexible, and fit perfectly with modern architectural trends such as organic shapes, natural materials and sustainability, while also providing cost efficiency and ease of installation.

Especially in its core Benelux markets, Rockpanel delivered good growth in both the roof-detailing and façade project segments. At the start of 2020 Rockpanel launched its exclusive product line, Rockpanel Premium, to compete in the high-end board segment. The Premium product offers customers the design and technical possibilities of the entire Rockpanel product portfolio in one board.

A focus on greater and more frequent communication with customers via digital channels allowed Rockpanel to improve its brand awareness and generate sales leads during the year, despite challenging COVID-19 market conditions. Importantly, delivery service performance also remained at a high level.

Among our products, the Woods product line continues to shine. Wood lookalikes are a major trend in interior and exterior applications and our attention to this segment has proven valuable: the two newest Woods designs launched in September have been well received by customers. □

A custom façade, fit for a designer



Rockpanel

Case study

The eye-catching façade of the Eromesmarko headquarters building in Wijchen, the Netherlands, looks so much like wood, visitors can't believe it isn't the real thing.

"They want to know how we made such a beautiful wooden façade", says architect Martijn de Waal from DUAL architects. "When I tell them it's Rockpanel stone wool, they are very surprised. They have to touch it".

It is called Caramel Oak and it's the newest colour in the Rockpanel Woods line of façade products, custom-made for the Eromesmarko renovation project.

The Dutch furniture company has a reputation for innovative products specially designed to improve school environments, and a strong commitment to sustainability. They wanted the renovated building to reflect their work and their values by holding its good looks and functionality for decades, meeting the Netherlands' highest standard for fire protection, and making employees proud and happy to come to work.

"It's a 200-metre long façade at the headquarter building. It's what you see first, so it needed to be beautiful and durable over time", says Martijn de Waal. "Eromesmarko wanted the look of wood, but without the high maintenance and other challenges that come with it, like the need for weather treating and the risks of discoloration and rot over time".

When the architect approached Rockpanel with a real wood sample of the colour the customer wanted, Rockpanel had nothing like it among the more than 200 colours in its portfolio – so they custom made a new one. Two weeks later, Caramel Oak was available.

"We have a lot of colours to choose from but if the desired colour isn't in our portfolio, we will do our best to customise a colour for them", says Raf Millis, Director of Marketing for Rockpanel. "Eromesmarko wanted the durability of stone with the natural look of wood. We're very happy to have met their expectations". □

Lapinus®

Precision engineering
Lapinus precision-engineered stone wool solutions contribute to reducing vibration, noise, dust and to better water management.

Business update
Systems segment

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

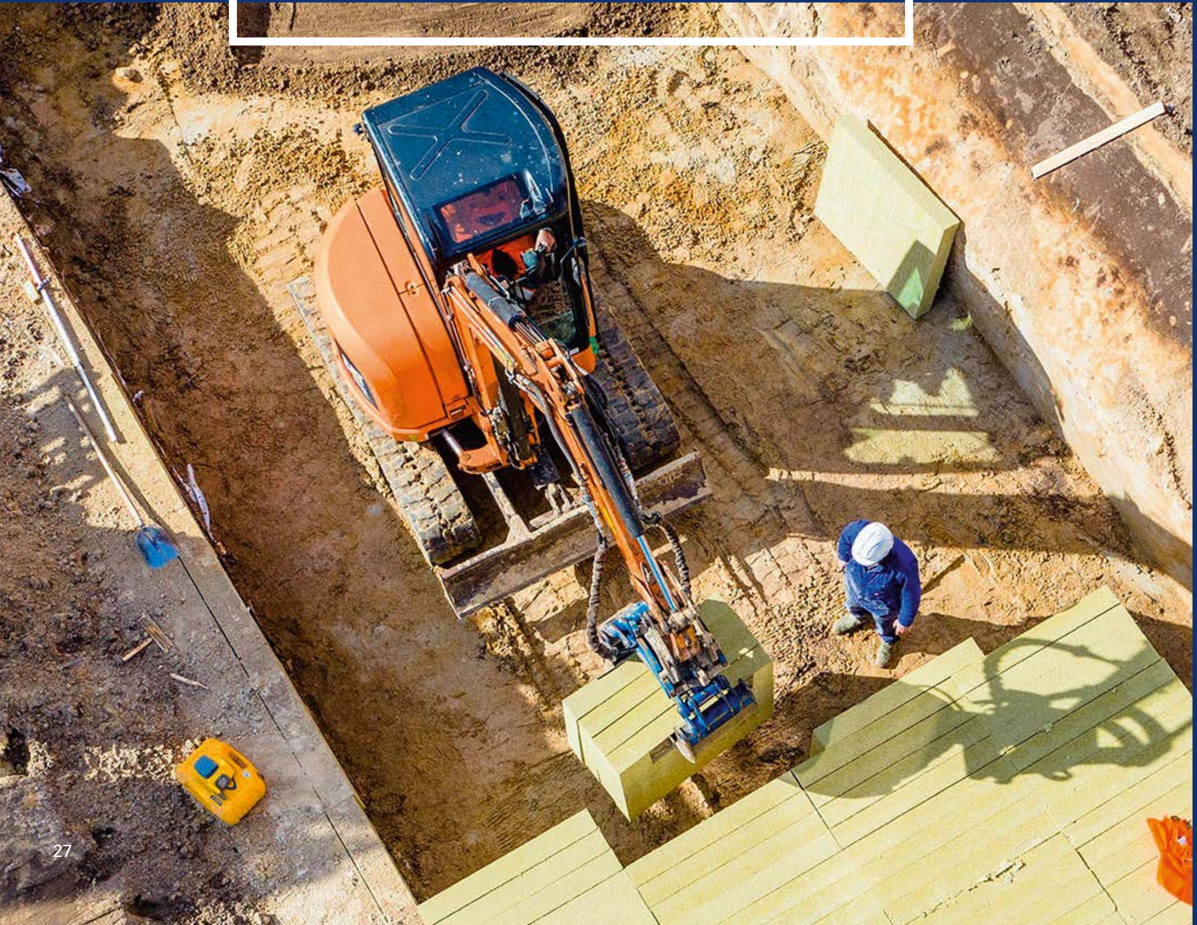
All our products improve people's lives by addressing increasingly common challenges – especially in dense urban areas – like noise and vibrations from traffic, non-exhaust vehicle emissions and the effects of climate change.

Global trends of urbanisation and climate change are central to our global strategy to help create resilient cities. The Rockflow water management products help urban areas mitigate the effects of extreme rains, making them safer and more attractive places to live, work and play. This year was another strong one for this part of the business, with several new projects and increased interest from markets. In 2021, we plan to enter new markets to continue growing.

In the automotive product line, sales of our fibres, used in passenger car brake pads, were negatively impacted by COVID-19 and a global decline in automotive sales. Our fibres improve safety and comfort and reduce emissions related to braking. We expect this market to recover in the coming years.

In the urban acoustics product line, acoustic fences and noise-absorbing mats for train tracks help growing urban communities maintain comfort and quiet, by reducing vibration and noise disturbance from transportation, infrastructure and other surroundings. For tracks, 2020 was a good year with large projects in Scandinavia and Canada. An improved product portfolio for acoustic fences in 2021 is expected to boost this market segment, which is currently stable. □

Climate solutions that blend right in



Lapinus

Case study

As the world takes steps to mitigate climate change, many urban areas are already adapting to its effects. In the Netherlands, Horst aan de Maas is an example that others can learn from.

The Dutch municipality used a combination of above- and below-ground solutions, mixing nature and technology to address its key challenges – abnormal summer heat and flood risks, caused by too much pavement and an old sewer system.

Under the roads, parking lots, and walkways around the popular Gasthoes area is one of the technologies at work: Rockflow, the stormwater management system by Lapinus. When the hard and heavy rains come, a network of gullies and pipes direct water away from sewers and into an underground stone wool buffer that retains and slowly releases the water into the surrounding soil –retaining valuable groundwater and unburdening the sewer system.

Meanwhile above ground, traditional pavement in some areas has been replaced by ceramic surface tiles that absorb rain into the soil below. In other areas, the pavement has been replaced by plants and grasses that support biodiversity, and help retain rainwater and lower summer temperatures.

When climate maps made clear the challenges facing the residents of Horst aan de Maas, they chose to act – and adapt. The chosen combination of nature and technology makes Horst aan de Maas a more comfortable and safer place to live that is also more resilient to climate change.

"I expect we'll see more projects like this that bring nature and technology experts together with towns to create the best solution for them", says Linda de Vries, business developer at Lapinus. "Horst is a good example of how we can make communities safer, more resilient and more attractive places to live". ◻

A shared passion for sailing

#ROCKTheBoat

Inspiring the next generation

Team | ROCKWOOL | Racing

For two long weekends in the summer, aspiring young sailors got a chance to learn from the best at the #ROCKTheBoat Academy.

Clara Nielsen is electric as her feet land on the boat dock in Copenhagen harbour. "Wow! We were so high above the water", she says, catching her breath. "I've never been on a foiling boat like that before – there's so much power!"

Clara and her sailing partner, Malene Petersen, just had the thrill of a lifetime, whipping through the waters outside Copenhagen on one of the fastest sailing vessels in the world, Team ROCKWOOL Racing's foiling GC32 boat.

It is 1 August 2020 and the two 21-year old Danes aren't just lucky bystanders, they're participants at the #ROCKTheBoat Academy. It's a special sailing school of sorts that for two weekends during the summer brought together Denmark's top young sailors to learn from some of the best in the world, the six members of the Denmark SailGP Team.

Ranging in age from 13 to 21, more than 40 up-and-coming sailors attended the two weekend Academy sessions in August, first in Copenhagen and then across the country in Aarhus.

Each day, with the SailGP athletes as their coaches, Clara and the others received individual and group on-the-water coaching in race tactics, specific skills and techniques, strength and conditioning and everything else it takes to make it to the top of their sport. They also got to push their limits, testing out what they learned at high-speed on the team's foiling GC32 boat.

The #ROCKTheBoat Academy isn't just about sailing – it's about showing ROCKWOOL's commitment to a brighter, more sustainable future.

Jens Birgersson, CEO, ROCKWOOL Group

For Clara and Malene, it was an unforgettable experience. Both have their sights set on representing Denmark at the 2028 Olympic Games, so to meet and learn directly from athletes who have already competed at a world-class level was priceless.

"Just talking to them about their experiences was motivating, but then we get to train with them, too, and sail these amazingly fast boats", says Clara. "It was great to hear their stories and advice on how we can get better and go further in our sport. It's so important to get new inspiration and different points of view all the time – and to get it from some of the best in the world was really special".

One man who knows a lot about what it is like to represent Denmark on the world's biggest stage is Martin Kirketerp. He is a "grinder" on the Denmark SailGP Team, the guy responsible for generating power in all the boat's manoeuvres. He's also an Olympic champion, having won gold for Denmark in the 49er class at the 2008 Olympic Games in Beijing, China.

"I remember being a young sailor and going to events to hear from big Danish sailing stars, and to this day I still remember their advice", says Martin. "Those moments are important in an athlete's development, and passing on that legacy and knowledge to the next generation is something that we as professional athletes feel very strongly about".

"The #ROCKTheBoat Academy is all about showing the next generation that with hard work, energy and passion, there is a path to create a bright future in professional sailing. It's inspiring for us to see so many hungry young athletes coming into the sport. And these opportunities are only made possible with the support of ROCKWOOL. I hope we see some of them in the future sitting where we are today, as Olympians or on the Denmark SailGP Team".

Building the future – on and off the water

At ROCKWOOL Group, we're optimistic about the future. We believe that if we use the knowledge and solutions out there, we can achieve success, together.

With so much experience in the Denmark SailGP Team – from Olympic medallists, to round-the-world racers and much more – there's no one better to coach and inspire the next generation than this group of SailGP athletes.

Clara and Malene were part of an almost 50 percent female turnout at the Academy, a statistic that encourages Denmark SailGP Team helmsman Nicolai Sehested.

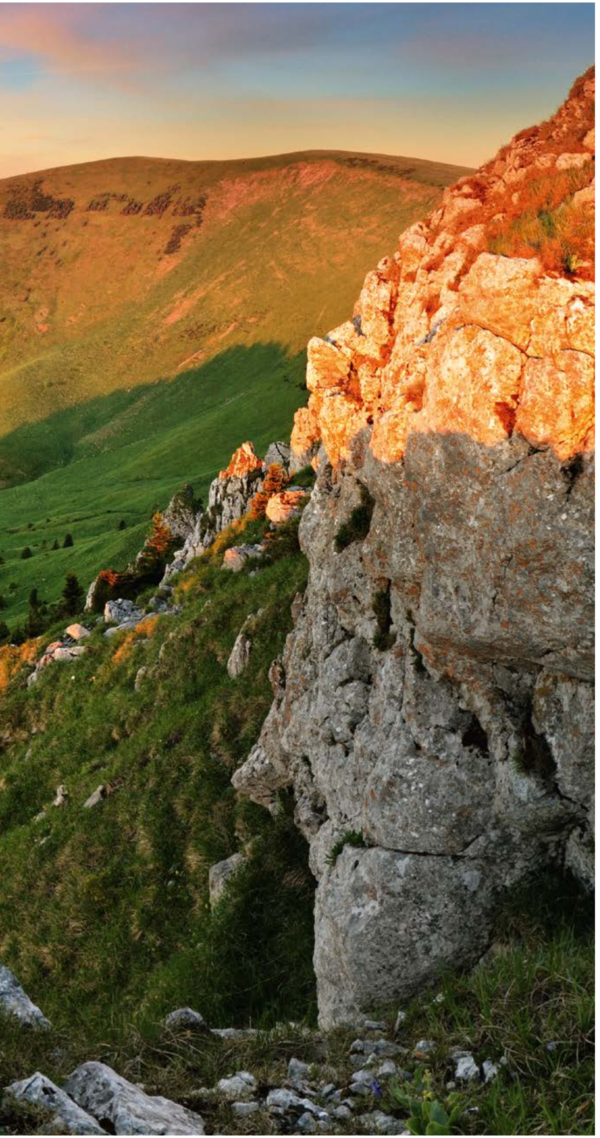
"It's awesome to see female participation growing in the sport, and it creates a more balanced atmosphere and culture at the sessions. We want to showcase sailing as an inclusive and truly sustainable sport", says Nicolai.

ROCKWOOL's involvement with Denmark SailGP team provides an opportunity to build awareness around the importance of sustainability and the connection among urban living, outdoor recreation and the important role of stone wool in enriching modern living.

With SailGP's Season 2 set to take place in some of the world's most iconic locations – beginning in 2021 – there is no better platform for ROCKWOOL to show that #ThisFutureRocks. □

ESG performance

We are committed to delivering excellent long-term investment performance, driven by responsible environmental and social stewardship, strong relationships with stakeholders and open and transparent accounting of our business and sustainability activities.



Across the full range of our products and operations, ROCKWOOL is dedicated to sustainability. We aim to **increase our positive impact** in society and on people's lives by maximising the use and benefits of our products while minimising our operational footprint.

95%

revenue from insulation business that is EU taxonomy eligible[1]

We also recognise that operating with integrity and as a responsible business is equally important and underpins everything we do. For ROCKWOOL, embedding sustainability efforts into our business leads to product and process innovation in our operations, which ultimately results in a positive impact on the Group's economic performance.

Our strategic focus on sustainability makes it natural for us to prioritise ESG disclosure. In 2019, we went a step further to be the first company in the Nordic region to host dedicated quarterly ESG calls with investment analysts to communicate our performance within specific areas and to discuss topics of interest. The calls, which continued through 2020, have been well received.

The United Nations Sustainable Development Goals (SDGs) help steer ROCKWOOL's ambitions. The Group is committed to 10 of the 17 SDGs, pursuing those goals where we can have the greatest impact and where they are most aligned with our business competencies.

We have developed impact metrics to track our contributions to the SDGs, which include setting non-financial goals reflecting key material issues within the Group's operations that help drive improvements in our environmental and safety performance.

In 2016, we set six ambitious sustainability goals, aligned with six of the SDGs, to drive substantial improvements in our sustainability performance by 2030. We made good progress on all the goals in 2020 with a view to fulfilling the intermediate goals latest 2022.

In 2020 we signed up to the Science-Based Targets initiative (SBTi), committing to reducing our factories' total greenhouse gas emissions[2] (Scope 1 and 2) by 38 percent in absolute terms and the non-factory lifecycle emissions[3] (Scope 3) by 20 percent by 2034, both targets relative to the baseline year 2019 (see p. 33). This is equal to an ambitious one-third reduction of ROCKWOOL's lifecycle greenhouse gas emissions.

We will continue to report on quantitative progress toward achieving our goals in the 2020 Sustainability Report. □

[1] To learn more about EU taxonomy, go to www.ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

[2] According to the Greenhouse Gas Protocol, Scope 1 emissions are all direct emissions from the activities of an organisation or under their control e.g. fuel combustion. Scope 2 emissions are indirect emissions from electricity purchased and used by the organisation. Emissions are created during the production of the energy that is eventually used by the organisation.

[3] According to the Greenhouse Gas Protocol, Scope 3 emissions are all other indirect emissions from activities of the organisation, occurring from sources it does not own, or control e.g. procured fuels and materials, transportation, waste disposal.

E S G

Environment

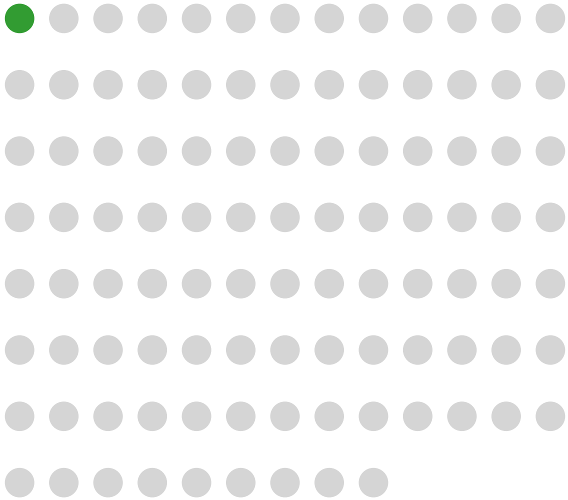
We increase our positive impact on the planet by continuously maximising the benefits of our products while minimising the footprint of our operations.

Climate and energy efficiency
ROCKWOOL is a net carbon negative company, in that over their lifetime, the building insulation products we sold in 2020 will save 100 times the carbon emitted and energy consumed in their production (see next page).

And while the products we make save substantial amounts of energy and combat climate change on a large scale, we recognise that we need to do more. To help society reach climate change targets, ROCKWOOL has partnered with the Science Based Targets initiative (SBTi) to accelerate greenhouse gas emission reductions in our factories and the non-factory product lifecycle.

This is an enormous albeit necessary step for ROCKWOOL. With this commitment, we join a small number of other energy-intensive manufacturing companies that have science-based emission reduction targets that are verified and approved by SBTi.

Reducing emissions significantly in manufacturing and throughout the lifecycle is necessary for society to meet the global ambition to reduce lifecycle greenhouse gas emissions to net zero by 2050.



During the lifetime of its use, the building insulation we sold in 2020 will save

100 times

the carbon emitted and energy consumed in its production*

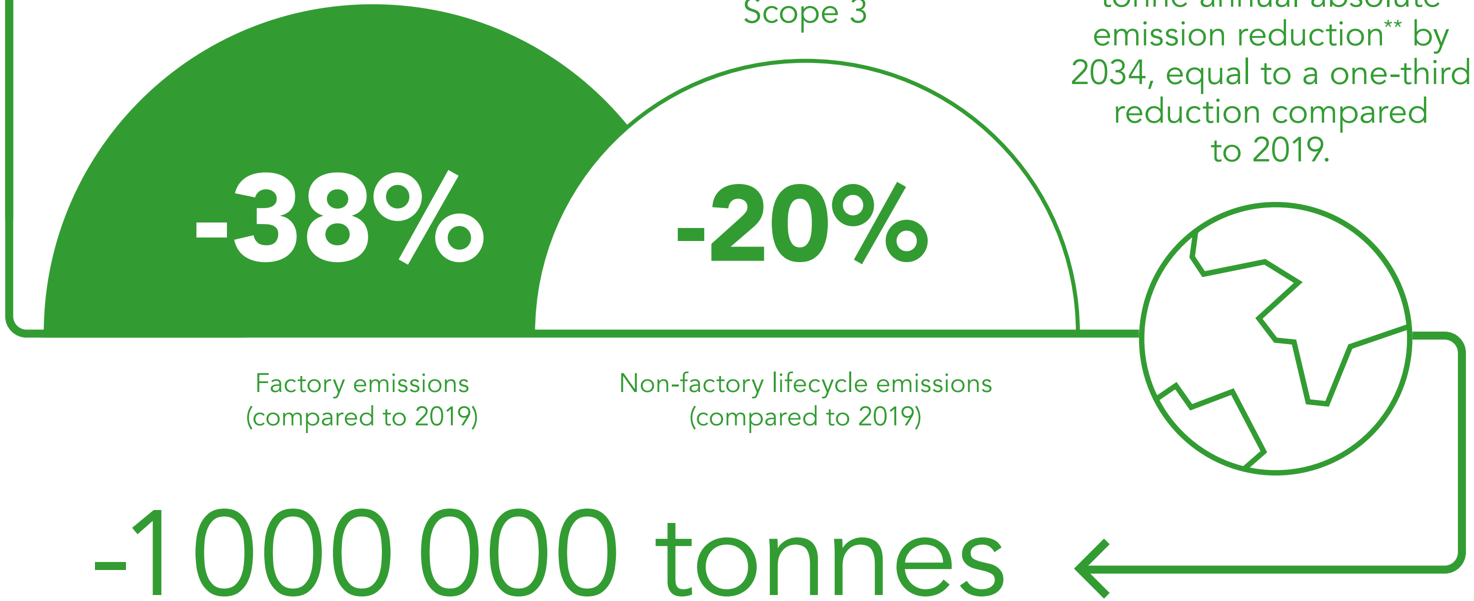
* including upstream emissions from extraction and transportation of raw materials

ROCKWOOL's science-based decarbonisation targets

Scope 1 and 2

Scope 3

Resulting in a one million tonne annual absolute emission reduction** by 2034, equal to a one-third reduction compared to 2019.



Factory emissions (compared to 2019)

Non-factory lifecycle emissions (compared to 2019)

-1 000 000 tonnes

Science Based Targets initiative (SBTi) is a non-profit organisation, supporting companies to set climate-related targets, aligned with the latest climate science to meet Paris Agreement commitments. Read more about SBTi at www.sciencebasedtargets.org

**According to World Resources Institute, absolute emissions targets specify reductions measured in metric tonnes, relative to a historical baseline. By contrast, greenhouse gas intensity targets specify emissions reductions relative to productivity or economic output, for instance, tonnes CO_2 per produced unit or per unit of revenue generated. www.wri.org/publication/target-intensity

Reaching the 2034 targets will come primarily from ongoing efforts in three areas: improved energy efficiency of our own operations, technology innovation, and exploiting the inherent circularity of stone wool.

One example is our fuel-flexible melting technology. Where this technology is used, it allows ROCKWOOL to switch to less-carbon intensive fuels – for example, switching from coal or coke to natural gas or biogas. The two factories in Denmark, one in Poland and another in the United States will use this technology to shift to lower carbon fuels in 2021. In Denmark, the transition to biogas will reduce our absolute carbon emissions in 2021 by 70 percent compared to 1990.

Large-scale electric melting technology is another example. Operating at our Moss, Norway factory since December 2020, this pioneering new melter will reduce the factory's carbon emissions by 80 percent and production-related waste wool going to landfill by 99 percent. This new technology is environmentally well-suited in countries like Norway where the electricity grid is already low carbon. The learnings ROCKWOOL gains from these multiple innovations will be applied elsewhere throughout our global operations.

Regarding the circularity of our products, the ability to infinitely recycle stone wool without any loss of performance sets it apart from non-recyclable construction materials that might otherwise be incinerated, resulting in end-of-life emissions. Recycling stone wool at our factories contributes to reducing production-related carbon emissions.

In parallel with our SBTi-approved emission reduction targets, we will continue tracking our progress towards achieving 20 percent reduction in carbon intensity at our factories by 2030 compared to 2015.

In 2020 we have seen an additional improvement compared to the four percent improvement we achieved in 2019.

We have also set a goal to increase energy efficiency within our own (non-renovated) offices by 75 percent by 2030 compared to 2015, with an intermediate goal of 35 percent in 2022. In 2019, we achieved a six percent improvement. We had a similar performance in 2020 because of COVID-related delays in finalizing a number of renovations.

Circular economy

Of ROCKWOOL's three sustainability goals relating to circularity, two pertain to exploiting the inherent recyclability of stone wool.

ROCKWOOL has a goal to offer recycling services for our products in 30 countries by 2030 with an intermediate goal of 15 countries by 2022. In 2019, we offered comprehensive recycling services in 11 countries and in 2020 we introduced the service in additional countries.

We have also set a goal to reduce waste from operations going to landfill by 85 percent by 2030 compared to 2015, with an intermediate goal of 40 percent in 2022. In 2020, we further reduced the amount of waste going to landfill from the 19 percent in 2019.

Energy efficiency

→ **Our goal:**
Increase energy efficiency within own (non-renovated) offices by 75% by 2030.

CO_2 emissions

→ **Our goal:**
Reduce CO_2 intensity from our manufacturing facilities by 20% by 2030.

Reclaimed waste

→ **Our goal:**
Increase the number of countries where we offer recycling services for our products to 30 by 2030.

Landfill waste

→ **Our goal:**
Reduce landfill waste from our manufacturing facilities by 85% by 2030.

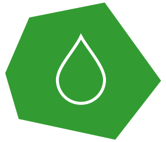
We have also set a goal to improve water efficiency by 20 percent in 2030 compared to 2015. In 2019, we improved water efficiency by seven percent and in 2020 moved even closer to the intermediate goal of 10 percent in 2022.

In March 2021, ROCKWOOL Group will publish its annual Group Sustainability Report with detailed information on the Group's sustainability performance and progress towards our goals.

Environmental management
We continuously aim to minimise the impacts of our processes on people and the environment.

For some environmental areas, we have internal mandatory minimum requirements. In cases where our own requirements exceed legal requirements, our standards prevail.

Water consumption



→ **Our goal:**
Reduce water consumption intensity within our manufacturing facilities by 20% by 2030.

In line with the Group's policy for Safety, Health and Environment (SHE), it is the responsibility of the Managing Director of each business unit to provide leadership for the SHE management systems at the individual factories and be accountable for the effectiveness, continual improvements and alignment to the overall strategic direction.

The SHE management systems are based on the principles of ISO 14001:2015 and ISO 45001:2018. By the end of 2020, 75 percent of our production facilities had at least one external certification within safety, health, environment or energy management and several were certified across all areas.

We conduct regular internal SHE audits, and as part of our ISO certifications we are externally audited to improve the SHE performance and awareness across the Group.

In 2020, due to the COVID-19 pandemic, we postponed our scheduled internal SHE audits. This has not resulted in any compromises on our SHE performance.

Please go to www.rockwool.com/group/about-us/sustainability/ for more information.

Spain

Renovation and urban regeneration

In several areas around Pamplona, Spain, a large-scale renovation programme is slashing the energy costs and emissions of hundreds of old buildings and breathing new life into communities.

From the outside, the impact of a large-scale renovation effort in this neighbourhood in Pamplona, Spain, is unmistakable. Once rundown, the 23 public housing buildings – all of them between 40 and 70 years old – glisten like new.

The improvement for the residents in these nearly 600 dwellings goes much deeper than a beautiful new façade, though. A new thermal envelope that includes 10 cm of ROCKWOOL external façade insulation has sharply lowered energy consumption and costs and improved acoustic comfort inside.

Some of Spain's best performers
The project that has turned these buildings – once some of Spain's least energy efficient – into some of Spain's best energy performers is called Efidistrict.

Started in 2015, the Efidistrict project is now in its third phase with renovation planned or underway on more than 1,000 additional homes in social housing buildings in other neighbourhoods around Pamplona-Iruna.

The success of Efidistrict has been recognised inside and outside of Spain as a reference case for other municipalities seeking to combine large-scale renovation with urban regeneration. The results are tangible, and the approach – including close cooperation with the community to ensure open communication during the renovation – has led to minimal disruption to the lives of residents.

Since starting the project, the Government of Navarra has invested EUR 44 million in the renovation and regeneration of residential buildings in the Txantrea neighbourhood with impressive results so far.

To read more about the Efidistrict project, visit the website: www.efidistrict.eu/

588 homes renovated in phase 1

3 186 MWh/year total energy savings

254 880 EUR/year total economic savings

804 tonnes/year total avoided CO_2 emissions

Txantrea
Before and after renovation

Building address: Calle Urroz 25, Pamplona, Navarra

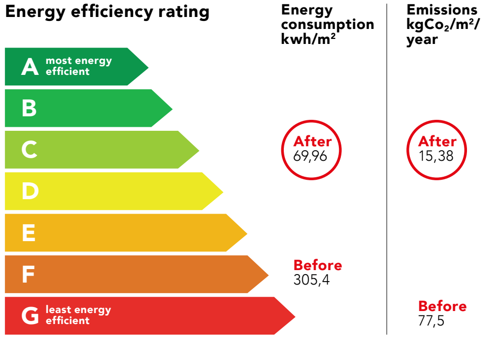
Building type: Multi-family

Year built: 1970

Before

After

The energy rating of every renovated building improved by at least one letter, and in some cases, by two, three or four letters.



E S G

Social

We treat our employees fairly, ensuring a safe and healthy working environment, and aim to maintain strong relationships with our customers, suppliers and the communities where we operate.

How we act towards employees, partners, customers and the communities we are in shapes our reputation as a company among these constituencies and determines the opportunities we will have to grow with them in the future.

During the pandemic, our priority has been the health and safety of our people and those with whom we interact. It has been a test of our policies and procedures but more so our leadership and company culture – two areas critical to ROCKWOOL's success that we looked deeper into during the year.

What it means to be a ROCKWOOL employee
Within the last couple of years, Group Human Resources conducted an extensive internal survey to better understand, from the employee's perspective, what it means to work at ROCKWOOL.

This survey, combined with market research, formed the basis for what is now the ROCKWOOL Group Employer Value Proposition (EVP). The EVP explains our identity as an employer and how that identity contributes to attracting and retaining employees – all of which is represented in one motto: "Greater Together".

"Greater Together" is both a promise and an expectation. It combines what is valuable to employees with what ROCKWOOL Group offers and expects as an employer: a culture of skilled and passionate people and a collaborative working environment; a solid and reliable company with a strong history and legacy; and an opportunity to develop innovative products that have a positive impact on society and the world.

The EVP exemplifies how we work, our culture and values. It serves as inspiration for how we should aim to work, the culture that we should seek to maintain and what kind of employees we want to attract – ultimately supporting the Group's goals of growth and profitability as one big team.

Integrating new colleagues

Our current method of integrating new employees differs greatly across the Group. Therefore, a global project was initiated in 2020 with the purpose of ensuring that our new employees feel prepared in their positions and ready to contribute, no matter where they work.

For ROCKWOOL, an aligned and consistent method of bringing new employees into the Group ensures new hires have the same experience from recruitment until they begin their job. For the employee, it ensures a consistent and improved understanding of the business, culture and history, and how they will contribute to the organisation's goals. The new global onboarding programme focuses on the following knowledge areas through a timely and relevant introduction:

1. **Organisation knowledge**
2. **Role knowledge**
3. **Team knowledge**
4. **Workplace knowledge**

This programme was launched in the beginning of 2020 as a pilot in North America, Sweden, Denmark and Norway and in Group functions at ROCKWOOL headquarters in Hedehusene, Denmark. After an evaluation period, we expect to roll out the programme globally in the first quarter of 2021.

Engaging employees

We are continuously striving to improve the engagement level of our employees. We have a yearly engagement survey on a broad range of topics, including: satisfaction and motivation,

loyalty, immediate manager, senior management, co-operation, working conditions, job content, remuneration, learning and development and safety.

Engagement in 2020 achieved some all-time highs, including: the response rate (82 percent) and also the scores for satisfaction and motivation. Analysis of the response data and follow-up meetings are conducted throughout the organisation among teams and together with HR to learn from the results and discuss with employees how to improve.

Immediate manager scores varied again this year across the Group; and while most employees report they are satisfied with their immediate manager, our new ROCKWOOL Leadership Programme will give all our managers the opportunity to learn and improve.

Developing our people

In 2020, we launched our new three-tier ROCKWOOL Leadership Programme.

In tier one, "Managing ROCKWOOL People", we began training the first groups of leaders in classroom settings, before switching to virtual sessions for the remainder of the year because of COVID-19. We are training a growing number of leaders and plan to roll out the programme to the upper ranks of management in 2021.

The two other tiers are still under development and will address middle and senior management.

Our Operational Excellence programme continues, with the first participants graduating in 2020 and a third group of participants expected to graduate in 2021. The programme provides participants with focused learning about operational excellence.

Diversity
As always, we are committed to provide equal opportunities to all employees, promote diversity, and work against all forms of discrimination among ROCKWOOL employees. Policies and procedures that raise awareness about these topics are part of most of our global processes.

The Group believes that diversity among employees and management, including an even distribution of age, nationality and educational background, contributes positively to the working environment and strengthens the Group's competitiveness and performance.

We have long been a diverse workplace where employees have vastly different backgrounds, nationalities and competencies – not only in relation to gender, age and ethnicity but just as much in relation to education, experience and personality.

For some illustration, there are 68 different nationalities represented across the Group, including 31 at our headquarters in Hedehusene, Denmark. In addition, there are three nationalities represented in the Board of Directors; and five in Group Management.

Our employees also have a wide variety of skills and educational backgrounds and range in age from 19 to 77, with the majority of them between 31 and 40. It is our goal to continue ensuring this diversity in the candidate field through recruitment and promotion.

In 2020, the overall ratio of females to males in the Group remained stable with an 18/82 split.

Among middle management, the ratio of women is higher and similarly stable over time. In 2018, Group Management set a target of 25-35 percent female leaders in executive and middle management positions. In 2020, 27 percent of all leaders in middle management positions were female, including 44 percent of new hires. In 2020, as in 2019, two members of Group Management were female.

Another target for 2020 was to have at least one shareholder-elected female member of the Board of Directors by the end of year. In April 2020, Rebekka Herlofsen joined the Board. We have now set a new target to achieve 33 percent female representation among our shareholder-elected members by 2024.

The target in ROCKWOOL A/S, in Denmark, is still to have at least one shareholder-elected female member of the Board of Directors.

This section on diversity covers the requirements in the Danish Financial Statement Act §99b and §107d.

Safety, health and wellbeing

→ **Our goal:**
Reduce Lost Time Incident (LTI) frequency rate by 10% and ensure zero fatalities annually.

Health and safety of our employees
We have an annual goal of zero fatalities and a minimum 10 percent annual improvement in the Lost Time Incident (LTI) rate. For 2020, we set a goal of LTI 2.6, which represents a 10 percent improvement compared to the 2019 performance of 2.9.

We had no fatalities in 2020, and although we had fewer lost time incidents in 2020 compared to 2019, the LTI rate, based on the number of hours worked, was higher in 2020, at 3.0.

Human rights commitment
During 2020, we disclosed the Group's commitment to respect human rights.
We support the United Nations Universal Declaration of Human Rights and the universal principles defined in the UN Global Compact relating to human rights, labour, environment and anti-corruption. We oppose any kind of discrimination due to age, gender, race, colour, religion, political opinion, social origin, or any other aspects of human rights.

Another right we take seriously is the right to exercise freedom of association and collective bargaining. We do not use child labour, forced or compulsory labour or knowingly engage with business partners that do so. As is the case with Group policies, the Managing Directors of the business units and Group Function heads are responsible for ensuring that this commitment is fully understood and implemented in the respective business units.

Community engagement
ROCKWOOL's factories are essential to the Group's success, as is maintaining constructive, positive relations in the communities around our existing facilities and those we are building. The factories create local employment and investment in their communities, and we always work to create and maintain positive relations with community members, their representatives, and other stakeholders. In many of the locations where we operate, we have active programmes supporting community initiatives and activities. When questions or issues arise, we seek to respond as expeditiously as possible. □

E S G

Governance

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

Corporate governance at ROCKWOOL Group regulates the interaction among shareholders, the Board of Directors, and Group Management, with the aim to ensure optimal operational performance while at the same time securing an appropriate level of accountability and transparency of our business practices.

Organisation
The supervision and management of ROCKWOOL Group is divided among the Annual General Meeting (AGM) of shareholders, the Board of Directors (with well-defined committees), and Group Management.

The Annual General Meeting
The 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 company 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.

The Board of Directors
The Board of Directors outlines the overall purpose and strategy of the company and ensures that the business is developing on track toward agreed short- and long- term goals. The members of the Board of Directors are non-executive members in accordance with the Danish Companies Act.

The Board of Directors today consists of nine members. Six are elected by shareholders at the AGM for a period of one year and may be re-elected. Of these, four members are deemed independent per the Danish Recommendations on Corporate Governance. Three members are elected by employees, for a period of four years, pursuant to the Danish Companies Act. The next election is in 2022.

In 2020 the Board of Directors conducted an annual evaluation facilitated by an external consultancy firm. Based on this evaluation, the Board concluded that its present composition is appropriate and sufficient for it to perform its tasks. 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/

Group Management
The CEO, together with his Group Management team, is responsible for the day-to-day management, strategy execution and timely reporting to the Board of Directors. At the end of 2020, the team consisted of eight executives, of which the CEO and CFO are the registered directors with the Danish Business Authority.

Board Chairmanship and Committees
The Board of Directors has established three substructures.

The Chairmanship
The Board of Directors has established a Chairmanship consisting of the Chairman and the Deputy Chairman. They prepare the Board meetings and undertake several functions of a nomination committee.

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

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

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

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

Remuneration Committee
The Board of Directors has appointed a Remuneration Committee consisting of the Chairman of the Board of Directors and up to two other members of the Board.

The Remuneration Committee ensures that the company maintains a remuneration policy for the members of the Board of Directors and the Registered Directors and the compliance hereof, and that the guidelines for Group level variable pay schemes support the strategy.

At the 2020 Annual General Meeting, a revised Remuneration Policy was approved.

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

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

Internal control
Control environment
ROCKWOOL Group considers strong internal control to be an essential management tool. The control environment in ROCKWOOL Group is based on clear guidelines and accountability and a continuous effort to maintain that environment with due consideration of materiality and risk.

The entire structure of the Group is designed based on the Group's commercial activities with a clear segregation of management responsibilities.

All Group policies are approved by Group Management and assigned to one Group Management member overseeing implementation throughout the line organisation. Policies and manuals have been adopted within all essential areas of operation, legal compliance and financial reporting.

Control activities
Minimum internal control requirements are stipulated in ROCKWOOL Group Standards, based on the risks identified. The control activities include procedures for authorisation, approval, reconciliation and separation of functions. The control system includes both manual and automated controls.

The local management teams are responsible for ensuring that the control environment in each local entity is sufficient to meet local and Group requirements.

Information and communication
ROCKWOOL Group has established standardised information and reporting systems to identify, collect and communicate relevant information and reports on an ongoing basis and on all levels to facilitate an effective, reliable workflow. In addition, an in-depth business review is performed each quarter with participation of relevant members of Group Management.

The Group's position on risk management and changes in the reporting requirements is regularly communicated at financial meetings for the local finance directors, through the Group intranet and dialogue.

Monitoring
The internal control systems in relation to the presentation of financial statements are monitored at various levels, e.g. monthly reports to Group Management on segments and markets and by regular control visits to the local entities.

In addition, the Group's Integrity Committee consisting of the CEO, CFO, a member of Group Management, the Group General Counsel and Group Integrity Officer, monitor integrity compliance and launch appropriate new initiatives to constantly improve compliance. The Integrity Committee furthermore reports on integrity issues to the Audit Committee.

Recommendations
As a Danish listed company, we are guided by the recommendations issued by the Danish Committee on Corporate Governance. The company is generally in compliance with such recommendations but has, in five cases, chosen to differ as described below. The variations are generally due to company-specific views on the recommendations to optimise value for its shareholders.

The company complies with recommendation 3.1.5. The company's Board of Directors will, however, not exclude that a situation can arise, where the Board of Directors may wish to constitute itself with a former member of the company's management as Chairman or Deputy Chairman.

ROCKWOOL Group publishes its statutory report on Corporate Governance for the financial year 2020 cf. the Danish Financial Statements Act §107b on the company's website, including a detailed description of the Board of Directors' consideration regarding all the recommendations. The statutory report on Corporate Governance can be found at www.rockwool.com/group/about-us/corporate-governance/

Exceptions
To a broad extent, the company is following the Committee on Corporate Governance's recommendations, except for the following five sub-recommendations, where the company has assessed that its present set-up is more appropriate:

3.1.3
Recommendation
The Committee recommends that the selection and nomination of candidates for the Board of Directors be carried out through a thoroughly transparent process approved by the overall Board of Directors.

Explanation
The Board of Directors has authorised the Chairmanship to nominate qualified candidates to the Board of Directors. The Board of Directors will then evaluate the candidates before it recommends them for election at the Annual General Meeting.

3.3.2
Recommendation
The Committee recommends that the management report includes information about the number of shares, options, warrants and similar in the company, and other Group companies, owned by each member of the Board of Directors, as well as changes in the portfolio of the member of the securities mentioned that have occurred during the financial year.

Explanation
The company considers the portfolio of shares, options warrants and similar in the company of each member of the Board of Directors to be a private matter, and it is the company'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.

3.4.2
Recommendation
The Committee recommends that a majority of the members of a board committee be independent.

Explanation
The Board of Directors finds that the Chairman, as a non-independent, and the Deputy Chairman, as an independent, can perform the functions of the Remuneration Committee in a prudent manner.

3.4.6
Recommendation
The Committee recommends that the Board of Directors establish a nomination committee.

Explanation
The Board of Directors has not established a nomination committee. Instead, the Chairmanship performs duties recommended concerning the candidates for the Board of Directors.

The Board of Directors selects candidates to the positions as CEO and other Registered Directors based on their qualifications.

4.2.3

Recommendation

The Committee recommends that the company prepares a remuneration report that includes information on the total remuneration received by each member of the Board of Directors and the executive board from the company and other companies in the Group and associated companies for the last three years, including information on the most important content of retention and resignation arrangements and that the correlation between the remuneration and company strategy and relevant related goals be explained.

Explanation

The 2020 remuneration of the Registered Directors is disclosed in the remuneration report, which from now on will show each year's remuneration in the table of the report.

The remuneration of the members of the Board of Directors and committees can be found in the Remuneration Report and on the website.

Responsible tax

We acknowledge that tax is an important part of society and an equally important part of responsible corporate citizenship. Tax matters and risks as well as our tax policy are governed by the Board of Directors and discussed on a regular basis with the Audit Committee.

Tax matters are operationally managed and monitored by the CFO and the Group Tax department in close relationship with the financial management of ROCKWOOL Group subsidiaries.

The aim of our tax policy is to reflect and support our business by ensuring a sustainable tax rate, mitigating tax risks and complying with rules and regulations in the jurisdictions in which we operate.

In all tax matters, we apply the same values and integrity as in our Code of Conduct by making sure that our primary focus is the ordinary operation of the Group. We only adopt tax positions that are defendable under full disclosure.

We are committed to being a responsible tax payer and avoid aggressive tax planning. We have a clear and transparent corporate structure with no contrived entities or structures. ROCKWOOL does not have any activities in any of the countries listed on the EU Black List of non-cooperative jurisdictions.

There are many transactions among ROCKWOOL Group companies, and the transfer pricing policy for these transactions is driven by the activities undertaken and the value created in each part of our businesses.

The key component in our profit allocation is our transfer pricing setup and methods in which we are committed to the principle of paying tax where value is created.

We acknowledge that international tax matters are increasingly complex and we are committed to assigning the necessary resources to ensure compliance with relevant tax laws and regulations.

ROCKWOOL Group is at the same time committed to being as transparent about its tax matters as can reasonably be expected, and we pursue an open dialogue and relationship with tax authorities in a proactive approach to handle uncertainties.

For example, we already have a bilateral advance pricing agreement between Denmark and Poland. We have applied for two more agreements in other key countries, and have a fourth application in progress. Once these are established, our ambition is to add more agreements in other important markets.

An advance pricing agreement is an up-front agreement between the tax authorities in two or more countries, covering the pricing methodologies for five tax years, thereby determining the level of taxable income for the countries in question. In addition to an open dialogue with tax authorities, we also participate and engage in an open dialogue on tax matters through industry associations and other external bodies.

From time to time, ROCKWOOL Group is allocated different types of tax incentives. Tax incentives are government measures that are intended to influence business decision-making or to encourage businesses to invest by reducing the amount of tax they must pay. Several of the territories in which we operate offer incentives of various kinds. We seek to use these incentives where they are aligned with our business and operational objectives.

Business integrity

Our Code of Conduct serves as our most important instrument to communicate and provide guidance on ROCKWOOL Group's way of doing business with integrity. The Code of Conduct includes Group policies related to anti-corruption, gifts and hospitality, conflict of interest, competition law, data privacy, human rights and labour rights, health and safety, and environment.

As part of the enrolment package, new employees are asked to complete the Code of Conduct e-learning to focus attention from the outset on the importance of the Code of Conduct.

Beginning in 2021 around 6,000 targeted employees will be obligated to complete our Code of Conduct e-learning. This will repeat the e-learning conducted in 2019. As part of the enrolment package, new employees are obligated to complete the Code of Conduct e-learning to focus attention from the outset on the importance of the Code of Conduct.

Tackling corruption

ROCKWOOL Group has zero tolerance towards any kind of fraud, corruption, bribery and facilitation payments.

The anti-corruption policy also applies to suppliers, agents and other third-parties. In 2020 the risk assessment of fraud, corruption and bribery was updated. The risk assessment is partly based on interviews covering the sales, finance, procurement, legal and the management area across the Group. Based on the risk assessment, new initiatives have been adopted and are being implemented to reduce the risk of corruption and bribery. These include screening of sales and procurement employees as part of the recruitment process and monitoring of sales activities to reduce the risk of corruption.

Whistleblower system

All employees are encouraged and required to report knowledge or suspicion of non-conformance with the ROCKWOOL Code of Conduct to management, the Group Integrity

Officer or through the whistleblower procedure. We do not accept any form of negative employment consequences for employees reporting in good faith actual or suspected non-conformance.

In 2020, ROCKWOOL updated its whistleblower reporting tool. Reporting is now possible via a dedicated website and on the RockEthics whistleblower app. Reports can be made in multiple languages and anonymously. All communication with the whistleblower is encrypted and reporting is made in compliance with national data protection regulation and GDPR. The updated whistleblower reporting tool has been communicated across the Group.

In 2020, 16 potential cases were reported through the whistleblower system. Nine of them qualified under the whistleblower policy and were handled in accordance with the procedure in the whistle-blower manual, and decided by the Integrity Committee. The nine whistleblower cases compare to 13 in 2019 and included two cases each of alleged fraud, conflict of interest, safety issues and harassment; and one involving bribery.

Investigations into most of the cases have been completed, while several are pending completion. So far, two employees have been dismissed and one employee is subject to disciplinary actions. Other cases have resulted in corrective actions.

The other seven cases that did not qualify as whistleblower cases related to HR issues (three), customer complaints (three), and one concerning an ordinary management issue. All were handled outside the whistleblower policy by the relevant department.

The new system has simplified reporting of whistleblower cases for both employees and third parties and allows reporting of cases in local language via the web or mobile app.

Management and the Group Integrity Officer continue to promote and increase awareness and knowledge of business ethics and the whistleblower arrangement in ROCKWOOL Group, using tools like the new e-learning course.

The Audit Committee is informed about all integrity and whistleblower cases. To create awareness of unethical behaviour and underline the Group's zero-tolerance policy, a summary of integrity cases is communicated to all employees on Group intranet to make sure that we learn from past mistakes and take proper actions.

In 2020, nine whistleblower cases were reported, compared to 13 in 2019. All reported integrity and whistleblower cases are investigated.

Respecting human rights and supply chain due diligence

Our commitment to respect human rights is an integral part of how we work with our suppliers. The ROCKWOOL Supplier Code of Conduct is an important part of that work, outlining our expectation that suppliers respect the United Nations Universal Declaration of Human Rights and UN Global Compact.

We acknowledge there is a risk connected with the categories and countries where we do business, including: compliance with international, national and local laws and guidelines relating to employment; environmental and manufacturing practices; as well as ethics and bribery, particularly in relation to sourcing.

ROCKWOOL's Supplier Code of Conduct is designed to mitigate these risks by explaining our expectations to suppliers and their supply chain.

Before being approved to do business with ROCKWOOL Group, suppliers must register in our online supplier portal and answer questions related to our Supplier Code of Conduct. This helps us understand the extent to which the supplier is in compliance with international, national and local laws and standards.

In 2019, we evaluated the sustainability risks related to three overall areas: human rights and labour rights; environment; and anti-corruption and bribery across the countries in which we currently operate and have suppliers and the type of materials and services we procure.

This work resulted in a risk matrix that we use as a guideline to proactively manage and limit potential sustainability-related risks from high risk category suppliers.

Due to the pandemic, we were unable to deploy the knowledge from the matrix in our supplier due diligence processes in 2020. This work is now planned to begin in 2021.

Privacy and data protection

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

The privacy compliance programme includes a privacy policy, a privacy manual and a handbook with guidelines for selected business areas as well as specialised templates and privacy notices. Additional e-learning has been targeted at employees in functions with highest potential risk. These are designed to enable employees to perform their daily work in accordance with all privacy requirements. □

Risk management

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

Systems and processes

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

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

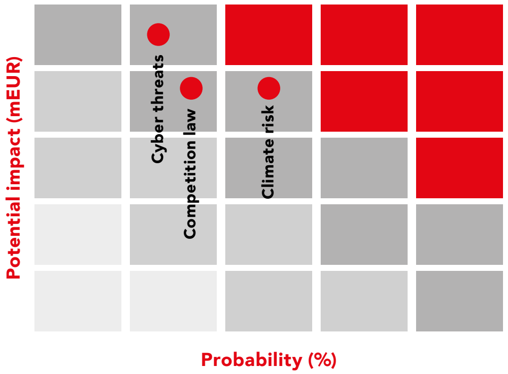
Appropriate mitigating actions for identified risks are proposed by the subsidiary or Group function and studiously evaluated to ensure effective risk management at Group level. The Group has a Risk Committee, consisting of members from business areas and Group functions. The committee is responsible 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.

Deep dives into the Group's top risks are selected by the Audit Committee and presented by the "risk owner" 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 2020

Among the risks deemed to have had the highest potential to impact ROCKWOOL Group in 2020 were: climate risks, competition law compliance and cyber threats.

The risk matrix combines an assessment of the probability and impact of each risk to reach a measure of the total risk.



Climate risks

Description

ROCKWOOL has publicly supported the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) since 2019, and we annually disclose our climate-related risks and opportunities through the CDP (formerly the Carbon Disclosure Project).

As part of an energy-intensive industry, ROCKWOOL faces specific climate-related risks on both the regulatory and technological fronts. Key developments in our melting technology have enabled us to commit to a roadmap for deep decarbonisation that is reflected in our new science-based targets, verified and approved by the Science Based Targets initiative (SBTi). Read more about our SBTi commitment on pp. 32-34.

These developments reduce our technological risks and our regulatory risks. For example, all the Group's European factories are included in the EU Emission Trading Scheme (ETS) Phase IV from 2020-2030. Whilst the inclusion of the mineral wool sector on the EU carbon leakage list for the ETS will significantly reduce the risk of having to purchase additional allowances, our decarbonisation path will reduce this risk even more.

Mitigation
We are developing and implementing innovative technologies with lower carbon intensity to reduce the footprint of our production processes. While many of our factories currently rely on coke and coal for the core melting processes, we are increasingly using less carbon-intensive energy sources such as natural gas, biogas and renewable electricity.

In Norway, a newly developed electrical melter will reduce CO_2 emissions by 80 percent compared to the conventional coke-burning furnace it replaces, while in Denmark, our two factories converted to using biogas in January 2021. Combined, these technological developments will help us achieve at least a 70 percent absolute reduction in CO_2 emissions in the Nordic region compared to 1990.

The Board of Directors monitors progress against our sustainability goals as well as reviewing and guiding the strategy and risk mitigation for the climate-related issues.

Competition law compliance

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

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

We maintain a strong Group-wide control framework. A variety of measures are provided to relevant employees to equip them with sufficient knowledge to make day-to-day business decisions in accordance with applicable competition and antitrust laws as well as internal policies.

Our compliance programme includes a competition law compliance manual, interactive training seminars and internal audits. In 2020, we arranged for all relevant employees to brush up on competition law compliance through an e-learning programme.

New employees must complete the e-learning programme as part of their introduction to the Group, including training and guidance on compliance.

Cyber threats

Description
Like all other companies, IT systems, networks and related processes are essential to day-to-day business, and it makes the Group vulnerable to systems outages, cyberattacks and failed IT implementation. With increased digitalisation of business processes, cyber-attack or non-availability of IT systems could have severe financial and reputational consequences for our business and the ROCKWOOL brand.

Mitigation
Key objectives for IT 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 the protection of consumers against misinformation or misuse of ROCKWOOL brands.

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

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

The Group's centralised 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 maintain the operational stability and integrity of all digital services rendered for internal or external use.

The year in pictures

Staying fit for next year After the 2020 SailGP season was postponed due to COVID-19, Team ROCKWOOL Racing was born.

Celebrating safety 23 years without an LTI at Rockfon's California distribution centre.

ROCKWOOL France wins CSR award for "ROCKCYCLE" The building site recycling programme collected 47,000 pallets, 550 tonnes of stone wool and 2.7 tonnes of plastic in 2019.

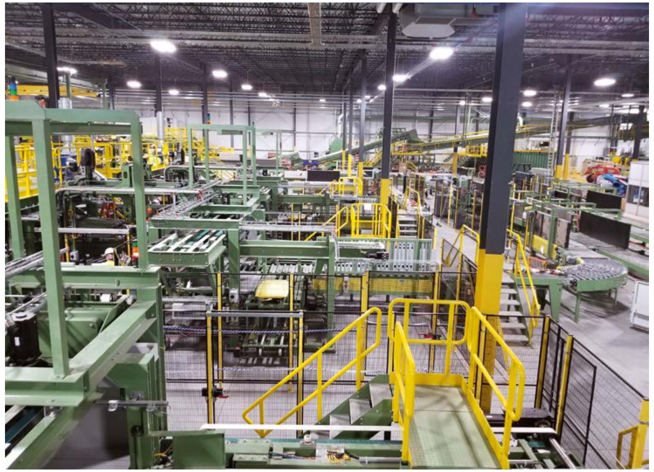
Climate change mitigation measures in the Netherlands Rockflow is presented to the Dutch Minister of Infrastructure and Water Management, Cora van Nieuwenhuizen.

Parafon joins the Rockfon family New colleagues in Sweden discuss quality control.

PARAFON

Making the switch Fuel-flexible technology enables our two factories in Denmark to operate on biogas.

EFIC lab celebrates 20 years of excellence Our European Fire & Conductivity lab is central to product development and the defining quality of our products.



Getting ready to roll An inside look at our newest factory in Ranson, West Virginia.

Welcoming a new leader to the Group Jessica Jonasson joins Group Management.

Welcoming a new member of the Board Rebekka Glasser Herlofsen elected to the Board of Directors.

Board of Directors

Board of Directors (From left to right): Rebekka Glasser Herlofsen, René Binder Rasmussen, Carsten Bjerg, Thomas Kähler, Andreas Ronken, Jørgen Tang-Jensen, Christian Westerberg, Søren Kähler and Connie Enghus Theisen.

Thomas Kähler

Chairman
Elected to the Board: 2008

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

Thomas Kähler participated in all Board and Remuneration Committee meetings during 2020.

Carsten Bjerg

Deputy Chairman
Elected to the Board: 2011

Other positions related to the company
Member of the Chairmanship, Member of the Audit Committee, Member of the Remuneration Committee.

Positions in other Danish companies
Chairman of the Boards of Hydrema Holding ApS; Arminox Investment A/S (and one fully-owned subsidiary); Bjerringbro-Silkeborg Håndbold A/S; Bogballe Investment A/S (and one fully-owned subsidiary); Ellegaard Investment I ApS (and one fully-owned subsidiary); CapHold Guldager ApS (and one fully owned subsidiary); Robco Engineering Investment A/S (and one fully-owned subsidiary); and PCH Investment A/S (and one fully-owned subsidiary).

Member of the Boards of Vestas Wind Systems A/S*; Agrometer Investment A/S (and three fully owned subsidiaries); and TCM Group A/S* (and one fully owned subsidiary).

Carsten Bjerg participated in all Board, Audit and Remuneration Committee meetings during 2020.

Rebekka Glasser Herlofsen

Elected to the Board: 2020

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

Other positions
Chairman of the Board of Norwegian Hull Club, Norway; Member of the Boards of Equinor ASA, Wilh. Wilhelmsen Holding ASA and Klaveness Combination Carriers ASA, Norway; Member of the Boards and Chairman of Audit Committees of SATS ASA and BW Offshore ASA, Norway; Member of the Nomination Committee of Orkla ASA, Norway; Senior Advisor to Altor Equity Partners AB, Sweden; Member of the Board of Handelsbanken Norge.

Following her election, Rebekka Glasser Herlofsen participated in all Board and Audit Committee meetings during 2020.

Søren Kähler

Elected to the Board: 2013

Other positions related to the company
Member of the Audit Committee, Member of the Board of the ROCKWOOL Foundation, Member of the Kähler Family Meeting.

Positions in other Danish companies
Chairman of the Board of A/S Saltbækvig.

Other positions
Member of the Board of the Foundation Sagnlandet Lejre.

Søren Kähler participated in all Board and Audit Committee meetings during 2020.

René Binder Rasmussen

Elected to the Board: 2018

District Manager, ROCKWOOL Nordics.

René Binder Rasmussen participated in all Board meetings during 2020.

Andreas Ronken

Elected to the Board: 2016

CEO of Alfred Ritter GmbH &Co. KG.

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

Andreas Ronken participated in all Board meetings during 2020.

Jørgen Tang-Jensen

Elected to the Board: 2017

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

Positions in other Danish companies
Chairman of the Board of Strøjer Tegl A/S; Member of the Boards of VKR Holding A/S; VILLUM FONDEN and Maj Invest Holding A/S (and two fully owned subsidiaries).

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

Jørgen Tang-Jensen participated in all Board and Audit Committee meetings during 2020.

Connie Enghus Theisen

Elected to the Board: 2006

Director Stakeholder Engagement, ROCKWOOL International A/S.

Connie Enghus Theisen participated in all Board meetings during 2020.

Christian Westerberg

Elected to the Board of Directors: 2018

Design Manager, ROCKWOOL International A/S.

Other positions related to the company
Member of the Board of the ROCKWOOL Foundation.

Christian Westerberg participated in all Board meetings during 2020.

*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

Group Management (from left to right): Jens Birgersson, Bjørn Rici Andersen, Kim Junge Andersen, Mirella Vitale, Gilles Maria, Volker Christmann, Jessica Jonasson and Henrik Frank Nielsen.

Jens Birgersson

President and Chief Executive Officer (CEO)

Registered Director (in Danish: Medlem af Direktionen).

Member of Group Management: 2015

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

Kim Junge Andersen

Senior Vice President, Chief Financial Officer (CFO)

Registered Director (in Danish: Medlem af Direktionen).

Member of Group Management: 2016

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

Bjørn Rici Andersen

Senior Vice President, Group Operations & Technology

Member of Group Management: 2018

Volker Christmann

Senior Vice President, Head of Insulation Central Europe

Member of Group Management: 2015

Other positions related to the company
Member of the Board of the ROCKWOOL Foundation.

Other positions
Vice President, FMI Fachverband Mineralwolleindustrie e.V., Germany (association of mineral wool industry); Member of the Board of FIW Forschungsinstitut für Wärmeschutz, Germany (research institute for thermal protection); President of BuVEG Bundesverband energieeffiziente Gebäudehülle e.V., Germany (federal association of energy-efficient building envelope); Member of the Board of H+H International A/S, Denmark.

Jessica Jonasson

Senior Vice President, Group Human Resources

Member of Group Management: 2020

Gilles Maria

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

Member of Group Management: 2007

Henrik Frank Nielsen

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

Member of Group Management: 2007

Other positions
Chairman of the Board of Betterhome ApS, Denmark.

Mirella Vitale

Senior Vice President, Group Marketing, Communications and Public Affairs

Member of Group Management: 2016

Shareholder information

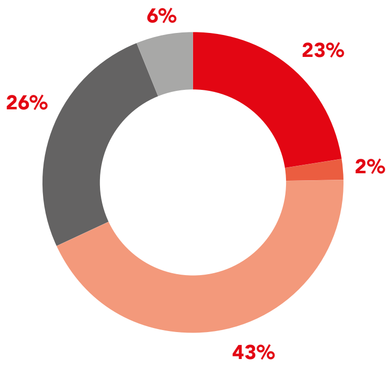
ROCKWOOL shares
ROCKWOOL International A/S is listed on Nasdaq Copenhagen in two share classes; ROCKWOOL A and ROCKWOOL B. Each A share carries 10 votes, while each B share carries one vote.

Both the A and B shares are included in the Nasdaq Copenhagen Large Cap and the B share is part of Nasdaq OMX C25, MSCI Global Standard, and STOXX® Europe 600 Construction & Materials. In addition to Nasdaq Copenhagen, the company's shares are traded on several other equity exchanges, e.g. Bats, Turquoise and CHI-X.

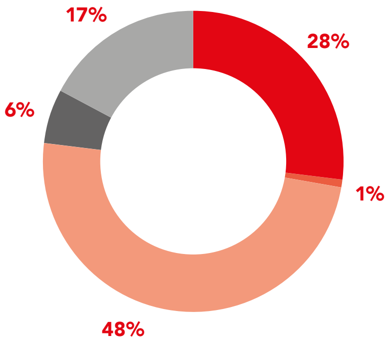
In 2020, the ROCKWOOL B share price increased by 45 percent. The ROCKWOOL A share increased by 44 percent.

Trading of shares
By the end of 2020, both shares had increased in price by an average of 45 percent, compared to the end of 2019. That compares with a four percent decrease in the benchmark index STOXX® Europe 600 Construction & Materials

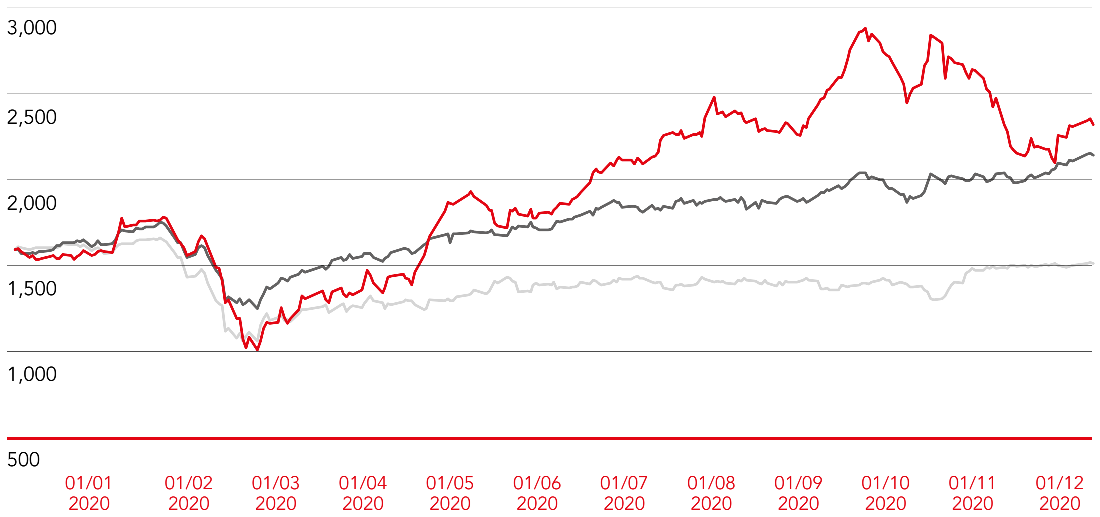
Ownership per shareholder category



Votes per shareholder category



Share price development 2020
(DKK)



ROCKWOOL B
OMX C25
STOXX® Euro 600 Construction & Materials

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

and a 34 percent increase in the Nasdaq OMX C25 index during 2020.

The official share price at 31 December 2020 was DKK 2,296 (B share) and 2,075 (A share). The combined market capitalisation at the end of the year was DKK 47,062 million.

Capital structure and dividend

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

It is the intention of ROCKWOOL International A/S that the ratio of net debt to EBITDA should be no larger than one, with due regard to the company's long-term financing requirements. The dividend policy is to pay out a stable dividend that is at least one-third of the profit after tax.

At the Annual General Meeting on 7 April 2021, the Board of Directors will propose a dividend of DKK 32.00 per share for the financial year 2020 (2019: DKK 32.00) amounting to EUR 94 million (2019: EUR 94 million). Dividend to be paid out in 2021 for 2020, net of dividend on own shares held at 31 December, will amount to EUR 93 million (2019: EUR 94 million). The dividend payment occurs three banking days after the Annual General Meeting.

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.

ROCKWOOL International A/S initiated its first share buy-back programme up to an amount of EUR 80 million on 6 February 2020, to be completed within the following 12 months. In 2020, a total of 345,584 shares have been bought back, corresponding to a transaction value of around EUR 77 million. ROCKWOOL Foundation has participated proportionally to their ownership. At the Annual General Meeting, the Board of Directors will propose that the shares purchased under this programme be cancelled.

Ownership

The company had 27,950 registered shareholders on 31 December 2020. By the end of 2020, 22 percent of the shares were owned by shareholder deposits located outside Denmark. In terms of voting capital, seven percent was located outside Denmark. See p. 56 for an overview of ownership.

Investor Relations activities

As a listed company, ROCKWOOL International A/S has a defined policy for its activities related to ROCKWOOL shares. The aim is to:

– Ensure that the capital market has an accurate picture of the earnings potential of ROCKWOOL shares by communicating relevant, correct, balanced, and timely information;
– Ensure that the company complies with all relevant rules and regulations as laid out in the Nasdaq Copenhagen Rules for issuers of shares, as well as applicable Danish legislation for publicly listed companies;
– Ensure fair and transparent rules for the trading of ROCKWOOL shares by the company itself and by persons considered to be 'insiders';
– Communicate ROCKWOOL Group values so the capital market perception is of an honest, accessible, reliable, and responsible company;
– Maintain broad coverage by both domestic and foreign equity analysts;
– Be knowledgeable, responsive and proactive in our investor communication to maintain a fair balance between expectations and performance.

Shareholders can communicate with and receive information from ROCKWOOL International A/S through various channels:

– The shareholder portal where one can view shareholdings; register or change whether one wishes to receive the invitation to the Annual General Meeting electronically or by letter; order admission cards to the Annual General Meeting;
– The Annual General Meeting;
– Financial communication, such as investor audio casts, presentations and stock exchange releases;
– Regular ESG conference calls.

Stock market information

	2020 (EUR)	2020 DKK	2019 DKK	2018 DKK	2017 DKK	2016 DKK
Earnings per share	11.5	86	97	91	73	57
Dividend per share	4.3	32.0	32.0	29.9	24.1	18.8
Cash flow per share	20	150	136	140	114	112
Book value per share	95	707	719	638	569	518
Share capital (million)	29	220	220	220	220	220
Price per A share	279	2,075	1,439	1,430	1,594	1,192
Price per B share	309	2,296	1,585	1,697	1,752	1,247
Market cap (million)	6,325	47,062	33,072	34,168	36,367	26,449
Number of own shares	403,912	403,912	72,894	75,865	206,840	275,855
Number of A shares of DKK 10 (10 votes)	11,231,627	11,231,627	11,231,627	11,231,627	11,231,627	11,231,627
Number of B shares of DKK 10 (1 vote)	10,743,296	10,743,296	10,743,296	10,743,296	10,743,296	10,743,296

Our website provides general information on ROCKWOOL Group, the performance of ROCKWOOL International A/S shares, news from the company, financial calendar and much more. A free service allows subscribers to receive instant e-mail alerts when the company publishes new information. Announcements to Nasdaq Copenhagen in 2020 can be found on: www.rockwool.com/group/about-us/investors/

Share data at a glance

Share class	A	B
Index	OMX Large Cap	OMX C25/Large Cap
Sector	Building materials	Building materials
ISIN code	DK0010219070	DK0010219153
Short code	ROCK A	ROCK B
Nominal size	DKK 10	DKK 10
Number of shares	11,231,627	10,743,296
Voting rights per share	10	1
Share price year-end	DKK 2,075	DKK 2,296
Proposed dividend per share	DKK 32.00	DKK 32.00
Payout ratio	37.7%	37.7%

Financial Calendar 2021

10 February
Annual Report for 2020

7 April
Annual General Meeting

19 May
Report on the first quarter of 2021

18 August
Report on the first half-year of 2021

24 November
Report on the first nine months of 2021

The Investor Relations team can be contacted at: investor@rockwool.com

For a list of shareholders holding more than five percent of the share capital or the votes, please refer to p. 121.

Investment banks following the ROCKWOOL shares:

ABG Sundal Collier
Barclays
Carnegie
Danske Equities
Exane BNP Paribas
Handelsbanken
HSBC
Jyske Markets
Morgan Stanley
Nordea
On Field Investment Research
SEB
Société Générale
Sydbank

Analyst' contact details, recommendations and consensus can be found on the investor website: www.rockwool.com/group/about-us/investors/

Annual General Meeting

The upcoming Annual General Meeting will take place on 7 April 2021. Owing to pandemic-related restrictions, the Company urges its shareholders to follow the Annual General Meeting live on our website or view the recording after the meeting has finished.

The agenda will be distributed 3-5 weeks prior to the meeting to shareholders who have registered their choice of either electronic or printed communication at our shareholder portal. The agenda will be published on our website.

The agenda will include:

1. The Board of Directors' report on the company's activities during the past financial year;
2. Presentation of the Annual Report 2020 with the auditors' report;
3. Adoption of the Annual Report and discharge of liability for Group Management and the Board of Directors;
4. Approval of Board of Directors' remuneration;
5. Allocation of profits or cover of losses according to the adopted accounts;
6. Election of members to the Board of Directors;
7. Appointment of auditors;
8. Proposals, if any, by the Board of Directors or shareholders.

Shares must be registered by name in order to vote. Shareholders can submit proposals to the Board of Directors for the agenda six weeks prior to the Annual General Meeting.

Financial performance

Net sales recovered well – with a local currency growth of two percent in the last quarter and strong profitability achieving an EBIT margin of 13.0 percent for the year.

Global sales development
After the significant second quarter sales impact from the COVID-19 lock down, construction activities and our sales in the second half of the year recovered in most markets, reflecting the view that keeping construction sites open during the pandemic and providing financial incentives to promote building renovations were economic recovery priorities.

All factories were in operation during the second half of the year and local outbreaks of COVID-19 were handled effectively and with focus on employee safety and continued uninterrupted customer deliveries. During the year, we maintained a low positive pricing impact in the aggregate.

Net sales development

	Growth	EURm
Net sales 2019		2,757
Organic development	-4.3%	-120
Acquisitions	0.6%	16
Currency translation adjustment	-1.9%	-51
Net sales 2020	**-5.6%**	**2,602**

Net sales reached EUR 2,602 million, a decrease of 3.7 percent in local currencies including a positive impact of 0.6 percent from the Parafon and Bestofire acquisitions, which is in line with the latest announced expectation. Foreign exchange rates had a negative impact of 1.9 percent on net sales, primarily due to the U.S. and Canadian dollars and the Russian rouble, resulting in a sales decrease of 5.6 percent in reported figures for 2020.

Compared to the outlook announced in the Annual Report 2019, the COVID-19 pandemic disrupted the sales growth and the dynamic in the markets, especially in the second quarter while sales for the second half of the year partly recovered.

Regional sales development

Sales in Western Europe reached EUR 1,575 million, a decrease of 4.8 percent in local currencies including a 1.0 percent positive impact from the Parafon acquisition and 5.0 percent in reported figures. Overall, sales in most countries decreased compared to last year, although many did recover in the second half of the year. In particular, the Nordic markets and the Netherlands showed good growth in the second half of the year. The Nordic region increased sales each quarter during 2020, driven by the higher activity levels in home renovation. Overall, central Western Europe experienced continued difficult market conditions primarily from lower construction activity.

Sales in Eastern Europe reached EUR 449 million, down 2.1 percent in local currencies and 9.1 percent in reported figures mainly due to negative currency impact from the Russian rouble. Poland faced difficult market conditions during the year from lower construction activity. In the second half of the year, especially Hungary and Romania as well as Russia bounced back from the COVID-19 pandemic, and achieved full year sales at level or with growth compared to 2019.

In the rest of the world, sales reached EUR 578 million, a decrease of 1.9 percent in local currencies, and 4.3 percent in reported figures due to negative currency impact from the U.S. and Canadian dollars. After a few slow months during the second and third quarters, North American sales activities increased in the fourth quarter, particularly in the United States, resulting in a full year sales growth compared to 2019. This growth continues to be driven by demand for non-combustible building insulation as well as increased new building and renovation activity levels in the residential segment.

In Asia, sales were down in China and many southeast Asian markets compared to 2019. This decline is largely the result of lower building activity related to COVID-19 shutdowns and lower technical insulation sales related to the oil and gas sectors. The acquisition of Bestofire in Singapore only had a minor impact.

EBIT development

	Growth	EURm	Margin
EBIT 2019		372	13.5%
Decreased earnings from operation	-5.9%	-22	-0.3%
Earnings from acquisitions	0.0%	0	-
Currency translation adjustment	-3.3%	-12	-0.2%
EBIT 2020	**-9.2%**	**338**	**13.0%**

Group profitability

Operational cost savings combined with lower raw material prices led to an EBIT increase of 9 percent in local currencies in the second half of the year and a reported EBIT margin of 13.0 percent for the full year, which is in the upper range of the latest guidance, due to solid sales performance in December.

Operational efficiency improved as we continued prioritising cost savings activities during the year. This entailed a focus on driving efficiency, while still investing in new competencies, digitalisation and growth initiatives, which helped deliver improved profitability for the Group.

Since the second wave of the COVID-19 pandemic became more visible, we took measures to reduce costs, including organisational initiatives to preserve productivity. The main part of the severance costs was recognised during 2020.

EBITDA decreased five percent to EUR 522 million with an EBITDA margin of 20.1 percent, an improvement compared to 2019 of 0.2 percentage points. Adjusting for the positive EUR 10 million EBITDA impact from the 2019 legal settlement involving Rockfon North America, 2020 EBITDA margin increased 0.6 percentage points.

In 2020, depreciation amounted to EUR 184 million, an increase of EUR 8 million compared 2019 due to investments in new capacity especially in Romania, Poland and the United Kingdom as well as in digital solutions. Depreciation of the new facility in Germany commenced January 2021.

EBIT for the year reached EUR 338 million, resulting in an EBIT margin of 13.0 percent, a decrease of 0.5 percentage points compared to 2019. Adjusting for the 2019 legal settlement related to Rockfon North America, the comparable EBIT margin for 2020 was only 0.2 percentage points below that of the record year 2019, mainly due to the negative currency impact of 0.2 percentage points.

There is no direct comparison to the initial outlook announced in February 2020 on EBIT margin as the COVID-19 pandemic completely altered the underlying assumptions. The result is at the upper end of the outlook announced later in 2020 mainly due to an improved performance in the last quarter with higher net sales and positive impact from lower input costs and operational efficiencies.

Net financial costs amounted to EUR 14 million, an increase of EUR 9 million compared to 2019. The increase is mainly related to unrealised currency fluctuations and fees related to the share buy-back programme.

Tax on profit for the year amounted to EUR 74 million compared to EUR 82 million in 2019. The effective tax rate increased slightly to 22.8 percent (2019: 22.4 percent) mainly due to higher withholding taxes on dividends and lower recognition of deferred tax assets.

Group profit after tax totalled EUR 251 million, a EUR 34 million decrease, which we consider to be a satisfactory result taking the global COVID-19 pandemic into account.

Profit after tax in the parent company totalled EUR 241 million, a decrease of EUR 33 million mainly due to lower income from investment in subsidiaries as the earnings were impacted by the COVID-19 pandemic.

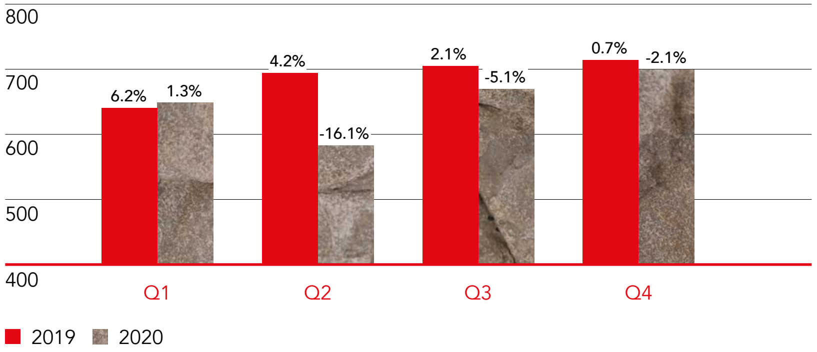
Balance sheet and equity

Net working capital ended at EUR 213 million, a decrease of EUR 34 million in reported figures compared to 2019, primarily due to lower inventory and trade receivables as well as a negative currency impact and only partly offset by a small increase in trade payables. As a percentage of sales, net working capital was 8.2 percent compared to 9.0 percent in 2019.

The ability to quickly adapt to dynamic market conditions and keep costs under control was key in maintaining robust profitability

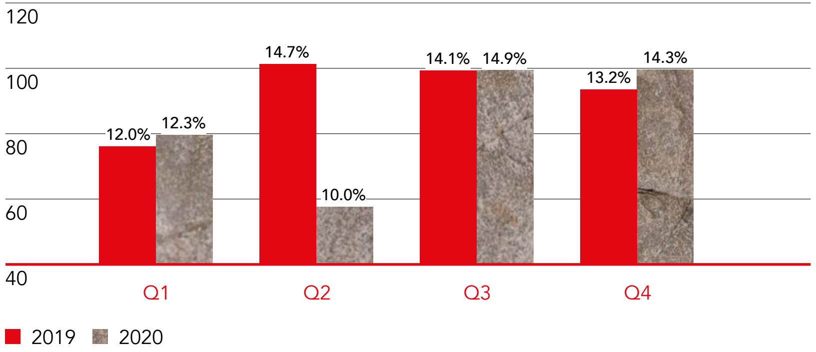
Quarterly sales & sales growth (reported)

(EURm)



EBIT & EBIT margin

(EURm)



Total assets at the end of 2020 amounted to EUR 2,744 million, an increase of EUR 50 million compared to 2019 mainly from ongoing investments partly offset by lower inventories, trade receivables as well as cash.

Equity of the Group totalled EUR 2,092 million as of 31 December 2020 compared to EUR 2,118 million in 2019, corresponding to an equity ratio of 76 percent. Equity was mainly affected by the profit for the year, the share buy-back programme, dividend pay-out, and exchange rate adjustments.

The proposed dividend for 2020 is DKK 32.00 per share, unchanged from 2019.

Invested capital

Return on invested capital decreased in 2020, mainly due to higher investments and lower profit, reaching 17.6 percent compared to 21.7 percent in 2019. Invested capital amounted to EUR 1,961 million compared to EUR 1,889 million in 2019.

Cash flow and investments

COVID-19 increased uncertainties in the early part of the spring and ensuring the Group had adequate funding facilities was important. ROCKWOOL decided to draw a loan of EUR 150 million, allowing the Group to maintain its investment programme, pay dividend to shareholders and keep the share buy-back programme running. Furthermore, additional EUR 200 million was secured in committed facilities for additional safety through an extra revolving credit facility.

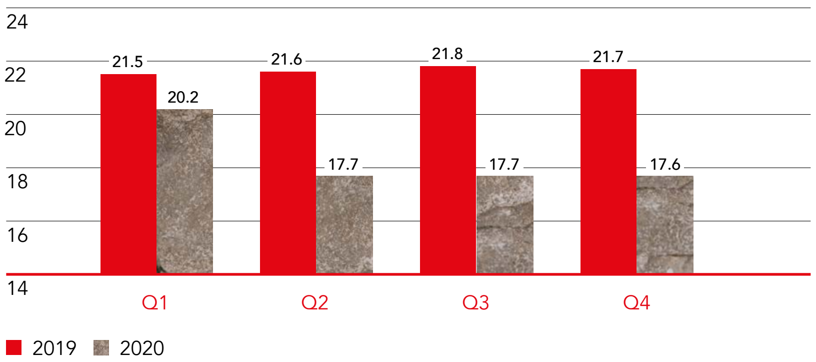
At the end of 2020, the Group had a net cash positive position, amounting to EUR 95 million, down EUR 117 million. In addition, the Group had unused committed credit facilities of EUR 630 million by year-end.

Cash flow from operating activities increased, from EUR 402 million in 2019 to EUR 438 million in 2020. The decrease in operating profit, mainly from the lower sales, was more than compensated by the positive impact from less cash tied up in net working capital, which decreased EUR 27 million in the cash flow compared to 2019. The EUR 9 million decline in tax payments also contributed positively.

Capital expenditure excluding acquisitions and received investment grants reached EUR 362 million. This decrease of EUR 38 million compared to 2019 is in line with our latest expectation although negatively impacted by the currency development. Compared to our expectation announced in February 2020, some investment expenditures relating to the ongoing factory projects in the United States and Norway and the relocation project in China were postponed from 2020 to 2021. The largest individual investments in 2020 relate to the factory projects in the United States (West Virginia), in Norway and in Germany.

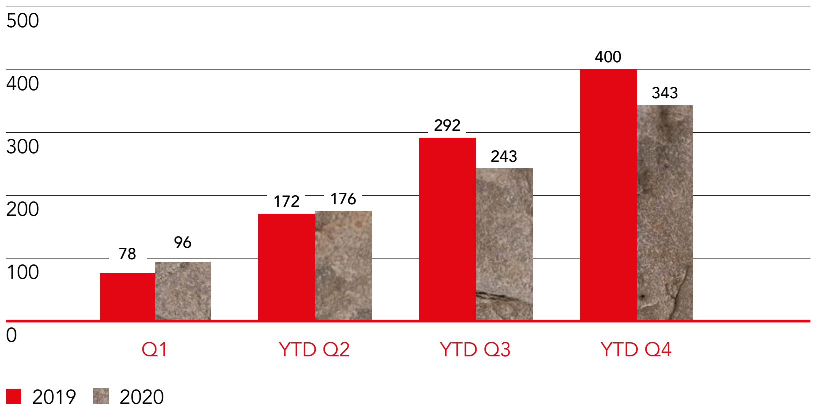
Return on invested capital (ROIC)

(%)



Acc. investments excl. acquisitions

(EURm)



In December 2020, additional EUR 1 million grant was received as planned from the Chinese authorities in connection with the ongoing relocation of one of our factories in China; the sum of the grants received now amounts to EUR 19 million.

In February 2020, ROCKWOOL acquired the Parafon Acoustic Ceiling business, comprising the Swedish ceiling tile factory, and its Nordic sales organisation, which are now part of Rockfon in our Systems segment. In September 2020, ROCKWOOL acquired the assets of Bestofire & Thermal Pte. Ltd., a Singapore business that specialises in supplying fire protection and thermal insulation in both the marine and building sectors in Singapore and which is now part of our Insulation segment. The consideration for both businesses totalled EUR 19 million.

Free cash flow amounted to EUR 76 million, an increase of EUR 74 million compared to 2019, primarily due to lower investments and lower working capital.

Cash flow from financing activities ended at negative EUR 92 million as the share buy-back programme of EUR 77 million and increased dividend payments were offset by proceeds from borrowings of net EUR 96 million in the year as part of the new loan of EUR 150 million was repaid in November 2020.

Business segments

Sales in the Insulation segment reached EUR 1,914 million, a decrease of 5.8 percent in local currencies and 7.8 percent in reported currencies. The sales decrease came primarily from insulation sales in Central Europe and the technical insulation business. The building insulation business in North America ended 2020 with good growth despite the global pandemic.

The Insulation segment's EBIT reached EUR 236 million with an EBIT margin of 10.7 percent, a decrease compared to 2019 of 0.6 percentage points. The operational efficiency in the factories could not fully compensate the start-up costs in the German factory and the electric melter project costs in Norway, combined with the overall lower capacity utilisation from the sales decrease.

The Systems segment's sales amounted to EUR 688 million, which is an increase of 2.7 percent in local currencies including 2.4 percent from Parafon and 1.3 percent in reported figures. The growth was driven primarily by Grodan and a good second half of the year for Rockfon and Rockpanel in Europe.

The Systems segment generated an EBIT of EUR 102 million with an EBIT margin of 14.8 percent, down 0.3 percentage points compared to 2019. Adjusting for the positive impact from the 2019 legal settlement involving Rockfon North America, the EBIT margin increased 1.2 percentage points, with most businesses contributing positively.

Key figures Insulation segment

EURm	Q4 2020	Q4 2019	FY 2020	FY 2019
External net sales	491	517	1,914	2,077
EBIT	64	70	236	269
EBIT margin	11.0%	11.5%	10.7%	11.3%

Key figures Systems segment

EURm	Q4 2020	Q4 2019	FY 2020	FY 2019
External net sales	209	198	688	680
EBIT	36	24	102	103
EBIT margin	16.9%	12.0%	14.8%	15.1%

Quarterly follow-up

Global sales development
In Q4 2020, ROCKWOOL Group generated sales of EUR 700 million, an increase of 1.8 percent in local currencies compared to Q4 2019 including a positive impact of 0.6 percent from the Parafon and Bestofire acquisitions. Foreign exchange rates had a negative impact of 3.9 percent, mainly from the U.S. and Canadian dollars and the Russian rouble, resulting in a decrease of 2.1 percent in reported figures.

A low positive sales price impact continued in the quarter in most markets and businesses.

Regional sales development
Sales in Western Europe remained stable in local currencies in Q4 2020 compared to Q4 2019 including a positive impact of 1.0 percent from the Parafon acquisition, as net sales in the quarter ended at EUR 420 million. In reported figures sales decreased 0.5 percent. The German and French markets continue to be affected by the general slowdown in the economy. Most other countries recovered well.

In Q4 2020, net sales in Eastern Europe amounted to EUR 119 million, an increase of 2.9 percent in local currencies, and a decrease of 9.0 percent in reported figures compared to Q4 2019. The Russian rouble exchange rate had a significant negative impact though we achieved solid fourth quarter growth in Russia measured in local currencies.

Sales in the rest of the world reached EUR 161 million in Q4 2020, an increase of 5.9 percent in local currencies compared to Q4 2019. In reported figures, sales in Q4 2020 decreased 0.5 percent. Overall sales in North America improved and showed solid growth, both in the insulation and systems business. Asia except India continued to struggle.

	2020				2019			
EURm	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Income statement								
Net sales	649	583	670	700	641	695	706	715
Operating income	651	583	672	702	644	705	707	717
Raw material and production material costs	206	187	215	237	203	238	240	248
Delivery costs and indirect costs	92	81	93	97	92	100	95	94
Other external costs	55	39	47	43	61	52	55	50
Personnel costs	173	172	172	177	168	171	175	183
Operating costs	526	479	527	554	524	561	565	575
EBITDA	125	104	145	148	120	144	142	142
Depreciation, amortisation and write-downs	45	46	45	48	43	42	43	48
EBIT	80	58	100	100	77	102	99	94
Income from investments in associated companies	0	0	0	1	0	0	0	0
Financial items	0	-5	-2	-7	-4	-2	-2	3
Profit before tax	80	53	98	94	73	100	97	97
Tax on profit for the period	19	13	21	21	16	21	20	25
Profit for the period	**61**	**40**	**77**	**73**	**57**	**79**	**77**	**72**
EBITDA margin	19.2%	17.8%	21.7%	21.1%	18.8%	20.7%	20.1%	19.9%
EBIT margin	12.3%	10.0%	14.9%	14.3%	12.0%	14.7%	14.1%	13.2%
Statement of comprehensive income								
Profit for the period	61	40	77	73	57	79	77	72
Exchange rate adjustments of foreign subsidiaries	-68	12	-48	-4	35	-1	20	-1
Change in pension obligation	-	-	-	-3	-	-	-	-10
Hedging instruments, value adjustments	2	0	0	0	0	0	0	-3
Tax on comprehensive income	0	0	0	2	0	0	0	4
Total comprehensive income	**-5**	**52**	**29**	**68**	**92**	**78**	**97**	**62**

Quarterly follow-up

Group profitability
EBITDA in Q4 2020 reached EUR 148 million, an increase of four percent with an EBITDA margin of 21.1 percent compared to 19.9 percent in Q4 2019. This results primarily from continued good contribution margin and a reduced cost base.

EBIT in Q4 2020 reached EUR 100 million, a growth of six percent compared to Q4 2019. EBIT margin ended at 14.3 percent, 1.1 percentage points above Q4 2019. We maintained close attention to market conditions, adjusted capacity as needed and kept costs under control to sustain good productivity.

Business segments
External sales in Q4 2020 in Insulation segment amounted to EUR 491 million, a decrease of 0.9 percent in local currencies and 5.1 percent in reported figures compared to Q4 2019. Most businesses recovered and showed good growth except the insulation business in Central Europe and Asia and the technical insulation business.

EBIT in the Insulation segment reached EUR 64 million yielding an EBIT margin of 11.0 percent, down 0.5 percentage points compared to Q4 2019, driven by start-up costs in the factory in Germany and the electric melter project costs in Norway.

Systems segment presented a strong Q4 2020. Quarterly net sales reached EUR 209 million, an increase in local currency of 8.9 percent including a positive impact of 2.2 percent from Parafon and 5.8 percent in reported figures compared to Q4 2019 as all businesses showed good growth. Grodan and Rockpanel continued the especially good performance.

EBIT in the Systems segment reached EUR 36 million in Q4 2020, an increase of 49 percent and an EBIT margin of 16.9 percent compared to 12.0 percent in Q4 2019. All businesses contributed positively.

	2020				2019			
EURm	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Cash flow statement								
EBIT	80	58	100	100	77	102	99	94
Adjustments for depreciation, amortisation and write-downs	45	46	45	48	43	42	42	49
Other adjustments	1	-1	6	1	0	1	3	2
Change in net working capital	-79	40	27	39	-88	-18	72	-5
Cash flow from operations before financial items and tax	47	143	178	188	32	127	216	140
Cash flow from operating activities	13	126	161	138	-6	110	193	105
Cash flow from investing activities	-110	-80	-72	-100	-78	-94	-120	-108
Free cash flow	-97	46	89	38	-84	16	73	-3
Cash flow from financing activities	68	-67	-30	-63	-6	-94	3	-23
Change in cash available	-29	-21	59	-25	-90	-78	76	-26
Segment reporting								
Insulation segment:								
External net sales	483	438	502	491	486	533	541	517
Internal net sales	73	61	74	94	65	68	79	92
EBIT	56	40	76	64	55	67	77	70
EBIT margin	10.0%	8.0%	13.2%	11.0%	10.0%	11.2%	12.4%	11.5%
Systems segment:								
External net sales	166	145	168	209	155	162	165	198
EBIT	24	18	24	36	22	34	23	24
EBIT margin	14.6%	12.4%	14.3%	16.9%	14.0%	21.2%	14.0%	12.0%
Geographical split of external net sales:								
Western Europe	395	349	411	420	396	423	418	422
Eastern Europe including Russia	105	105	120	119	103	124	136	131
North America, Asia and others	149	129	139	161	142	148	152	162
Total external net sales	**649**	**583**	**670**	**700**	**641**	**695**	**706**	**715**


Consolidated financial statements

Income statement

1 January – 31 December

EURm	Note	2020	2019
Net sales	1.1	2,602	2,757
Other operating income		6	16
Operating income		**2,608**	**2,773**
Raw material costs and production material costs		845	929
Delivery costs and indirect costs		363	381
Other external costs		184	218
Personnel costs	1.2	694	697
Operating costs		**2,086**	**2,225**
EBITDA		**522**	**548**
Amortisation, depreciation and write-downs	2.4, 2.5	184	176
EBIT		**338**	**372**
Income from investments in associated companies		1	0
Financial income	4.1	8	5
Financial expenses	4.1	22	10
Profit before tax		**325**	**367**
Tax on profit for the year	5.1	74	82
Profit for the year		**251**	**285**
Profit for the year attributable to:			
Non-controlling interests		0	0
Shareholders of ROCKWOOL International A/S		251	285
Earnings per share:	4.7		
Earnings per share of DKK 10 (EUR 1.3)		11.54	13.01
Diluted earnings per share of DKK 10 (EUR 1.3)		11.51	12.98

Statement of comprehensive income

1 January – 31 December

EURm	Note	2020	2019
Profit for the year		**251**	**285**
Items that will not be reclassified to income statement:			
Actuarial gains and losses of pension obligations	2.6	-3	-10
Tax on other comprehensive income		4	3
Items that may be subsequently reclassified to income statement:			
Currency adjustment from translation of entities		-108	53
Hedging instruments, value adjustments		2	-3
Tax on other comprehensive income		-2	1
Other comprehensive income		**-107**	**44**
Comprehensive income for the year		**144**	**329**
Comprehensive income for the year attributable to:			
Non-controlling interests		0	0
Shareholders of ROCKWOOL International A/S		144	329

Balance sheet

Assets - as at 31 December

EURm	Note	2020	2019
Goodwill		96	97
Software		13	13
Customer relationships		39	43
Other intangible assets		21	21
Software in progress		12	18
Total intangible assets	2.1	181	192
Buildings and sites		637	643
Plant and machinery		439	444
Other operating equipment		22	20
Tangible assets in progress		534	399
Total tangible assets	2.2	1,632	1,506
Right-of-use assets	2.3	44	52
Shares in associated companies		6	6
Long-term deposits and receivables		10	15
Deferred tax assets	5.1	54	54
Total financial assets		70	75
Non-current assets		**1,927**	**1,825**
Inventories	3.1	216	236
Trade receivables	3.2, 4.2	247	275
Other receivables	4.2	60	54
Prepayments		15	15
Income tax receivable	5.1	38	14
Cash	4.2, 4.3	241	275
Current assets		**817**	**869**
Total assets		**2,744**	**2,694**

Equity and liabilities - as at 31 December

EURm	Note	2020	2019
Share capital	4.6	29	29
Currency translation adjustments		-212	-104
Proposed dividend		94	94
Retained earnings		2,178	2,096
Hedging		-1	-1
Equity attributable to shareholders of ROCKWOOL International A/S		**2,088**	**2,114**
Non-controlling interests		4	4
Total equity		**2,092**	**2,118**
Deferred tax liabilities	5.1	47	43
Pension obligations	2.6	66	62
Lease liabilities	2.3	27	34
Provisions	2.7	18	17
Bank loans and other loans	4.2, 4.4	-	4
Non-current liabilities		**158**	**160**
Short-term portion of bank loans and other loans	4.2, 4.4	100	1
Bank debt	4.2, 4.3	1	6
Trade payables	4.2	184	196
Lease liabilities	2.3	18	18
Provisions	2.7	8	9
Income tax payable	5.1	25	29
Other payables	4.2	158	157
Current liabilities		**494**	**416**
Total liabilities		**652**	**576**
Total equity and liabilities		**2,744**	**2,694**

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.

As the two business acquisitions are considered immaterial, no separate note is disclosed. For further information on the business acquisitions please see p. 63.

EURm	Note	2020	2019
EBIT		338	372
Adjustments for amortisation, depreciation and write-downs	2.4	184	176
Adjustments of non-cash operating items	3.3	7	6
Changes in net working capital	3.3	27	-39
Cash flow from operations before financial items and tax		**556**	**515**
Finance income etc. received		8	5
Finance costs etc. paid		-22	-5
Taxes paid		-104	-113
Cash flow from operating activities		**438**	**402**

EURm	Note	2020	2019
Cash flow from operating activities (continued)		**438**	**402**
Purchase of tangible assets		-358	-379
Received investment grants		19	0
Purchase of intangible assets		-4	-21
Business acquisitions, net of cash		-19	-
Cash flow from investing activities		**-362**	**-400**
Free cash flow		**76**	**2**
Dividend paid		-94	-87
Share buy-back programme		-77	-
Purchase of own shares		-3	-2
Sale of own shares		2	0
Repayment of lease liabilities	2.3	-20	-17
Repayment of non-current receivables		4	-14
Proceeds from borrowings		152	4
Repayment of current debt		-56	-4
Cash flow from financing activities		**-92**	**-120**
Net cash flow		-16	-118
Cash available 1/1		269	380
Exchange rate adjustments on cash available		-13	7
Cash available 31/12	4.3	**240**	**269**
Unutilised, committed credit facilities		**630**	**428**

Statement of changes in equity

Accounting policies

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

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

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

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

	Shareholders of ROCKWOOL International A/S								
EURm	Share capital	Currency translation adjust-ments	Proposed dividend	Retained earnings	Hedging	Total	Non-controlling interests	Total equity
Equity 1/1 2020	**29**	**-104**	**94**	**2,096**	**-1**	**2,114**	**4**	**2,118**
Profit for the year	-	-	94	157	-	251	0	251
Other comprehensive income	-	-108	-	1	0	-107	-	-107
Comprehensive income for the year	-	-108	94	158	0	144	0	144
Share buy-back programme	-	-	-	-77	-	-77	-	-77
Purchase of own shares	-	-	-	-3	-	-3	-	-3
Sale of own shares	-	-	-	2	-	2	-	2
Expensed value of Restricted Share Units (RSUs) issued	-	-	-	2	-	2	-	2
Dividend paid	-	-	-94	0	-	-94	-	-94
Equity 31/12 2020	**29**	**-212**	**94**	**2,178**	**-1**	**2,088**	**4**	**2,092**
Equity 1/1 2019	**29**	**-157**	**88**	**1,912**	**1**	**1,873**	**4**	**1,877**
Profit for the year	-	-	94	191	-	285	0	285
Other comprehensive income	-	53	-	-7	-2	44	0	44
Comprehensive income for the year	-	53	94	184	-2	329	0	329
Purchase of own shares	-	-	-	-2	-	-2	-	-2
Expensed value of Restricted Share Units (RSUs) issued	-	-	-	1	-	1	-	1
Dividend paid	-	-	-88	1	-	-87	0	-87
Equity 31/12 2019	**29**	**-104**	**94**	**2,096**	**-1**	**2,114**	**4**	**2,118**


Notes

Note 1 Operating profit

Note 2 Invested capital

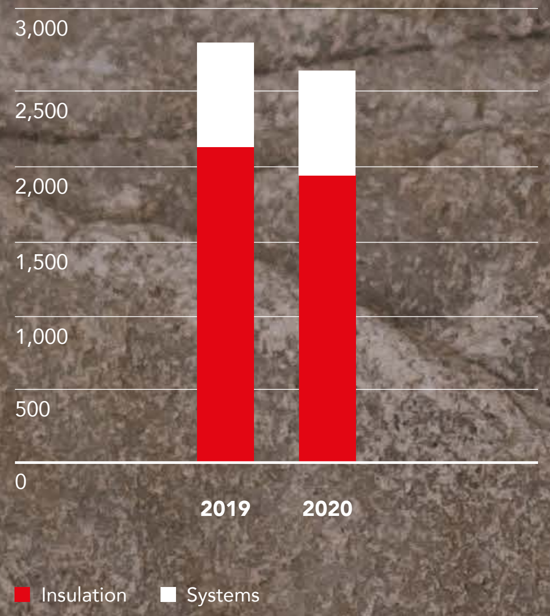
Note 3 Working capital

Note 4 Capital structure and financing

Note 5 Other

Note 1
Operating profit

Sales per business segment
(EURm)



Reported sales decrease
5.6%

Average number of FTEs
11,626

EBIT margin
13.0%

Notes

1.1 Net sales and segmented account

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	
EURm	2020	2019	2020	2019	2020	2019	2020	2019
External net sales	1,914	2,077	688	680	-	-	2,602	2,757
Internal net sales	302	304	-	-	-302	-304	-	-
EBIT	**236**	**269**	**102**	**103**	**-**	**-**	**338**	**372**
EBIT margin	*10.7%*	*11.3%*	*14.8%*	*15.1%*	-	-	*13.0%*	*13.5%*
Financial items and income from associated companies	-	-	-	-	-	-	-13	-5
Tax on profit for the year	-	-	-	-	-	-	-74	-82
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**251**	**285**
Goods transferred at a point in time	1,914	2,077	688	680	-	-	2,602	2,757
Non-current asset additions	326	425	44	26	-	-	370	451

Geographical segments

	Net sales		Intangible and tangible assets	
EURm	2020	2019	2020	2019
Western Europe	1,575	1,659	914	770
Eastern Europe and Russia	449	494	379	416
North America, Asia and others	578	604	520	512
Total	**2,602**	**2,757**	**1,813**	**1,698**

Notes

1.1 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, cladding boards, engineered fibres, noise and vibration control, and horticultural substrates.

In 2020 and 2019 write-down of software was recognised affecting both segments. For additional information please refer to note 2.4.

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

The domestic sales in Denmark are in the range of 2-3% (2019: 2-3%) of the Group's net sales. The domestic intangible and tangible assets in Denmark amount to EUR 159 million (2019: EUR 168 million).

No customers exceed 10% of the Group's net sales neither this year nor last year. In Germany, France and the United States net sales amounts to between 10-20% of the Group's total net sales in both 2020 and 2019. In no other country do the net sales exceed 10% of the Group's total net sales.

Intangible and tangible assets in the United States, Germany and Poland exceed 10% of the Group's total intangible and tangible assets in both 2020 and 2019.

1.2 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-tem incentive (bonus) is dependent on achievement of individual targets and targets for the Group's financial performance, as 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 is included in the remuneration in neither 2020 nor 2019.

Personnel costs

EURm	2020	2019
Wages and salaries	580	590
Expensed value of RSUs issued	2	1
Pension costs	30	27
Other social security costs	82	79
Personnel costs	**694**	**697**
Average number of employees	11,626	11,646
The above items include to Board of Directors and Group Management:		
Salaries and other benefits to Group Management	6	6
Value of expensed RSU cost or fair value adjustments to Group Management	1	1
Pension costs to Group Management	1	1
Board of Directors' remuneration	1	1
Total to Board of Directors and Group Management	**9**	**9**
Hereof remuneration to Registered Directors	3	3
Hereof value of expensed RSU cost or fair value adjustments to Registered Directors	1	0
Hereof pension costs to Registered Directors	0	0
Total to Registered Directors	**4**	**3**

Notes

1.3 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 are given as phantom shares and is classified as cash-based, as they are settled in cash. The programmes are offered to Group Management and other senior executives. The incentive programmes are part of the variable part of the remuneration and follows the Group's Remuneration policy. Participation in the programmes are at the Remuneration Committees discretion and no individual has a contractual right to participate or receive any guaranteed benefit.

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

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

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

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

Comments

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

The average share price at exercise in 2020 was EUR 267 (2019: EUR 214). In 2020, the stock options granted in 2012 expired and all the stock options were exercised. No stock options expired in 2019.

Stock option programme

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

Time of grant	Exercise period	Exercise price (EUR)	Number of stock options 2020	Number of stock options 2019
2012	01.09.2015 - 31.08.2020	69	-	7,625
2013	23.09.2016 - 22.09.2021	121	6,550	8,800
2015	20.03.2018 - 19.03.2023	103	8,500	18,500
			15,050	**34,925**

In 2020, all remaining stock options belonged to senior executives. In 2019, 2,350 belonged to Registered Directors and 32,575 to other senior executives.

Development in outstanding stock options

	2020		2019	
	Number of stock options	Average exercise price (EUR)	Number of stock options	Average exercise price (EUR)
Outstanding stock options 1/1	34,925	100	37,225	100
Exercised	19,875	117	2,300	127
Outstanding stock options 31/12	**15,050**	**110**	**34,925**	**100**

Notes

1.3 Long-term incentive programmes (continued)

Comments

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

In line with the Remuneration Policy, a one-time award of conditional RSUs was granted to the CEO in 2020. The award is subject to a five-year vesting period and only upon achievement of three parameters: a) Reduction of CO_2 per tonne line wool, b) growth in sales; and c) earnings.

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

The estimated fair value of RSUs granted in 2020 was EUR 3 million (2019: EUR 2 million) at grant date.

EUR 3 million was expensed in 2020 relating to the RSUs (2019: EUR 2 million), of which EUR 2 million was recognised in personnel costs and EUR 1 million in finance expenses (fair value of phantom shares).

Cash-settled programmes
The cash-settled programmes consists of phantom shares granted during the years 2018-2020.

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

There are no more phantom options outstanding from the 2013-2015 stock options (2019: 2,350). The outstanding RSUs from 2018-2020 include 6,449 phantom shares (2019: 7,652).

The total intrinsic value of the phantom stock options/RSUs at year-end amounts to EUR 1 million (2019: EUR 1 million), 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 2020	Number of RSUs 2019
2017	07.04.2020	-	12,103
2018	12.04.2021	8,494	8,633
2019	24.05.2022	10,311	10,221
2020	23.05.2023	14,226	-
2020, one-time award	26.05.2025	9,272	-
		42,303	**30,957**
Weighted average remaining contractual life of the outstanding RSUs at year-end (Year)		2.2	1.2

Of the number of RSUs 16,592 belong to Registered Directors and 25,711 to other senior executives. In 2019, 6,659 belonged to Registered Directors and 24,298 to other senior executives.

Development in number of outstanding RSUs

	2020	2019
Outstanding RSUs 1/1	30,957	34,141
Granted	24,802	11,018
Vested	12,896	13,971
Forfeited	560	231
Outstanding RSUs 31/12	**42,303**	**30,957**

The average share price the day following the vesting date was EUR 175.

Note 2
Invested capital

Capital expenditure

362 EURm

Down EUR 38 million compared to last year

ROU assets

44 EURm

ROIC

17.6%

Notes

2.1 Intangible assets

Accounting policies

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

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

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

Development projects: 2-10 years
Patents: up to 20 years
Software: 2-4 years
Trademarks: up to 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.

Acquired CO_2 rights are capitalised under intangible assets. Granted CO_2 rights are not capitalised. Goodwill is tested annually for impairment and the book value of other assets is reviewed on indications of impairment. When testing for impairment, the value is written down to the estimated net sales price or the value in use, if greater. Software in progress is also tested for impairment annually.

Intangible assets

	2020						2019					
EURm	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	128	85	80	52	20	365	126	72	69	54	21	342
Exchange rate adjustments	-5	0	-3	0	0	-8	2	-2	3	1	1	5
Additions for the year	-	0	-	0	4	4	-	9	-	6	7	22
Transfer of assets in progress	-	10	-	-	-10	-	-	9	8	-8	-9	-
Disposals for the year	-	-3	-	-13	-2	-18	-	-3	-	-1	-	-4
Business acquisitions	4	0	5	3	-	12	-	-	-	-	-	-
Cost 31/12	**127**	**92**	**82**	**42**	**12**	**355**	**128**	**85**	**80**	**52**	**20**	**365**
Amortisation and write-downs 1/1	31	72	37	31	2	173	31	59	20	35	8	153
Exchange rate adjustments	0	-1	-2	-1	0	-4	0	0	2	0	0	2
Amortisation for the year	-	8	8	4	-	20	-	8	8	3	-	19
Write-down for the year	-	3	-	-	-	3	-	-	-	-	2	2
Transfers	-	-	-	-	-	-	-	8	7	-7	-8	-
Disposals for the year	-	-3	-	-13	-2	-18	-	-3	-	-	-	-3
Amortisation and write-downs 31/12	**31**	**79**	**43**	**21**	**-**	**174**	**31**	**72**	**37**	**31**	**2**	**173**
Carrying amount 31/12	**96**	**13**	**39**	**21**	**12**	**181**	**97**	**13**	**43**	**21**	**18**	**192**

During the year R&D costs amounting to EUR 41 million (2019: EUR 41 million) have been expensed.

Notes

2.1 Intangible assets (continued)

Comments

Goodwill is allocated to cash generating units (CGUs) in Insulation segment at an amount of EUR 51 million (2019: EUR 50 million) and to CGUs in Systems segment at an amount of EUR 45 million (2019: EUR 47 million).

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

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

Please refer to note 2.5 for further details.

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

In 2019 a write-down of EUR 2 million of software in progress was recognised affecting both segments due to lower benefits and utilisation compared to the original expectation.

The carrying amount of other intangible assets includes brands amounting to EUR 12 million (2019: EUR 11 million), patents amounting EUR 8 million (2019: EUR 9 million) and development projects of EUR 1 million (2019: EUR 1 million).

2.2 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. The investment grants are recognised as income on a straight-line basis over the expected lives of the related assets as reduced depreciation expense.

Critical estimates and judgements

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

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

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

Notes

2.2 Tangible assets (continued)

Comments

Of the carrying amount of buildings and sites, EUR 114 million (2019: EUR 114 million) represent sites not subject to depreciation.

Accumulated capitalised interests amounting to EUR 3 million (2019: EUR 4 million) are included in the cost of tangible assets. There is no additional capitalised interest neither this year nor last year.

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

The Group's investment grants are for the main part received in Poland, Spain, the United States and China. The investment 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 2020 amount to EUR 90 million (2019: EUR 134 million).

Tangible assets

	2020					2019				
EURm	Buildings and sites	Plant and machinery	Other operating equipment	Tangible assets in progress	Total	Buildings and sites	Plant and machinery	Other operating equipment	Tangible assets in progress	Total
Cost 1/1	1,094	2,084	114	399	3,691	1,021	1,972	95	160	3,248
Exchange rate adjustments	-46	-82	-4	-18	-150	27	45	4	1	77
Additions for the year	0	5	0	330	335	1	4	1	387	393
Transfer of assets in progress	55	107	15	-177	-	47	84	18	-149	-
Disposals for the year	-1	-17	-3	-	-21	-2	-21	-4	-	-27
Business acquisitions	3	2	1	-	6	-	-	-	-	-
Cost 31/12	**1,105**	**2,099**	**123**	**534**	**3,861**	**1,094**	**2,084**	**114**	**399**	**3,691**
Depreciation and write-downs 1/1	451	1,640	94	-	2,185	413	1,528	80	-	2,021
Exchange rate adjustments	-13	-59	-4	-	-76	10	38	2	-	50
Depreciation for the year	31	95	14	-	140	30	92	16	-	138
Disposals for the year	-1	-16	-3	-	-20	-2	-18	-4	-	-24
Depreciation and write-downs 31/12	**468**	**1,660**	**101**	**-**	**2,229**	**451**	**1,640**	**94**	**-**	**2,185**
Carrying amount 31/12	**637**	**439**	**22**	**534**	**1,632**	**643**	**444**	**20**	**399**	**1,506**
Hereof investment grants	**-10**	**-2**	**-**	**-19**	**-31**	**-10**	**-2**	**-**	**-**	**-12**

Notes

2.3 Leases

Accounting policies

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

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

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

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

RoU assets are measured at cost corresponding to the lease liability recognised, adjusted for any lease 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.

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.

Leases in the balance sheet

EURm	2020	2019
Right-of-use assets:		
Offices, other buildings and sites	9	10
Warehouses	19	25
Forklifts, cars and other assets	16	17
Carrying amount of right-of-use assets 31/12	**44**	**52**
Contractual maturity of lease liabilities:		
< 1 year	21	20
1-5 years	31	30
> 5 years	10	10
Contractual maturity of lease liabilities 31/12	**62**	**60**
Current/non-current classification (discounted):		
Non-current	27	34
Current	18	18

In 2020, additions to right-of-use assets were EUR 13 million (2019: EUR 36 million).

Leases in the income statement

EURm	2020	2019
Depreciation of right-of-use assets:		
Offices, other buildings and sites	3	2
Warehouses	8	6
Forklifts, cars and other assets	10	9
Total depreciation of right-of-use assets	**21**	**17**
Interest expense (included in financial expenses)	2	2
Expense relating to short-term leases (included in operating costs)	8	8
Expense relating to low-value leases (included in operating costs)	0	0
Variable lease payments not included in the lease liabilities (included in operating costs)	2	5

The total cash outflow for leases in 2020 was EUR 32 million (2019: EUR 32 million), of which EUR 20 million (2019: EUR 17 million) is classified as cash flow from financing activities and EUR 12 million (2019: EUR 15 million) is classified as cash flow from operating activities.

Notes

2.4 Amortisation, depreciation and write-downs

Comments

In 2020 a write-down of EUR 3 million of intangible assets was recognised affecting both segments due to lower benefits and utilisation compared to the original business plan.

In 2019 a write-down of EUR 2 million of intangible assets under construction was recognised affecting both segments due to lower benefits and utilisation compared to the original business plan.

Amortisation, depreciation and write-downs

EURm	2020	2019
Amortisation of intangible assets	20	19
Write-down of intangible assets	3	2
Depreciation of tangible assets	140	138
Depreciation of right-of-use assets	21	17
Amortisation, depreciation and write-downs	**184**	**176**

2.5 Impairment tests

Accounting policies

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

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

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

Impairment test of goodwill

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

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

Notes

2.5 Impairment tests (continued)

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, margin, discount rate and future growth expectations.

Comments

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

The average growth rate in the terminal period is set to 0.5 percent similar to last year. The average growth rate in the budget period is estimated to be between 0-10 percent depending on the businesses.

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

2020

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

2019

The impairment test for 2019 has not shown a need for write-downs or reversals of write-downs recognised previous years. During 2019 HECK Wall Systems has been monitored closely. HECK Wall Systems follows the expectations and market outlook outlined in the impairment test last year. The net present value of HECK Wall Systems amounts to EUR 28 million in 2019, which gives a headroom of EUR 1 million to the carrying amount. The main driver is conversion to stone wool products and this has shown good progress.

Impairment test of goodwill

EURm	2019			
CGUs	**Carrying amount, Goodwill**	**Discount rate**	**Growth rate (budget period)**	**Headroom**
Chicago Metallic Corporation (Rockfon)	57	8.9%	2-5%	Large
HECK Wall Systems	6	7.6%	0%*	Minor
CSR	8	10.7%	6%*	Large
Flumroc	15	7.3%	2%	Large
Other	11	7-11%	0-8%	Large
Total	**97**			

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

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.

2020

The sensitivities have been assessed as follows, all other things being equal; an increase in the discount rate of 1%, a decrease in the growth rate of 1% p.a. and an increase of input costs of 1% p.a. The write-down in HECK Wall Systems would have been EUR 1-5 million if the discount rate was to increase 1% or the growth was 1% lower. We consider the chosen scenarios as the most realistic why none of the impairment tests have given rise to adjustment of the value.

2019

The sensitivities have been assessed as follows, all other things being equal; an increase in the discount rate of 1%, a decrease in the growth rate of 1% p.a. and an increase of input costs of 1% p.a. The write-down in HECK Wall Systems would have been EUR 3-6 million if the discount rate was to increase 1% or the growth was 1% lower.

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

Notes

2.6 Pension obligations

Accounting policies

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

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

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

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

Critical estimates and judgements

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

EURm	2020	2019
Defined contribution plans:		
Total pension costs recognised	**23**	**22**
Defined benefit plans:		
Pension costs	7	4
Interest costs	2	3
Interest income	-2	-2
Curtailments/settlements	0	0
Total pension costs recognised	**7**	**5**

Defined benefit pension plans

EURm	2020	2019	2018	2017	2016
Present value of pension liabilities	250	247	217	227	160
Fair value of plan assets	-184	-185	-164	-174	-92
Pension obligation, net 31/12	**66**	**62**	**53**	**53**	**68**

Notes

2.6 Pension obligations (continued)

Comments

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

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

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

The pension benefit plans in the United Kingdom and Switzerland have assets placed in independent pension funds. The remaining plans are unfunded, where the main part relates to Germany. For these plans the retirement benefit obligations amount to approximately 22% (2019: 22%) 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:

Key assumptions

	2020	2019
Increase in salaries and wages	1.4%	1.4%
Discount rate	0.7%	1.0%
Remaining life expectancy at the time of retirement (years)	25.1	25.8

Defined benefit pension obligation

EURm	2020	2019
Obligations 1/1	247	217
Exchange rate adjustments	-4	7
Pension costs	7	5
Interest costs	2	3
Settlements	0	0
Actuarial gains/losses from changes in demographic assumptions	0	0
Actuarial gains/losses from changes in financial assumptions	12	28
Actuarial gains/losses from changes in experience	-3	-3
Benefits paid	-11	-10
Other adjustments	-	-
Obligations 31/12	**250**	**247**

Notes

2.6 Pension obligations (continued)

Sensitivity analysis

Assumptions	Discount rate		Salary increase		Life expectancy	
	-0.5%	+0.5%	-1.0%	+1.0%	-1 year	+1 year
EURm						
2020 - Impact on obligation	21	-19	-2	3	-8	9
2019 - Impact on obligation	21	-19	-3	3	-6	7

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.

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

Expected contributions

EURm	2020	2019
< 1 year	6	6
1-5 years	25	27
> 5 years	41	43
Expected contributions	**72**	**76**

The expected duration of the defined benefit plan obligation is 25 years (2019: 26 years) at year end.

Pension plan assets

EURm	2020	2019
Pension plan assets 1/1	185	164
Exchange rate adjustments	-4	7
Interest income	2	2
Return on plan assets	6	15
Employer’s contribution	4	4
Plan participants	1	1
Benefits paid	-10	-8
Other adjustments	-	-
Pension plan assets 31/12	**184**	**185**

Composition of pension plan assets

EURm	2020	2019
Assets quoted in active markets:		
Equities in European markets	34%	35%
Bonds in European markets	36%	37%
Assets unquoted:		
Cash	12%	10%
Other	18%	18%

Notes

2.7 Provisions

Accounting policies

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

Comments

Provisions relate primarily to jubilee obligations and retirement benefits, fair value provision for phantom shares, restructuring, warranties and ongoing disputes, lawsuits.

As at 31 December 2020 other provisions include a provision of EUR 5 million (2019: EUR 4 million) for restructuring measures. This provision is expected to be utilised within one year.

Provisions

	2020				2019			
EURm	Employees	Claims and legal actions	Other	Total	Employees	Claims and legal actions	Other	Total
Provisions 1/1	12	4	10	26	11	4	7	22
Exchange rate adjustments	0	0	0	0	0	0	0	0
Additions for the year	3	4	6	13	4	3	5	12
Used during the year	-3	-1	-3	-7	-2	-1	-1	-4
Reversed during the year	0	-3	-3	-6	-1	-2	-1	-4
Provisions 31/12	**12**	**4**	**10**	**26**	**12**	**4**	**10**	**26**
Current/non-current classification:								
Non-current liabilities	10	2	6	18	10	2	5	17
Current liabilities	2	2	4	8	2	2	5	9
Provisions 31/12	**12**	**4**	**10**	**26**	**12**	**4**	**10**	**26**

Note 3
Working capital

Net working capital in % of net sales

8.2%

Decreased compared to 9.0% in 2019

Total net working capital

213 **EURm**

Notes

3.1 Inventories

Accounting policies

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

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

Comments

Raw materials and consumables include the net amount of the spare part inventory of EUR 22 million (2019: EUR 25 million). The net amount consists of a cost price of EUR 84 million (2019: EUR 82 million) and a write-down of spare part inventory of EUR 62 million (2019: EUR 57 million).

Inventories

EURm	2020	2019
Raw materials and consumables	96	108
Work in progress	10	10
Finished goods	110	118
Inventories 31/12	**216**	**236**
Inventory before write-downs	231	250
Write-downs 1/1	-14	-12
Change in the year	-1	-2
Write-downs 31/12	-15	-14
Inventories 31/12	**216**	**236**

3.2 Trade receivables

Accounting policies

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

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

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

The expected loss rates are based on the payment profiles of sales over a period of 60 months before 1 January 2020 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

EURm	2020	2019
Trade receivables before allowance for bad debts (maximum credit risk)	257	288
Allowance for bad debts 1/1	-13	-15
Exchange rate adjustments	1	0
Movements during the year	-1	0
Realised losses during the year	3	2
Allowance for bad debts 31/12	-10	-13
Trade receivables 31/12	**247**	**275**

Notes

3.2 Trade receivables (continued)

Allowance for bad debts based on the expected credit loss model

EURm	Expected loss rate	Gross carrying amount	Allowance for bad debt	Total
		2020		
Current	0.1%	241	0	241
More than 30 days past due	2%	5	0	5
More than 60 days past due	40%	1	0	1
More than 90 days past due	100%	10	-10	0
Total 31/12		**257**	**-10**	**247**

EURm	Expected loss rate	Gross carrying amount	Allowance for bad debt	Total
		2019		
Current	0.1%	264	0	264
More than 30 days past due	2%	10	0	10
More than 60 days past due	40%	1	0	1
More than 90 days past due	100%	13	-13	0
Total 31/12		**288**	**-13**	**275**

3.3 Other cash flow notes

Adjustments of non-cash operating items

EURm	2020	2019
Provisions	5	5
Expensed value of RSUs issued	2	1
Gain/loss on sale of intangible and tangible assets	0	0
Adjustments of non-cash operating items	**7**	**6**

Changes in net working capital

EURm	2020	2019
Change in inventories	10	7
Change in trade receivables	23	4
Change in other receivables	-9	-7
Change in trade payables	-2	-27
Change in other payables	5	-16
Change in net working capital	**27**	**-39**

Note 4
Capital structure and financing

Equity ratio

76.1%

Compared to 78.5% last year

Cash available

240 EURm

Down from EUR 269 million last year

Earnings per share

11.5 EUR

Down 1.5 EUR from last year

Notes

4.1 Financial income and Financial expenses

Accounting policies

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

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

Financial income

EURm	2020	2019
Interest income	2	2
Foreign exchange gains	6	3
Financial income	**8**	**5**
Hereof financial income on financial assets at amortised cost	2	2

Financial expenses

EURm	2020	2019
Interest expenses etc.	10	7
Interest expenses lease liabilities	2	2
Fair value adjustment phantom shares	1	1
Foreign exchange losses	9	0
Financial expenses	**22**	**10**
Hereof financial expenses on financial liabilities at amortised cost	8	5

4.2 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.

Notes

4.2 Financial risks and instruments (continued)

Categories of financial assets and liabilities

EURm	2020	2019
Financial assets:		
Financial instruments for hedging of future cash flows	1	1
Financial assets at fair value through other comprehensive income	**1**	**1**
Trade receivables	247	275
Other receivables and receivables from associated companies	59	53
Cash	241	275
Financial assets at amortised costs	**547**	**603**
Financial liabilities:		
Fair value hedges	0	0
Financial liabilities at fair value through income statement	**0**	**0**
Financial instruments for hedging of future cash flows	1	3
Financial liabilities at fair value through other comprehensive income	**1**	**3**
Bank loans incl. short-term	100	5
Bank debt	1	6
Trade payables	184	196
Other payables	157	154
Financial liabilities at amortised costs	**442**	**361**

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 as follows:

EURm	2020	2019
< 1 year	60	54
1-5 years	-	-
> 5 years	-	-
Other receivables and receivables from associated companies	**60**	**54**

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.

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

A sensitivity analysis is made for the Group's result and equity based on the underlying currency transactions. The financial instruments included in the sensitivity analysis are cash, receivables, payables, current liabilities and financial investments without taking hedging into consideration. The result of the sensitivity analysis

Notes

4.2 Financial risks and instruments (continued)

cannot be directly transferred to the fluctuations on translating the financial result and equity of subsidiaries into EUR.

The impact on the net sales of the difference between average rate and year-end rate amounts to EUR 42 million (2019: EUR 15 million) for the 5 largest currencies (USD, RUB, CAD, PLN and GBP), which is a change of -1.5% (2019: 0.5%).

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

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

Interest rate risk

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

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

Sensitivity analysis

Effect in EURm	EBITDA	
5% change in exchange rate	**2020**	**2019**
USD (+/-)	7	10
RUB (+/-)	4	4
CAD (+/-)	-1	1
PLN (+/-)	1	2
GBP (+/-)	5	4
	Equity	
USD (+/-)	12	13
RUB (+/-)	10	12
CAD (+/-)	9	8
PLN (+/-)	12	12
GBP (+/-)	7	6

Liquidity risk

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

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

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

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

Credit risk

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

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

Customer credit risks are assessed considering the financial position, past experience and other factors. Individual risk limits are set based on internal and external ratings. For impairment of trade receivable please refer to note 3.2.

No customer exceeds 10 percent of the Group's net sales neither this year nor last year.

Categories of 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.

Notes

4.3 Cash available

Cash available

EURm	2020	2019
Cash	241	275
Bank debts	1	6
Cash available 31/12	**240**	**269**

4.4 Loans

Comments

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

Bank loans amounted to EUR 100 million at 31 December 2020, mainly related to a new bank loan of EUR 150 million denominated in EUR. Part of the loan was repaid in November 2020 amounting to EUR 55 million. The full loan is due within one year and is a fixed interest loan. The remaining loans amount to EUR 5 million and are also due within one year.

In 2019, bank loans amounted to EUR 5 million, of which EUR 1 million was due within one year, and none were due more than five years after the balance sheet date. All bank loans in 2019 had fixed interest and were denominated in EUR.

4.5 Own shares

Accounting policies

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

Own shares

EUR	2020			2019		
A-shares	**Number of shares**	**Average purchase/ sales price**	**% of share capital**	**Number of shares**	**Average purchase/ sales price**	**% of share capital**
Own shares 1/1	-		-	-		-
Purchase	76,069	257	0.4	-	-	-
Sale	-	-	-	-	-	-
Own shares 31/12	**76,069**		**0.4**	**-**		**-**
B-shares						
Own shares 1/1	72,894		0.3	75,865		0.4
Purchase	284,515	213	1.3	9,700	217	0.0
Sale	29,566	117	0.2	12,671	127	0.1
Own shares 31/12	**327,843**		**1.4**	**72,894**		**0.3**

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

Notes

4.6 Share capital

Comments

Each A share of a nominal value of DKK 10 (EUR 1.3) carries 10 votes, and each B share of a nominal value of DKK 10 (EUR 1.3) carries 1 vote. The total share capital has been unchanged for the last 20 years.

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

Share capital

EURm	2020	2019
A shares - 11,231,627 shares of DKK 10 each (EUR 1.3)	15	15
B shares - 10,743,296 shares of DKK 10 each (EUR 1.3)	14	14
Share capital	**29**	**29**

4.7 Earnings per share

Earnings per share

EURm	2020	2019
Profit for the year attributable to shareholders of ROCKWOOL International A/S	251	285
Average number of shares ('000)	21,975	21,975
Average number of own shares ('000)	238	74
Average number of outstanding shares ('000)	**21,737**	**21,901**
Dilution effect of stock options ('000)	53	52
Average number of diluted shares ('000)	**21,790**	**21,953**
Earnings per share	11.54	13.01
Earnings per share, diluted	11.51	12.98

Note 5
Other

Effective tax rate in 2020

22.8%

Number of subsidiaries in the Group

59

Number of associated companies in the Group

2

Notes

5.1 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

EURm	2020	2019
Current tax for the year	74	90
Change in deferred tax	1	-3
Adjustment to valuation of tax assets	-5	-6
Withholding taxes	3	3
Adjustment in current and deferred tax in previous years	1	-2
Tax on profit for the year	**74**	**82**

Reconciliation of effective tax rate

%	2020	2019
Danish tax rate	22.0	22.0
Deviation in non-Danish subsidiaries' tax compared to Danish tax percentage	1.7	2.1
Withholding tax adjustment	0.8	0.8
Permanent differences	0.1	0.0
Effect on change in income tax rates	-0.1	0.1
Adjustment to valuation of tax assets	-0.2	-2.0
Initial recognition of tax credit	-1.5	-0.5
Other deviations	0.0	-0.1
Effective tax rate (%)	**22.8**	**22.4**

Income tax receivable and payable

EURm	2020	2019
Income tax receivable and payable 1/1	15	29
Exchange rate adjustments	3	0
Current tax for the year including withholding taxes	77	93
Payments during the year	-100	-109
Adjustment in respect of prior years	-7	2
Current tax for the year recognised in other comprehensive income	-1	0
Income tax receivable and payable 31/12	**-13**	**15**
Income tax is recognised as follows:		
Income tax receivable	38	14
Income tax payable	25	29
Income tax receivable and payable 31/12	**-13**	**15**

Notes

5.1 Tax (continued)

Critical estimates and judgements

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

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

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

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

Comments

Tax assets not recognised amount to EUR 31 million (2019: EUR 42 million). 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, EUR 5 million (2019: EUR 1 million) relate to tax loss carry forwards.

Deferred tax

EURm	2020	2019
Deferred tax, net 1/1	-11	5
Exchange rate adjustments	0	1
Acquisition of subsidiary	0	0
Change in deferred tax recognised in profit and loss	9	-7
Adjustment to valuation of tax assets	-5	-6
Deferred tax for the year recognised in other comprehensive income for the year	0	-4
Deferred tax, net 31/12	**-7**	**-11**
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax assets	54	54
Deferred tax liabilities	47	43
Deferred tax, net 31/12	**-7**	**-11**
Deferred tax relates to:		
Non-current assets	20	10
Current assets	-7	-5
Non-current liabilities	-14	-14
Current liabilities	-5	-5
Tax loss carried forward	-5	-1
Re-taxable amounts	4	4
Deferred tax, net 31/12	**-7**	**-11**

Unrecognised tax assets expire as follows

EURm	2020	2019
< 1 year	1	2
1-5 years	5	5
> 5 years	21	30
Do not expire	4	5
Unrecognised tax assets	**31**	**42**

Notes

5.2 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 EUR 28 million (2019: EUR 4 million). The increase in commitments is supplier related. Contingent liabilities amount to EUR 6 million (2019: EUR 8 million). Contractual obligations for purchase of tangible assets are mentioned in note 2.2.

The Group is engaged in a few legal proceedings. It is expected that the outcome of these legal proceedings will not impact the Group's financial position in excess of what has been provided for in the balance sheet as at 31 December 2020 (as well as at 31 December 2019).

5.3 Related parties

Comments

At 31 December 2020, own shares accounted for 1.8% (2019: 0.3%) of the share capital, see note 4.5.

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

As part of the share buy-back carried out in 2020, own shares were purchased from major shareholders. From ROCKWOOL Foundation 57,557 shares for a total of EUR 16 million was purchased on 28 August 2020. The shares were purchased at the volume-weighted average purchase price of the shares in the last five trading days prior to completion.

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 1.2 and note 1.3.

Transactions with related parties

EURm	2020	2019
Transactions with associated companies:		
Net sales to associated companies	15	16
Dividend from associated companies	1	1
Transactions with other related parties:		
Shares purchased	16	-

Notes

5.4 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 EUR 1 million in both 2020 and 2019.

Services in addition to the statutory audit of the financial statements comprise tax services relating to transfer pricing, as well as other general accounting 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 2020.

Fees to auditors elected at the Annual General Meeting

EURm	2020	2019
Statutory audit	1	1
Other opinions	0	0
Tax consultancy	1	1
Other services	0	0
Fees to auditors	**2**	**2**

5.5 New and amended standards and general accounting policies

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

The financial year for the Group is 1 January – 31 December 2020.

5.5.1 New and amended standards and interpretations

Implementation of new standards, amendments and regulations
The Group has implemented the following amendments or new standards (IFRS) for financial year 2020. The amendments came into effect for financial years on or after 1 January 2020:

- Amendments to IFRS 3 Business Combinations: Amendment to the definition of a business.
- Amendments to IFRS 9 Financial Instruments: IBOR reform phase 1.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Amended definition of materiality.
- Amendments to IFRS 16 Leases: Modifications as a consequence of COVID-19.

It is assessed that the amendments to IFRS 3 might have an impact on the future recognition and measurement of business combinations for the Group financial statements. The remaining new standards and amendments are assessed not to be relevant to the Group or to have no significant effect on the Group financial statements.

New and amended standards and interpretation not yet entered into force
The following new standards, amendments and interpretations is issued, but not yet adopted by EU, could be relevant for the Group:

- IFRS 3 Business Combinations: Amendments to the reference of the conceptual framework (effective date 1 January 2022).
- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: IBOR reform phase 2 (effective date 1 January 2021).
- IAS 1 Presentation of Financial Statements: Clarification of classification of liabilities as current or non-current (effective date 1 January 2023).
- IAS 16 Property, plant and equipment: Amendment related to proceeds before intended use (effective date 1 January 2022).
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Clarification related to onerous contracts - costs of fulfilling a contract (effective date 1 January 2022).
- Annual improvements to IFRSs 2018-2020 cycle (effective date 1 January 2022).

None of the new amendments are expected to have a significant effect on the Group financial statements.

Notes

5.5 New and amended standards and general accounting policies (continued)

5.5.2 General accounting policies

Group Accounts

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

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

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

Translation of foreign currency

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

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

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

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

These value adjustments are recognised directly under other comprehensive income.

Critical estimates and judgements

In preparing the consolidated financial statements, Management makes various accounting estimates and assumptions that form the basis of the presentation, recognition and measurement of the Group's assets and liabilities. The most significant accounting estimates and judgements are presented below.

In applying the Group's accounting policies, Management make judgements that may significantly influence 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 judgements, estimates and assumptions are based on historical experience and other factors, and are considered by Management as reasonable in the circumstances, but are inherently uncertain and unpredictable and therefore the actual outcome may differ from these estimates.

Management considers critical estimates and judgements under the following items as significant to the consolidated financial statements:

- Impairment testing (note 2.5)
- Expected lifetime for tangible assets (note 2.2)
- Deferred tax assets and uncertain tax positions (note 5.1)
- Pension obligations (note 2.6)

Reporting under the ESEF Regulation

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

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

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

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

The annual report submitted to the Danish Financial Supervisory Authority (The Officially Appointed Mechanisms) consists of the XHTML document together with some technical files all included in a ZIP file named ROCK-2020-12-31.ZIP.

Notes

5.6 Group companies

	Country	% Shares owned
Parent company		
ROCKWOOL International A/S		
Subsidiaries		
Insulation		
ROCKWOOL Handelsgesellschaft m.b.H.	Austria	100
ROCKWOOL Belgium B.V.	Belgium	100
Etablissements Charles Wille et cie SA	Belgium	100
ROCKWOOL Bulgaria Ltd.	Bulgaria	100
ROXUL Inc.	Canada	100
ROCKWOOL Firesafe Insulation (Guangzhou) Co. Ltd.	China	94.84
ROCKWOOL Firesafe Insulation (Jiangsu) Co., Ltd.	China	100
ROCKWOOL Adriatic d.o.o.	Croatia	100
ROCKWOOL a.s.	Czech Republic	100
ROCKWOOL A/S	Denmark	100
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 Mineralwolle GmbH Flechtingen	Germany	100
ROCKWOOL Operations GmbH & Co. KG	Germany	100
ROCKWOOL Limited	Great Britain	100
ROCKWOOL Building Materials Ltd.	Hong Kong	100
ROCKWOOL Hungary Kft.	Hungary	100
ROXUL ROCKWOOL Insulation India Ltd.	India	100
ROXUL ROCKWOOL Technical Insulation India Pvt. Ltd.	India	100
ROCKWOOL Italia S.p.A.	Italy	100

	Country	% Shares owned
Insulation (Continued)		
ROCKWOOL Korea Co. Ltd.	Korea	100
SIA ROCKWOOL	Latvia	100
UAB ROCKWOOL	Lithuania	100
ROCKWOOL Malaysia Sdn. Bhd.	Malaysia	94.84
Breda Confectie B.V.	the Netherlands	100
ROCKWOOL B.V.	the Netherlands	100
AS ROCKWOOL	Norway	100
ROCKWOOL Polska Sp. z o.o.	Poland	100
FAST 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
Flumroc AG	Switzerland	100
PAMAG Engineering AG	Switzerland	100
ROCKWOOL GmbH	Switzerland	100
ROCKWOOL Limited	Thailand	94.84
ROCKWOOL Insaat ve Yalitim Sistemleri San. Ve Tic. Ltd. Sti.	Turkey	100
ROCKWOOL Middle East FZE	UAE	100
LLC ROCKWOOL Ukraine	Ukraine	100
ROXUL USA Inc.	United States	100

Notes

5.6 Group companies (continued)

	Country	% Shares owned
Subsidiaries (continued)		
Systems		
Chicago Metallic (Shenzhen) Co. Ltd.	China	100
ROCKWOOL Rockfon GmbH	Germany	100
Chicago Metallic (Asia Pacific) Ltd.	Hong Kong	100
Chicago Metallic (Malaysia) Sdn. Bhd.	Malaysia	100
Other subsidiaries		
ROCKWOOL Beteiligungs GmbH	Germany	100
ROCKWOOL Verwaltungs GmbH	Germany	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
ROCKWOOL Global Business Service Center Sp. Z.o.o.	Poland	100
Meilco Holding AG	Switzerland	100
Associated companies		
Betterhome ApS	Denmark	33
RESO SA	France	20

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

Definition of key figures and ratios

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

EBIT
Earnings before financial items and tax

Net working capital (NWC)
Trade receivables, other receivables and other current operating assets less trade payables, other payables and other current operational liabilities adjusted for investment payables

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

Net interest bearing debt
Cash less bank loans and other loans less bank debt less lease liabilities

EBITDA margin (%)

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

EBIT margin (%)

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

Earnings per share of DKK 10 (EUR 1.3)

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

Diluted earnings per share of DKK 10 (EUR 1.3)

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

Cash flow per share of DKK 10 (EUR 1.3)

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

Dividend per share of DKK 10 (EUR 1.3)

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

Book value per share of DKK 10 (EUR 1.3)

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

ROIC

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

Return on equity (%)

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

Equity ratio (%)

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

Payout ratio (%)

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

Leverage ratio

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

Financial gearing

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

Market cap
Number of outstanding shares x share price

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

RATIOS
The ratios have been calculated in accordance with www.keyratios.org/ issued by CFA Society Denmark. The ratios mentioned in the five-year summary are calculated as described in the definitions above.

EXCHANGE RATE

Average DKK/EUR	
2020	7.45
2019	7.46
2018	7.45
2017	7.44
2016	7.45

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

Management's statement

The Board of Directors and the Registered Directors have today considered and adopted the Annual Report of ROCKWOOL International A/S for the financial year 1 January - 31 December 2020.

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

In our opinion the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2020 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 2020.

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

In our opinion, the Annual Report of ROCKWOOL International A/S for the financial year 1 January - 31 December 2020 identified as ROCK-2020-12-31.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, 10 February 2021

Registered Directors

Jens Birgersson
CEO

Kim Junge Andersen
CFO

Board of Directors

Thomas Kähler
Chairman

Carsten Bjerg
Deputy Chairman

Rebekka Glasser Herlofsen

Søren Kähler

Andreas Ronken

Jørgen Tang-Jensen

René Binder Rasmussen

Connie Enghus Theisen

Christian Westerberg

Independent Auditor's Reports

To the shareholders of ROCKWOOL International A/S

Report on the audit of the Financial Statements

Our opinion
In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2020 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2020 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2020 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 of ROCKWOOL International A/S for the financial year 1 January to 31 December 2020 (pp. 67-106) comprise the consolidated income statement and statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes, including summary of significant accounting policies.

The Parent Company Financial Statements of ROCKWOOL International A/S for the financial year 1 January to 31 December 2020 (pp. 112-121) comprise the income statement, the balance sheet, the statement of changes in equity and the notes, including summary of significant accounting policies.

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

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

Appointment
We were first appointed auditors of ROCKWOOL International A/S on 9 April 2014 for the financial year 2014. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 7 years including the financial year 2020.

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 2020. 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 was necessary involves significant estimates and judgements made by Management, including especially: – estimation of future cash flows, including sales margin, and the significant assumptions underlying Management's expectations; – discount rates applied in discounting future cash flows; and – long-term growth rates Reference is made to notes 2.1, 2.2, 2.4 and 2.5 to the Consolidated Financial Statements.	We tested the impairment tests prepared by Management and evaluated the reasonableness of estimates and judgements made by Management in preparing these. Our audit procedures included assessing the Group's impairment model. Special focus was given to the key drivers of the future cash flows, including growth in net revenues, cost inflation and efficiency improvements, as well as the significant assumptions concerning discount rates and long-term growth rates applied. We examined sensitivity analyses performed over changes in discount rates, revenue growth and efficiency improvements. Moreover, we tested the historical reliability of Management's estimates by comparing budgeted figures to actual figures for the past years. We evaluated the disclosures of impairment testing in the notes.

Independent Auditor’s Reports

(continued)

Statement on Management’s Review
Management is responsible for Management’s Review (pp. 3-66 and p. 107).

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

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

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

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

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

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

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

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

– Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the Parent Company’s internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

– Conclude on the appropriateness of Management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s and the Parent Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

– 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, related safeguards.

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

Independent Auditor's Reports

(continued)

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of ROCKWOOL International A/S for the financial year 1 January to 31 December 2020 with the file name ROCK-2020-12-31.ZIP is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

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

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

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

The procedures include:

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

In our opinion, the annual report of ROCKWOOL International A/S for the financial year 1 January to 31 December 2020 with the file name ROCK-2020-12-31.ZIP is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 10 February 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Torben Jensen
State Authorised Public Accountant
mne18651

Rune Kjeldsen
State Authorised Public Accountant
mne34160

Financial statements for ROCKWOOL International A/S

Income statement – ROCKWOOL International A/S

1 January – 31 December

EURm	Note	2020	2019
Net sales	2.1	358	402
Costs of raw material and consumables		117	134
Other external costs		98	110
Gross profit		**143**	**158**
Personnel costs	2.2	60	58
Depreciation, amortisation and write-downs	3.1, 3.2	19	24
Operating profit / EBIT		**64**	**76**
Income from investments in subsidiaries	2.3	195	226
Financial income	4.1	11	10
Financial expenses	4.1	15	11
Profit before tax		**255**	**301**
Tax on profit for the year	5.1	14	27
Profit for the year		**241**	**274**

Balance sheet – ROCKWOOL International A/S

Assets – as at 31 December

EURm	Note	2020	2019
Completed development projects		12	13
Acquired patents, licenses and trademarks		19	21
Development projects in progress		4	9
Intangible assets	3.1	**35**	**43**
Land and buildings		20	21
Other fixtures and fittings, tools and equipment		7	7
Prepayments and property, plant and equipment in progress		4	1
Property, plant and equipment	3.2	**31**	**29**
Investment in subsidiaries		1,884	1,821
Receivables from subsidiaries		213	204
Fixed assets investments	3.3	**2,097**	**2,025**
Fixed assets		**2,163**	**2,097**
Contract work in progress	3.4	13	17
Receivables from subsidiaries		333	270
Tax receivables		12	7
Other receivables		21	27
Prepayments		6	5
Receivables		**385**	**326**
Cash		**74**	**126**
Current assets		**459**	**452**
Assets		**2,622**	**2,549**

Equity and liabilities – as at 31 December

EURm	Note	2020	2019
Share capital		29	29
Revaluation reserve according to the equity method		71	43
Reserve for development costs		12	17
Retained earnings		1,857	1,914
Proposed dividend		94	94
Shareholders' equity		**2,063**	**2,097**
Deferred tax	5.2	7	5
Other provisions		1	3
Provisions		**8**	**8**
Bank debt		105	-
Trade payables		19	24
Payables to subsidiaries		411	402
Other payables		16	18
Current liabilities		**551**	**444**
Liabilities		**559**	**452**
Liabilities and shareholders' equity		**2,622**	**2,549**

Statement of shareholders' equity - ROCKWOOL International A/S

EURm	Share capital	Revaluation reserve according to the equity method	Reserve for develop-ment costs	Retained earnings	Proposed dividend	Total equity
Shareholders' equity 1/1 2020	**29**	**43**	**17**	**1,914**	**94**	**2,097**
Exchange rate adjustments	-	-	-	8	-	8
Profit for the year	-	140	-	7	94	241
Development costs for the year	-	-	-5	5	-	0
Currency revaluation of investments in subsidiaries	-	-111	-	-	-	-111
Other adjustments	-	-1	-	-	-	-1
Expensed value of RSUs issued	-	-	-	1	-	1
Share buy-back programme	-	-	-	-77	-	-77
Purchase of own shares	-	-	-	-3	-	-3
Sale of own shares	-	-	-	2	-	2
Dividend paid to the shareholders	-	-	-	0	-94	-94
Shareholders' equity 31/12 2020	**29**	**71**	**12**	**1,857**	**94**	**2,063**
Shareholders' equity 1/1 2019	**29**	**1**	**25**	**1,724**	**88**	**1,867**
Exchange rate adjustments	-	-	-	-1	-	-1
Profit for the year	-	-4	-	184	94	274
Development costs for the year	-	-	-8	8	-	-
Currency revaluation of investments in subsidiaries	-	53	-	-	-	53
Other adjustments	-	-7	-	-	-	-7
Expensed value of RSUs issued	-	-	-	0	-	0
Purchase of own shares	-	-	-	0	-	0
Sale of own shares	-	-	-	-2	-	-2
Dividend paid to the shareholders	-	-	-	1	-88	-87
Shareholders' equity 31/12 2019	**29**	**43**	**17**	**1,914**	**94**	**2,097**

Notes for ROCKWOOL International A/S

Note 1

1.1 Accounting policies

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

The Financial statements for 2020 are presented in EUR.

Changes in accounting policies
The accounting policies applied remain unchanged from previous year.

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

Recognition and measurement in general
Income is recognised in the income statement as earned.

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

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

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

Net sales
The company produces and sells machinery and consultancy service. The projects typically include one deliverable. Revenue from the projects is recognised over time based on the progress and is based on the price of the projects. As the work is done at the customer's site, control is transferred along with the progress of the project. Recognition is based on the 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 recognised when earned according to the terms in the agreement.

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

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

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

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

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

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

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

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

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

References to notes to the consolidated financial statements for the following notes, see information in the consolidated financial statements:
– Own shares – see note 4.5
– Share capital – see note 4.6
– Auditor's fee – see note 5.4

Note 2

2.1 Net sales

EURm	2020	2019
Revenue from projects	142	160
Royalties and other fees	216	242
Net sales	**358**	**402**

2.2 Personnel costs

EURm	2020	2019
Wages and salaries	54	52
Expensed value of RSUs issued	1	1
Pension costs	5	5
Other social security costs	0	0
Personnel costs	**60**	**58**
Average number of employees in ROCKWOOL International A/S	448	428

Reference is made to note 1.2 and 1.3 to the consolidated financial statements concerning remuneration of the Board of Directors and the Registered Directors.

2.3 Income from investments in subsidiaries

EURm	2020	2019
Share of net profit/(loss)	205	236
Amortisation of goodwill	-10	-10
Income from investments in subsidiaries	**195**	**226**

Note 3

3.1 Intangible assets

Comments

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

EURm	Completed devel-opment projects	Acquired patents, licenses and trademarks	Develop-ment projects in progress	2020 Total	2019 Total
Cost 1/1	79	53	9	141	126
Exchange rate adjustments	-	1	1	2	0
Additions for the year	-	3	4	7	21
Transfer of development projects in progress	10	-	-10	-	-
Disposals for the year	-3	-13	-	-16	-6
Cost 31/12	**86**	**44**	**4**	**134**	**141**
Amortisation and write-downs 1/1	66	32	-	98	81
Exchange rate adjustments	1	1	-	2	0
Amortisation for the year	7	5	-	12	20
Write-down for the year	3	-	-	3	-
Disposals for the year	-3	-13	-	-16	-3
Amortisation and write-downs 31/12	**74**	**25**	**-**	**99**	**98**
Carrying amount 31/12	**12**	**19**	**4**	**35**	**43**

Note 3

3.2 Property, plant and equipment

Comments

Of the total net book value of land and buildings, EUR 1 million (2019: EUR 1 million) represent land not subject to depreciation.

EURm	Land and buildings	Other fixtures and fittings, tools and equipment	Prepay-ments and property, plant and equipment in progress	2020 Total	2019 Total
Cost 1/1	37	18	1	56	46
Exchange rate adjustments	0	0	0	0	1
Additions for the year	0	0	6	6	11
Transfer of property, plant and equipment in progress	0	3	-3	-	-
Disposals for the year	0	-1	0	-1	-2
Cost 31/12	**37**	**20**	**4**	**61**	**56**
Depreciation and write-downs 1/1	16	11	-	27	25
Exchange rate adjustments	0	0	-	0	0
Depreciation for the year	1	3	-	4	4
Disposals for the year	0	-1	-	-1	-2
Depreciation and write-downs 31/12	**17**	**13**	**-**	**30**	**27**
Carrying amount 31/12	**20**	**7**	**4**	**31**	**29**

3.3 Fixed assets investments

EURm	Investments in subsidiaries	Receivables from subsidiaries	2020 Total	2019 Total
Cost 1/1	1,778	204	1,982	1,710
Exchange rate adjustments	7	1	8	-1
Additions for the year	30	89	119	277
Reductions/disposals for the year	-2	-81	-83	-4
Cost 31/12	**1,813**	**213**	**2,026**	**1,982**
Value adjustments 1/1	43	-	43	1
Exchange rate adjustments	-111	-	-111	53
Share of net profit	205	-	205	236
Amortisation of goodwill	-10	-	-10	-10
Dividends received	-55	-	-55	-230
Other adjustments	-1	-	-1	-7
Value adjustments 31/12	**71**	**-**	**71**	**43**
Carrying amount 31/12	**1,884**	**213**	**2,097**	**2,025**

3.4 Contract work in progress

EURm	2020	2019
Sales values of work performed	293	209
Invoiced on account	-280	-192
Contract work in progress, net	**13**	**17**
Recognised as follows:		
Contract work in progress (assets)	13	17
Prepayments received, contract work in progress	-	-

Note 4

4.1 Financial income and Financial expenses

EURm	2020	2019
Interest income	0	0
Interest income from subsidiaries	4	1
Foreign exchange gains	7	9
Financial income	**11**	**10**

EURm	2020	2019
Interest expenses etc.	6	3
Interest expenses to subsidiaries	1	6
Fair value adjustment phantom shares	0	1
Foreign exchange losses	8	1
Financial expenses	**15**	**11**

4.2 Proposed distribution of profit

EURm	2020	2019
Proposed distribution of profit:		
Proposed dividend to shareholders	94	94
Revaluation reserve according to equity method	140	-4
Retained earnings	7	184
Total profit	**241**	**274**

4.3 Derivatives

Reference is made to note 4.2 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 5.3.

Note 5

5.1 Tax on profit for the year

EURm	2020	2019
Current tax for the year	11	15
Change in deferred tax	1	1
Withholding taxes	3	8
Adjustment in current and deferred tax in previous years	-1	3
Tax on profit for the year	**14**	**27**

5.2 Deferred tax

EURm	2020	2019
Deferred tax 1/1	5	6
Change in deferred tax recognised in profit and loss	1	-1
Deferred tax for the year recognised in equity	1	0
Deferred tax 31/12	**7**	**5**

5.3 Commitments and contingent liabilities

Operational lease commitments expire within the following periods as from the balance sheet date:

EURm	2020	2019
< 1 year	0	1
1-5 years	0	0
> 5 years	0	-
Operational lease commitments	**0**	**1**

Comments

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

For certain receivables amounting to EUR 173 million (2019: EUR 80 million) deeds of postponement have been given.

5.4 Related parties

ROCKWOOL International A/S has registered the following shareholders holding more than 5 percent of the share capital or the votes:

	2020	
	Share capital	**Votes**
ROCKWOOL Foundation, DK-1360 Copenhagen K	23%	28%
15. Juni Fonden, DK-2970 Hoersholm	6%	10%
Dorrit Eegholm Kähler, DK-2830 Virum	4%	6%

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

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

ROCKWOOL Group's primary trademarks:
ROCKWOOL®
Rockfon®
Rockpanel®
Grodan®
Lapinus®

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

Disclaimer
The statements on the future in this report, including expected sales and earnings, are associated with risks and uncertainties and may be affected by factors influencing the activities of the Group, e.g. the global economic environment, including interest and exchange rate developments, the raw material situation, production and distribution-related issues, breach of contract or unexpected termination of contract, price reductions due to market-driven price reductions, market acceptance of new products, launches of competitive products and other unforeseen factors. In no event shall ROCKWOOL International A/S be liable for any direct, indirect or consequential damages or any other damages whatsoever resulting from loss of use, data or profits, whether in an action of contract, negligence or other action, arising out of or in connection with the use of information in this report.

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Design and production
Kontrapunkt A/S

Released
10 February 2021

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

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