Annual report 2017

Building on the strength of stone

ROCKWOOL®

80TH ANNIVERSARY

ROCKWOOL Business model

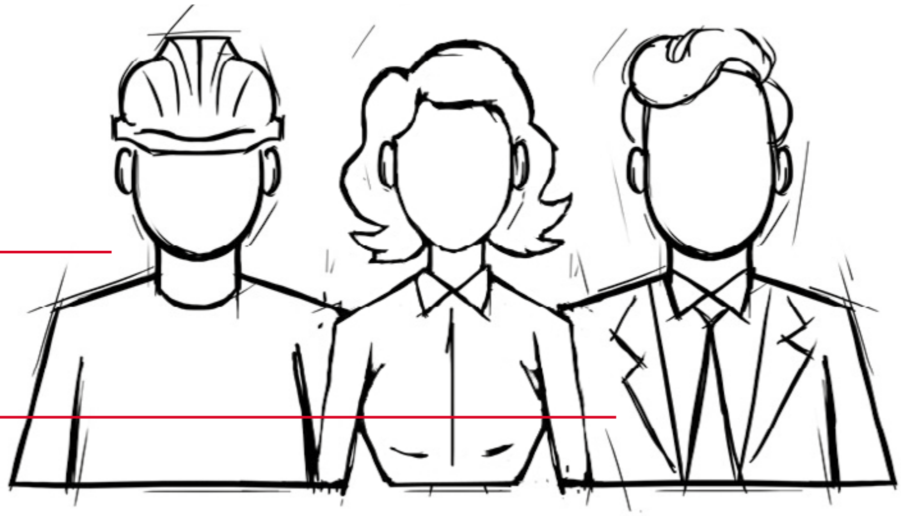
At ROCKWOOL, all our products are based on the natural power of stone, and we are committed to market-leading excellence in stone wool technology, manufacturing, and customer service. As several of our markets are cyclical and our production platform is capital intensive with high operational leverage, we apply a conservative financial strategy and operate with a low-risk transactional business model.

Some 90% of our business is based on local recurring transactional sales with return customers. Average order size is modest, carrying product guarantees, but no system warranties. We produce and distribute our fully recyclable products overwhelmingly locally with an average shipping distance of approximately 300 km. This proximity gives us extensive opportunities to provide long-term employment and to engage with current and prospective customers frequently.

Overview

ROCKWOOL Group at a glance

We release the natural power of stone to enrich modern living



61
Nationalities worldwide

11,000+
Highly-skilled individuals

37%
Women in white-collar positions

5
Brands

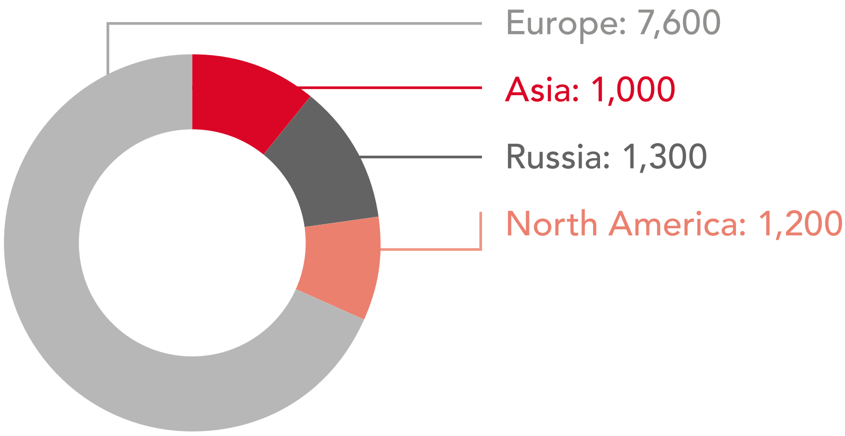
39
Countries in which we operate

45
Manufacturing facilities

1937-2017

In 1937, the ROCKWOOL Group starts its first stone wool production, in Hedehusene, Denmark

Employees by region



Sales
2,374 EURm
Organic growth of 7.1%

EBIT margin
10.8%
Up 0.4 pp from last year

ROIC
17.9%
Up from 15.8% last year

Markets
100+
With direct sales

5 year overview

	2017 (DKKm)	2017 EURm	2016 EURm	2015 EURm	2014 EURm	2013 EURm
Income statement items						
Net sales	17,659	2,374	2,202	2,208	2,180	2,003
EBITDA	3,102	417	389	*322	312	313
Depreciation, amortisation and write-downs	1,187	160	160	187	150	144
EBIT	1,916	258	229	*135	161	169
Financial items	-83	-11	-7	-4	-6	-6
Profit before tax	2,046	275	225	133	157	164
Profit for the year	1,588	214	166	91	113	116
Balance sheet items						
Non-current assets	10,296	1,383	1,409	1,446	1,431	1,371
Current assets	5,814	781	591	559	560	486
Total assets	16,111	2,164	1,999	2,005	1,991	1,857
Equity	12,541	1,685	1,536	1,367	1,303	1,284
Non-current liabilities	905	122	128	119	121	134
Current liabilities	2,665	358	336	519	566	439
Net interest-bearing cash / (debt)	1,796	241	116	-93	-175	-100
Net working capital	1,413	190	175	162	173	147
Invested capital	10,812	1,452	1,433	1,467	1,484	1,374
Gross investment in plant, property and equipment	917	123	92	167	234	217
Cash flow						
Cash flow from operating activities	2,471	332	326	297	206	253
Investments and acquisitions	1,227	165	89	201	257	265
Free cash flow	1,244	167	237	97	-52	-13
Others						
R&D costs	237	32	32	32	32	30
Number of patents granted	201	201	280	165	98	161
Number of full time employees (year-end)	11,046	11,046	10,414	10,601	11,031	10,562
Ratios						
EBITDA margin	17.6%	17.6%	17.7%	*14.6%	14.3%	15.7%
EBIT margin	10.8%	10.8%	10.4%	*6.1%	7.4%	8.4%
Pay-out ratio	33.3%	33.3%	33.3%	37.1%	29.7%	25.9%
ROIC	17.9%	17.9%	15.8%	*9.1%	11.3%	12.6%
Return on equity	13.3%	13.3%	11.5%	6.8%	8.7%	9.1%
Equity ratio	77.5%	77.5%	76.8%	68.2%	65.5%	69.1%
Leverage ratio	-0.58	-0.58	-0.29	0.28	0.56	0.32
Financial gearing	-0.14	-0.14	-0.08	0.07	0.13	0.08

* Adjusted with redundancy costs of EUR 15.4 million from the Business Transformation Programme and write-downs in Asia of EUR 21.4 million, EBITDA for 2015 was EUR 337 million with an EBITDA margin of 15.3%, EBIT for 2015 was EUR 172 million with an EBIT margin of 7.8% and ROIC amounted to 11.6%.

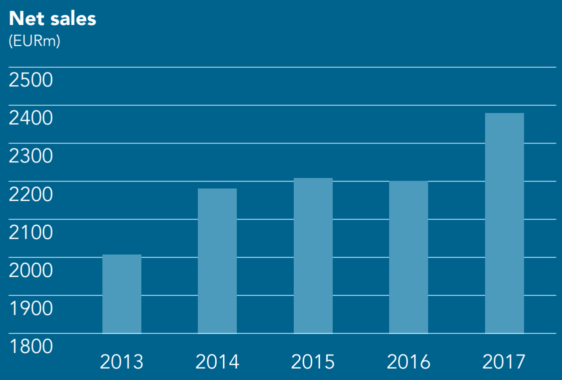
For definitions of key figures and ratios see page 101.

Highlights

Sales growth

7.1%

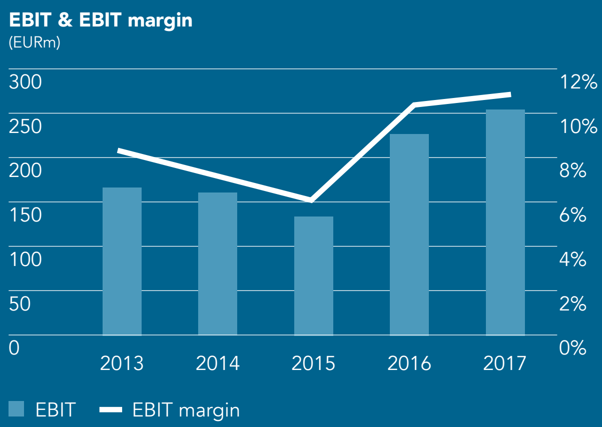
Organic



EBIT

258 EURm

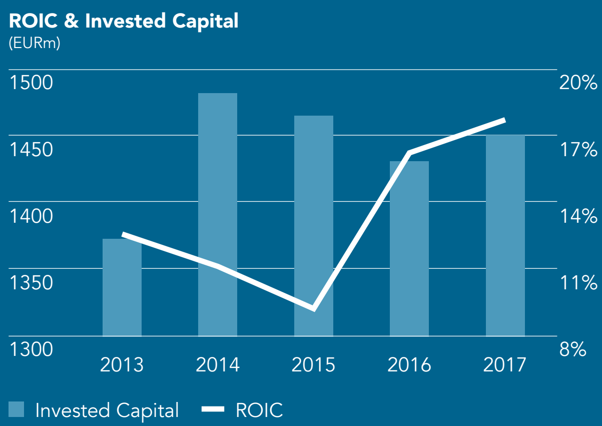
Up 12% compared to last year



ROIC

17.9%

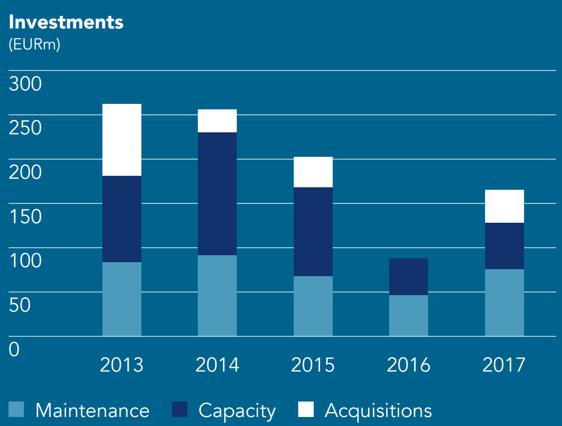
Up from 15.8% last year



Investment in Rockfon factory in U.S.

33 EURm

In total for 2016 and 2017



Reinforcing our growth path

"
Overall market and macroeconomic conditions in 2017 were positive for ROCKWOOL and the construction industry, particularly in the United States and key European markets".

Dear Stakeholders,

ROCKWOOL Group has come a long way since we first began producing stone wool in 1937. We have expanded our product range well beyond building insulation, and now employ more than 11,000 people representing 61 nationalities operating in 39 countries. We have 45 manufacturing facilities and sell our products in 100+ countries around the world.

At ROCKWOOL, we understand that our industry affects society and the environment. Quality of life, health and wellbeing are heavily influenced by the built environment surrounding us. We see the challenges of modern living amidst massive urbanisation and climate change as opportunities for ROCKWOOL Group to help improve lives and reduce humanity's impact on the environment. What's more, aging buildings in many countries require deep renovation, creating enormous opportunities to reduce energy consumption and carbon emissions. Throughout our 80 years, we have built on the successes and the experience of the past to design and guide the strategy of the present and lay a solid foundation for the future. Together, we achieved a great deal in 2017. Our financial results are strong, with net sales increasing 7.1% in local currencies; EBIT margin reaching 10.8%; and we are debt free with a net positive cash position of EUR 241 million. Our customers are responding well to our focus on meeting their needs, with our customer satisfaction scores almost 25% above 2016 and 43% above 2015, far exceeding what we set out to achieve.

With a combination of considerably improved internal efficiencies as well as an effective pricing strategy, we overcame the significant input cost increases we experienced during the year. Preparing for the future, we added new capacity in 2017, with the opening of Rockfon manufacturing in the United States and the acquisition of Flumroc in Switzerland. We also initiated greenfield projects in the United States and Romania and purchased a centrally located building site in Sweden.

Overall market and macroeconomic conditions in 2017 were positive for ROCKWOOL and the construction industry, particularly in the United States and key European markets. After a couple of difficult years in Russia we are pleased to see a return to growth. Consumer confidence, investment levels, and employment continued their upswing, contributing to higher levels of construction activity. And notwithstanding the U.S. withdrawal from the Paris climate agreement, there remains deep and broad political support for reaching ambitious climate targets, in which energy efficiency in buildings plays an increasingly important role.

Fire safety took on even greater prominence in 2017, following the tragic Grenfell Tower fire in London. As a result, we're seeing more focus on fire safety issues, including on England's current system of regulations, guidance, and testing of materials and systems. We will continue to advocate for stronger fire safety regulations in the UK as well as other key markets.

Compared to many other industries, the construction sector has lagged behind on adopting digital innovations. During 2017, we devoted significant effort to various digitalisation initiatives, including launching an entirely new web presence, www.rockwoolgroup.com. Our new web site is the Group's first major step in an ambitious digital strategy to transform our engagement with customers.

We also initiated a new customer relationship management system; continued work on an e-commerce system; and upgraded our efforts on other digital initiatives. Internally, we launched a new online learning and development platform that will among other benefits facilitate knowledge and experience sharing across the entire Group.

As we look ahead to 2018, we anticipate a period with continued growth. With a strong focus on customer service, product quality, and operational efficiency, we expect Group net sales to increase 7-10% relative to 2017 in local currencies, of which the acquisition and incorporation of Flumroc accounts for approx. two percentage points. The EBIT margin is expected to reach at least 11%, reflecting the positive impact from higher volumes, better productivity and increased sales prices as well as an expected increase in raw material and logistics costs.

As our capacity utilisation increases and we continue to invest in digitalisation, innovation and automation to support our growth, we now step into a period with a higher level of investments and capital expenditure.

In 2018, excluding acquisitions, we expect investments and capital expenditures to increase by about EUR 100 million compared to last year and thus to reach a total of around EUR 230 million.

Hedehusene, February 2018

Henrik Brandt
Chairman

Jens Birgersson
CEO

1937

80 years of dedication, innovation and growth

Throughout our 80 years we have applied our knowledge and a can-do attitude to everything we do. Our founders and many colleagues thereafter have dared to challenge conventional wisdom and to experiment with new ideas. That's why today we have a broad range of solutions all based on the same natural material – stone.

1937 – Determined to succeed

After buying a licence in the United States for stone wool manufacturing in 1935, we started production in Hedehusene, Denmark in 1937. One year later our factory burnt down, but that didn't stop us. We built another and since then many more. We also overcame the scarcity of raw materials during World War II by finding substitutes to continue production.

80TH ANNIVERSARY

1954 – Beyond Scandinavia

We acquired the licence to use spinners to produce stone wool materials in 1952, resulting in even better insulation than in our early days. During the next two years, new production methods greatly increased output and quality. In 1954, we opened a subsidiary in Germany, making it our first outside Scandinavia and three years later, set up a dedicated engineering department and have been evolving production methods and innovating ever since. In the 1960s, acoustic insulation products under the Rockfon brand went to market and the development of a precision growing medium for horticulture began, laying the basis for Grodan.

1996 – Stock listing and international expansion

Having listed the company on the Copenhagen stock exchange in 1996 and acquired factories in Russia, Canada, eastern Germany, Poland, Czech Republic, Hungary, and France, the 1990s was an era of great expansion. In 1997, Rockdelta was established to provide solutions for vibration and noise control.

2017 – Still growing

In 2017, we acquired land in the United States, Sweden, and Romania to expand production capacity or otherwise meet the increasing demand for stone wool products in and around these markets. We inaugurated a Rockfon acoustic ceiling factory in the United States and acquired the Swiss stone wool producer Flumroc. The Group also devoted significant effort to various digitalisation initiatives, including a new web presence and customer relationship management system, to transform our engagement with customers.

With 80 years of stone wool expertise behind us, we have a strong foundation to continue building for the next 80 years. The more we learn about stone, the more potential we discover. We will continue to innovate to create solutions to today's unsolved, and tomorrow's unknown, challenges.

The ROCKWOOL 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 colleagues are developing and applying new technologies and innovations to release yet more 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 most far-reaching megatrends influencing virtually every aspect of modern society – urbanisation and climate change.

Every week, for example, about 1.5 million people move to urban environments. By 2030, there will be 41 megacities around the globe, defined as cities with more than 10 million inhabitants. And by 2050, the earth's population will be around nine billion, 70% 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. At the same time, the world will have to 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 sustainably converting these global trends into 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 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 Russia and 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.

Megatrends

90%

Today people spend up to 90% of their time indoors.

Health and wellbeing
Our wellbeing goes hand-in-hand with the comfort of the environment where we work, live, learn, play or even – in the case of a hospital – recover.

2050

The world will need 50% more food for its growing population by 2050.

Resource scarcity
A growing population demands healthier, tastier fresh produce – grown sustainably and safely.

33%

Buildings account for over one-third of the energy used globally.

Climate change
Our climate is changing, which brings new challenges as we seek to reduce our carbon footprint and live more sustainably.

41

Megacities with >10 million inhabitants by 2030.

Urbanisation
With the urban population growing every day, we need to find ways to house everyone in our cities in a way that keeps them safe and helps them thrive.

The 7 str

There is something truly remarkable about the natural power of stone.

So far, we have been able to break down this natural power into 7 strengths that are inherent in the versatile properties of stone wool. These are seven reasons why we believe the world's most abundant resource can be engineered to create uniquely useful and exciting solutions for our customers. And by applying these 7 strengths to everything we do, we passionately believe that we can address some of the biggest challenges facing our world. We're sure that there are even more strengths of stone to be discovered. And when we discover them, we'll turn those strengths into new products that improve the quality of life of everyone who experiences them. That's why these 7 strengths lie at the heart of every ROCKWOOL product.

Fire-resilience
Withstand temperatures above 1000°C.

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

Acoustic capabilities
Block, absorb or enhance sounds.

engths of stone

Durability
Increased performance and greater stability with lower costs.

Aesthetics
Match performance with aesthetics.

Water properties
Manage our most precious resource.

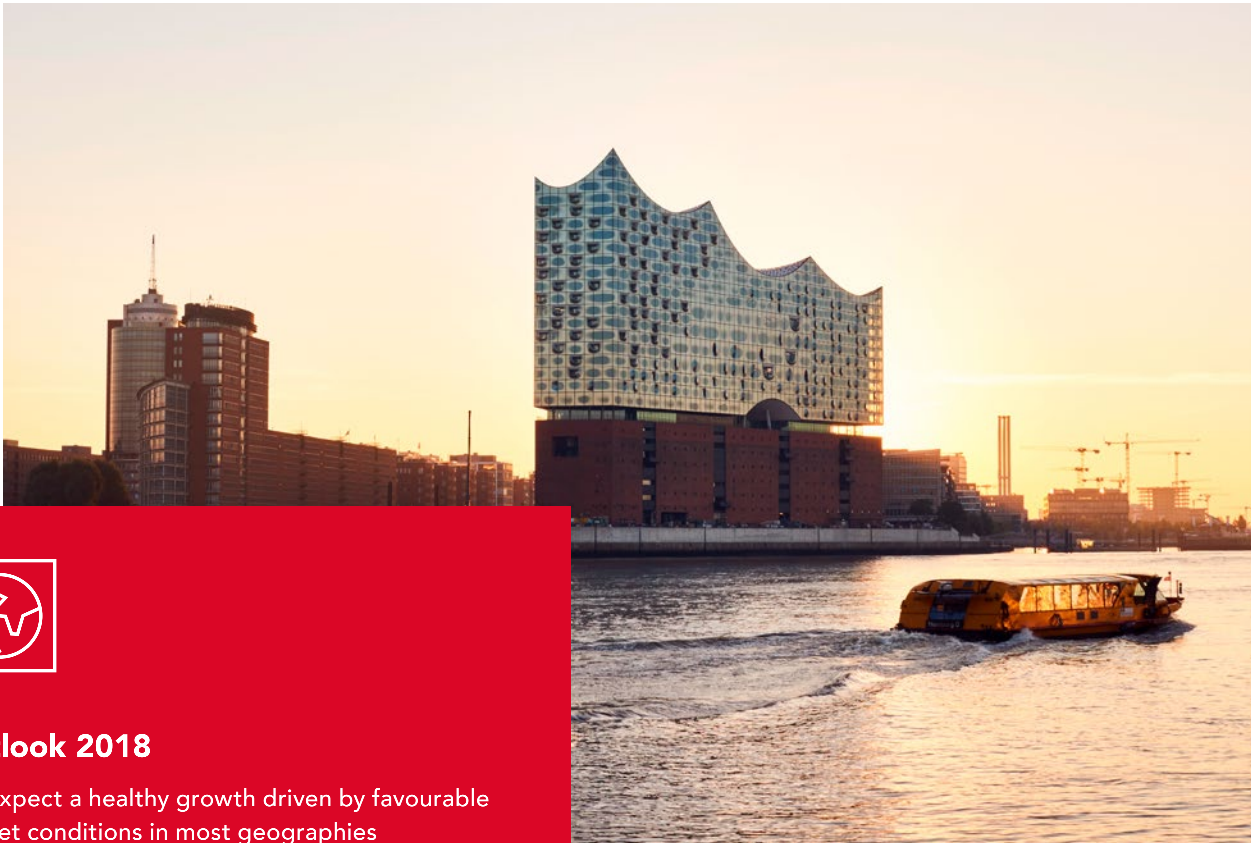
Circularity
Reusable and recyclable material.

Global market review and outlook 2018

Improved construction market conditions
In 2017, the construction industry rebounded as especially residential markets improved in developed economies. This was largely due to robust economic growth, mainly across the Eurozone and North America. The broad-based European economic expansion is expected to continue in the coming year, as it is benefitting from the upturn in other regions of the world.

In North America, general market expansion and demand for infrastructure repairs created favourable conditions, which are expected to continue in the foreseeable future. Conditions in emerging markets also improved, with particularly China outperforming moderate expectations and Russia benefitting from commodity price increases.

Key markets expected to grow
Construction indicators in key markets such as France, Germany, North America, and Russia point toward continued growth in 2018.
In France, for example, the government has announced major investment plans to renovate



Outlook 2018

We expect a healthy growth driven by favourable market conditions in most geographies public non-residential buildings to improve energy efficiency (among other benefits). Fire safety regulations particularly for tall building facades are under revision following the Grenfell Tower tragedy in London, which could further bolster demand for fire-safe stone wool solutions.

In Germany, a high number of building permits were granted in 2016-2017 for residential and non-residential buildings, with a backlog of construction activity extending into 2018-2019. There is similarly a strong increase in the number of building permits granted for residential housing, with the expectation for around 400,000 units per year being built in the coming years. Combined with high fire safety and energy efficiency standards in Germany, this will drive demand for stone wool insulation.

Driven by market expansion in the United States and steady growth in Canada, demand for stone wool solutions is expected to continue growing in North America. Key construction drivers including household balance sheets, unemployment rates, and consumer confidence point to continued high construction activity levels.

The Russian insulation market continues to improve, in line with the overall stabilisation of the economy, with GDP growth expected at 2% in 2018. Lower interest rates and government support programmes are encouraging the residential mortgage market, while there are also positive developments in commercial, industrial, and infrastructure projects.

Outlook 2018

For 2018, we expect a healthy growth driven by favourable market conditions as outlined above. We see continued increases in input and logistics costs, which we aim to compensate by productivity and price improvements as well as volume growth.

The strong momentum from the second half of 2017 has resulted in an increased capacity utilisation. Several factories are expected to operate at full or near-full capacity for a significant part of the year.

With a strong focus on customer service, product quality, and operational efficiency, we expect Group net sales to increase 7-10% relative to 2017 in local currencies, of which the acquisition and incorporation of Flumroc accounts for approximately two percentage points.

With the prevailing exchange rates (early February 2018), we expect a negative impact on net sales growth as expressed in our reported currency (EUR) by close to two percentage points.

For 2018, the EBIT margin is expected to reach at least 11%.

Investments excluding acquisitions for 2018 will increase compared to recent years due to capacity expansion and a higher level of investments in customer-focused digital initiatives and innovation. The main increases stem from the greenfield projects that have been initiated in the United States and Romania as well as capacity expansion projects in several of our existing factories in Europe. Thus for 2018, we expect investment/ CAPEX to increase by about EUR 100 million versus 2017 and reach a total of around EUR 230 million. During the year we will continuously monitor the market and capacity utilisation development with an eye on necessary capacity investments.

Business update ROCKWOOL®

Insulation

We are the world's leading manufacturer of fire-safe stone wool insulation. We offer products and solutions for all major application areas for residential and non-residential buildings; technical insulation to the process, offshore, and marine industries; and customised core solutions for industrial partners and original equipment manufacturers (OEM).

The largest segment in the ROCKWOOL Group, our insulation business benefited overall from positive market and macroeconomic conditions in 2017.

Building insulation in particular was strong owing to increased construction activity in key European and North American markets. Especially in Europe, building renovation is increasingly in focus, which together with positive developments in the new build industrial segment, continues driving demand for thermally-efficient, fire-safe stone wool insulation.

The market for technical insulation experienced a slight recovery, while core solutions provided to OEMs experienced growth particularly in sales to sandwich panel producers.

Competition-wise, we anticipate the Owens Corning acquisition of stone wool producer Paroc will have an overall positive effect on the market, helping to broaden the appeal of stone wool insulation.

9.2%

EBIT margin for insulation business

Insulation solutions

ROCKWOOL offers fire-resilient, thermally-efficient, highly durable, and fully recyclable stone wool insulation solutions

Business update

Rockfon®

We provide customers with complete acoustic ceiling systems, combining stone wool ceiling tiles with suspension grid systems and accessories. Our ceiling systems are a fast and simple way to create beautiful, comfortable spaces. Easy to install and durable, they improve acoustic comfort and don't contribute to the spread of fire.

Rockfon, the largest unit in our Systems segment, expanded its reach with the opening of a new production line in the United States, ROCKWOOL's largest market for ceiling solutions.

The 12,000-square metre manufacturing facility is ROCKWOOL Group's first stone wool acoustic ceiling product plant in North America and its fifth worldwide. The North American competitive landscape is heavily influenced by Armstrong World Industries; while Knauf's acquisition of Armstrong's European ceiling business will increase competition there.

Rockfon experienced generally healthy growth in Europe in 2017, while sales performance in Asia was disappointing.

Ceiling solutions

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

Business update

Grodan®

We are a global leader in the supply of innovative, sustainable stone wool substrate solutions for the professional horticultural segment. Based on Precision Growing principles, these solutions are used in the cultivation of many different types of produce.

We also offer customer-specific advice and tailor-made analytic tools, facilitating the sustainable production of healthy, safe, and tasty fresh produce for consumers worldwide.

Grodan experienced increased product interest and subsequent growth in 2017 as the focus on reducing water and nutrient usage in agricultural solutions increased.

In Europe, greenhouse optimisation continued to be the main source of growth, with expanding export opportunities from the Netherlands, the heart of Europe's hydroponic horticulture. In North America, Grodan introduced a new production line in Toronto, bringing production closer to a growing customer base.

Precision Growing

Precision Growing is a highly efficient form of growing focused on using minimum input materials to generate maximum output

Business update

Rockpanel®

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 and sustainability, while also providing cost efficiency and short installation times.

Responding to market interest in stone wool façade solutions, Rockpanel in 2017 launched a new product portfolio offering more choices for aesthetically-pleasing and fire resilient facades.

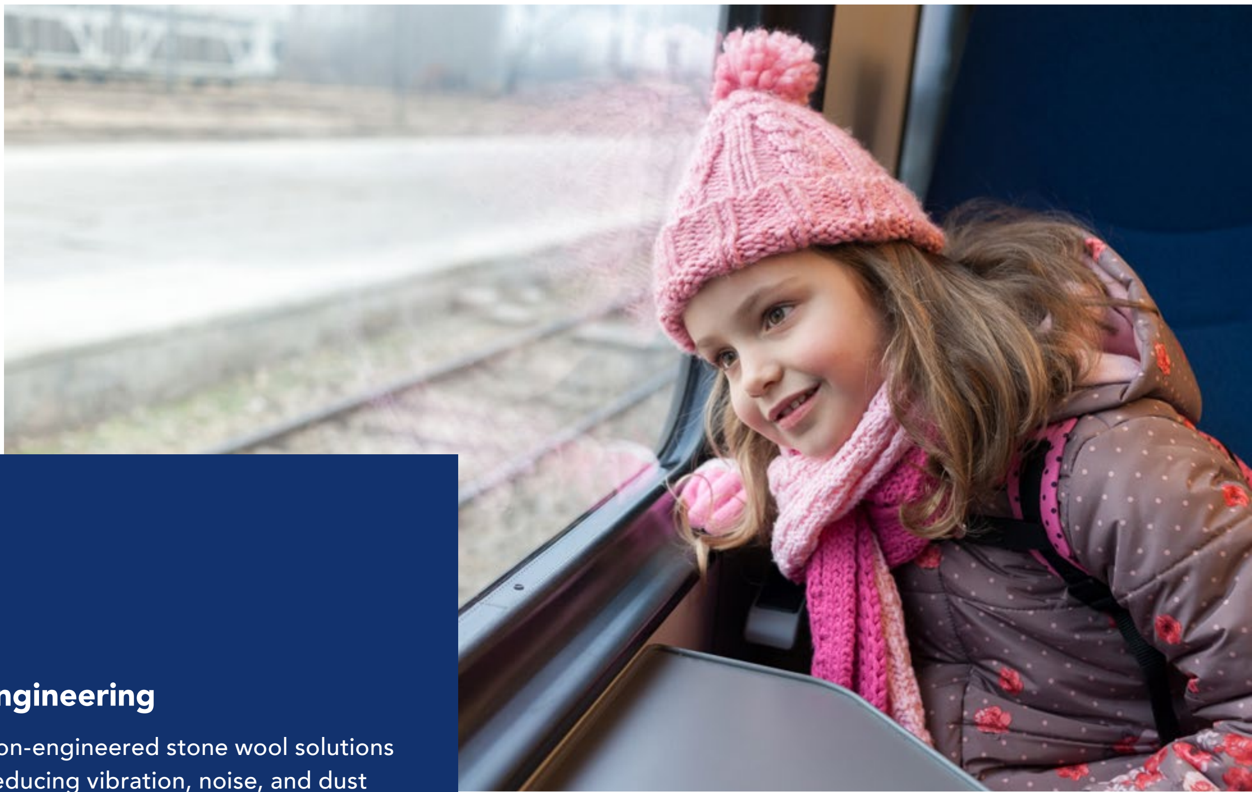
With 144 colours and shades now available, architects and contractors have more freedom to create appealing building façades. This expansion means Rockpanel solutions can be offered to more building segments and is expected to result in broader market exposure and greater market share.

Design freedom

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

Business update

Lapinus®



Precision engineering

Lapinus precision-engineered stone wool solutions contribute to reducing vibration, noise, and dust emissions and improving water management

We develop and supply versatile and innovative stone wool-based products used in a wide range of applications, including friction and water management, tracks, coatings, gaskets and fences. With more than a quarter-century track record, we help global industries improve quality of life by developing solutions that address noise and dust reduction, vibration disturbances, and water management.

Generally, the market for precision-engineered stone wool continued to grow in 2017, with Lapinus solutions for brake pads, noise-reduction fences, and railway noise and vibration control steadily developing.

The market for water management is a particularly new and exciting area.

Case

CITIC Tower – a new 'landmark' for ROCKWOOL

When complete in June 2018, the CITIC Tower will be the tallest building in Beijing, China and the 10th tallest in the world. During 2016 and 2017, ROCKWOOL supplied ThermalRock and RockSafe insulation for the construction of the 528-metre-tall building. These products were chosen for their excellent thermal insulation properties and non-combustible capabilities, which contribute to reducing energy consumption and enhancing fire safety in this high-rise building.

China is experiencing an unprecedented rate of urbanisation, with more and more tall buildings being constructed, highlighting the growing demand for energy-efficient, fire-safe construction that also promotes indoor health, wellbeing and comfort. Building materials addressing these needs help people to enjoy their modern city lives and represent an important growth opportunity for ROCKWOOL in the high-end real estate market. The use of our products in CITIC Tower contributes to strengthening our leading position in the industry.

Case

e-Gro® – precision growing always at hand

Grodan's e-Gro marks a new era in precision growing. e-Gro is an easy-to-use mobile app that gives real-time substrate information. It was launched in September 2016, gained traction in 2017, and now has hundreds of users. All growers worldwide with a GroSens MultiSensor system and Grodan slabs can use the app. They receive immediate insight into the water content, electrical conductivity and temperature of the stone wool growing media.

The data is remotely accessible from a smartphone, tablet or any internet-connected PC at any time and growers can set parameters for real-time alerts and notifications. Having instantaneous access to this information will help to improve crop yield and quality, reduce growing costs and contribute to sustainable horticulture.

To find out more about e-Gro, visit www.grodan.com/growing-solutions/grosens-and-e-gro/

Case

Old meets new – Luzhniki sports arena

The Luzhniki Palace of Sports arena, formerly the Palace of Sports of the Central Lenin Stadium, will be the main stadium for the FIFA World Cup 2018. The renovation of this classic sports venue in Moscow is an inspiring example of renovating for the future with respect for the past. Originally built in 1956, the arena combines today's most advanced technologies with the charm of history to create a state-of-the-art sports facility. Renovations began in 2013 and were completed during 2017.

ROCKWOOL products used in the 81,000-seat arena include: ROCKWOOL pipe sections for thermal pipe insulation; wired mats for thermal and sound insulation as well as fire protection around air ducts; and facade batts to improve the arena's energy efficiency and ensure the safety and comfort of spectators and employees. ROCKWOOL products were also chosen for nine other FIFA World Cup 2018 venues in Russia.

Case

Puddles not pools – Lapinus water management

The largest ever stone wool-based water management solution, installed in Schimmert, The Netherlands, helps solve a major problem for the town: flash flooding caused by extreme rainfall. The customised solution consists of 820 m^3 of Lapinus stone wool elements placed under the playground at 't Kirkeveldsje primary school. When there is heavy downpour, excessive surface water is channelled into underground stone wool buffers, from which the water slowly dissipates into the ground.

Installed in July 2017, this innovative solution protects school children and residents in surrounding areas from the annoyance, inconvenience and unhygienic consequences of flash flooding. It also means that puddles on the surface stay small and safe to splash in!

As climate change leads to more extreme weather events, including urban flash flooding, Lapinus expects a growing demand for its newly introduced water management solutions. The Schimmert project is a big step in that direction.

Sustainability

When it comes to ROCKWOOL Group's approach to sustainability, it is, simply put, a matter of living our purpose to address the challenges of modern living in a sustainable manner. This means using natural materials to make products that have a positive impact on society.

We contribute to meeting 10 of the 17 UN Sustainable Development Goals (SDGs) and we intend to measure as much as possible how well we perform on them. In 2015, we became a signatory to the United Nations Global Compact, and in 2016, we formally launched our strategic efforts to work towards achieving the SDGs. We are continuously striving to make our positive contribution even greater and in 2017 we developed more robust ways to measure how we live up to our declared intentions.

Circular business model

SDG number 12, "Responsible Consumption", is one example of how we contribute, both through the positive impact of ROCKWOOL Group's products and by setting ambitious targets for our operations. In this SDG, we have focused on the SDG target of substantially reducing waste generation.

How do we reduce waste? Our stone wool insulation is durable and has an extremely long lifespan, but when it does eventually become waste, it is fully recyclable. Our products can be easily removed when a building is renovated or demolished and recycled back into new products. It is a natural material that we can turn into stone wool again and again. We have even developed a technology to take other types of waste and make stone wool from it. In other words, we have a circular business model.

Climate change

Another good example of how we work with the SDGs concerns goal number 13, "Climate Action". We have operational goals to reduce CO_2 in our own factories around the world. However, it is through our insulation products that we have by far the most significant positive impact:

– Our building insulation sold in 2017 will save 850 terawatt-hours of heating energy during its lifetime and as a result save 190 million tonnes of CO_2 equivalent.

– Our technical insulation sold in 2017 will save more than 5,000 terawatt-hours heating energy during its lifetime and as a result save 1.1 billion tonnes of CO_2 equivalent.

Our products help combat climate change on a large scale and we work to increase the positive climate impact even more. We are also committed to reducing the carbon intensity of our production. We set six Group Sustainability Goals in 2016, two of which related to climate change:

– Reducing carbon emission intensity from production facilities by 20% in 2030.
– Improving energy efficiency within own (non-renovated) offices by 75% in 2030.

In 2017, we translated our carbon emission goal into individual goals at each manufacturing facility and established a robust system for monitoring progress on these goals.

Concerning improving energy efficiency within our own (non-renovated) offices, we are continuing our efforts to meet the established goals.

Environment

In 2017, we issued a revised Safety, Health, Environmental (SHE) Policy. The policy confirms our strong determination to reduce the environmental footprint of our operations, set targets for selected parameters, have effective SHE management systems, apply risk assessments, engage with stakeholders and maintain an open dialogue.

We carried out eight Group SHE audits at our manufacturing facilities in 2017. We included our remaining non-stone wool producing plants, i.e. our grid manufacturing sites and our render and paint producing sites.

We have a Group Sustainability Goal to reduce our relative consumption of water by 20% by 2030, compared to 2015. Our relaxed internal demands for payback times for investments related to our sustainability goals is particularly relevant for fulfilling this goal. In 2017 the goal was translated into plans at the level of each manufacturing facility.

Carbon savings

Building insulation

Carbon emissions from raw materials and production

Carbon savings during product lifetime

80

times the carbon emitted in its production

Technical insulation

Carbon emissions from raw materials and production

Carbon savings during product lifetime

4,000

times the carbon emitted in its production

Ecofys, a Navigant company, developed methodologies to calculate the CO_2 savings in the lifetime of sold building insulation and technical insulation products. Ecofys endorsed that the 2017 CO_2 savings calculated by ROCKWOOL correctly follow these methodologies. The methodologies are available on www.rockwoolgroup.com.

We have a Group Sustainability Goal to reduce waste to landfill by 85% in 2030. In 2017, plans were made at the level of the manufacturing facility and implementation began. We installed briquette equipment in one of our manufacturing facilities in Malaysia, enabling closed-loop reuse of waste from production, which will be fully operational in 2018.

We also have a Group Sustainability Goal to offer recycling services in 30 countries by 2030. We currently offer established recycling services in five countries. In 2017 we developed a roadmap to meet the Group goal for the remaining 25 countries by 2030.

Safety

ROCKWOOL Group's approach to health and safety is described in the Code of Conduct and the updated Safety, Health, Environmental Policy. We have zero tolerance when it comes to anything that could potentially jeopardise the health and safety of our employees and others working at our sites and in transit. Safety as measured by a Lost Time Incident (LTI) rate is one of the six Group Sustainability Goals we formulated in 2016.

We rolled out a new IT tool (RockSHE) concerning safety beyond our manufacturing facilities, for example in offices and during travel. We are now able to monitor and share good catches, near misses, incidents and risk/job safety assessments together with corrective actions across the whole Group.

Every year we run safety awareness activities called RockSAFE and in 2017 we held the second Group-wide Global Safety Day. Other safety activities during 2017 included Group fire audits at 18 ROCKWOOL locations.

In 2017 we had zero fatalities, but regrettably three serious incidents – two in Poland and one in China. All serious incidents concerned contractors working at our premises. Investigations and subsequent detailed reports resulted in the implementation of corrective actions.

People

We have global policies related to providing equal opportunities, promoting diversity and working against all kinds of discrimination.

As an example, we apply and constantly develop recruitment practices and processes so they are free of bias and discrimination. In 2017, we updated our Compensation & Benefits and Recruitment policies and published new policies concerning the employment of relatives and hiring of interns and students.

In 2017 we started implementing a workplace learning concept to broaden our reach and impact on people development activities. To support this, we started implementing a digital cloud-based learning platform called RockWise.

We continue our positive trend of high engagement in our annual RockPulse employee survey. The 2017 survey was completed with a high participation rate of 87% of white-collar employees and 77% of blue-collar employees.

Among numerous topics, the survey asks employees about their perceptions on how the company is behaving in terms of sustainability and integrity as well as their day-to-day experiences regarding career opportunities, safe working conditions, fair pay, and leadership. Relative to a High-Performance Norm benchmark, employees rate ROCKWOOL very highly on "sustainable engagement" and "trust and empowerment". Overall results show a slightly positive trend relative to last year.

Women in management

It is our ambition to continuously increase diversity in our management teams as well as our Group functions. In 2013, we established a goal to have 15-30% women in our management teams by 2017. Our talent and succession management process supports both cross-cultural and cross-functional diversity through increased visibility and focus on talent development. We have published our diversity ambition on our ROCKWOOL Group website www.rockwool-group.com. Management is accountable for our diversity goals, and reporting on progress helps drive a positive development.

Our industry has traditionally been male dominated and the gender split for the total Group has been very stable at an 18/82 female/male split over the past few years. The trend is however now positive for the management teams with a three percentage point increase of women to 18% in 2017 (15% in

Sustainability goals

Safety, health and wellbeing

Our goal: Reduce Lost Time Incident (LTI) frequency rate by 10% and ensure 0 fatalities annually.

CO_2 emissions

Our goal: Reduce CO_2 intensity from our factories by 20% by 2030.

Reclaimed waste

Our goal: Increase the number of countries to 30 (currently five) where we offer recycling services for our products by 2030.

Water consumption

Our goal: Reduce water consumption intensity within our factories by 20% by 2030.

Energy efficiency

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

Landfill waste

Our goal: Reduce landfill waste from our factories by 85% by 2030.

Note: The baseline for the six Group Sustainability Goals is set at the 2015-level. Read more about the goals including progress on the goals in our annual sustainability reports.

2016). We are very pleased about the positive trend and outlook for the future; of all line managers hired during 2017 into our office environment, 34% were female (31% in 2016). We will continue focusing on increasing diversity as we firmly believe that bringing different experiences, perspectives and cultures together will benefit our business.

Our current Board of Directors is composed of a highly-qualified group of leaders with complementary experience and expertise, and relatively short seniority in their current positions. With regards to female members elected to the Board of Directors by the General Assembly, a new target was set in 2017 to have at least one member by end 2020. The selection of two new members of the Board of Directors during 2017 included diversity considerations, where gender was a part, as was the assessment for the overall composition of the Board.

Within the Group, also ROCKWOOL A/S, in Denmark, has set a target for its Board of Directors. The target is to have one woman on the Board of Directors by 2020. Currently, the Board of Directors has only male members.

Business ethics

In 2017, the Group's Integrity Committee introduced a Code of Conduct. The Code of Conduct confirms ROCKWOOL Group's commitment to the UN Global Compact's 10 principles. At the same time, the Code of Conduct serves as a compass in guiding individuals and the organisation to achieve our long-term business goals.

As part of the onboarding process in the Group, new employees participate in an introduction course, which includes training in business ethics.

Anti-corruption

The purpose of our anti-corruption policy is to create awareness and avoid instances of corruption, bribery and facilitation payments in our organisation and value chain. The anti-corruption policy is based on the requirements in the UK Bribery Act. It is also available to suppliers, customers and other third parties on the Group's website.

Our whistle-blower policy outlines the procedure for handling integrity cases, including corruption and bribery. ROCKWOOL Group's whistle-blower policy requires employees to report any suspicion of non-compliance to Management, to the Integrity Officer or via the whistle-blower procedure.

Compared to previous years, we investigated an increased number of integrity cases in 2017 concerning bribery. We investigated 12 integrity incidents, nine of which were reported and investigated as a result of whistle-blowing. Eight of these led to corrective action. We attribute the higher numbers to increased awareness of business ethics among employees and we evaluate this as a good result.

The Audit Committee is informed about all integrity cases and we communicate broadly about these to create awareness of unethical behaviour in the Group and to underline our zero-tolerance policy.

Human rights

We oppose any kind of discrimination due to age, gender, race, colour, religion, political opinion, social origin, or any other human rights aspects. Any incident of discrimination must be reported to Management. Another right we take seriously is the right to exercise freedom of association and collective bargaining. We are opposed to child labour and do not use forced or compulsory labour or knowingly engage with business partners that do so.

In 2017, we worked to enforce these policies through the dissemination of the Code of Conduct in relation to employees and suppliers.

Also in 2017, we published an annual statement pursuant to the Modern Slavery Act. The statement describes the company's supply chain and explains what initiatives we take to avoid modern slavery.

Sustainable sourcing

The Supplier Code of Conduct is designed to explain our expectations to our suppliers in detail. ROCKWOOL Group expects suppliers to comply with all international, national and local laws and guidelines relating to employment, environmental and manufacturing practices as well as ethics and bribery, particularly in relation to purchasing. ROCKWOOL Group expects suppliers to enforce these guidelines towards their suppliers. The ROCKWOOL Procurement & Purchasing Manual was updated in 2017 to reflect a new approach to supplier due diligence, selection and contracting,

In 2017, the scope of the Audit Committee was broadened to monitor progress on ROCKWOOL Group's sustainability projects and targets as well as the non-financial reporting process

which is now done through an online tool. In 2017, we continued the implementation of this tool, and all suppliers are required to agree with our Supplier Code of Conduct as a pre-requisite to be qualified as a supplier to ROCKWOOL Group. Exceptions occur in the case of ad-hoc vendors for indirect materials and services.

A cross-functional project team carried out a gap analysis of sustainable sourcing policies and practices in 2017. This led to the development of a new supplier due diligence process with a more comprehensive and systematic approach to sustainable sourcing, which we will start implementing in 2018. Six suppliers were selected for external, third-party sustainability audits in 2017. These audits will be carried out in 2018 and the results will help calibrate the new supplier due diligence process.

During 2017, we also implemented our REACH management system for substances of very high concern. This means all direct suppliers are now required to report on REACH compliance in order to register.

Required reporting referring to the Danish Financial Statement Act §99a and §99b can be found on page 2, page 12 and pages 28-35.

ROCKWOOL Group publishes a Group Sustainability Report in May 2018 that provides detailed information on the Group's sustainability performance. The Sustainability Report serves as ROCKWOOL Group's Communication on progress as required by the UN Global Compact and will be available on the sustainability website www.rockwoolgroup.com/sustainability.

Risk management

Systems and processes

The Board of Directors is responsible for ensuring that the Group's risk exposure is consistent with the targeted risk profile and evaluates that appropriate awareness and management processes are in place. Risk Management 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; 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 company or Group function and studiously evaluated to ensure effective risk management at Group level.

The Group has an Enterprise Risk Management (ERM) Committee, consisting of members from both business segment and Group functions. The committee is responsible for reviewing and updating the internal risk management framework and for implementing related processes.

With these systems and processes, the risks within the Group are identified and mitigated, however still not eliminated but with a residual risk at an acceptable level.

Risks

IT security

Like all other companies, ROCKWOOL Group is exposed to potential breaches of our IT infrastructure. With increased digitalisation of business processes, the Group is vulnerable to disruptions of operations and is increasingly engaged in the protection of data and intellectual property. IT security has a high priority within the Group and one of the objectives for IT security is to prevent digital theft of intellectual property (know-how, recipes, and product details), limit and quickly rectify operational disruptions, and to protect employee information from digital theft or misuse.

Another focus is protecting our sales and anyone dependent on our products against product-flow disruptions. Also high on the IT security agenda is the protection of consumers against misinformation or misuse of ROCKWOOL brands.

Finally, we strive to safeguard shareholders against value-destroying cyber-attacks on ROCKWOOL brands and products or on ROCKWOOL Group's and its partners' value-delivery systems.

Group IT focuses on mitigating risks based on our own assessments as well as external IT auditors' findings. Part of this mitigation includes heightening IT security, testing disaster-recovery plans at our manufacturing facilities and improving data-flow and network activity monitoring.

Competition law compliance

Guided by our ethical values, ROCKWOOL Group competes in a fair manner on prices, quality, customer service, innovative products and more. The Group is committed to complying with national and international competition and antitrust laws.

A variety of measures are continuously provided to relevant employees to equip them with sufficient knowledge to make business decisions in accordance with applicable competition and antitrust laws as well as internal policies. Our regular compliance programme includes a competition law compliance manual, accompanied by specific guidelines for selected business areas, interactive training seminars, plus a selected review of documents and interview sessions in legal entities in ROCKWOOL Group. Group Legal Affairs personnel are also readily available to handle support requests. Furthermore, an e-learning programme, with a dedicated content section including training and guidance on compliance with competition and antitrust laws, will be launched and rolled out across the Group in 2018.

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

Business ethics

Selected risks related to business ethics constitute part of the Enterprise Risk Management (ERM) process. Regular risk assessments are conducted for competition law compliance and in relation to bribery and corruption. In 2017, all operating companies were asked to conduct a risk.

assessment in relation to corruption and bribery and appropriate risk mitigation measures will be established. These risk assessments are based on the Guidance to the UK Bribery Act 2010.

Financial risks

As a global business, ROCKWOOL Group is exposed to a number of financial risks related to currency and interest rate fluctuations, liquidity and credit risks. Please refer to note 4.2 for further information on these risks.

Corporate governance

Corporate governance at ROCKWOOL Group regulates the interplay 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 Annual General Meeting is the supreme body of the corporate governance structure and elects the Board of Directors as well as independent auditors. 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 AGMs, 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 development is on track toward agreed short- and long-term goals. The majority of 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 AGMs for a period of one year and may be re-elected. Of these, four members, including the chairman, are deemed independent, according to the Danish Recommendations on Corporate Governance. Three members are elected by employees, for a period of four years, pursuant to the Danish Companies Act. Election coming up in 2018.

Group Management

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

Board Chairmanship and Committees

Three substructures have been established by the Board of Directors.

The Chairmanship

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

Audit Committee

The Board of Directors has appointed an Audit Committee consisting of three members. The majority of its members are independent. The Audit Committee monitors accounting and audit policies plus conditions which, if determined by the Board of Directors or the Audit Committee, should be subject to thorough evaluation. Further, the Audit Committee evaluates internal control and risk systems.

Remuneration Committee

The Board of Directors has appointed a Remuneration Committee consisting of three of its members. The majority of its members are independent. With the overall goal of being able to attract and retain high-performing top executives, the Remuneration Committee prepares the Remuneration Policy and Incentive Guidelines, which are approved by the shareholders at the AGM.

The Remuneration Committee annually evaluates and brings forward recommendations for the remuneration of the Board of Directors, again subject to approval by the shareholders at the AGM.

The Remuneration Committee is authorised by the Board of Directors to approve remuneration for senior executives.

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 constant effort to strengthen the control environment with due consideration of materiality and risk.

The entire Group structure is designed as a simple structure 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 who has the responsibility to

ensure implementation and compliance of the policy. Policies and manuals have been adopted within all essential areas of operation, legal compliance and financial reporting.

Control activities
Minimum requirements of internal controls are stipulated in ROCKWOOL's 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, reports, etc. 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 and the Group General Counsel, 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 four cases, chosen to differ as described below. The variations are generally due to company-specific views on the requirements to optimise value for its shareholders.

ROCKWOOL Group publishes its statutory report on Corporate Governance for the financial year 2017 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.rockwoolgroup.com/about-us/corporate-governance.

Exceptions

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

3.1.2

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 the following information about the number of shares, options, warrants and similar in the company, and other Group companies, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year.

Explanation
The company considers the portfolio, and changes in the portfolio during the financial year, 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 judgment that disclosure of such information will not add additional value for shareholders and other stakeholders.

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

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 total remuneration granted to each member of the Board of Directors and the Management by the company and other companies in the Group, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.

Explanation
The remuneration of the members of the Board of Directors and committees is available on the company's website.

The remuneration of each member of the Group Management is seen to be a private matter and it is the company's judgment that disclosure of the remuneration paid to each individual member of the Group Management will not add additional value for shareholders and other stakeholders.

Board of Directors

Henrik Brandt

Chairman
Born in 1955
Nationality: Danish
Elected to the Board: 2017
Nationality: Danish

Other positions related to the company

Member of the Chairmanship, Chairman of the Remuneration Committee.

Positions in other companies

Chairman of the Boards of Toms Gruppen A/S, Intervare A/S, nemlig.com A/S and Cidron HoldCo ApS ("Lagkagehuset"). Vice Chairman of the Board of Scandinavian Tobacco Group A/S, Member of the Boards of Gerda and Victor B. Strands Fond & Gerda and Victor B. Strand Holding A/S, Fritz Hansen A/S and Ferd Holding AS, Norway.

Carsten Bjerg

First Deputy Chairman
Born in 1959
Nationality: Danish
Elected to the Board: 2011

Other positions related to the company

Member of the Chairmanship, Chairman of the Audit Committee, Member of the Remuneration Committee.

Positions in other companies

Chairman of the Board of PCH Engineering A/S, Ellegaard A/S, Guldager A/S and Bogballe A/S, Vice Chairman of the Board of Højgaard Holding A/S, Member of the Boards of Vestas Wind Systems A/S, MT Højgaard A/S, and Agrometer A/S.

Søren Kähler

Second Deputy Chairman
Born in 1950
Nationality: Danish
Elected to the Board: 2013

Other positions related to the company

Member of the Chairmanship, Member of the Remuneration Committee, Member of the Audit Committee. Søren Kähler is the member of the Audit Committee who possesses the required insight and experience in financial, accounting and audit aspects of a company listed on the stock exchange, Member of the Board of the ROCKWOOL Foundation, Member of the Kähler Family Meeting.

Positions in other companies

Chairman of the Board of A/S Saltbækvig.

Other positions

Member of the Board of the Foundation Sagnlandet Lejre.

Jørgen Tang-Jensen

Born in 1956
Nationality: Danish
Elected to the Board: 2017

Other positions related to the company

Member of the Audit Committee.

Positions in other companies

Member of the Boards of Coloplast A/S, Denmark and Geberit AG, Switzerland.

Other positions

Chairman of the Danish Green Investment Fund, Member of the Confederation of Danish Industry's (DI) Committee on Business Policy.

Thomas Kähler

Born in 1970
Nationality: Danish
Elected to the Board: 2008

Senior Vice President, Head of Systems Division, ROCKWOOL International A/S.

Other positions related to the company

Member of Group Management, and Senior Vice President, Head of Systems Division, Member of the Kähler Family Meeting.

Other positions

Member of the Board of Energy Technology Development and Demonstration Programme (EUDP), Denmark.

From top left: Lars Elmekilde Hansen, Henrik Brandt, Thomas Kähler, Carsten Bjerg, Connie Enghus Theisen.
From bottom left: Dorte Hanne Page Larsen, Andreas Ronken, Jørgen Tang-Jensen and Søren Kähler

Andreas Ronken

Born in 1967
Nationality: German
Elected to the Board: 2016

CEO of Alfred Ritter GmbH &Co.KG.

Other positions

Member of Advisory Board of Otto Cosmetic GmbH, Groß Rohrheim, Germany.

Lars Elmekilde Hansen

Born in 1960
Nationality: Danish
Elected to the Board of Directors: 2014

Senior Project Manager, ROCKWOOL International A/S.

Other positions related to the company

Member of the Board of the ROCKWOOL Foundation.

Connie Enghus Theisen

Born in 1960
Nationality: Danish
Elected to the Board: 2006

Director Stakeholder Engagement, ROCKWOOL International A/S.

Other positions

Member of the Board of Active House Alliance, Belgium.
Member of the Advisory Committee of AktivPLUS, Germany.

Dorte Hanne Page Larsen

Born in 1955
Nationality: Danish
Elected to the Board: 2014

Senior Transport Coordinator, ROCKWOOL International A/S.

Other positions related to the company

Member of the Working Environment Committee of ROCKWOOL International A/S, elected by employees.

Group Management

Jens Birgersson

President and Chief Executive Officer (CEO)

Member of the Registered Directors (in Danish: Direktionen)
Member of Group Management: 2015
Born in 1967
Nationality: Swedish

Positions in other companies
Chairman of the Board of Randers Reb International A/S.

"Celebrating our 80th anniversary in 2017, ROCKWOOL Group has come a long way since we first began producing stone wool in 1937. Our financial performance in 2017 was strong, and I am particularly pleased to welcome Flumroc to the ROCKWOOL Group".

Kim Junge Andersen

Senior Vice President, Chief Financial Officer (CFO)

Member of the Registered Directors (in Danish: Direktionen)
Member of Group Management: 2016
Born in 1962
Nationality: Danish

"In 2017, we invested around EUR 130 million in growing our business. The most significant investments were related to establishing or expanding production in North America for Rockfon as well as preparation for new manufacturing sites in the United States, Romania and Sweden".

Volker Christmann

Senior Vice President, Head of Insulation Central Europe

Member of Group Management: 2015
Born in 1957
Nationality: German

"Sales of flat roof and façade insulation developed well in Central and Western Europe in 2017. Insulation markets in Benelux and Austria are evolving positively, with the German market in a strong growth phase".

Camilla Grönholm

Senior Vice President, Group Human Resources

Member of Group Management: 2012
Born in 1964
Nationality: Finnish

"The Group continues investing in its people. With the launch of a new online global learning and collaborating workspace, we are helping employees learn, develop and interact in an engaging and efficient way".

Thomas Kähler

Senior Vice President, Head of Systems Division

Member of Group Management: 2015
Born in 1970
Nationality: Danish

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

"Despite challenges in some markets, the Systems division is performing well overall. We added new U.S. ceiling tile capacity and expect to continue profitable growth from existing and new product areas such as water management".

Gilles Maria

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

Member of Group Management: 2007
Born in 1958
Nationality: French

"With renovation increasingly top of mind, European markets are steadily expanding. France's five-year building renovation plan will support solid future activities. Additional capacity (Romania) will help meet market demand".

From left: Kim Junge Andersen, Henrik Frank Nielsen, Thomas Kähler, Camilla Grönholm, Gilles Maria, Volker Christmann, Mirella Vitale, Bernard Plancade and Jens Birgersson

Henrik Frank Nielsen

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

Member of Group Management: 2007
Born in 1961
Nationality: Danish

"Solid growth in all business areas, especially in Poland, Russia, Sweden and OEM. We are expanding capacity in Poland and have acquired land in Sweden to meet increasing demand for fire safe stone wool solutions".

Bernard Plancade

Senior Vice President, Group Operations & Technology

Member of Group Management: 2015
Born in 1962
Nationality: French

"Group Operations & Technology continues optimising our operations, from sourcing to production and product delivery. In terms of innovation, we remain focused on developing products that help solve the challenges of modern living".

Mirella Vitale

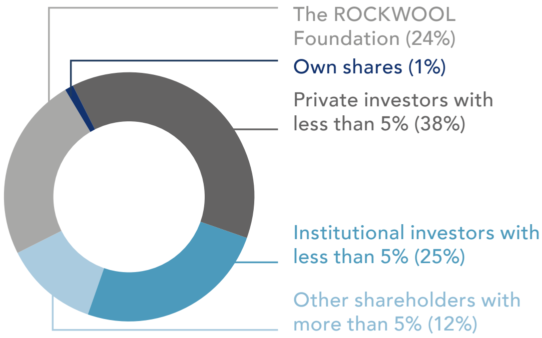
Senior Vice President, Group Marketing, Communications and Public Affairs

Member of Group Management: 2016
Born in 1970
Nationality: Italian

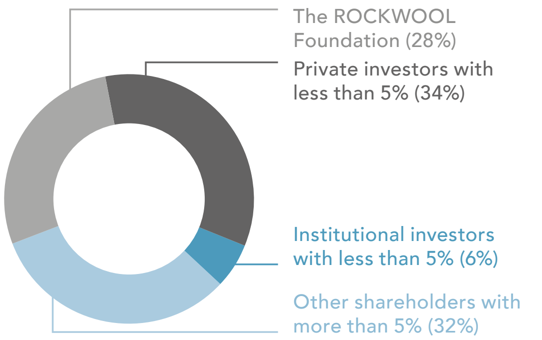
"Accelerating our digital transformation, we launched important initiatives in 2017, including a new online presence that leverages advanced site personalisation, intelligent search and chatbot technology".

Shareholder information

Ownership per shareholder category (%)



Votes per shareholder category (%)



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.

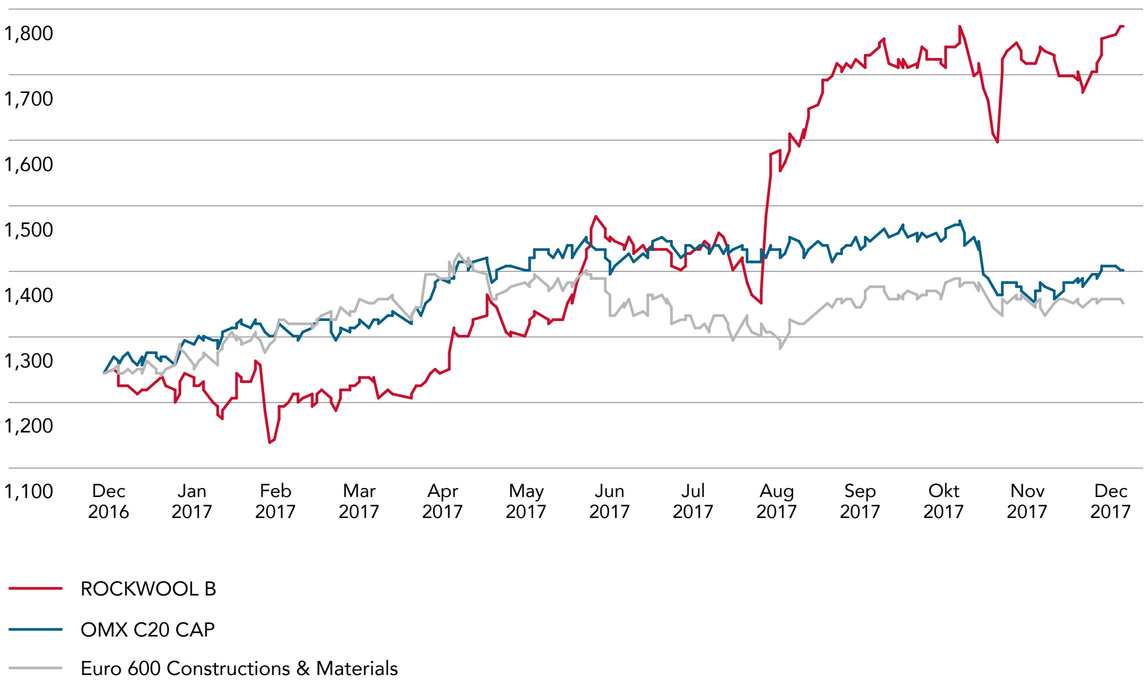
Both the A and B shares are included in the NASDAQ OMX Large Cap. In addition to NASDAQ Copenhagen, the company's shares are traded on a number of other equity exchanges, e.g. Bats, Turquoise and CHI-X.

In 2017, the ROCKWOOL B share price increased by 40%. The ROCKWOOL A share followed the same pattern and increased by 33%.

Trading of shares

By the end of 2017, both shares had increased in price by an average of 37%, versus the end of 2016. That compares with an 8% increase in the benchmark index 'STOXX® Europe 600 Construction & Materials' and a 12% decrease in the Danish OMX C20 CAP index during 2017.

Share price development 2017
(DKK)



	2017	2017	2016	2015	2014	2013
	(EUR)	DKK	DKK	DKK	DKK	DKK
Stock market information						
Earnings per share	9.8	72.9	57.2	31.3	38.8	40.1
Dividend per share	3.2	24.1	18.8	11.5	11.3	10.4
Cash flow per share	15.3	114	112	103	71	88
Book value per share	76.5	569	518	463	440	435
Share capital (million)	29.5	220	220	220	220	220
Price per A share	214.2	1,594	1,192	944	689	956
Price per B share	235.3	1,752	1,247	963	696	956
Market cap (million)	4,885	36,367	26,449	20,580	14,969	20,580
Number of own shares	206,840	206,840	275,855	391,835	359,522	437,246
Number of A share	11,231,627	11,231,627	11,231,627	11,231,627	11,231,627	11,231,627
Number of B shares	10,743,296	10,743,296	10,743,296	10,743,296	10,743,296	10,743,296

The official share price at 31 December 2017 was DKK 1,752.06 (B-share) and 1,594.30 (A-share). The combined market capitalisation at the end of the year was DKK 36,729 million (including own shares).

Dividend

It is ROCKWOOL International A/S's policy to pay out a stable dividend that is at least 1/3 of the net profit after tax. Concerning the company's long-term financing requirements, the aim is that net debt should be a maximum of one times EBITDA, with due regard to the company's long-term financing requirements.

At the Annual General Meeting on 11 April 2018, the Board of Directors will propose a dividend of DKK 24.10 per share for the financial year 2017 (2016: DKK 18.80). The dividend is paid out in DKK. The dividend payment occurs three banking days after the Annual General Meeting.

Ownership

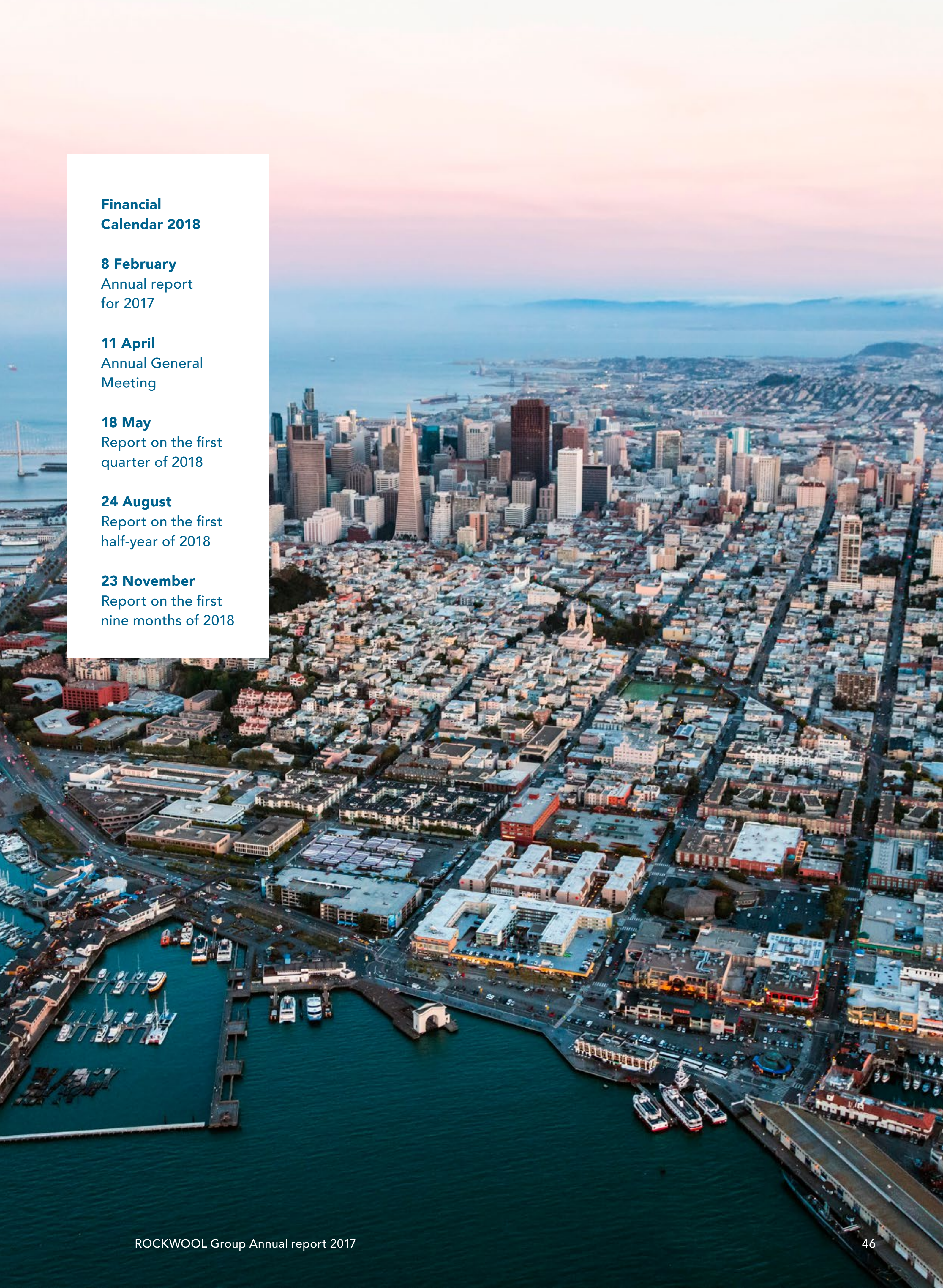
The company had 16,904 registered shareholders on 31 December 2017. By the end of 2017, 18% of the shares were owned by shareholder deposits located outside Denmark.

In terms of voting capital, 8% was located outside Denmark. See page 44 for an overview of ownership.

The Group can hold own shares. At the Annual General Meeting a framework for the company to purchase its own shares is decided. Based on this decision, the Board of Directors can decide to purchase shares.

Share data at a glance

Share class	**A**	**B**
Stock exchange	NASDAQ Copenhagen	NASDAQ Copenhagen
Index	OMX Large Cap	OMX Large Cap
Sector	Building materials	Building materials
ISIN code	DK0010219070	DK0010219153
Short code	ROCK A	ROCK B
Nominal size	DKK10	DKK10
Number of shares	11,231,627	10,743,296
Voting rights per share	10	1
Share price year-end	DKK 1,594	DKK 1,752
Proposed dividend per share	DKK 24.10	DKK 24.10
Payout ratio	33%	33%



Financial Calendar 2018

8 February
Annual report for 2017

11 April
Annual General Meeting

18 May
Report on the first quarter of 2018

24 August
Report on the first half-year of 2018

23 November
Report on the first nine months of 2018

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;
- Remain committed to being 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 you can view your shareholdings; register or change whether you wish 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.

Our website provides general information on ROCKWOOL Group, the performance of ROCKWOOL Group 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 2017 can be found on: www.rockwoolgroup.com/investors/stock-exchange-announcements/

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

For a list of shareholders holding more than 5% of the share capital or the votes, please refer to note 5.7.

Banks following the ROCKWOOL shares:

BG Sundal Collier
HSBC
Jyske Bank
Carnegie Bank A/S
Nordea
Danske Bank
SEB
Exane BNP Paribas
Sydbank
Handelsbanken

Analysts' recommendations, consensus and contact details can be found on the investor website: www.rockwoolgroup.com/investors/analyst-and-estimates/

Annual General Meeting

The upcoming Annual General Meeting will take place on 11 April 2018 and is hosted in Roskilde, Denmark. The meeting can be followed live on our website or viewed after the meeting has taken place.

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 2017 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 the shareholders.

Shares must be registered by name in order to vote. Shareholders can submit proposals to the Board of Directors for the agenda 6 weeks prior to the general meeting.

Financial performance

Strong sales development with organic growth of 7.1% and solid profitability with an EBIT margin of 10.8% driven by productivity and pricing improvements.

Acquisition of Flumroc AG

The acquisition of the majority shareholding in Flumroc AG was closed on the 17 November 2017 increasing ownership to 97.6% from 43.5%. In 2017, the result for Flumroc contributed EUR 11 million in net sales and EUR -0.2 million in EBIT including depreciation on the purchase price allocation. The remaining shares were acquired in January 2018.

Flumroc employs approx. 230 full time employees mainly in Switzerland. All activities are included under the Insulation segment and geographically in Western Europe. The integration is expected to be smooth as the cooperation between ROCKWOOL and Flumroc has been close for many years.

Group performance

Net sales reached EUR 2,374 million, a growth of 7.1% in local currencies, excluding the impact from Flumroc, with good performance in Q4, in line with the latest announced expectations. For the year, there was a positive currency impact of 0.2%-points, bringing sales growth to 7.3% in reported figures excluding Flumroc. The inclusion of net sales from nearly two months of operations from Flumroc impacted the Group's full-year sales growth by 0.5%-points, resulting in a combined growth of 7.8% for the year in reported figures.

Net sales 2017 compared to 2016

	Growth	EURm
Net sales 2016		2,202
Organic growth	7.1%	158
Currency translation adjustment	0.2%	3
Acquisitions	0.5%	11
Net sales 2017	**7.8%**	**2,374**

The positive development in net sales was due to good growth in volume in several main markets as well as increases in sales prices. The increase in sales came mainly from an acceleration of growth for the Insulation segment with full year growth at 8.6% in local currencies (7.9% excluding Flumroc), while the Systems segment increased 4.7% in local currencies for the full year.

Compared to the outlook announced in February 2017, sales growth increased more than expected as a result of favourable market conditions.

Sales prices continued to increase especially towards the second half of the year which also saw overall improved efficiency in operations. Combined, this more than counterbalanced the negative impact from input costs in the second half of the year, subsequently improving the contribution margin. In total, the contribution margin remains below last year due to the time lag in realising the impact from sales price increases.

Regional sales development

Sales in Western Europe improved by 7.5% in local currencies (6.6% excluding Flumroc) and 6.9% in reported figures. We achieved growth in the most significant markets, where especially France, Germany and UK performed well.

Sales in Eastern Europe increased by 10.7% in local currencies and by 16.5% in reported figures, where Poland, among other markets, continued to deliver strong sales performance. Russia also delivered strong Q4 growth.

In the rest of the world, net sales grew by 5.5% in local currencies with a significant currency impact in Q4, while reported growth was 4.0%. U.S. sales saw double-digit growth and sales in Canada also performed well. Sales in South East Asia were troubled by a subdued market and a decrease in the project portfolio.

Group profitability

EBITDA increased 7% to EUR 417 million with an EBITDA margin of 17.6%, almost on level with last year, which ended at 17.7%.

EBIT development

	EURm	EBIT margin
EBIT last year	229.4	10.4%
Increased earnings from operations	27.4	
Acquisitions	-0.2	
Currency translation adjustment	0.9	
EBIT this year	**257.5**	**10.8%**

Increased sales prices and strong factory performance overcame higher input costs, thus securing the profitability

Operational efficiency significantly improved in 2017 as we leveraged costs from our healthy growth and a continued prioritisation of activities during the year. This entailed a focus on driving efficiency, while still investing in new competencies and growth initiatives, which helped to deliver satisfactory profitability for the Group. During Q4 the Group incurred additional costs related to restructuring in Rockfon and ROCKWOOL in South East Asia of around EUR 5 million.

EBIT improved significantly and totalled EUR 258 million, resulting in an EBIT margin of 10.8% with no significant impact from Flumroc. This is in line with the latest announced expectation for the year. Depreciations for the year amounted to EUR 160 million, similar to last year, however they included a net impairment charge of EUR 1.1 million and depreciations from our new Rockfon production facility in the United States.

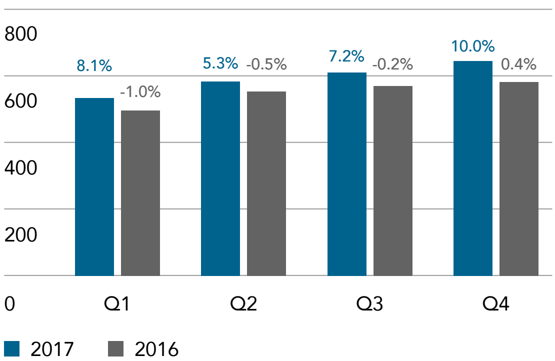
Compared to the outlook announced in February 2017, EBIT margin ended better as increased sales and strong factory performance overcame higher input costs.

Net financial costs amounted to EUR 11 million, up EUR 4 million compared to last year. The increase is mainly related to a fair value adjustment of phantom shares, while the exchange rate impact remained at a similar level as last year.

During the year, the level of borrowing and interest costs remained low as the Group stayed cash positive.

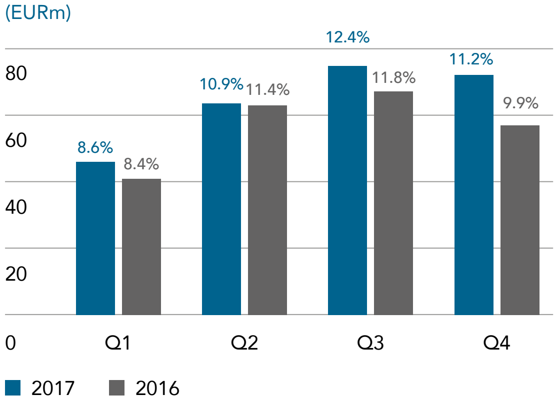
Quarterly sales & sales growth

(EURm)



Quarterly EBIT & EBIT margin

(EURm)



A fair value gain on the shareholding in Flumroc was recognised at EUR 25 million in the line Income from investments in associated companies.

Tax for the year amounted to EUR 62 million compared to EUR 58 million in 2016. The effective tax rate decreased to 22.4% due to a fair value adjustment of the shareholding in Flumroc and a decreasing trend of corporate taxes in some countries.

Profit after tax for the Group totalled EUR 214 million, including a fair value gain from Flumroc, a significant improvement from 2016 (EUR 166 million) and is considered a satisfactory result for the year.

Profit after tax in the parent company totalled EUR 125 million, an increase of EUR 16 million primarily due to higher royalty and dividend received.

Cash flow and investments

At the end of 2017, the Group was net cash positive, amounting to EUR 241 million, even after the acquisition of Flumroc AG. The Group had unused committed credit facilities of EUR 430 million by year-end.

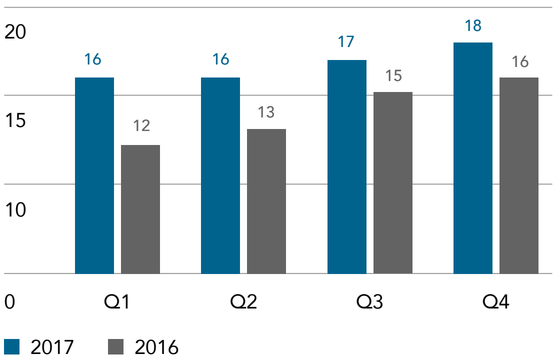
Cash flow from operating activities was EUR 332 million for 2017 against EUR 326 million for 2016, a small increase. The cash flow was positively impacted by high operating profit, but higher working capital consumed more cash than the year before because of growth in the business.

Net working capital was EUR 190 million compared to EUR 175 million in 2016. The increase mainly stems from higher trade receivables and a planned higher inventory to ease the pressure on capacity of certain production equipment. The working capital ratio to net sales was 8.0% in 2017, stable compared to 2016.

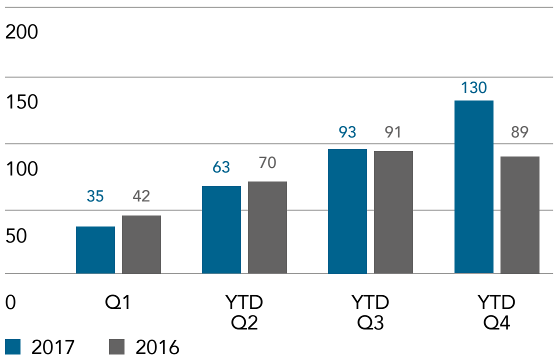
Investments reached EUR 130 million excluding acquisitions, which is an increase of EUR 41 million compared to last year. For the acquisition of Flumroc a consideration of EUR 83 million was paid against cash acquired of EUR 48 million - a net impact of EUR 35 million. The largest individual investments in 2017 related to the new U.S. Rockfon production facility, the building of a new factory in Romania, the factory re-engineering project in Poland and several new digital investments, including the new web-environment for the Group and several business segments.

Free cash flow amounted to EUR 167 million against EUR 237 million for 2016 – a decrease of EUR 70 million primarily due to the acquisition of Flumroc and higher investments.

Return on invested capital (ROIC)
(%)



Investments excl. acquistions
(EURm)



Invested capital

Return on invested capital improved significantly in 2017, mainly due to improved profitability, reaching 17.9% compared to 15.8% in 2016. Invested capital amounted to EUR 1,452 million against EUR 1,433 million last year.

At the end of 2017, total assets were EUR 2,164 million, an increase compared to 2016 mainly due to the increased cash level and the consolidation of assets from Flumroc.

Equity

Equity of the Group totalled EUR 1,685 million as of 31 December 2017 compared to EUR 1,536 million last year, corresponding to an equity ratio of 78% compared to 77% in 2016. Equity was mainly affected by the profit for the year, dividend and exchange rate adjustments.

Business segments

Sales in the Insulation segment reached EUR 1,782 million, which is an increase of 8.6% in local currencies and 9.1% in reported currencies. Net sales from Flumroc during 2017 had a positive impact of EUR 11.1 million or 0.7%-points on the Insulation segment. The increase was mainly from the flat roof segment and building insulation segment in Western and Eastern Europe.

The Insulation segment's EBIT reached EUR 184 million with an EBIT margin of 9.2%, an increase of 1.3%-points compared to last year. Especially North America, UK and central Europe showed a higher earnings level benefitting from growth in the underlying market, improved pricing management and factory productivity improvements.

The Systems segment's sales amounted to EUR 592 million, which is an increase of 4.7% in local currencies and 4.2% in reported figures. Rockfon in Asia did not perform well during the year and a refocussing of its activities and organisation is underway, which is expected to restore Rockfon's growth in the region during the coming quarters. The other Systems segment businesses experienced healthy growth.

Key figures Insulation segment

EURm	Q4 2017	Q4 2016	Full year 2017	Full year 2016
External net sales	473	417	1,782	1,634
Sales growth	13.3%	-1.5%	9.1%	-1.9%
EBIT	55	40	184	149
EBIT margin	10.2%	8.0%	9.2%	7.9%

Key figures System segment

EURm	Q4 2017	Q4 2016	Full year 2017	Full year 2016
External net sales	171	165	592	568
Sales growth	3.7%	5.6%	4.2%	4.5%
EBIT	17	18	74	81
EBIT margin	10.0%	11.0%	12.4%	14.2%

The System segment's EBIT reached EUR 74 million, a decrease of 9% from EUR 81 million last year. Earnings from Rockfon were affected negatively by the disruption in Asia. A restructuring cost of EUR 4 million, mainly covering redundancy costs and write-down of tangible assets and inventory, was included to address the required improvements in the Rockfon Asia business. Also, Rockfon North America was, as planned, affected by high start-up costs in the new U.S. production facility and higher input costs, especially for steel.

Quarterly follow-up

	2017				2016			
EURm	**1st qtr.**	**2nd qtr.**	**3rd qtr.**	**4th qtr.**	**1st qtr.**	**2nd qtr.**	**3rd qtr.**	**4th qtr.**
Income statement								
Net sales	534.2	584.2	611.5	644.0	494.3	554.6	570.6	582.3
Operating income	537.0	585.3	613.4	647.1	496.1	556.8	572.1	589.5
Raw material and production material costs	183.6	204.9	209.0	218.5	159.5	179.3	199.8	198.2
Delivery costs and indirect costs	77.2	80.1	84.4	88.3	70.5	77.6	75.6	86.4
Other external costs	50.2	57.6	61.5	65.7	51.0	57.3	62.8	54.0
Personnel costs	139.7	139.5	139.8	165.8	132.1	134.8	129.4	157.0
Operating costs	450.7	482.1	494.7	538.3	413.1	449.0	467.6	495.6
EBITDA	86.3	103.2	118.7	108.8	83.0	107.8	104.5	93.9
Depreciation, amortisation and write-downs	40.4	39.5	43.0	36.6	41.6	44.8	37.3	36.1
EBIT	45.9	63.7	75.7	72.2	41.4	63.0	67.2	57.8
Income from investments in associated companies	0.3	0.2	0.2	27.9	0.2	0.6	0.6	0.6
Financial items	-2.5	-1.2	-0.6	-6.8	-2.0	-3.0	-2.5	0.7
Profit before tax	43.7	62.7	75.3	93.3	39.6	60.6	65.3	59.1
Tax on profit for the period	11.4	16.2	19.6	14.3	11.3	15.7	16.0	15.2
Profit for the period	**32.3**	**46.5**	**55.7**	**79.0**	**28.3**	**44.9**	**49.3**	**43.9**
EBITDA margin	16.2%	17.7%	19.4%	16.9%	16.8%	19.4%	18.3%	16.1%
EBIT margin	8.6%	10.9%	12.4%	11.2%	8.4%	11.4%	11.8%	9.9%
Statement of comprehensive income								
Profit for the period	32.3	46.5	55.7	79.0	28.3	44.9	49.3	43.9
Exchange rate adjustments of foreign subsidiaries	13.5	-44.6	-18.0	17.0	1.6	4.9	2.1	26.6
Change in pension obligation	-	-	-	11.7	-	-	-	-15.3
Hedging instruments, value adjustments	-0.6	0.2	-	-0.5	1.4	1.5	-0.3	-1.5
Tax on comprehensive income	0.1	-	-	1.1	-0.3	-0.4	0.2	3.6
Total comprehensive income	**45.3**	**2.1**	**37.7**	**108.3**	**31.0**	**50.9**	**51.3**	**57.3**

Acquisition of Flumroc
During Q4, we increased the ownership in Flumroc from 43.5% to 97.6% through an acquisition effective from 17 November 2017. The financial statement during Q4, as well as full year, is impacted by the consolidation of Flumroc. The results for Flumroc included in the Q4 results amounted to EUR 11 million in net sales and EUR -0.2 million in EBIT including depreciation on the purchase price allocation.

Global sales development
Net sales in the fourth quarter reached EUR 644 million, a growth of 10.3% in local currencies excluding the impact from Flumroc and a growth in reported figures at 10.6% including a negative currency impact of 1.6%-points and 1.9%-points impact from the Flumroc net sales. The negative currency impact is mainly derived from a weaker USD.

Increase in sales prices had a positive impact on growth during the quarter and the general positive market development allowed for strong growth in several of our key markets.

Regional sales development
Western Europe delivered double digit growth of close to 15% in local currencies incl. Flumroc, as sales in the quarter ended at EUR 385 million. Positive market conditions in the construction industry in our main markets, allowed the business to achieve double digit growth in the quarter.

Eastern Europe including Russia increased sales to EUR 119 million, a growth of 14% in local currencies, with Russia delivering a strong growth in the quarter of above 10%, an excellent performance after a relative stable period for the past four quarters.

Sales in North America, Asia and other countries reached EUR 141 million equal to a growth of 6% in local currencies. Sales in the United States continued double-digit growth during the quarter, while net sales in Asia was slow compared to the same period last year.

Quarterly follow-up

EURm	2017 1st qtr.	2017 2nd qtr.	2017 3rd qtr.	2017 4th qtr.	2016 1st qtr.	2016 2nd qtr.	2016 3rd qtr.	2016 4th qtr.
Cash flow statement								
EBIT	45.9	63.7	75.7	72.2	41.4	63.0	67.2	57.8
Adjustments for depreciation, amortisation and write-downs	40.4	39.5	43.0	36.6	41.6	44.8	37.3	36.1
Other adjustments	-3.4	-0.3	6.6	-6.3	-1.1	-0.3	0.9	-6.5
Change in net working capital	-76.6	-5.9	38.0	24.4	-53.5	-24.7	52.8	24.7
Cash flow from operations before financial items and tax	6.3	97.0	163.3	126.9	28.4	82.8	158.2	112.1
Cash flow from operating activities	-15.2	91.6	157.1	98.7	5.7	77.6	147.1	95.6
Cash flow from investing activities and acquisitions	-35.2	-27.8	-30.0	-72.0	-41.8	-28.1	-20.6	1.4
Cash flow from operating and investing activities (free cash flow)	-50.4	63.8	127.1	26.7	-36.1	49.5	126.5	97.0
Cash flow from financing activities	-0.6	-50.6	1.9	0.3	1.0	-29.6	0.2	4.3
Change in cash available	-51.0	13.2	129.0	27.0	-35.1	19.9	126.7	101.3
Segment reporting								
Insulation segment:								
External net sales	398.8	440.4	470.2	472.8	367.6	416.8	432.2	417.3
Internal net sales	47.4	51.2	50.5	64.3	56.6	61.1	60.3	76.6
EBIT	27.5	42.9	58.6	55.0	21.8	42.2	45.3	39.6
EBIT margin	6.2%	8.7%	11.3%	10.2%	5.1%	8.8%	9.2%	8.0%
Systems segment:								
External net sales	135.4	143.8	141.3	171.2	126.7	137.8	138.4	165.0
EBIT	18.4	20.8	17.1	17.2	19.6	20.8	21.9	18.2
EBIT margin	13.6%	14.5%	12.1%	10.0%	15.5%	15.1%	15.8%	11.0%
Geographical split of external net sales:								
Western Europe	311.4	330.6	354.5	384.5	296.7	329.7	328.5	337.3
Eastern Europe including Russia	86.1	113.4	121.1	118.7	71.4	93.1	108.7	104.0
North America, Asia and others	136.7	140.2	135.9	140.8	126.2	131.8	133.4	141.0
Total external net sales	**534.2**	**584.2**	**611.5**	**644.0**	**494.3**	**554.6**	**570.6**	**582.3**

Group profitability
EBITDA was EUR 109 million, a growth of 16% over last year with an EBITDA margin of 16.9% compared to 16.1% last year. The improvement was driven by higher volume and improved productivity, while maintaining a strong control of fixed costs.

EBIT for the quarter was EUR 72 million, a growth of 25% compared to last year. EBIT margin ended at 11.2%, which was 1.3%-points above last year. This is in line with expectation, even if we have included around EUR 5 million in restructuring costs related to Rockfon and ROCKWOOL in Asia.

Business segments
External net sales in Insulation segment amounted to EUR 473 million a growth of 12% in local currencies excluding Flumroc. Flumroc contributed with a net sales of EUR 11 million and lifted the overall growth in Insulation segment to 15% in local currencies for the quarter. The main drivers for the strong growth during the quarter arrived from the key markets in Western Europe, from Eastern Europe as well as the U.S. market, while Asia had a slow quarter.

EBIT in the Insulation segment reached EUR 55 million equal to an EBIT margin of 10.2%, a strong performance and 2.2%-points above last year.

The System segment delivered a stronger growth during the quarter of 6% in local currencies and reached EUR 171 million in reported net sales.

EBIT in System segment reached EUR 17 million and an EBIT margin of 10.0% compared to 11.0% last year primarily due to restructuring costs in Rockfon.

Financial statements

Income statement

1 January – 31 December

		Group		Parent Company	
EURm	**Note**	**2017**	**2016**	**2017**	**2016**
Net sales	1.1	2,373.9	2,201.8	44.2	76.0
Other operating income	1.2	8.9	12.7	154.2	123.5
Operating income		**2,382.8**	**2,214.5**	**198.4**	**199.5**
Raw material costs and production material costs		816.0	736.8	30.9	56.9
Delivery costs and indirect costs		330.0	310.1	9.3	9.5
Other external costs		235.0	225.1	72.2	60.3
Personnel costs	1.3	584.8	553.3	39.1	38.8
Operating costs		**1,965.8**	**1,825.3**	**151.5**	**165.5**
EBITDA		**417.0**	**389.2**	**46.9**	**34.0**
Depreciation, amortisation and write-downs	2.4, 2.5	159.5	159.8	11.5	13.7
EBIT		**257.5**	**229.4**	**35.4**	**20.3**
Income from investments in subsidiaries	2.3	-	-	99.4	78.8
Income from investments in associated companies	2.3, 5.7	28.6	2.0	2.6	3.0
Financial income	4.1	4.0	3.6	6.7	17.2
Financial expenses	4.1	15.1	10.4	19.5	5.2
Profit before tax		**275.0**	**224.6**	**124.6**	**114.1**
Tax on profit for the year	5.2	61.5	58.2	-0.4	4.9
Profit for the year		**213.5**	**166.4**	**125.0**	**109.2**
Attributable to:					
Non-controlling interests		0.2	0.2		
Shareholders of ROCKWOOL International A/S		213.3	166.2		
		213.5	**166.4**		
Dividend per share of DKK 10				DKK 24.1	DKK 18.8
Earnings per share of DKK 10 (EUR 1.3)	4.8	9.81	7.68		
Earnings per share of DKK 10 (EUR 1.3), diluted	4.8	9.76	7.64		

Statement of comprehensive income

1 January – 31 December

		Group		Parent Company	
EURm	**Note**	**2017**	**2016**	**2017**	**2016**
Profit for the year		**213.5**	**166.4**	**125.0**	**109.2**
Items that will not be reclassified to the income statement:					
Actuarial gains and losses of pension obligations	2.6	11.7	-15.3	-	-
Tax on other comprehensive income		-0.4	1.1	-	-
Items that may be subsequently reclassified to the income statement:					
Exchange rate adjustments of foreign subsidiaries		-32.1	35.2	-1.9	4.1
Hedging instruments, value adjustments		-0.9	1.1		-
Tax on other comprehensive income		1.6	2.0	1.6	1.5
Total other comprehensive income		**-20.1**	**24.1**	**-0.3**	**5.6**
Comprehensive income for the year		**193.4**	**190.5**	**124.7**	**114.8**
Attributable to:					
Non-controlling interests		0.2	0.2		
Shareholders of ROCKWOOL International A/S		193.2	190.3		
		193.4	**190.5**		

Balance sheet – Assets

As at 31 December

		Group		Parent Company	
EURm	**Note**	**2017**	**2016**	**2017**	**2016**
Goodwill	2.1, 5.8	87.9	88.1	-	-
Software	2.1	21.1	14.4	21.0	13.9
Customer relationships	2.1	50.5	19.2	-	-
Other intangible assets	2.1	23.8	27.7	19.4	23.3
Total intangible assets		183.3	149.4	40.4	37.2
Buildings and sites	2.2	604.8	581.9	14.8	15.5
Plant and machinery	2.2	471.3	521.7	-	-
Other operating equipment	2.2	22.9	20.1	5.3	2.6
Prepayments and tangible assets under construction	2.2	55.2	32.9	-	-
Total tangible assets		1,154.2	1,156.6	20.1	18.1
Shares in subsidiaries	2.3, 5.6	-	-	1,094.9	853.7
Shares in associated companies	2.3, 5.6	5.2	50.4	-	5.1
Loans to subsidiaries	2.3, 5.6, 5.7	-	-	20.1	340.7
Long term deposits and debtors		1.6	3.0	-	-
Deferred tax assets	5.4, 5.8	39.0	49.2	-	-
Total financial assets		45.8	102.6	1,115.0	1,199.5
Non-current assets		**1,383.3**	**1,408.6**	**1,175.5**	**1,254.8**
Inventories	3.1	197.7	176.0	3.3	2.4
Work in progress		-	-	5.0	4.0
Trade receivables	3.2	257.2	238.1	-	-
Receivables from subsidiaries and associated companies	5.6, 5.7	-	1.4	297.4	122.9
Other receivables		36.4	33.3	11.7	20.2
Prepayments		17.9	17.3	7.1	6.6
Income tax receivable	5.3	9.7	4.3	4.4	1.5
Listed equity securities	4.2, 4.4	17.4	-	-	-
Cash	4.3	244.5	120.3	136.7	55.3
Current assets		**780.8**	**590.7**	**465.6**	**212.9**
Total assets		**2,164.1**	**1,999.3**	**1,641.1**	**1,467.7**

Balance sheet – Equity and liabilities

As at 31 December

		Group		Parent Company	
EURm	**Note**	**2017**	**2016**	**2017**	**2016**
Share capital	4.6, 4.7	29.5	29.5	29.5	29.5
Foreign currency translation		-135.6	-103.5	1.7	3.6
Proposed dividend		71.1	55.6	71.1	55.6
Reserve for development costs		-	-	18.0	3.6
Retained earnings		1,710.8	1,549.8	1,113.9	1,065.8
Hedging		1.4	0.7	-	-
Equity attributable to shareholders in the parent company		**1,677.2**	**1,532.1**	**1,234.2**	**1,158.1**
Non-controlling interests		7.3	3.8	-	-
Total equity		**1,684.5**	**1,535.9**	**1,234.2**	**1,158.1**
Deferred tax liabilities	5.4	50.7	44.5	3.5	12.9
Pension obligations	2.6	53.2	67.5	-	-
Provisions for other liabilities and charges	2.7	17.2	14.2	4.5	0.3
Bank loans and other loans	4.2, 4.5	0.5	1.6	-	-
Non-current liabilities		**121.6**	**127.8**	**8.0**	**13.2**
Short-term portion of bank loans and other loans	4.2, 4.5	1.1	1.5	-	-
Bank debt	4.2, 4.3	1.6	1.2	-	-
Trade payables	4.2, 4.5	171.2	162.8	10.4	10.5
Payables to subsidiaries and associated companies	4.2, 5.7	-	-	372.0	262.3
Provisions for other liabilities and charges	2.7	9.2	14.0	-	-
Income tax payable	5.3	24.3	23.7	-	-
Other payables	4.2, 4.5	150.6	132.4	16.5	23.6
Current liabilities		**358.0**	**335.6**	**398.9**	**296.4**
Total liabilities		**479.6**	**463.4**	**406.9**	**309.6**
Total equity and liabilities		**2,164.1**	**1,999.3**	**1,641.1**	**1,467.7**

Cash flow statement

Accounting policies

The cash flow statement is presented using the indirect method on the basis of EBIT. The cash flow statement shows cash flows for the year, as well as cash and cash equivalents at the beginning and at the end of the financial year.

Cash flows from operating activities are calculated as operating profit before financial items adjusted for non-cash operating items and working capital changes.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises and other asset investments. Cash flows from financing activities comprise the raising of loans, instalments on loans, payment of dividends and increases of the share capital.

Cash available includes cash less short-term bank debt.

		Group		Parent Company	
EURm	**Note**	**2017**	**2016**	**2017**	**2016**
EBIT		257.5	229.4	35.4	20.3
Adjustments for depreciation, amortisation and write-downs	2.4	159.5	159.8	11.5	13.7
Other adjustments	3.3	-3.4	-7.0	123.7	82.7
Change in net working capital	3.3	-20.1	-0.7	-65.9	42.8
Cash flow from operations before financial items and tax		**393.5**	**381.5**	**104.7**	**159.5**
Finance income etc. received		2.5	6.6	6.7	27.3
Finance costs etc. paid		-7.4	-7.1	-16.1	-15.3
Taxes paid		-56.4	-55.0	-10.0	-18.8
Cash flow from operating activities		**332.2**	**326.0**	**85.3**	**152.7**
Payments for tangible assets		-119.5	-96.0	-5.0	-2.0
Proceeds from sale of tangible assets		0.4	9.4	-	-
Proceeds from investment grants		1.8	2.6	-	-
Payments for intangible assets		-12.4	-4.2	-12.2	-3.8
Acquisition and additions of subsidiaries and associated companies	2.3, 5.1	-83.2	-0.9	-241.2	-46.7
Cash acquired in acquisition of subsidiary	5.1	47.9	-	-	-
Cash flow from investing activities		**-165.0**	**-89.1**	**-258.4**	**-52.5**
Cash flow from operating and investing activities (free cash flow)		**167.2**	**236.9**	**-173.1**	**100.2**
Dividend paid		-54.9	-33.4	-54.9	-33.4
Dividend paid to non-controlling interests		-0.3	-0.3	-	-
Payments for own shares		-1.9	-0.2	-1.9	-0.2
Proceeds from sale of own shares		8.1	9.3	8.1	9.3
Transactions with non-controlling interests		-	1.4	-	-
Proceeds from non-current debtors		1.3	0.5	303.2	133.4
Payments of non-current debt		-1.3	-1.4	-	-
Cash flow from financing activities		**-49.0**	**-24.1**	**254.5**	**109.1**
Changes in cash available		**118.2**	**212.8**	**81.4**	**209.3**
Cash available 1/1		119.1	-88.2	55.3	-155.1
Exchange rate adjustments		5.6	-5.5	-	1.1
Cash available 31/12	**4.3**	**242.9**	**119.1**	**136.7**	**55.3**
Unutilised, committed credit facilities 31/12		**429.8**	**497.7**	**429.8**	**497.7**

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

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 foreign currency translation consists of exchange rate differences that occur when translating the foreign 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.

Reserve for development costs
In compliance with the Danish Financial Statements Act from 1 January 2016 an amount equal to the years capitalised development projects is reserved in equity of the Parent Company. The reserved amount must be dissolved in line with the depreciation of the corresponding development project. The dissolved amount is moved to retained earnings.

Group
Attributable to shareholders of ROCKWOOL International A/S

EURm	Share capital	Foreign currency translation	Proposed dividend	Retained earnings	Hedging	Equity before minority interests	Non-controlling interests	Total equity
Equity 1/1 2017	**29.5**	**-103.5**	**55.6**	**1,549.8**	**0.7**	**1,532.1**	**3.8**	**1,535.9**
Profit for the year	-	-	71.1	142.2	-	213.3	0.2	213.5
Other comprehensive income	-	-32.1	-	11.3	0.7	-20.1	-	-20.1
Comprehensive income for the year	-	-32.1	71.1	153.5	0.7	193.2	0.2	193.4
Sale and purchase of own shares	-	-	-	6.2	-	6.2	-	6.2
Expensed value of options/RSUs issued	-	-	-	0.6	-	0.6	-	0.6
Transactions non-controlling interests	-	-	-	-	-	-	3.6	3.6
Dividend paid to the shareholders	-	-	-55.6	0.7	-	-54.9	-0.3	-55.2
Equity 31/12 2017	**29.5**	**-135.6**	**71.1**	**1,710.8**	**1.4**	**1,677.2**	**7.3**	**1,684.5**
Equity 1/1 2016	**29.5**	**-138.7**	**33.9**	**1,442.1**	**-2.4**	**1,364.4**	**2.6**	**1,367.0**
Profit for the year	-	-	55.6	110.6	-	166.2	0.2	166.4
Other comprehensive income	-	35.2	-	-14.2	3.1	24.1	-	24.1
Comprehensive income for the year	-	35.2	55.6	96.4	3.1	190.3	0.2	190.5
Sale and purchase of own shares	-	-	-	9.1	-	9.1	-	9.1
Expensed value of options/RSUs issued	-	-	-	1.7	-	1.7	-	1.7
Transactions non-controlling interests	-	-	-	-	-	-	1.3	1.3
Dividend paid to the shareholders	-	-	-33.9	0.5	-	-33.4	-0.3	-33.7
Equity 31/12 2016	**29.5**	**-103.5**	**55.6**	**1,549.8**	**0.7**	**1,532.1**	**3.8**	**1,535.9**

Statement of changes in equity

Comments

It is ROCKWOOL International A/S' policy to pay out a stable dividend that is at least 1/3 of the net profit after tax. In 2017 a dividend of DKK 18.80 (EUR 2.53) per share was decided.

At the Annual General Meeting on 11 April 2018, the Board of Directors will propose a dividend of DKK 24.10 (EUR 3.24) per share for the financial year 2017. Management assesses the Group's capital requirements on an ongoing basis. At the end of 2017 the equity ratio was 77.5% (2016: 76.8%).

Parent Company

EURm	Share capital	Foreign currency translation	Proposed dividend	Reserve for develop-ment costs	Retained earnings	Total equity
Equity 1/1 2017	**29.5**	**3.6**	**55.6**	**3.6**	**1,065.8**	**1,158.1**
Profit for the year	-	-	71.1	14.4	39.5	125.0
Other comprehensive income	-	-1.9	-	-	1.6	-0.3
Comprehensive income for the year	-	-1.9	71.1	14.4	41.1	124.7
Sale and purchase of own shares	-	-	-	-	6.2	6.2
Expensed value of options/RSUs issued	-	-	-	-	0.1	0.1
Dividend paid to the shareholders	-	-	-55.6	-	0.7	-54.9
Equity 31/12 2017	**29.5**	**1.7**	**71.1**	**18.0**	**1,113.9**	**1,234.2**
Equity 1/1 2016	**29.5**	**-0.5**	**33.9**	**-**	**1,003.9**	**1,066.8**
Profit for the year	-	-	55.6	3.6	50.0	109.2
Other comprehensive income	-	4.1	-	-	1.5	5.6
Comprehensive income for the year	-	4.1	55.6	3.6	51.5	114.8
Sale and purchase of own shares	-	-	-	-	9.1	9.1
Expensed value of options/RSUs issued	-	-	-	-	0.8	0.8
Dividend paid to the shareholders	-	-	-33.9	-	0.5	-33.4
Equity 31/12 2016	**29.5**	**3.6**	**55.6**	**3.6**	**1,065.8**	**1,158.1**

Notes content

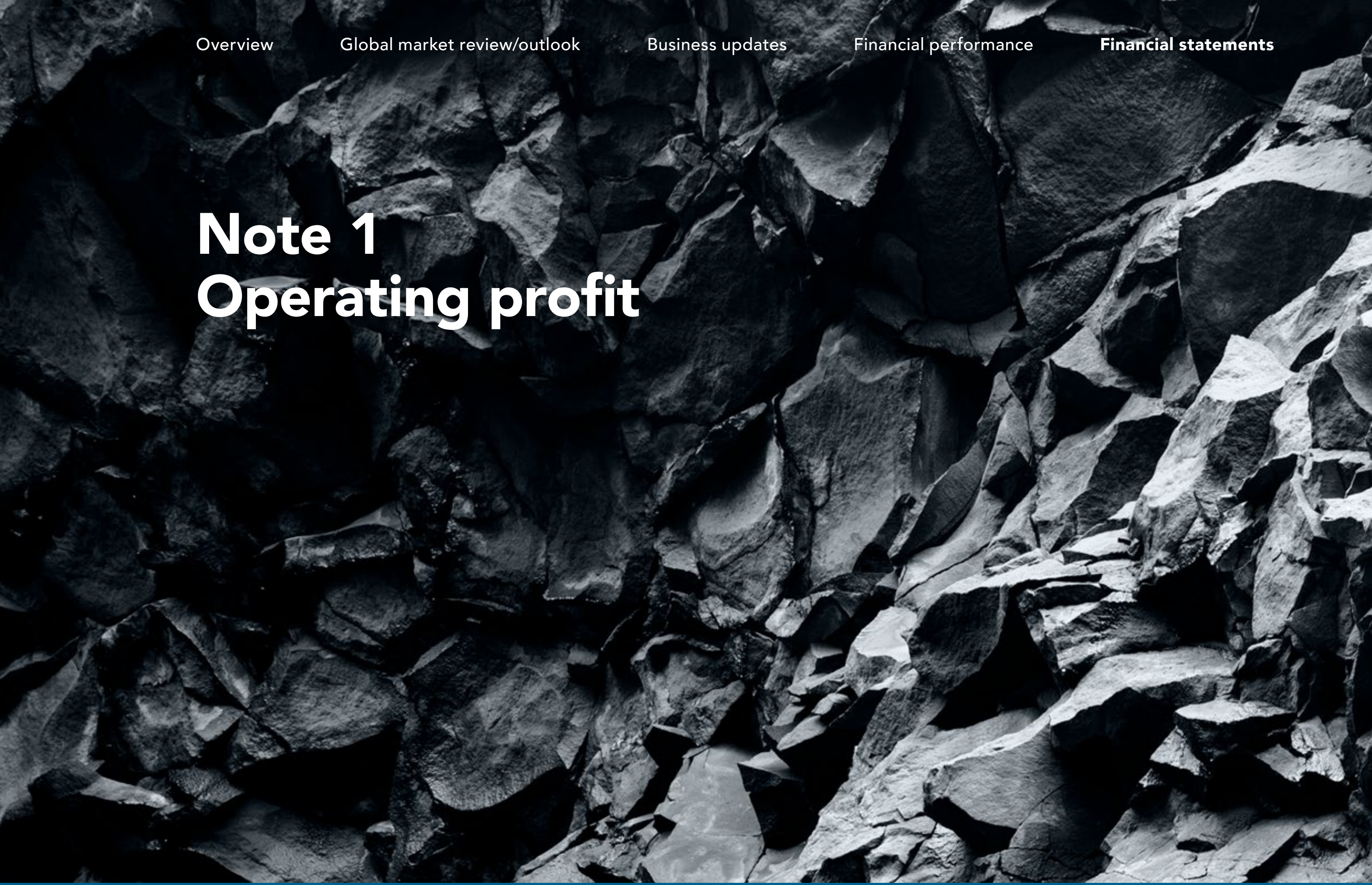
Note 1
Operating profit

Note 2
Invested capital

Note 3
Net working capital

Note 4
Capital structure and financing

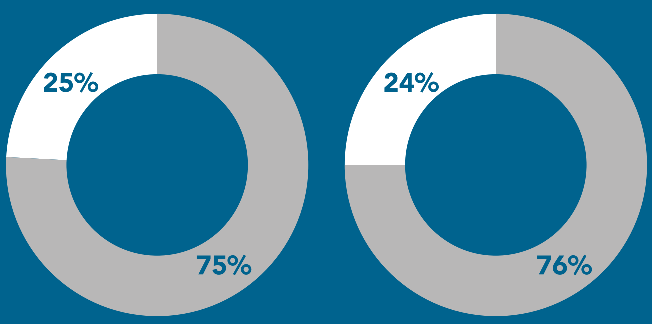
Note 5
Other



Note 1
Operating profit

Sales per business segment

2017 **2016**



Insulation Systems

Reported sales growth

+7.8%

Average number of FTEs

10,597

Notes

1.1 Segmented accounts

Accounting policies

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.

Business segments

Group	Insulation segment		Systems segment		Eliminations		ROCKWOOL Group	
EURm	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Income statement								
External net sales	1,782.2	1,633.9	591.7	567.9	-	-	2,373.9	2,201.8
Internal net sales	213.4	254.6	-	-	-213.4	-254.6	-	-
EBIT	**184.0**	**148.9**	**73.5**	**80.5**	**-**	**-**	**257.5**	**229.4**
Financial items and income from associated companies	-	-	-	-	-	-	17.5	-4.8
Tax on profit for the year	-	-	-	-	-	-	61.5	58.2
Profit for the year	-	-	-	-	-	-	**213.5**	**166.4**
EBIT margin	*9.2%*	*7.9%*	*12.4%*	*14.2%*	-	-	*10.8%*	*10.4%*
Non-current asset investments	203.4	71.5	38.1	24.7	-	-	241.5	96.2

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.

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, facade 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.

A write-down of assets in HECK Wall Systems and a reversal of the write-down in Asia from previous years is recognised in the Insulation Segment. For additional information please refer to note 2.5.

Notes

1.1 Segmented accounts (continued)

Geographical segments **Group**	**Net sales**		**Intangible and tangible assets**	
EURm	**2017**	**2016**	**2017**	**2016**
Western Europe	1,381.0	1,292.2	563.0	500.7
Eastern Europe and Russia	439.3	377.2	352.1	355.9
North America, Asia and others	553.6	532.4	422.4	449.4
Total	**2,373.9**	**2,201.8**	**1,337.5**	**1,306.0**

Comments

The net sales information above is based on the location of the customers while the information regarding the assets distribution is based on the physical placement of the assets. The domestic sale in Denmark is in the range of 3-4% of the Group’s net sales both this year and last year. The domestic intangible and tangible assets in Denmark amount to EUR 140.1 million (2016: EUR 139.5 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 no other country do the net sales exceed 10% of the Group’s total net sales. Intangible and tangible assets in the United States and Poland exceed 10% of the Group's total intangible and tangible assets.

1.2 Other operating income

	Group		**Parent Company**	
EURm	**2017**	**2016**	**2017**	**2016**
Royalties and other income	8.5	8.7	154.2	123.5
Net profit on sale of assets	0.4	4.0	-	-
Total	**8.9**	**12.7**	**154.2**	**123.5**

Notes

1.3 Personnel costs

Accounting policies

An equity-based share option programme has been established, which is offered to Management and senior managers. The share option programme is not part of the ordinary remuneration, as the Board of Directors of ROCKWOOL International A/S will, from time to time, decide whether share options are to be offered.

On issuing of share options, the value of the allotted options is estimated in compliance with the formula of Black & Scholes at the time of allotment and is expensed under staff costs over the expected life of the option. The amount charged is set off against equity.

The effect of expired options is adjusted continuously over the income statement and set off against equity, respectively.

Apart from share options ROCKWOOL issues Restricted Share Units (RSUs) which accounting-wise is treated in the same way as share options.

A part of the share options and restricted share units are given as phantom shares and are adjusted to fair value through the income statement (financial expenses).

	Group		Parent Company	
EURm	**2017**	**2016**	**2017**	**2016**
Wages and salaries	485.5	458.1	34.5	34.6
Expensed value of options/RSUs issued	1.8	2.7	0.8	0.8
Pension costs	26.8	22.4	3.5	3.3
Other social security costs	70.7	70.1	0.3	0.1
Total	**584.8**	**553.3**	**39.1**	**38.8**
Average number of employees	10,597	10,516	322	303
The above items include to Board of Directors and Group Management:				
Remuneration to Group Management	4.9	5.1	4.9	5.1
Value of options/RSUs issued or fair value adjusted to Group Management	3.8	0.8	3.8	0.8
Pension costs to Group Management	0.7	0.8	0.7	0.8
Board of Directors' remuneration	0.7	0.7	0.7	0.7
Total	**10.1**	**7.4**	**10.1**	**7.4**
Hereof remuneration to Registered Directors	2.4	1.9	2.4	1.9
Hereof value of options/RSUs issued or fair value adjusted to Registered Directors	2.7	0.4	2.7	0.4
Hereof pension costs to Registered Directors	0.5	0.6	0.5	0.6
Total to Registered Directors	**5.6**	**2.9**	**5.6**	**2.9**

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 (bonus and stock options/RSUs) is dependent on achievement of individual targets and targets for the Group's financial performance, as approved by the Remuneration committee. The variable annual bonus can give up to 40% of the base remuneration. The long-term incentive program (stock options/RSUs) is set to 20% of the base remuneration. No redundancy agreement is included in the remuneration in 2017 nor 2016.

2017

Year	Agreements	Number of stock options/RSUs	Exercise price (DKK)	Exercise period
2012	22	30,500	515	01.09.2015 - 31.08.2020
2013	21	43,200	900	23.09.2016 - 22.09.2021
2015	58	103,750	769	20.03.2018 - 19.03.2023
2016 Restricted Share Units (RSUs)	60	13,594	-	08.04.2019
2017 Restricted Share Units (RSUs)	65	12,608	-	07.04.2020
	226	**203,652**		

Of the number of shares 27,745 belong to Registered Directors and 175,907 to senior managers.

Notes

1.3 Personnel costs (continued)

2016

Year	Agreements	Number of stock options/RSUs	Exercise price (DKK)	Exercise period
2011	53	36,885	642-644-646	01.09.2014 - 31.08.2017*
2012	33	41,370	515	01.09.2015 - 31.08.2020
2013	43	78,550	900	23.09.2016 - 22.09.2021
2015	59	104,350	769	20.03.2018 - 19.03.2023
2016 Restricted Share Units (RSUs)	62	13,784	-	08.04.2019
	250	**274,939**		

* Stock options can be exercised by employees in the Group at the lower value in the beginning of the period and at the higher value at the end of the period. Of the number of shares 25,226 belong to Registered Directors and 249,713 to senior managers.

Comments

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

The RSUs represent the employees 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 gross value shall be the same as the share price at the time of vesting.

	2017		2016	
Stock options and RSUs	**Number of shares**	**Average price (EUR)**	**Number of shares**	**Average price (EUR)**
Options outstanding 1/1	274,939	102.9	379,235	93.7
Issued during the year	12,718	163.8	13,784	138.2
Exercised during the year	80,515	99.6	117,330	78.6
Cancelled during the year	3,490	98.7	750	103.3
Options/RSUs outstanding 31/12	**203,652**	**88.7**	**274,939**	**102.9**

No stock options or RSUs have expired in 2017 nor 2016.

Comments

RSUs issued during 2017, were at the time they were issued, valued at EUR 2.0 million (2016: EUR 1.9 million). The average share price of the exercised stock options in 2017 was EUR 188.0 (2016: EUR 157.0).

The market value of the stock options and RSUs has been calculated using the Black & Scholes option pricing model with assumptions as shown below, where the volatility is based on a 3-year historical average of volatility of the ROCKWOOL International A/S B-share:

	2017	2016
Expected life of the options/RSUs in years (average)	3	3
Expected volatility	28.8%	26.0%
Expected dividend per share	1.54%	1.12%
Risk-free interest rate	0.1%	-0.2%
ROCKWOOL B share price at the date of grant (EUR)	163.8	138.2

Note 2
Invested capital

Investments excl. acquisitions

130 EURm

Up EUR 41 million compared to last year

Investment in Rockfon factory in U.S.

33 EURm

in total for 2016 and 2017

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 are stated at cost. The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. Identification of cash-generating units is based on the management structure and internal financial control. 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.

Intangible assets under construction are also tested for impairment annually.

From 1 January 2016 an amount equal to the year's capitalised development costs is to be reserved in equity of the parent company. Please refer to the Statement of changes in equity on page 61-62.

Uncertainties, estimates and assumptions

The expected lifetime for intangible assets is determined based on past experience and expectations for future use of the assets. Especially the expected lifetime of customer relationships is linked to uncertainty due to the unknown retention of customers in the future. Reassessments of the expected future lifetime are also made in connection with changes in production structures. Please also refer to note 2.5 regarding impairment tests.

EURm			**Group**			**Parent Company**		
2017	**Goodwill**	**Software**	**Customer relationships**	**Other**	**Total**	**Software**	**Other**	**Total**
Cost:								
Accumulated 1/1	112.8	69.6	30.0	56.8	269.2	64.0	42.9	106.9
Exchange rate adjustments	-8.0	-	-2.1	0.2	-9.9	-0.2	0.1	-0.1
Additions for the year	-	12.2	2.7	-2.7	12.2	12.2	-	12.2
Disposals for the year	-	-2.0	-	-0.1	-2.1	-2.0	-	-2.0
Acquisition of subsidiary	13.6	0.1	35.0	-	48.7	-	-	-
Accumulated 31/12	**118.4**	**79.9**	**65.6**	**54.2**	**318.1**	**74.0**	**43.0**	**117.0**
The above costs include:								
Intangible assets under construction	-	16.5	-	-	16.5	16.5	-	16.5
Amortisation and write-downs:								
Accumulated 1/1	24.7	55.2	10.8	29.1	119.8	50.1	19.6	69.7
Exchange rate adjustments	-0.3	0.3	-0.5	-	-0.5	-0.1	0.1	-
Amortisation for the year	-	5.3	5.6	1.3	12.2	5.0	3.9	8.9
Write-down for the year	6.1	-	-	-	6.1	-	-	-
Reversal of write-downs previous years	-	-	-0.8	-	-0.8	-	-	-
Disposals for the year	-	-2.0	-	-	-2.0	-2.0	-	-2.0
Accumulated 31/12	**30.5**	**58.8**	**15.1**	**30.4**	**134.8**	**53.0**	**23.6**	**76.6**
Net book value 31/12	**87.9**	**21.1**	**50.5**	**23.8**	**183.3**	**21.0**	**19.4**	**40.4**

During the year R&D costs amounting to EUR 31.9 million (2016: EUR 32.0 million) have been expensed.

Notes

2.1 Intangible assets (continued)

EURm	Group					Parent Company		
2016	**Goodwill**	**Software**	**Customer relationships**	**Other**	**Total**	**Software**	**Other**	**Total**
Cost:								
Accumulated 1/1	110.6	71.9	29.9	56.6	269.0	66.3	43.5	109.8
Exchange rate adjustments	2.2	0.2	0.1	-0.1	2.4	0.2	0.2	0.4
Additions for the year	-	3.8	-	0.3	4.1	3.6	0.2	3.8
Disposals for the year	-	-6.3	-	-	-6.3	-6.1	-1.0	-7.1
Accumulated 31/12	**112.8**	**69.6**	**30.0**	**56.8**	**269.2**	**64.0**	**42.9**	**106.9**
The above costs include:								
Intangible assets under construction	**-**	**4.7**	**-**	**-**	**4.7**	**4.7**	**-**	**4.7**
Amortisation and write-downs:								
Accumulated 1/1	24.7	53.1	7.6	25.4	110.8	48.0	15.7	63.7
Exchange rate adjustments	-	-	-0.1	-0.2	-0.3	0.2	0.1	0.3
Amortisation for the year	-	8.3	3.3	3.9	15.5	8.0	3.8	11.8
Disposals for the year	-	-6.2	-	-	-6.2	-6.1	-	-6.1
Accumulated 31/12	**24.7**	**55.2**	**10.8**	**29.1**	**119.8**	**50.1**	**19.6**	**69.7**
Net book value 31/12	**88.1**	**14.4**	**19.2**	**27.7**	**149.4**	**13.9**	**23.3**	**37.2**

Comments

Goodwill is allocated to the Insulation segment at an amount of EUR 34.3 million (2016: EUR 27.1 million) and to the Systems segment at an amount of EUR 53.6 million (2016: EUR 61.0 million).

Goodwill has been impairment tested in 2017 and 2016 for the identified cash-generating units, which for 2017 has led to write-downs of EUR 6.1 million (2016: EUR 0.0 million), of which EUR 5.9 million relates to HECK Wall Systems in the Insulation segment.

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

Please refer to note 2.5 for further details.

The net book value of other intangible assets includes development projects amounting to EUR 3.9 million (2016: EUR 5.2 million) and brands amounting to EUR 8.3 million (2016: EUR 5.7 million).

Notes

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.

Financial leased assets are recognised in the balance sheet at market value at the date of acquisition, and are written off at depreciation rates equivalent to those for the same category of owned assets.

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
Operating equipment and fixture and fittings: 3-10 years
Technical plant and machinery: 5-15 years

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

Investment grants are recognised as income in step with the depreciation against the equivalent tangible assets. Investment grants not yet recognised as income are set off against the assets to which the grant is related.

Uncertainties, estimates and assumptions

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. Reassessments of the expected future lifetime are also made in connection with changes in production structures.

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 have been determined based on value-in-use calculations. These calculations require the use of estimates as they are based on budgets, business plans and projections for 5 years and take into account previous experience and represent Management's best estimate of future developments. Key parameters are growth in sales margin, future investments, working capital, discount rate and future growth expectations. Please refer to note 2.5.

EURm			**Group**			
2017	**Buildings and sites**	**Plant and machinery**	**Other operating equipment**	**Prepayments and tangible assets under construction**	**Investment grants**	**Total**
Cost:						
Accumulated 1/1	976.3	1,997.8	84.9	32.9	-80.3	3,011.6
Exchange rate adjustments	-21.9	-32.6	-0.6	-1.8	0.4	-56.5
Additions for the year	0.7	3.3	1.0	120.0	-1.8	123.2
Transfer of assets under construction	28.7	55.6	11.2	-95.5	-	-
Acquisition of subsidiary	43.5	13.2	0.4	0.3	-	57.4
Disposals for the year	-1.7	-13.9	-4.5	-0.7	0.1	-20.7
Accumulated 31/12	**1,025.6**	**2,023.4**	**92.4**	**55.2**	**-81.6**	**3,115.0**
Depreciation and write-downs:						
Accumulated 1/1	383.1	1,472.2	64.8	-	-65.1	1,855.0
Exchange rate adjustments	-1.7	-19.1	-0.4	-	0.1	-21.1
Depreciation for the year	28.3	110.8	9.1	-	-2.0	146.2
Reversal of write-downs previous years	-	-4.2	-	-	-	-4.2
Disposals for the year	-1.1	-10.1	-4.0	-	0.1	-15.1
Accumulated 31/12	**408.6**	**1,549.6**	**69.5**	**-**	**-66.9**	**1,960.8**
Net book value 31/12	**617.0**	**473.8**	**22.9**	**55.2**	**-14.7**	**1,154.2**
Investment grants	**-12.2**	**-2.5**	**-**	**-**	**14.7**	**-**
Net book value after investment grants 31/12	**604.8**	**471.3**	**22.9**	**55.2**	**-**	**1,154.2**

Notes

2.2 Tangible assets (continued)

EURm	**Group**					
2016	**Buildings and sites**	**Plant and machinery**	**Other operating equipment**	**Prepayments and tangible assets under construction**	**Investment grants**	**Total**
Cost:						
Accumulated 1/1	935.2	1,915.5	85.2	69.4	-80.1	2,925.2
Exchange rate adjustments	17.9	14.0	1.7	0.2	2.1	35.9
Additions for the year	1.0	3.8	1.2	88.7	-2.6	92.1
Transfer of assets under construction	32.8	85.4	6.9	-125.1	-	-
Disposals for the year	-10.6	-20.9	-10.1	-0.3	0.3	-41.6
Accumulated 31/12	**976.3**	**1,997.8**	**84.9**	**32.9**	**-80.3**	**3,011.6**
Depreciation and write-downs:						
Accumulated 1/1	360.7	1,372.1	65.0	-	-65.2	1,732.6
Exchange rate adjustments	1.7	4.0	1.2	-	1.7	8.6
Depreciation for the year	25.2	112.5	8.4	-	-1.8	144.3
Disposals for the year	-4.5	-16.4	-9.8	-	0.2	-30.5
Accumulated 31/12	**383.1**	**1,472.2**	**64.8**	**-**	**-65.1**	**1,855.0**
Net book value 31/12	**593.2**	**525.6**	**20.1**	**32.9**	**-15.2**	**1,156.6**
Investment grants	**-11.3**	**-3.9**	**-**	**-**	**15.2**	**-**
Net book value after investment grants 31/12	**581.9**	**521.7**	**20.1**	**32.9**	**-**	**1,156.6**

Comments

Of the total net book value of buildings and sites, EUR 113.6 million (2016: EUR 94.6 million) represent sites not subject to depreciation. Costs for building and machinery acquired as finance lease at EUR 4.3 million (2016: EUR 6.2 million) represent a net book value of EUR 0.0 million (2016: EUR 0.0 million).

Accumulated capitalised interests amounting to EUR 5.4 million (2016: EUR 5.8 million) are included in the cost of tangible assets. There is no additional capitalised interest this year.

For the recognised investment grants the conditions are fulfilled or are expected 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, France, the UK, Germany and the United States. 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. For a description of impairment tests on tangible assets please see note 2.5.

Contractual obligations for the purchase of tangible assets amounts to EUR 42.2 million (2016: EUR 17.3 million).

The parent company has investment obligations of EUR 13.1 million (2016: EUR 13.8 million).

Notes

2.2 Tangible assets (continued)

	Parent Company					
EURm			**2017**			**2016**
	Buildings and sites	**Other operating equipment**	**Total**	**Buildings and sites**	**Other operating equipment**	**Total**
Cost:						
Accumulated 1/1	30.0	9.1	39.1	27.9	11.9	39.8
Exchange rate adjustments	-	-0.2	-0.2	0.1	-	0.1
Additions for the year	-	5.0	5.0	2.0	-	2.0
Disposals for the year	-	-0.5	-0.5	-	-2.8	-2.8
Accumulated 31/12	**30.0**	**13.4**	**43.4**	**30.0**	**9.1**	**39.1**
Depreciation and write-downs:						
Accumulated 1/1	14.5	6.5	21.0	13.7	7.7	21.4
Exchange rate adjustments	-	0.2	0.2	0.2	-	0.2
Depreciation for the year	0.7	1.9	2.6	0.6	1.3	1.9
Disposals for the year	-	-0.5	-0.5	-	-2.5	-2.5
Accumulated 31/12	**15.2**	**8.1**	**23.3**	**14.5**	**6.5**	**21.0**
Net book value 31/12	**14.8**	**5.3**	**20.1**	**15.5**	**2.6**	**18.1**

2.3 Financial assets including associated companies

Accounting policies

The parent company's shares in subsidiaries and associated enterprises are measured at cost less write-downs as a result of permanent decreases in the earning capacity of the enterprises in question.

Investments in associates are measured in the balance sheet of the Group at equity value in accordance with the Group's accounting principles applied after proportional elimination of intra group profit and losses.

The relative share of the associated enterprises' profit after tax is recognised in the Group income statement.

Comments

Shares in associated companies consist of 20% ownership in RESO SA in France.

In 2017, the majority shareholding in Flumroc AG was purchased, why Flumroc AG is fully consolidated in the Group accounts as from 17 November 2017. The value of the original shares was remeasured at fair value based on the total consideration of Flumroc. This resulted in a fair value gain of EUR 25.2 million in the Group which has been recognised in the income statement in the line Income from investments in associated companies.

In 2016, shares in associated companies increased as ownership in Flumroc AG increased from 42.3% to 43.5% due to purchase of shares.

Notes

2.3 Financial assets (continued)

EURm	Group	Parent Company			
2017	**Shares in associated companies**	**Shares in subsidiaries**	**Loans to subsidiaries**	**Shares in associated companies**	**Total**
Cost:					
Accumulated 1/1	9.1	1,193.3	359.9	5.1	1,558.3
Exchange rate adjustments	-	-1.7	-0.5	-0.1	-2.3
Additions for the year	-	267.0	-	-	267.0
Reductions/disposals for the year	-5.0	-20.7	-303.2	-5.0	-328.9
Accumulated 31/12	**4.1**	**1,437.9**	**56.2**	**-**	**1,494.1**
Adjustments:					
Accumulated 1/1	41.3	-339.6	-19.2	-	-358.8
Exchange rate adjustments	-3.3	0.5	-	-	0.5
Profit for the year after tax	3.3	-	-	-	-
Write-down for the year	-	-6.0	-18.7	-	-24.7
Reversal write-downs previous years	-	2.1	1.8	-	3.9
Disposal for the year	-37.6	-	-	-	-
Dividend	-2.6	-	-	-	-
Accumulated 31/12	**1.1**	**-343.0**	**-36.1**	**-**	**-379.1**
Net book value 31/12	**5.2**	**1,094.9**	**20.1**	**-**	**1,115.0**
2016					
Cost:					
Accumulated 1/1	8.2	1,143.2	491.3	4.2	1,638.7
Exchange rate adjustments	-	4.3	1.9	-	6.2
Additions for the year	0.9	45.8	34.3	0.9	81.0
Reductions/disposals for the year	-	-	-167.6	-	-167.6
Accumulated 31/12	**9.1**	**1,193.3**	**359.9**	**5.1**	**1,558.3**
Adjustments:					
Accumulated 1/1	41.6	-300.9	-54.9	-	-355.8
Exchange rate adjustments	1.0	-1.2	-0.1	-	-1.3
Profit for the year after tax	1.9	-	-	-	-
Write-down for the year	-	-37.5	-	-	-37.5
Reversal write-downs previous years	-	-	35.8	-	35.8
Dividend	-3.2	-	-	-	-
Accumulated 31/12	**41.3**	**-339.6**	**-19.2**	**-**	**-358.8**
Net book value 31/12	**50.4**	**853.7**	**340.7**	**5.1**	**1,199.5**

Comments

In 'Loans to subsidiaries' an amount of EUR 9.0 million (2016: EUR 153.2 million) is recognised as an addition to the share investment. Reference is made to the list of Group companies on page 99.

In the parent company impairment tests, have been made of the value of the shares in subsidiaries and the loans to subsidiaries.

In connection with the raising of loans and credit facilities, the parent company has accepted restrictions of its rights of disposal of the shares in subsidiaries representing a book value of EUR 242.1 million (2016: EUR 238.8 million).

Notes

2.3.1 Income from investments in subsidiaries

Accounting policies

Dividends on capital investments in subsidiaries and associated enterprises are recognised as income in the parent company's income statement in the financial year in which the dividends are declared.

	Parent Company	
EURm	**2017**	**2016**
Dividends received from subsidiaries	120.2	80.5
Purchase and sale of shares in subsidiaries	-	-
Write-down of shares and loans in subsidiaries	-20.8	-1.7
Total	**99.4**	**78.8**

Comments

In the parent company an impairment test of subsidiaries has been made, which has led to a net write-down of EUR 20.8 million (2016: EUR 1.7 million).

2.4 Depreciation, amortisation and write-downs

	Group		Parent Company	
EURm	**2017**	**2016**	**2017**	**2016**
Amortisation of intangible assets	12.2	15.5	8.9	11.8
Write-down of intangible assets	6.1	-	-	-
Reversal of write-downs of intangible assets previous years	-0.8	-	-	-
Depreciation of tangible assets	146.2	144.3	2.6	1.9
Reversal of write-downs of tangible assets previous years	-4.2	-	-	-
Total	**159.5**	**159.8**	**11.5**	**13.7**

Comments

The write-down primarily relates to goodwill belonging to HECK Wall Systems, please refer to note 2.5.

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.

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

Notes

2.5 Impairment tests (continued)

Uncertainties, estimates and assumptions

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 5 years and take into account previous experience and represent Management's best estimate of future developments.

Key parameters are growth in sales, margin, future investments, working capital, discount rate and future growth expectations.

Impairment test of goodwill

EURm		**2017**		
CGUs	**Net book value, Goodwill**	**Discount rate**	**Growth rate (budget period)**	**Headroom**
Chicago Metallic Corporation	53.5	9.7%	5-9%	Large
HECK Wall Systems	5.5	8.4%	4-5%	-
CSR	7.9	11.3%	4-6%	Large
Flumroc	13.6	Flumroc AG is recently acquired		
Other	7.4	8.7-15.7%	0-4%	Large
Total	**87.9**			

EURm		**2016**		
CGUs	**Net book value, Goodwill**	**Discount rate**	**Growth rate (budget period)**	**Headroom**
Chicago Metallic Corporation	60.9	9.1%	6-10%	Large
HECK Wall Systems	11.4	8.1%	4-5%	3.4
CSR	8.3	10.5%	3-10%	Large
Other	7.5	8.1-9.7%	0-6%	Large
Total	**88.1**			

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 5-year management reviewed budgets and business plans, where the last year is used as a normalised terminal year. Net sales, raw material prices, future investments, working capital, discount rate and future growth assumptions constitute the most material parameters in the calculation.

The average growth rate in the terminal period has been set to 0.5% similar to last year. Growth in sales is estimated to be between 0-13% 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 3 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 its operating segments and is derived from its weighted average cost of capital (WACC).

2017

HECK Wall Systems is a German producer of wall systems for facade renovation acquired 1 January 2014. Due to difficult market conditions, HECK Wall Systems has not performed as expected which has resulted in a low result for the year. The impairment test based on updated market outlook has resulted in a write-down of EUR 5.9 million related to goodwill. The net present value of HECK Wall Systems amounts to EUR 32.1 million. The key assumptions used is volume growth depending on the market conditions and the conversion to stone wool.

On the other hand, the Chinese business has successfully turned around in 2017 overcoming the problems with a slowing economy and overcapacity in the market. The remaining write-down from 2015 excluding goodwill of EUR 5.0 million has been reversed. The WACC applied for this calculation in China was 11.7% were the WACC applied in 2015 was 11.3%.

Notes

2.5 Impairment tests (continued)

2016
The impairment tests for 2016 have not shown a need for write-downs nor reversals of the write-downs recognised previous years.

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.

2017
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 3-5 million higher if the discount rate was to increase 1% or the growth was 1% lower.

Furthermore, if the growth rate in the budget period was to decrease by 1.0% p.a. in the Indian business an additional write-down of EUR 2-3 million would be needed. The business is monitored closely to see if the performance is in line with the plan. Otherwise corrective actions will be made to secure improved profitability.

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

2016
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 0.5% p.a. and an increase of input costs of 1% p.a.

The impairment test of goodwill in HECK Wall Systems shows only small headroom. If the discount rate was to increase 1%, there would be a need for write-down amounting to EUR 1.7 million. Furthermore, if the growth rate was to decrease by 0.5% p.a. a write-down of EUR 1.6 million would be needed. The business is monitored closely to see if the performance is in line with the plan. Otherwise corrective actions will be made to secure improved profitability.

The performance of the factories that were written down in 2015 is following the expected development, and therefore no adjustments are made. We consider the chosen scenarios as the most realistic, why none of the impairment tests have given rise to adjustment of the value.

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.

Uncertainties, estimates and assumptions

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.

	Group	
EURm	**2017**	**2016**
Defined contribution plans		
Pension costs for the year, total	**22.1**	**19.9**
Defined benefit plans		
Pension costs	3.8	1.8
Interest costs	3.4	4.6
Interest income	-2.2	-3.2
Curtailments/settlements	-0.3	-0.7
Pension costs for the year, total	**4.7**	**2.5**

Notes

2.6 Pension obligations (continued)

Net value of pension plans

	Group				
EURm	**2017**	**2016**	**2015**	**2014**	**2013**
Present value of pension liabilities	227.5	159.7	150.5	134.0	106.5
Fair value of plan assets	-174.3	-92.2	-96.2	-93.6	-79.0
Net value of pension plans 31/12	**53.2**	**67.5**	**54.3**	**40.4**	**27.5**

Comments

An additional defined benefit plan has been added to the Group with the acquisition of Flumroc AG in Switzerland.

A number of the Group's employees and former employees participate in pension schemes. The pension schemes are primarily defined contribution plans. In Belgium, Switzerland, UK and a small number of employees in Norway and Germany defined benefit plans are used. The plans in UK, Norway 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 UK, Switzerland and Belgium have assets placed in independent pension funds. A number of plans in Germany, Poland, Italy, France and Norway are unfunded. For these plans the retirement benefit obligations amount to approximately 21% (2016: 29%) of the total gross liability.

Except for the UK and Swiss 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:

	Group	
	2017	**2016**
Increase in salaries and wages	1.4%	1.9%
Discount rate	1.6%	2.3%
Remaining life expectancy at the time of retirement (years)	25.4	29.9

Development in the present value of the defined benefit obligation

	Group	
EURm	**2017**	**2016**
Balance 1/1	159.7	150.5
Exchange rate adjustments	-8.1	-15.6
Pension costs	3.8	1.8
Interest costs	3.4	4.6
Settlements	-0.3	-0.6
Actuarial gains/losses from changes in demographic assumptions	-	-2.8
Actuarial gains/losses from changes in financial assumptions	1.1	31.0
Actuarial gains/losses from changes in experience	-6.1	-2.4
Benefits paid	-12.6	-6.7
Acquisition of subsidiary	86.5	-
Other adjustments	0.1	-0.1
Total 31/12	**227.5**	**159.7**

Notes

2.6 Pension obligations (continued)

	Group					
Assumptions	**Discount rate**		**Salary increase**		**Life expectancy**	
	-0.5%	**+0.5%**	**-1.0%**	**+1.0%**	**-1 year**	**+1 year**
EURm						
2017 - Impact on obligation	19.3	-18.1	-2.6	2.9	-5.4	6.0
2016 - Impact on obligation	14.7	-14.3	-0.7	0.8	-3.8	4.0

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:

	Group	
EURm	**2017**	**2016**
0-1 year	4.0	2.2
1-5 years	19.9	9.7
Falling due after 5 years	37.3	12.5
Total	**61.2**	**24.4**

The expected duration of the defined benefit plan obligation is 18 years (2016: 20 years) as at year end.

Development in the fair value of the plan assets:	Group	
EURm	**2017**	**2016**
Balance 1/1	92.2	96.2
Exchange rate adjustments	-7.8	-13.5
Interest income	2.2	3.2
Return on plan assets	6.6	10.4
Employer’s contribution	1.0	0.9
Benefits paid	-11.2	-5.0
Acquisition of subsidiary	91.3	-
Total 31/12	**174.3**	**92.2**

Plan assets in major categories held as a percentage of total plan assets	Group	
	2017	**2016**
Assets quoted in active markets:		
Equities in European markets	44%	47 %
Bonds in European markets	31%	50 %
Assets unquoted:		
Cash	9%	-
Other	16%	3 %

Notes

2.7 Provisions for other liabilities and charges

Accounting policies

Liabilities 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. The liability is calculated as the amount expected to be paid.

	Group		Parent Company	
EURm	**2017**	**2016**	**2017**	**2016**
Provision for employees 1/1	8.3	8.6	0.3	0.4
Exchange rate adjustments	-0.1	0.1	-	-
Additions for the year	7.2	1.0	4.2	-
Used during the year	-0.8	-1.2	-	-0.1
Reversed during the year	-	-0.2	-	-
Total 31/12	**14.6**	**8.3**	**4.5**	**0.3**
Provisions for claims and legal proceedings 1/1	4.3	4.9	-	-
Exchange rate adjustments	-	-	-	-
Additions for the year	4.1	2.9	-	-
Used during the year	-1.8	-1.6	-	-
Reversed during the year	-1.0	-1.9	-	-
Total 31/12	**5.6**	**4.3**	-	**-**
Other provisions 1/1	15.6	19.1	-	1.6
Exchange rate adjustments	-0.1	-	-	-
Additions for the year	2.4	11.0	-	-
Used during the year	-9.7	-9.8	-	-1.6
Reversed during the year	-2.0	-4.7	-	-
Total 31/12	**6.2**	**15.6**	**-**	**-**
Total provisions	**26.4**	**28.2**	**4.5**	**0.3**
Specification of provisions:				
Non-current liabilities	17.2	14.2	4.5	0.3
Current liabilities	9.2	14.0	-	-
Total provisions	**26.4**	**28.2**	**4.5**	**0.3**

Comments

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

As at 31 December 2017 other provisions include a provision of EUR 2.9 million (2016: EUR 7.3 million) for restructuring measures. This provision is expected to be utilised within 1 year.

Note 3
Net working capital

Net working capital in
% of net sales

8.0%

Stable compared to last year

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.

	Group		Parent Company	
EURm	**2017**	**2016**	**2017**	**2016**
Inventory before write-downs	207.7	184.6	3.3	2.4
Write-downs 1/1	-8.6	-9.4	-	-
Change in the year	-1.4	0.8	-	-
Write-downs 31/12	-10.0	-8.6	-	-
Inventories 31/12	**197.7**	**176.0**	**3.3**	**2.4**

Specification of inventories	Group		Parent Company	
EURm	**2017**	**2016**	**2017**	**2016**
Raw materials and consumables	92.7	82.9	3.3	2.4
Work in progress	7.8	8.2	-	-
Finished goods	97.2	84.9	-	-
Inventories 31/12	**197.7**	**176.0**	**3.3**	**2.4**

Comments

Raw materials and consumables include the net amount of the spare part inventory of EUR 25.1 million (2016: EUR 19.7 million).

The net amount consists of a cost price of EUR 70.4 million (2016: EUR 66.8 million) and a write-down of EUR 45.3 million (2016: EUR 47.1 million).

3.2 Trade receivables

Accounting policies

Receivables are measured after deduction of provision for bad debts to meet losses based on an individual assessment.

	Group	
EURm	**2017**	**2016**
Trade receivables before provision for bad debts (maximum credit risk)	271.9	252.0
Provision for bad debts 1/1	-13.9	-15.2
Exchange rate adjustments	0.2	0.1
Movements during the year	-2.4	-0.6
Realised losses during the year	1.4	1.8
Provision for bad debts 31/12	-14.7	-13.9
Trade receivables 31/12	**257.2**	**238.1**

Trade receivables (gross) can be specified as follows:	Group	
EURm	**2017**	**2016**
Not due	220.2	210.8
Overdue by:		
1-60 days	37.2	27.5
60-360 days	5.9	4.6
Older	8.6	9.1
Trade receivables before provision for bad debts	**271.9**	**252.0**

Primarily the provision for bad debts comprise trade receivables overdue more than 90 days.

Notes

3.3 Other cash flow notes

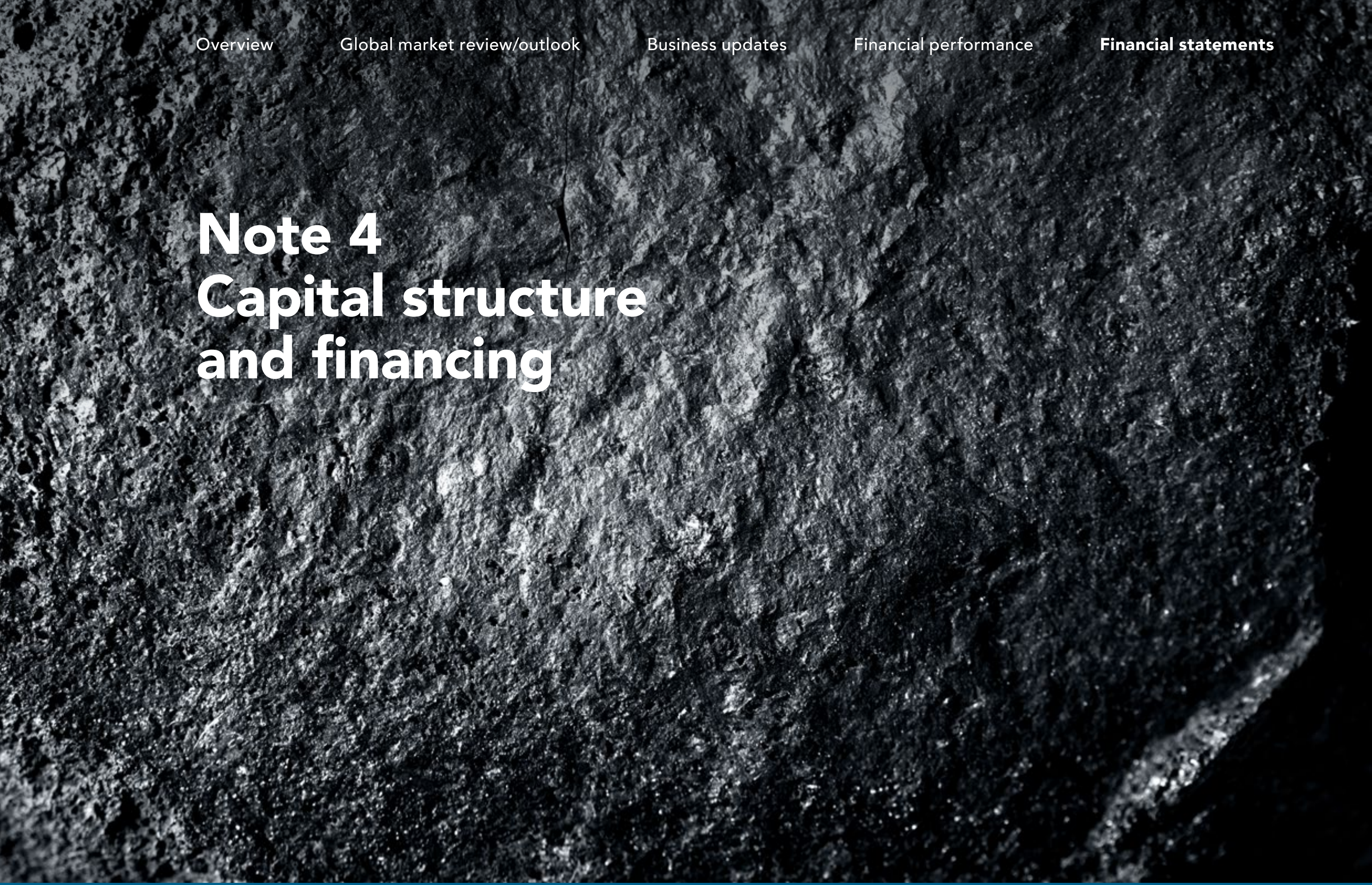
3.3.1 Adjustments of non-cash operating items – for cash flow calculation

	Group		Parent Company	
EURm	**2017**	**2016**	**2017**	**2016**
Provisions	-3.6	-4.6	0.8	-1.7
Expensed value of options issued	0.6	1.6	0.1	0.8
Gain/loss on sale of intangible and tangible assets	-0.4	-4.0	-	-
Income from subsidiaries and associated companies	-	-	122.8	83.6
Total adjustments	**-3.4**	**-7.0**	**123.7**	**82.7**

3.3.2 Adjustments of changes in net working capital – for cash flow calculation

	Group		Parent Company	
EURm	**2017**	**2016**	**2017**	**2016**
Change in inventories	-23.1	-3.7	-1.9	-2.1
Change in trade receivables	-16.0	-10.6	-	-
Change in other receivables	-0.5	3.5	-166.6	83.9
Change in trade payables	11.2	20.4	0.1	-3.8
Change in other debt	8.3	-10.3	102.5	-35.2
Change in net working capital	**-20.1**	**-0.7**	**-65.9**	**42.8**

Note 4
Capital structure and financing



Equity ratio

77.5%

Up 1.0pp compared to last year

Cash available

243 EURm

Up from EUR 119 million last year

Earnings per share

9.8 EUR

Up 2.1 EUR from last year

Notes

4.1 Financial income and expenses

Accounting policies

Financial income includes interest, financial expenditure on finance lease, fair value adjustments and realised and unrealised foreign exchange net gains.

Financial expenses include interest, financial expenditure on finance lease, fair value adjustments and realised and unrealised foreign exchange net losses.

	Group		Parent Company	
EURm	**2017**	**2016**	**2017**	**2016**
Interest income	3.0	1.7	1.1	1.2
Interest income from subsidiaries	-	-	3.9	8.3
Foreign exchange gains	1.0	1.9	1.7	7.7
Total	**4.0**	**3.6**	**6.7**	**17.2**
Hereof: Financial income on financial assets at amortised cost	2.4	1.4	2.1	2.7

	Group		Parent Company	
EURm	**2017**	**2016**	**2017**	**2016**
Interest expenses etc.	5.7	5.4	5.8	3.4
Interest expenses to subsidiaries	-	-	3.4	0.9
Fair value adjustment phantom shares	3.6	-	3.4	-
Foreign exchange losses	5.8	5.0	6.9	0.9
Total	**15.1**	**10.4**	**19.5**	**5.2**
Hereof: Financial expenses on financial liabilities at amortised cost	3.8	3.6	4.2	3.4

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 debt.

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. 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)

	Group		Parent Company	
EURm	**2017**	**2016**	**2017**	**2016**
Financial instruments for hedging of future cash flows	0.1	0.6	-	-
Fair value hedges	0.2	1.7	0.4	1.7
Listed equity securities	17.4	-	-	-
Financial assets at fair value	**17.7**	**2.3**	**0.4**	**1.7**
Trade receivables	257.2	238.1	-	-
Other receivables and receivables from subsidiaries and associated companies	36.4	34.7	329.2	483.8
Cash	244.5	120.3	136.7	55.3
Receivables at amortised costs	**538.1**	**393.1**	**465.9**	**539.1**
Financial instruments for hedging of future cash flows	0.5	0.2	-	-
Financial liabilities at fair value	**0.5**	**0.2**	**-**	**-**
Bank loans incl. short term	1.6	3.1	-	-
Bank debt	1.6	1.2	-	-
Trade payables	171.2	162.8	10.4	10.5
Other payables and payables to subsidiaries	150.6	132.4	388.5	285.9
Financial liabilities at amortised costs	**325.0**	**299.5**	**398.9**	**296.4**

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

Other receivables and receivables from subsidiaries and associated companies fall due as follows:

	Group		Parent Company	
EURm	**2017**	**2016**	**2017**	**2016**
< 1 year	36.4	34.7	309.1	143.1
1-3 years	-	-	20.1	31.9
4-5 years	-	-	-	10.1
> 5 years	-	-	-	298.7
Total	**36.4**	**34.7**	**329.2**	**483.8**

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. The parent company continuously monitors the Group's financial risks in accordance with a framework determined by Group Management.

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 net sales and expenditures will be subject to exchange-rate fluctuations on translation into Euro; however, the risk is assessed to be limited.

Notes

4.2 Financial risks and instruments (continued)

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, debtors, creditors, non-current and current liabilities and financial investments without taking hedging into consideration. The result of the sensitivity analysis cannot be directly transferred to the fluctuations on translating the financial result and equity of subsidiaries into EUR.

The Group's result is mostly exposed to USD and CAD. A movement of +/- 5%, other things equal, in USD would change the result of around EUR +/- 9-13 million (2016: EUR +/- 4-6 million) and a +/- 10% movement, other things equal, in CAD would give a change in the result of around EUR +/- 4-6 million (2016: EUR +/- 3-5 million).

The Group's equity is most exposed to USD. A +/- 10% movement, other things equal, would result in a change in the equity of around EUR +/- 18-26 million (2016: EUR +/- 4-6 million). A +/- 10% movement in RUB, other things equal, would result in a change in the equity of around EUR +/- 2-3 million (2016: EUR +/- 13-19 million), while a +/- 10% movement in CAD, other things equal, would result in a change in the equity of around EUR +/- 4-6 million (2016: EUR +/- 6-9 million).

The impact on the net sales of the difference between average rate and year-end rate amounts to EUR -25.0 million (2016: EUR 36.3 million) for the 4 largest currencies (USD, RUB, CAD and PLN), which is a change of -1.1% (2016: 1.6%).

Parent company
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 the local currency.

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

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

Interest-rate risk
The Group's interest-rate risk primarily comprises interest-bearing debt since the Group does not currently have significant interest-bearing assets of longer duration, however currently the Group does not have any significant interest-bearing debt or assets. The Group's policy is that necessary financing of investments should primarily be affected by raising 5 to 7 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. As a consequence, changes in interest rates will not have a significant effect on the result of the Group.

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.

Parent company
In order to ensure financial reserves of an acceptable size, investment loans can be raised on a continuous basis to partly cover new investments and to refinance existing loans. The parent company has guaranteed for some credit facilities and loans. Please refer to note 2.3 for further specification of the loans.

The parent company has issued ownership clauses and/or deed of postponements in connection with intercompany loans. Please refer to note 5.6.

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

Credit risk
As a consequence of 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 debtors.

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. In order to minimise the credit risk on placement of funds and on entering into agreements on derived financial instruments, only major sound financial institutions are used.

No customer exceeds 10% 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. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own non-performance risk.

Notes

4.3 Cash available

	Group		Parent Company	
EURm	**2017**	**2016**	**2017**	**2016**
Cash	244.5	120.3	136.7	55.3
Bank debts	1.6	1.2	-	-
Cash available 31/12	**242.9**	**119.1**	**136.7**	**55.3**

4.4 Listed equity securities

Accounting policies

The Group's listed equity securities is measured at fair value and comprises securities in large Swiss listed companies. The fair value is determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy). Fair value adjustments are included in the income statement under financial items.

Comments

The listed equity securities are taken over as part of the acquisition of Flumroc AG and is expected to be sold within one year.

4.5 Bank loans and other financial liabilities

Accounting policies

Interest-bearing debt is valued at amortised cost measured on the basis of the effective interest rate at the time of borrowing. The proceeds from the loans are compiled less transaction costs.

	Group		Parent Company	
EURm	**2017**	**2016**	**2017**	**2016**
Redemption				
Redemption within 1 year	**324.5**	**297.9**	**398.9**	**296.4**
Redemption between 1 and 3 years	0.1	1.2	-	-
Redemption between 3 and 5 years	0.3	0.3	-	-
Falling due after 5 years	0.1	0.1	-	-
Total non-current	**0.5**	**1.6**	**-**	**-**
Interest reassessment time				
Reassessed less than 12 months	-	1.0	-	-
Reassessed after more than 12 months or fixed interests	0.5	0.6	-	-
Total	**0.5**	**1.6**	**-**	**-**
Yield				
Non-interest bearing	0.5	0.6	-	-
Below 4%	-	1.0	-	-
Total	**0.5**	**1.6**	**-**	**-**

None of the debt in 2017 nor 2016 comprises capitalised finance lease commitments.

Notes

4.6 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 company's equity-based stock option programme.

	Group					
EUR	**2017**			**2016**		
	Number of shares	**Average purchase/ sales price**	**% of share capital**	**Number of shares**	**Average purchase/ sales price**	**% of share capital**
Own shares 1/1	275,855		1.3	391,835		1.7
Purchase	11,500	159.8	0.1	1,200	138.8	0.0
Adjustment	-	-	-	150	56.5	0.0
Sale	80,515	99.6	0.4	117,330	78.6	0.4
Own shares 31/12	**206,840**		**1.0**	**275,855**		**1.3**

Own shares are acquired and sold in connection with hedging of the Group's stock option programme etc. Own shares are purchased based on authorisation from the General Assembly.

4.7 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 18 years.

	Parent Company	
EURm	**2017**	**2016**
A shares - 11,231,627 shares of DKK 10 each (EUR 1.3)	15.0	15.0
B shares - 10,743,296 shares of DKK 10 each (EUR 1.3)	14.5	14.5
Total	**29.5**	**29.5**

4.8 Earnings per share

	Group	
EURm	**2017**	**2016**
Profit for the year excluding minority interests	213.3	166.2
Average number of shares ('000)	21,975	21,975
Average number of own shares ('000)	241	334
Average number of shares outstanding ('000)	**21,734**	**21,641**
Dilution effect of share options ('000)	102	114
Diluted average number of outstanding shares ('000)	**21,836**	**21,755**
Earnings per share	9.81	7.68
Earnings per share, diluted	9.76	7.64

Note 5
Other

Annual net sales in Flumroc approx.

70 EURm

Group tax percentage in 2017

22%

Notes

5.1 Acquisition of subsidiary

Flumroc AG

On 17 November 2017 the acquisition of the majority shareholding in Flumroc AG was closed, increasing the ownership to 97.6% from 43.5%. The remaining 2.4% was acquired in January 2018.

Flumroc is a local Swiss insulation business represented in all regions of the country. The acquisition builds on the productive and successful relationship that has existed between the two companies since ROCKWOOL acquired a minority stake in Flumroc's shares in 1969 as part of a technology licensing agreement. Since then, ROCKWOOL has obtained 43.5 percent of Flumroc's shares.

The total consideration paid was EUR 83.2 million and is recognised in the cash flow statement as investing activities. As a consequence of the full consolidation of the subsidiary Flumroc AG, the cash position was increased by EUR 47.9 million. Transaction costs amounts to EUR 0.1 million and have been recognised as an expense.

Net assets at fair value amount to EUR 140.2 million. The assessment of the fair value of sites and buildings is based on a calculation method also used by external appraisers. The fair value of plant and machinery is based on an internal valuation. The fair value of customer relationships and trademark is based on an earnings model with estimates for future cash flows, customer attrition rates, royalty payment, etc. The fair value for patents are based on a cost approach and CO_2 quotes are valued at current value.

After recognition of identifiable assets and liabilities at fair value, goodwill was recognised with a fair value of EUR 13.6 million. Goodwill represents the value of employees and knowhow and expected synergies from the merger with ROCKWOOL International A/S. The goodwill recognised is not tax deductible. The fair value of the trade receivables amounts to EUR 0.8 million where only a limited provision for bad debt has been included. None of the trade receivables have been impaired and it is expected that the full contractual amounts will be settled.

Flumroc AG

EURm	**17 November 2017 Provisional fair value**
Intangible assets	35.1
Tangible assets	57.4
Deferred taxes	-16.4
Inventories	3.5
Receivables	7.9
Other current assets	65.8
Non-current liabilities	3.9
Current liabilities	-17.0
Net assets	140.2
Goodwill	13.6
Total value of the company	153.8
Ownership prior to acquisition	-66,9
Non-controlling interests	-3.7
Total consideration	83.2

For the non-controlling interests the Group has recognised the value at its proportional share of the acquired net identifiable assets.

A gain of EUR 25.2 million has been recognised in the income from investments in associated companies in the income statement as a fair value gain on the shares owned prior to the acquisition.

From the date of acquisition, Flumroc has contributed with EUR 11.1 million of net sales and EUR 0.2 million to the profit after tax of the Group. Had Flumroc been fully owned during 2017 contribution to the net sales would have been approx. EUR 70 million, and profit after tax would have increased approx. EUR 2 million.

There were no acquisitions in the year ending 31 December 2016.

5.2 Tax on profit for the year

Tax policy

We acknowledge that tax practice is an important part of society and equally an important part of responsible corporate citizenship. 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 general Code of Conduct by making sure that our primary focus is the ordinary operation of the Group. We do not adopt tax positions which are not 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.

There are many transactions between 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.

Notes

5.2 Tax on profit for the year (continued)

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 as well as changes to deferred tax, is recognised in the income statement.

In the course of 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.

Tax on changes in other comprehensive income is recognised directly under other comprehensive income.

	Group		Parent Company	
EURm	**2017**	**2016**	**2017**	**2016**
Current tax for the year	57.3	55.7	8.1	8.2
Change in deferred tax	1.0	-5.3	-8.3	-1.8
Adjustment to valuation of tax assets	3.2	5.4	-	-
Withholding taxes	0.4	2.0	0.5	-0.8
Adjustment in current and deferred tax in previous years	-0.4	0.4	-0.7	-0.7
Total	**61.5**	**58.2**	**-0.4**	**4.9**

Reconciliation of effective tax rate	Group	
	2017	**2016**
Danish tax rate	22.0%	22.0%
Deviation in non-Danish subsidiaries' tax compared to Danish tax percentage	2.9%	3.8%
Fair value gain on own holding of Flumroc shares	-2.0%	-
Withholding tax adjustment	0.2%	0.9%
Permanent differences	-0.2%	-0.1%
Effect on change in income tax rates	-0.9%	0.2%
Adjustment to valuation of tax assets	1.2%	2.4%
Initial recognition of tax grant	-	-2.7%
Other deviations	-0.8%	-0.6%
Effective tax rate	**22.4%**	**25.9%**

5.3 Income tax receivable and payable

	Group		Parent Company	
EURm	**2017**	**2016**	**2017**	**2016**
Balance 1/1	19.4	3.7	-1.5	8.3
Exchange rate adjustments	-0.3	0.2	0.1	-
Acquisition of subsidiary	1.9	-	-	-
Current tax for the year	57.3	55.7	8.1	8.1
Payments during the year	-56.8	-53.0	-9.8	-18.8
Adjustment in respect of prior years	-0.2	12.1	-0.9	1.3
Current tax for the year recognised in other comprehensive income	-6.7	0.7	-0.4	-0.4
Total 31/12	**14.6**	**19.4**	**-4.4**	**-1.5**
Income tax is recognised as follows:				
Income tax receivable	9.7	4.3	4.4	1.5
Income tax payable	24.3	23.7	-	-
Total 31/12	**14.6**	**19.4**	**-4.4**	**-1.5**

Notes

5.4 Deferred taxes

Accounting policies

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.

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.

Uncertainties, estimates and assumptions

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.

Specific on losses carried forward the expectations are viewed for the coming 3-5 years.

	Group		Parent Company	
EURm	**2017**	**2016**	**2017**	**2016**
Deferred taxes, net 1/1	-4.7	5.5	12.9	17.7
Exchange rate adjustments	-2.2	2.3	-0.1	0.1
Acquisition of subsidiary	16.4	-	-	-
Change in deferred tax recognised in profit and loss	4.0	-8.8	-8.1	-3.8
Deferred tax for the year recognised in other comprehensive income for the year	-1.8	-3.7	-1.2	-1.1
Deferred tax, net 31/12	**11.7**	**-4.7**	**3.5**	**12.9**
Deferred tax is recognised in the balance sheet as follows:				
Deferred tax assets	39.0	49.2	-	-
Deferred tax liabilities	50.7	44.5	3.5	12.9
Deferred tax, net 31/12	**11.7**	**-4.7**	**3.5**	**12.9**
Deferred tax relates to:				
Non-current assets	39.9	19.7	2.8	3.7
Current assets	-6.2	-6.6	-	1.0
Non-current liabilities	-19.7	-20.2	-3.6	-1.7
Current liabilities	-3.5	-4.3	-	-
Tax loss carried forward	-3.1	-3.2	-	-
Re-taxable amounts	4.3	9.9	4.3	9.9
Deferred tax, net 31/12	**11.7**	**-4.7**	**3.5**	**12.9**

The tax assets expire as follows:

	Group			
EURm	**2017**		**2016**	
	Recognised assets	**Unrecognised assets**	**Recognised assets**	**Unrecognised assets**
Within 1 year of balance sheet date	-	2.1	-	1.7
Within 1-5 years of balance sheet date	1.9	8.1	1.3	14.0
After 5 years of balance sheet date	0.6	5.3	0.7	7.0
Do not expire	36.5	15.5	47.2	23.3
Total	**39.0**	**31.0**	**49.2**	**46.0**

Notes

5.4 Deferred taxes (continued)

Comments

Tax assets not recognised amount to EUR 31.0 million (2016: EUR 46.0 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 3.1 million (2016: EUR 3.2 million) relate to tax loss carry forwards. 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.

5.5 Auditors fee

Fees to auditors elected at the Annual General Meeting consist of:

	Group		Parent Company	
EURm	**2017**	**2016**	**2017**	**2016**
Statutory audit	1.1	1.1	0.2	0.2
Other opinions	0.1	0.1	-	-
Tax consultancy	0.2	0.2	0.1	-
Other services	0.3	0.8	0.3	0.5
Total	**1.7**	**2.2**	**0.6**	**0.7**

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 EUR 0.4 million. Services in addition to the statutory audit of the financial statements comprise tax services relating to transfer pricing, advisory services related to shared service center, as well as other general accounting consultancy services.

5.6 Commitments and contingent liabilities

Accounting policies

Lease commitments concerning finance lease are assessed at the current value of the remaining lease instalments, including any possible guaranteed residual value based on the internal interest rate of each lease agreement.

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.

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

	Group		Parent Company	
EURm	**2017**	**2016**	**2017**	**2016**
Within 1 year	16.5	18.0	0.3	0.3
Between 1 and 5 years	19.8	18.6	0.3	0.1
After 5 years	3.9	0.7	-	-
Total	**40.2**	**37.3**	**0.6**	**0.4**

Comments

For the Group, commitments comprise EUR 0.0 million (2016: EUR 0.5 million). Contingent liabilities amount to EUR 6.3 million (2016: EUR 4.4 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 2017 (as well as at 31 December 2016). The parent company has no contingent liabilities this year nor last year.

Notes

5.6 Commitments and contingent liabilities (continued)

Comments (continued)

Lease costs for the Group amounting to EUR 20.0 million (2016: EUR 20.9 million) are included in the income statement. The lease costs for the parent company amount to EUR 0.4 million (2016: EUR 0.3 million).

For certain loans and receivables provided by the parent company amounting to EUR 141.8 million (2016: EUR 290.9 million) deeds of postponement have been given. In connection with the raising of loans and credit facilities, the parent company has accepted restrictions of its rights of disposal of the shares in subsidiaries representing a book value of EUR 242.1 million (2016: EUR 238.8 million).

5.7 Related parties

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

	2017		2016	
	Share capital	**Votes**	**Share capital**	**Votes**
ROCKWOOL Foundation, DK-1360 Copenhagen K	23%	28%	23%	28%
15. Juni Fonden, DK-2970 Hoersholm	6%	10%	6%	10%
Gustav Kähler, DK-2930 Klampenborg	6%	9%	6%	9%
Dorrit Eegholm Kähler, DK-2830 Virum	4%	6%	4%	6%
Tom Kähler, DK-3540 Lynge	3%	5%	3%	5%

The income statement and balance sheet include the following transactions with other companies in the Group:

	Group		Parent Company	
EURm	**2017**	**2016**	**2017**	**2016**
Transactions with subsidiaries:				
Income from the engineering business			13.4	11.8
Royalty and services			102.3	81.8
Dividend from subsidiaries			120.2	80.5
Interest from subsidiaries			3.9	8.3
Interest to subsidiaries			3.4	0.9
Taxes received (+) / paid (-)			-1.1	-5.1
Loans to subsidiaries			20.1	340.7
Receivables from subsidiaries			297.4	121.6
Payables to subsidiaries			372.0	262.3
Transactions with associated companies:				
Dividend from associated companies	2.6	3.2	2.6	3.0
Receivable from associated companies	-	1.4	-	1.3

Comments

The Group's related parties comprise the Company's shareholder the ROCKWOOL Foundation, the Company's Board of Directors and Management and associated companies. Apart from dividends 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 1.3.

Parent company:
The parent company's related parties also include the subsidiaries and associated companies listed as Group companies on page 99.

Transactions with these companies include consultancy work – including support on establishing and expanding production capacity, use of know-how and brands, use of central IT and procurement resources, etc. – and financing.

As a management company, the parent company is jointly taxed with other Danish Group entities and is jointly and severally liable for payment of corporate income taxes as well as for payments of withholding taxes on dividend, interests, royalties, etc.

Notes

5.8 New 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 fiscal year for the Group is 1 January – 31 December 2017.

The accounting policies are unchanged compared to last year.

New and changed standards and interpretations
The following EU adopted standards and interpretations with relevance for the Group were implemented with effect from 1 January 2017:

- Amendments to IAS 7: Statement of cash flows on disclosure initiative
- Amendments to IAS 12: Income taxes on Recognition of deferred tax assets for unrealised losses

The changed standards and interpretations have not impacted the recognition and measurement and have only led to additional information.

New and changed standards and interpretations not yet entered into force
EU adopted standards and amendments issued by IASB with effective date after 31 December 2017 and therefore not implemented, comprise:

- IFRS 9: Financial instruments (effective date 1 January 2018)
- IFRS 15: Revenue from contracts with customers (effective date 1 January 2018) – including amendments.
- IFRS 16: Leases (effective date 1 January 2019)

It is assessed that only IFRS 9, IFRS 15 and IFRS 16 might have an impact on the recognition and measurements of the Group accounts. The Group has finalised an analysis of the estimated effect of IFRS 9 and IFRS 15, while only a high-level analysis is made for the effect of IFRS 16.

IFRS 9 "Financial instruments"
The standard introduces several changes to IAS 39 – including a new impairment framework, new rules for hedge accounting and new requirements and guidance on classifications and measurement of financial assets and liabilities. The Group has prepared an analysis of the impact from the new standard based on the current financial structure and risk profile. Based on this analysis it is assessed that the standard will have limited effect on the Group accounts.

IFRS 15 "Revenue from contracts with customers"
The standard introduces a new framework for revenue recognition and measurement. The Group has prepared an analysis of the impact from the new standard on the revenue from customers. Based on the current types of contracts and products it is estimated that the standard will have no significant impact on the recognition of net sales. Areas like "multi elements agreements" and "variable and contingent fees" are assessed to have no significant impact while the expected future use of extended warranties to customers might have a smaller impact.

In some countries and markets, it is customary to give extended warranties for products and product systems. It has been assessed that 1-1.5% of the Group's net sales is subject to such warranties. The historic risk on warranties has proven to be limited, however, with an expected future increase in the use hereof, a minor provision will be considered going forward.

IFRS 16 "Leasing"
IASB has issued IFRS 16 “Leasing”, with effective date 1 January 2019. Per the new standard all leases must be recognised in the balance sheet with a corresponding lease liability, except for short-term assets and minor assets. Leased assets are amortised over the lease term, and payments are allocated between instalments on the lease obligation and interest expense, classified as financial items.

ROCKWOOL has preliminarily assessed the impact of IFRS 16 on the balance sheet. Recognition of leases will affect a number of financial ratios such as EBITDA margin, return on equity and solvency ratio. The change will have a minor impact on EBIT margin as IFRS 16 requires the lease payments to be split between a depreciation charge included in operating costs and an interest expense on lease liabilities included in finance costs.

Furthermore, IASB has issued "Annual improvements to IFRSs (2014-2016)" with effective date 1 January 2017, Amendments to IFRS 2 "Share based payments" with effective date from 1 January 2018 and Amendments to IFRS 9 "Financial instruments", Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" and IFRIC 23 "Uncertainty over Income Tax Treatments" with effective date from 1 January 2019. They currently await EU endorsement. The changes are minor and are not expected to have a significant impact on the consolidated financial statement.

Group Accounts
The consolidated financial statements comprise ROCKWOOL International A/S and the enterprises in which this 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. The functional currency for the

Notes

5.8 New standards and general accounting policies (continued)

parent company is DKK. 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 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.

Net sales

Net sales are recognised in the income statement provided that delivery and risk transition has taken place before year-end. Net sales are calculated excluding VAT, duties and sales discounts. Royalty and licence fees are recognised when earned according to the terms of the agreements.

Significant accounting estimates and judgements

IFRS requires the use of certain key accounting estimates when preparing the consolidated financial statements. When determining the carrying amount of some assets and liabilities it requires Management to make judgments, estimates and assumptions about future events.

Assumptions and estimates 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 estimates and judgments under the following items as significant to these consolidated financial statements:

- Impairment testing (note 2.5)
- Expected lifetime for assets (note 2.1 and 2.2)
- Deferred tax assets (note 5.4)
- Pension obligations (note 2.6)
- Acquisitions of subsidiaries (note 5.1).

Notes

5.9 Group companies

	Country	% Shares owned
Parent company		
ROCKWOOL International A/S		
Subsidiaries		
Insulation		
ROCKWOOL Handelsgesellschaft m.b.H.	Austria	100
ROCKWOOL B.V.B.A.	Belgium	100
Etablissements Charles Wille et cie SA	Belgium	100
ROCKWOOL Bulgaria Ltd.	Bulgaria	100
ROXUL Inc.	Canada	100
ROCKWOOL Building Materials (Tianjin) Co. Ltd.	China	100
ROCKWOOL Firesafe Insulation (Guangzhou) Co. Ltd.	China	94.84
ROCKWOOL Firesafe Insulation (Shanghai) Co. Ltd.	China	100
ROCKWOOL Adriatic d.o.o.	Croatia	100
ROCKWOOL a.s.	Czech Republic	100
ROCKWOOL A/S	Denmark	100
ROXUL ROCKWOOL Technical Insulation Middle East FZE	UAE	100
ROCKWOOL EE OÜ	Estonia	100
ROCKWOOL Finland OY	Finland	100
Flumisol Sárl	France	97.6
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
ROCKWOOL Korea Co. Ltd.	Korea	100
SIA ROCKWOOL	Latvia	100
ROCKWOOL UAB	Lithuania	100
ROCKWOOL Malaysia Sdn. Bhd.	Malaysia	94.84
ROCKWOOL Insulation Sdn. Bhd.	Malaysia	100
Breda Confectie B.V.	the Netherlands	100
ROCKWOOL B.V.	the Netherlands	100
A/S ROCKWOOL	Norway	100
ROCKWOOL Polska Sp. z o.o.	Poland	100

Notes

5.9 Group companies (continued)

	Country	% Shares owned
Subsidiaries		
Insulation		
FAST Sp. z o.o.	Poland	100
ROCKWOOL Romania s.r.l.	Romania	100
LCC 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.	Spain	100
ROCKWOOL AB	Sweden	100
Flumroc AG	Switzerland	97.6
PAMAG Engineering AG	Switzerland	97.6
ROCKWOOL GmbH	Switzerland	100
ROCKWOOL Limited	Thailand	94.84
ROCKWOOL Insaat ve Yelitim Sistemleri San. Ve Tic. Ltd. Sti.	Turkey	100
LLC ROCKWOOL Ukraine	Ukraine	100
ROXUL USA Inc.	USA	100
Systems		
Chicago Metallic (Shenzhen) Co., Ltd.	China	100
Chicago Metallic Continental (Deutschland) GmbH	Germany	100
ROCKWOOL Rockfon GmbH	Germany	100
Chicago Metallic (Asia Pacific) Ltd.	Hong Kong	100
Chicago Metallic (Malaysia) Sdn. Bhd.	Malaysia	100
Consmat Metallic Pte. Ltd.	Singapore	100
Grodan MED S.A.	Spain	100
Other subsidiaries		
ROCKWOOL Beteiligungs GmbH	Germany	100
ROCKWOOL Verwaltungs GmbH	Germany	100
ROCKWOOL Trading Sdn. Bhd.	Malaysia	100
CMC Productos Perlitas s de rl de cv	Mexico	100
Servicios Pearl de Mexico s de rl de cv	Mexico	100
ROCKWOOL Benelux Holding B.V.	the Netherlands	100
ROCKWOOL Global Business Service Center Sp. Z.o.o.	Poland	100
BuildDesk Polska Sp. z o.o.	Poland	100
Meilco Holding AG	Switzerland	100
Associated companies		
Betterhome ApS	Denmark	25
RESO SA	France	20

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)
Receivables and other current operating assets less trade and other payables and other current operational liabilities adjusted for investment creditors

Invested capital
NWC + non-current assets less tax - non-interest-bearing 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)
$$\frac{\text{Profit for the year after non-controlling interests}}{\text{Average number of outstanding shares}}$$

Diluted earnings per share of DKK 10 (EUR 1.3)
$$\frac{\text{Profit for the year after non-controlling interests}}{\text{Diluted average number of outstanding shares}}$$

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

Return on invested capital (ROIC)
$$\frac{\text{EBIT}}{\text{Average invested capital including goodwill}} \times 100\%$$

Return on equity (%)
$$\frac{\text{Profit for the year after non-controlling interests}}{\text{Average equity excluding non-controlling interests}} \times 100\%$$

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

Pay-out ratio (%)
$$\frac{\text{Proposed dividend for the year}}{\text{Profit for the year after non-controlling interests}} \times 100\%$$

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

RATIOS
The ratios have been calculated in accordance with "Anbefalinger & Nøgletal 2015" (Recommendations & Ratios 2015) issued by the Danish Society of Financial Analysts. The ratios mentioned in the five-year summary are calculated as described in the notes.

EXCHANGE RATE

Average DKK/EUR	
2017	7.44
2016	7.45
2015	7.46
2014	7.46
2013	7.46

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 that ended 31 December 2017.

The Annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements 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 2017 and of the results of the Group's and the parent company's operations and cash flows for the financial year 2017.

In our opinion the Management's review includes a true and fair presentation about the development in the parent company's and the Group's operations and financial matters, the results for the year and the Group's and the parent company's financial position and the position as a whole for the entities included in the consolidated financial statements, as well as a description of the more significant risks and uncertainties faced by the Group and the parent company.

We recommend that the Annual report be approved at the Annual General Meeting.

Hedehusene, 8 February 2018
Registered Directors

Jens Birgersson CEO	Kim Junge Andersen CFO

Board of Directors

Henrik Brandt Chairman	Thomas Kähler	Lars Elmekilde Hansen
Carsten Bjerg First Deputy Chairman	Andreas Ronken	Dorte Hanne Page Larsen
Søren Kähler Second Deputy Chairman	Jørgen Tang-Jensen	Connie Enghus Theisen

Independent auditor's report

To the Shareholders of ROCKWOOL International A/S

Our opinion
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 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in 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 and Parent Company Financial Statements of ROCKWOOL International A/S for the financial year 1 January to 31 December 2017 (page 54-105) comprise income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. 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 4 years including the financial year 2017.

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 2017. 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 and the key 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, efficiency improvements, capital expenditure and working capital, as well as the discount rates and long-term growth rates applied. We tested the reliability of Management's estimates by comparing budgeted figures to actual figures for the past years and evaluated the discount rates and long-term growth rates applied. Furthermore, where possible, we compared to independently determined acceptable ranges and externally derived data. Moreover, we examined sensitivity analyses performed over changes in discount rates, revenue growth and efficiency improvements.

Independent auditor´s report

(continued)

Key audit matter	**How our audit addressed the key audit matter**
Uncertain tax positions and valuation of deferred tax assets The Group operates in many territories and is, consequently, subject to local laws, cross-border transfer pricing legislation and investment promotional tax benefits which complicates the tax matters of the Group as a whole. Where utilisation of tax losses and tax amortisation balances are uncertain a write-down is recorded based on Management's judgment. Where the amount of tax payable or receivable is uncertain, a provision for uncertain tax positions is recorded based on Management's judgement. We focused on valuation of deferred tax assets as it involves significant estimates and judgements made by Management in terms of utilisation of tax losses and tax amortisation balances. Moreover, we focused on the tax accounting area as the completeness and valuation of tax balances are made difficult by a complex multinational tax structure as well as tax arising from acquisition accounting. Reference is made to notes 5.2, 5.3 and 5.4 to the Consolidated Financial Statements.	In understanding and evaluating Management's judgement, we considered estimates and judgemental positions taken relating to valuation of uncertain tax positions and deferred tax assets. In addition, we used our own local and international tax specialists, evaluated the adequacy of Management's key assumptions and read relevant correspondence with tax authorities to assess the valuation of tax assets and liabilities.

Statement on Management's Review
Management is responsible for Management's Review (page 2-53).

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 and parent company 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 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.

Independent auditor´s report

(continued)

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.

Hellerup, 8 February 2018

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
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Lars Baungaard
State Authorised Public Accountant
mne23331

Torben Jensen
State Authorised Public Accountant
mne18651

Other information

Map

World leader with local presence

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

- Manufacturing facilities
- Sales offices

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 of America
Vietnam

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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