



Annual Report 2014

ROCKWOOL®
FIRESAFE INSULATION

CREATE AND PROTECT®

Contents



Cover photo

Acoustic ceilings from the ROCKWOOL Group create a nice interior and protect people from unpleasant noise. Ceiling systems are an increasingly important business area, now accounting for almost 15% of sales. The integration of the newly acquired ceiling grid company Chicago Metallic was one of the main events during 2014.

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The ROCKWOOL Group

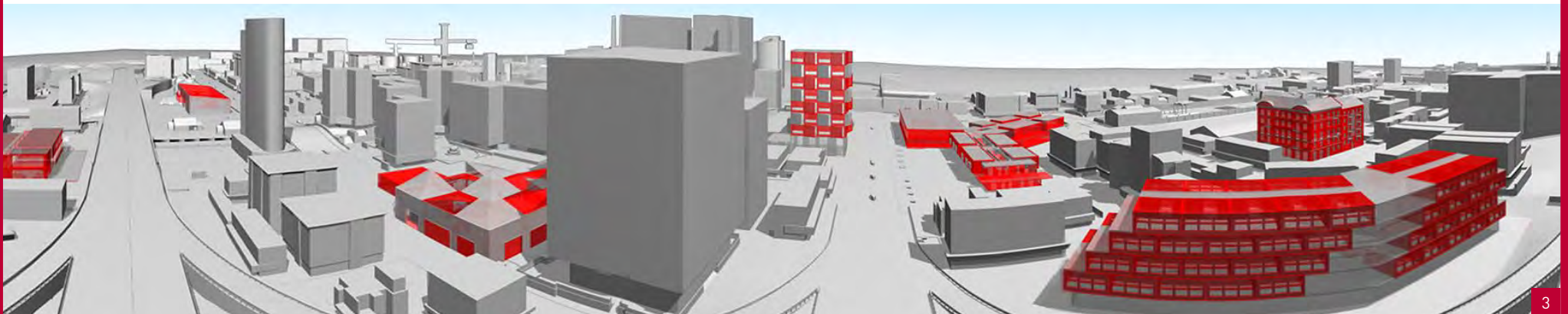
The ROCKWOOL Group is the **world's leading** supplier of innovative products and systems based on stone wool. We create sustainable solutions to protect life, assets, and the environment today and tomorrow.

Stone wool is a versatile material based on one of nature's most abundant resources. It forms the basis of the following **ROCKWOOL Group businesses**:

- Building insulation
- Industrial & technical insulation for process industry, marine and offshore
- Acoustic ceiling systems
- Exterior cladding
- Horticultural substrate solutions
- Engineered fibres
- Noise and vibration control

The ROCKWOOL Group was founded in 1909 and **insulation production started in 1937**. The Group's head office is located close to Copenhagen. In 2014, the Group generated **net sales of EUR 2,180.4 million**. The company is listed on the NASDAQ Copenhagen stock exchange.

The Group's operations have a large presence in Europe and we also have facilities in Russia, North America, India and East Asia. Our more than 11,000 employees in more than 35 countries cater for customers in a large part of the world.



Taking the ROCKWOOL Group to the next level



“Even in relatively weak construction markets, there are always opportunities to develop, particularly where we can position and leverage the unique properties of stone wool.”

Bjørn Høi Jensen
Chairman of the Board of the ROCKWOOL Group

Despite much turmoil in the world economy, the ROCKWOOL Group sales grew by a solid 8.9% in 2014 and delivered EUR 205.5 million cash from our operations. Helped by two major acquisitions and strong performances in North America, Eastern Europe and Russia, the year was another testimony to the growth potential of our stone wool businesses.

Strong growth needs to go hand in hand with healthy profitability and steady cash flow to finance the growth. For the Board, it has been paramount to ensure that the Group’s successful expansion over the last decade continues with even more focus on leveraging the potential of its many different business units across the globe. This was behind the decision to bring on board a new CEO with solid management experience gained at one of the world’s largest industrial companies. One of the key priorities in the coming period will be to review our global business strategy in order to secure a solid future foundation from which we can take the ROCKWOOL Group to the next level.

At the same time we need to focus on operational challenges, not least the consequences of the current economic instability and strong currency fluctuations. We intend to maintain our strong position in the important Russian market which has experienced dramatic ups and downs. We believe we can eventually emerge stronger from this crisis while our short term focus is on securing smooth operations and managing risks in the best possible manner.

European markets have been disappointing in 2014 and the anticipated recovery has not yet materialised. However, the Board remains convinced about the solid potential of these markets where we are making important investments as part of our programme to re-engineer European production. The North American market, which is growing fast thanks to our successful roll-out of stone wool insulation and acoustic ceilings, will be a key priority for future investment. For the moment, however, focus is on getting the newly opened factory in Mississippi up to optimal performance in order to satisfy our many new customers.

One of the pillars of the current strategy has been the continued development of more integrated building solutions as witnessed by two major acquisitions. These established the Group as a serious player in the German facade systems market and the North American and European ceiling systems market. We will continue on this road which holds great potential for growth. Our Systems business posted impressive figures in 2014, both in terms of sales growth and profitability. It shows that, even in relatively weak construction markets, there are always opportunities to develop, particularly where we can position and leverage the unique properties of stone wool. We will continue to exploit these promising pockets of growth.

Finally, a thank you to management and employees, it’s been a turbulent year but thanks to your dedicated efforts we are well on our way to the next level.

Key events

2014

JANUARY

Newly acquired HECK Wall Systems is officially part of the ROCKWOOL Group

APRIL

General meeting elects Bjørn Høi Jensen as new Chairman of the Board

MAY

The ROCKWOOL Group decides to change approach in China, discontinuing the factory project in Tianjin

JUNE

Launch in Europe and North America of new combined ceiling systems based on ROCKFON ceiling tiles and Chicago Metallic grid systems

JULY

Opening of a new pan-European production centre in the Czech Republic. A new step in the international growth strategy of the Industrial & Technical insulation business

SEPTEMBER

Inauguration of the first US factory close to Memphis

OCTOBER

Jens Birgersson announced as new ROCKWOOL Group CEO

Five-year summary

EUR million	2010	2011	2012	2013	2014	2014 DKK million
Income statement items						
Net sales	1,575.2	1,845.3	1,969.4	2,002.8	2,180.4	16,255
EBITDA	240.5	243.9	302.7	313.2	311.7	2,324
Depreciation, amortisation and write-downs	134.0	122.6	149.0	144.3	150.3	1,121
EBIT	106.5	121.3	153.0	168.9	161.4	1,203
Financial items	-2.3	-6.3	-7.4	-6.2	-5.6	-42
Profit before tax	109.0	120.7	147.2	164.2	157.3	1,173
Profit for the year	72.1	83.6	103.8	115.7	112.6	839
Balance sheet items						
Non-current assets	1,231.5	1,271.5	1,270.9	1,371.2	1,431.2	10,656
Current assets	410.1	433.9	469.6	485.7	538.7	4,011
Total assets	1,641.6	1,705.4	1,740.5	1,856.9	1,969.9	14,667
Equity	1,177.3	1,161.5	1,263.4	1,283.8	1,303.1	9,702
Non-current liabilities	161.0	184.1	138.3	134.1	121.3	903
Current liabilities	303.3	359.8	338.8	439.0	545.5	4,062
Others						
Cash flow from operating activities	175.0	206.6	239.8	252.8	205.5	1,532
Investments and acquisitions	192.0	162.7	133.4	265.3	257.3	1,918
Free cash flow	-17.1	43.9	105.9	-12.5	-51.8	-386
Net interest-bearing debt	57.2	73.8	9.1	100.3	174.7	1,301
Research and development costs	28.2	28.6	30.3	29.7	32.3	241
Exchange rate (year-end)	0.134	0.135	0.134	0.134	0.134	7.445

	2010	2011	2012	2013	2014	2014 DKK
Number of employees						
Number of employees (year-end)	8,808	9,368	9,778	10,562	11,031	11,031
Ratios						
EBIT ratio	6.8%	6.6%	7.8%	8.4%	7.4%	7.4%
Earnings per share of DKK 10 (EUR 1.3)	3.4	4.0	4.8	5.4	5.20	38.77
Dividend per share of DKK 10 (EUR 1.3)	1.3	1.3	1.4	1.4	1.52	11.30
Payout ratio	40.0%	32.5%	28.4%	25.9%	29.7%	29.7%
Cash earnings per share of DKK 10 (EUR 1.3)	8.1	9.6	11.1	11.8	9.5	71
Book value per share of DKK 10 (EUR 1.3)	52.3	52.7	57.4	58.3	59.1	440
Return on invested capital	9.2%	9.8%	12.0%	12.6%	11.5%	11.5%
Return on equity	6.1%	7.4%	9.0%	9.1%	8.7%	8.7%
Equity ratio	71.7%	68.1%	72.6%	69.1%	66.2%	66.2%
Financial gearing	0.05	0.06	0.01	0.08	0.13	0.13
Stock market information						
Share capital (EUR million)	29.5	29.5	29.5	29.5	29.5	DKK mill. 220
Price per A share (EUR)	97.4	61.6	84.3	128.1	92.6	DKK 689
Price per B share (EUR)	93.9	62.0	85.0	128.1	93.5	DKK 696
Number of own shares	303,000	379,702	427,310	437,246	359,456	359,456
Number of A shares (10 votes)	13,072,800	11,231,627	11,231,627	11,231,627	11,231,627	11,231,627
Number of B shares (1 vote)	8,902,123	10,743,296	10,743,296	10,743,296	10,743,296	10,743,296

For definitions of key figures and ratios see page 82.

A strong platform for profitable growth

The global need for better buildings is what drives the ROCKWOOL Group. Over many years with stone wool as the core material, the Group has developed solutions ranging from building insulation to ceiling systems, facades to industrial applications - all with the aim of creating safer, sounder and more sustainable buildings.

Sustainable building solutions

The ROCKWOOL Group's strong points



Market opportunities



A strong platform for profitable growth



The movement towards sustainability in the construction sector is a major force behind the rapid expansion of the Group. Over the last decade, the average annual growth rate has been 6.5% and most of this has been organic.

Insulation – a long-term growth market

The market for insulation is subject to the prevailing activity in the construction industry. Such activity is prone to increase more rapidly when there is, as now, a determined focus on saving energy. Both the erection of new buildings and the refurbishment of existing ones are factors driving the market. In recent years, where new construction has been at a historical low across many of the Group's biggest markets in Europe, the importance of the refurbishment market has increased for our business.

In Europe, energy refurbishment is supported by both the EU and national legislation, and for good reasons. By investing in more energy efficient buildings, society can harvest the triple benefit of lower energy consumption, reduced carbon emissions and the creation of local jobs in the construction sector. In 2014, new and more extensive programmes were prepared in both Germany and France, our two biggest markets. This could be having a positive effect already for 2015.

On many roof projects it will often be necessary to use rigid insulation materials which can carry considerable weight. When superior resistance to fire is of concern, non-combustible insulation like stone wool will often be the preferred solution. Sports Hub arena, Singapore.

Building codes for new houses in the EU are also gradually incorporating stricter requirements for energy savings, but the effect on insulation markets has been dampened by the exceptionally low level of new construction. Once house building recovers, the more stringent building codes should have a positive impact for the Group in terms of sales volume.

The EU continues to be a front runner in the global trend towards more energy efficient buildings. However, pleasingly, in several other important insulation markets such as Russia, the US and China, the direction is the same.

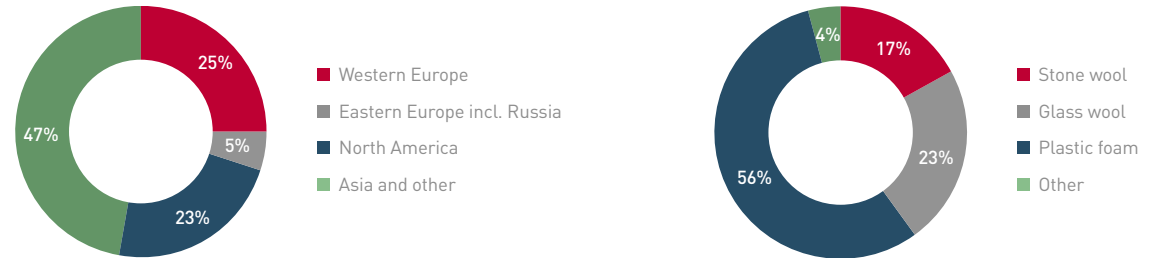
Global leader in stone wool and global runner-up in insulation

The ROCKWOOL Group is the leading player in the stone wool business with a size and geographical spread unmatched by its competitors. When considering publicly available information on the global insulation industry in total, we are likely the second biggest player. Currently stone wool is less established than the other main insulation materials plastic foam and glass wool. The Group has a clear strategy of focusing on producing stone wool solutions rather than adding other insulation materials to its portfolio.

The current global leadership position within stone wool makes us believe that process and product development can be executed at a level which is difficult for our stone wool competitors to match, and that our advanced technology enables us to manufacture in greater volume

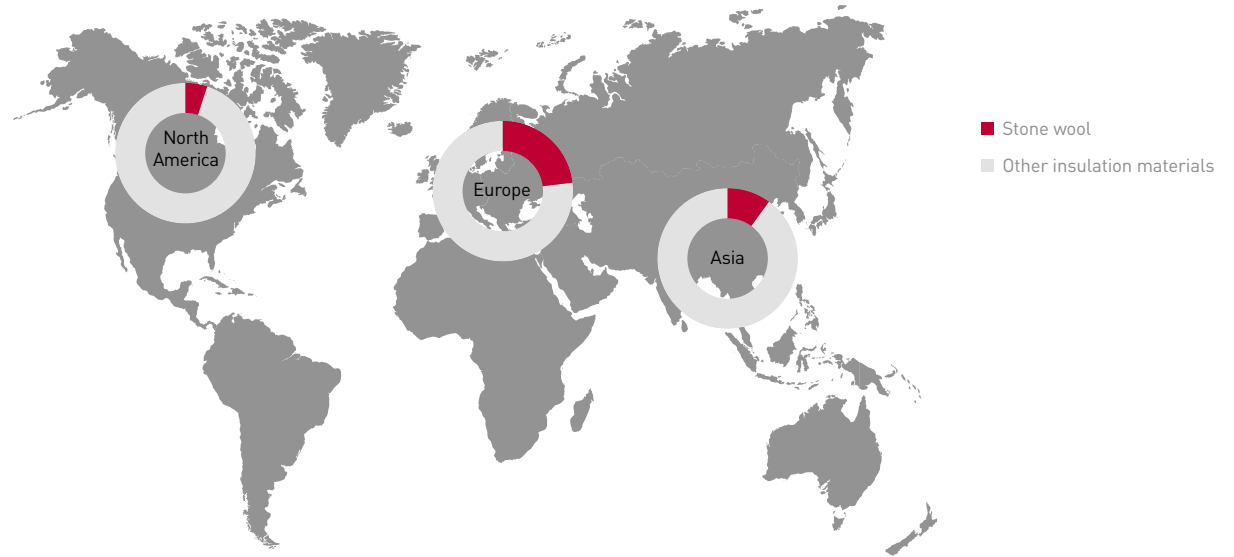
Global insulation market

Total value: EUR 26,500 million (2013)



Source: External studies and own analyses

Stone wool currently has a low market share outside Europe



and at lower cost than our competitors. Maintaining this technology leadership is a vital part of the Group's strategy.

Expanding outside Europe

The Group currently has 28 factories in 18 countries. Proximity to local markets is a key factor when delivering standard building insulation where transport costs are important. The factory network is well developed in Europe, whereas there is substantial room for growth in North America and Asia. It is part of our strategy to introduce stone wool insulation as a quality product in these under-penetrated regions. Top priority is North America where the Group is already successfully on track with double-digit growth over the last 10 years.

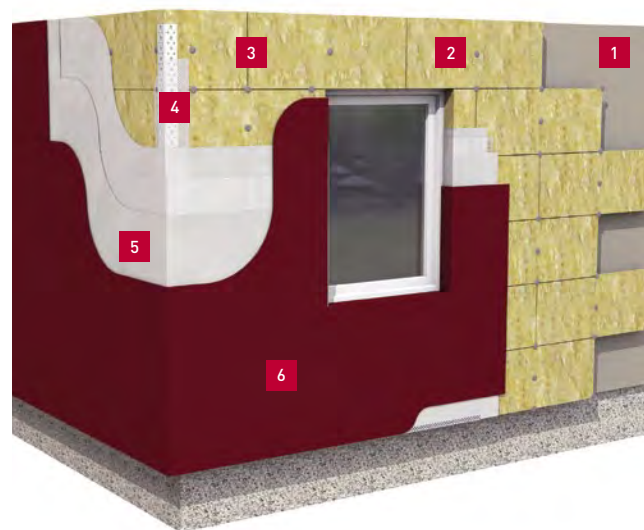
From products to systems

The Group's business focus reflects the total combination of stone wool properties – thermal efficiency, fire safety, acoustics and durability – making our products the right choice for delivering superior building solutions.

Stone wool products, however, cannot stand alone as there is a clear trend in the building sector for total system solutions which optimise the construction process and the performance of the building elements. The Group is thus actively following a strategy of new system development, driven by internal R&D efforts but also supported by the acquisition of companies with relevant complementary products.

Two recent major acquisitions - the USD 140 million Chicago Metallic within ceilings and the EUR 38 million HECK Wall Systems - are fine examples of this strategy. The former provides essential components to offer full ceiling solutions, while the latter moves the ROCKWOOL Group from product supplier to system holder in the German market for facade insulation systems.

More complete building systems



It is part of the ROCKWOOL Group's strategy to expand into the building systems market with stone wool being the core product of a mixed component element. A prime example is the newly acquired HECK Wall Systems where our stone wool insulation, in combination with other external wall components, forms a complete wall system. The result is a total solution with lower fire load compared to more traditional systems based on plastic foam insulation cores.

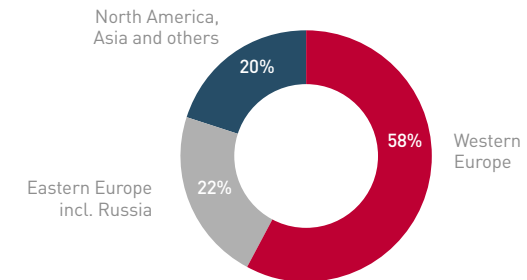
- 1 Adhesive
- 2 Stone wool
- 3 Mechanical fixing with steel central pin
- 4 Corner bead with fiberglass mesh
- 5 Adhesive Mortar base coat
- 6 Render: Silicate, Silicone or Mineral paint



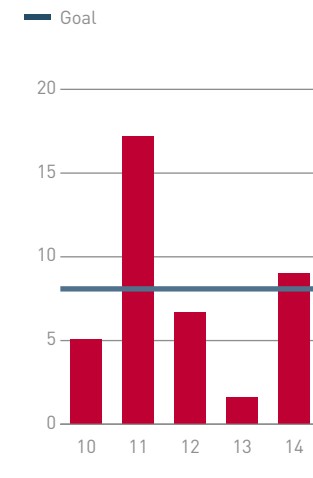
Sales, markets and performance

- Net sales increased by 8.9% and reached EUR 2,180.4 million. Excluding the negative currency effect of 3.5% sales would have increased by 12.4%. Based on same structures and exchange rates the like-for-like sales increased by 5.1%
- EBIT reached EUR 161.4 million corresponding to 7.4% EBIT ratio
- Profit for the year decreased by 2.7% and totalled EUR 112.6 million
- Investments and acquisitions totalled EUR 257.3 million
- Cash flow from operations amounted to EUR 205.5 million – a decrease of 18.7% on 2013
- The Group expects net sales growth for 2015 to be slightly positive even when including a negative exchange rate effect of 2.5% based on the exchange rates as of today
- EBIT is expected to end around EUR 150 million corresponding to an EBIT ratio around 7%. This includes a negative currency effect which – based on the exchange rates as of today – amounts to EUR 15 million
- 2015 investment level excluding acquisitions is expected to be around EUR 180 million
- The proposed dividend is increased from DKK 10.40 to DKK 11.30 per share

Net sales by geographical segment

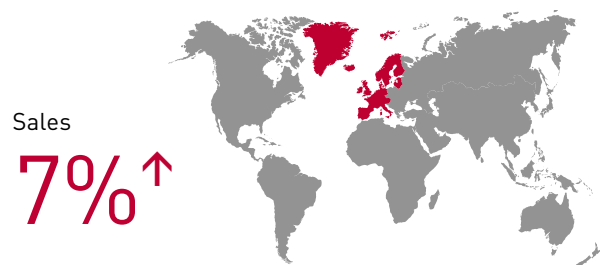


Average sales growth (%)

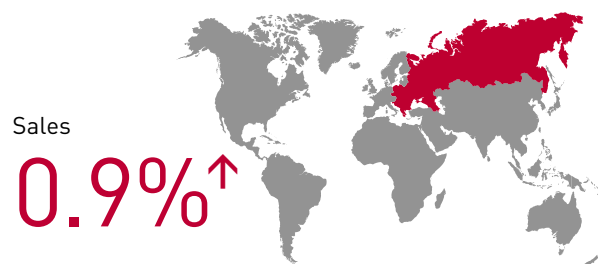


Sales, markets and performance

Sales in the ROCKWOOL Group grew by 8.9% or 5.1% on like-for-like basis in 2014 and reached EUR 2,180.4 million. The result thereby outperformed our long-term goal of an average sales growth of 8%. The growth was 1.6% organic and 7.3% derived from the acquisition of German facade insulation company HECK Wall Systems and the US ceiling systems company Chicago Metallic. Sales were significantly impacted by a negative currency effect of 3.5%, and based on comparable rates sales grew by 12.4%.



The performance in the core **Western European** markets (58% of sales) started out on a positive note as mild winter weather allowed construction activity to continue on many building sites during the winter months. However, this trend eroded during the second quarter as the increasingly fragile state of the general economy started to impact the construction industry. Sales grew 7.0% overall, mainly carried by the acquisition of HECK Wall Systems which was successfully integrated during the year. Like-for-like the growth was 0.3%. Market developments differed widely from region to region with Scandinavia showing a slight recovery, whereas other key markets like Benelux and France were struggling. The important German market performed slower than expected, especially in the second half of the year.

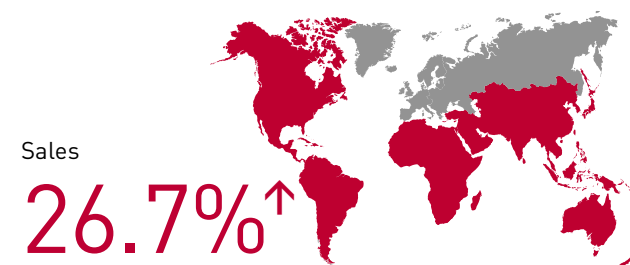


The **Eastern European** region, including Russia, performed strongly but due to a highly negative currency effect of 10.7%, sales only increased by 0.9%. Despite the turmoil following the tensions in Ukraine, the Russian business continued to enjoy strong sales with double-digit growth (in local currency), and all four factories sold out. The ROCKWOOL Group continued to reap the benefits of a strong brand with a quality product portfolio, as well as a local presence in the major conurbations of a country which, due to climatic conditions and the general state of many buildings, will continue to be an important insulation market following the current crisis. Outside Russia, Poland also continued to progress, partly due to a higher level of activity in the construction sector, but also stimulated by the tightening of building codes.

Sales **outside Europe and Russia** progressed by 26.7% on the back of strong market performance, especially in North America, and by the effect of the Chicago Metallic acquisition (18.3%). Had it not been for a 4.7% negative currency situation, sales would have been even higher.

In 2014, the recovery in the US economy reached the residential and non-residential building markets. The

Group continued its rapid expansion in the US but was hampered by a slower, more costly ramp-up of the newly established factory in Mississippi. The factory employs the Group's most recent melting technology with significantly higher capacity than at the other factories using this new technology. The initial ramp-up problems are now under control, and the Group continues to build sales rapidly.



In Asia, the Group discontinued its factory project in Northern China in the absence of more stringent fire safety legislation which would have supported the use of non-combustible insulation. Instead, it was decided to adopt a more gradual and selective market penetration strategy, serviced by the existing factory in Southern China. Sales in the Southeast Asian region showed a stable development, as did the expanding business of primarily technical insulation in India and the Middle Eastern region. Towards the end of the year, all our factories in the Asian region were sold out.

Business area Insulation segment

- Sales up 4.4% driven by North America, Poland and Russia as well as acquisition of HECK Wall Systems
- EBIT decreased 18.2% due to currency impact and high running-in costs of new US factory
- Main Western European markets impacted by fragile economy
- China strategy revised

Key figures Insulation segment

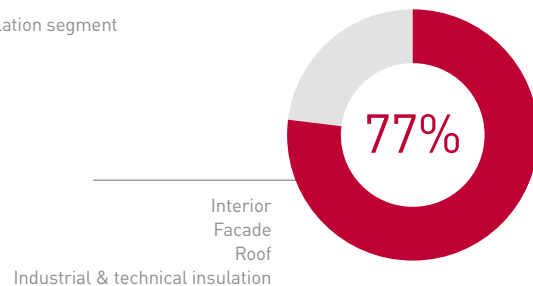
EUR million	2013	2014
External net sales	1,607.5	1,677.5
Internal net sales	214.6	226.9
EBIT, segment profit	121.2	99.2

Convincing home owners to buy quality stone wool insulation when carrying out renovation projects has proved to be a successful growth strategy in North America. Strong partnerships with major Do-It-Yourself chains such as Home Depot and Lowe's meant that the Group continued its double-digit growth.

Sales in the insulation business moved up 4.4% boosted by the effect of the HECK Wall Systems acquisition, but dampened by negative currency effects, especially due to the fall in value of the Russian rouble. Sales reached EUR 1,677.5 million. Sales prices were relatively flat and inflation was low, in particular there was a continued decline in foundry coke prices. However, the negative currency situation, along with a number of one-off costs related to, for instance, the abandoned factory project in China and running-in costs in the US, were behind the negative trend in margins. EBIT came out at EUR 99.2 million, corresponding to a profit ratio of 5.2%, somewhat lower than the previous year.

Sales per business area

Insulation segment





Sales of **interior building insulation** remained steady in Western Europe but developed strongly in North America. The ROCKWOOL Group continued to roll out its sales coverage of new building markets through Do-It-Yourself (DIY) chains such as Home Depot and Lowe's, both of which have embraced stone wool insulation as an attractive product for home improvement. The number of DIY stores offering our stone wool insulation increased by 28% during 2014 and, with the new factory up and running, we are now better equipped to service the eastern part of the US.

The Group continued to expand its offering within **facade insulation**, one of the most promising segments for insulation markets of the future. Sales increased significantly, thanks to the acquisition of the German system holder HECK Wall Systems. The integration of the new business went well, and the competencies acquired will be instrumental for establishing an international facade system business outside current strongholds. In Germany, the biggest facade insulation market in Europe, an intense debate on the fire risks associated with combustible insulation materials helped market penetration of the Group's stone wool based systems, and

One of the most prestigious 2014 projects in Russia was the renovation of the State Hermitage Museum in St. Petersburg. This famous museum holds a collection of over 3 million works of art and artefacts from all over the world. Protecting these valuable works is of paramount importance; therefore the ROCKWOOL stone wool characteristics of non-combustibility and durability were key to the choice of insulation. As the museum stayed open to visitors during the renovation project, deliveries were carried out at night and during holidays, so our ability to ensure that products arrived at the appointed time, without delay, was crucial.

In 2014, a major home-owner campaign highlighted the ROCKWOOL insulation benefits with TV-spots and other advertising in several European countries.



led to a federal recommendation to tighten the building code requirements.

With regard to **roof insulation**, further inroads were made to the North American roofing market with a number of factory projects. However, the Group is still a relatively small player in this market which is dominated by plastic foam insulation. In Europe, where the Group commands a strong position, sales were relatively flat, reflecting general market conditions, especially in the commercial building sector.

Outside the building sector, the Group is world leader in the market for **industrial and technical insulation** where stone wool products are used to insulate pipes, ducts and boilers in industrial plants and power stations. Another important segment is the marine and offshore market where the non-combustible properties of stone wool insulation are important to help prevent the spread of fire in ships or on oil rigs. These speciality markets developed well in 2014, and the business grew by double-digit figures. In recent years, the organisation refocused with a more integrated approach to global branding and customer service, and a more centralised production platform.

Sales of industrial and technical insulation grew double-digit in 2014. In particular, the marine and offshore industry is an important customer where the excellent fire protection properties of stone wool fit well with the high safety levels required on these exposed vessels.



Business area Systems segment

- Sales up 27.2% driven by acquisition effect
- EBIT up 30.4% on the back of positive trends in all business areas
- Ceiling business strengthened geographically and assortment-wise by integration of Chicago Metallic
- Strong performances in horticultural substrates and facade panels
- Start of production in China of engineered fibres

Key figures Systems segment

EUR million	2013	2014
External net sales	395.3	502.9
Internal net sales	0.3	0
EBIT, segment profit	47.7	62.2

Sales in our Systems business grew 27.2% and reached EUR 502.9 million. The acquisition of the American ceiling systems company Chicago Metallic was a major factor behind the positive advance and contributed some 21.3% in the first three quarters of the year. Included in the overall figure is also a 1.0% negative currency effect.

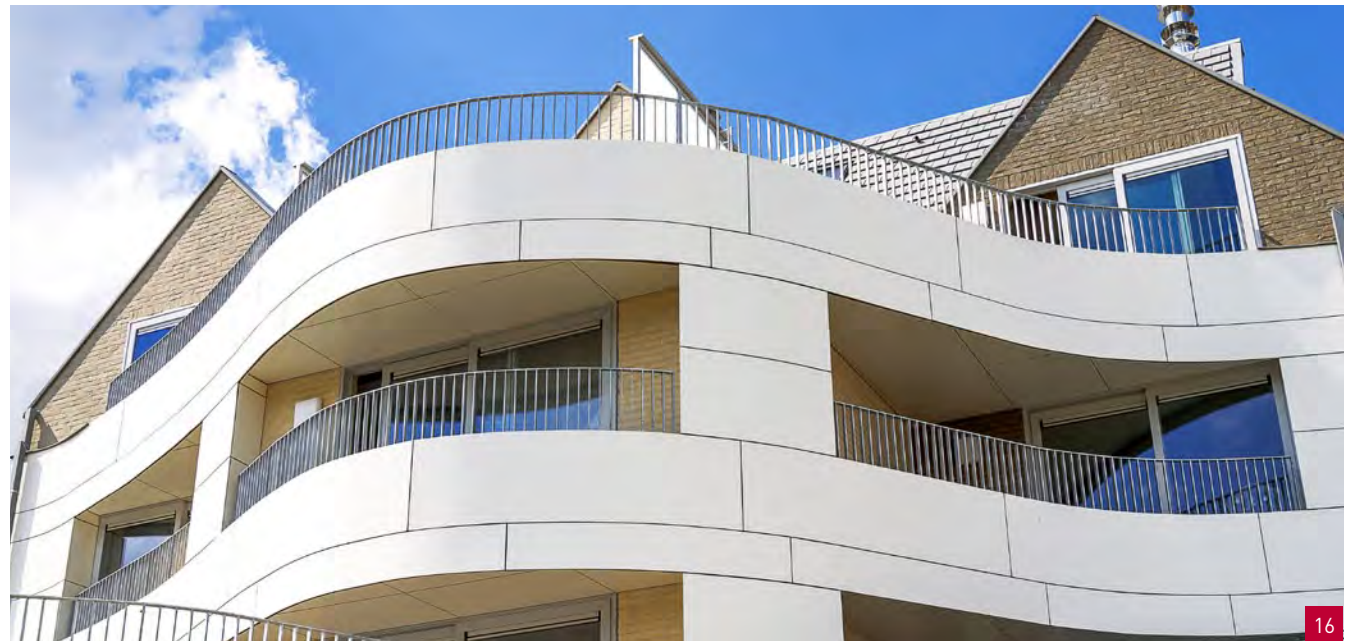
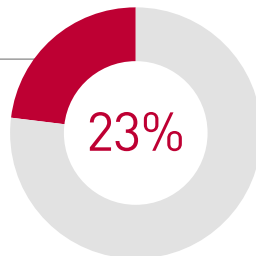
EBIT expanded to EUR 62.2 million - 30.4% higher than in 2013. The good EBIT result was helped along by all business areas, and even includes significant marketing investment to increase the presence of both the ceiling and facade business.

The ROCKPANEL cladding boards offer spectacular design options to architects. Together with excellent durability and easy installation, it has allowed the business to expand outside the core markets in North-western Europe. Both sales and profitability developed nicely in 2014.

Sales per business area

Systems segment

Acoustic ceilings
Cladding boards
Horticultural substrates
Engineered fibres



The Group's largest Systems area, ROCKFON **acoustic ceilings**, showed solid growth and expansion. The ROCKFON ceiling systems are popular in the quality oriented part of the ceilings market where their acoustic performance, fire safe properties and aesthetic design are much valued.

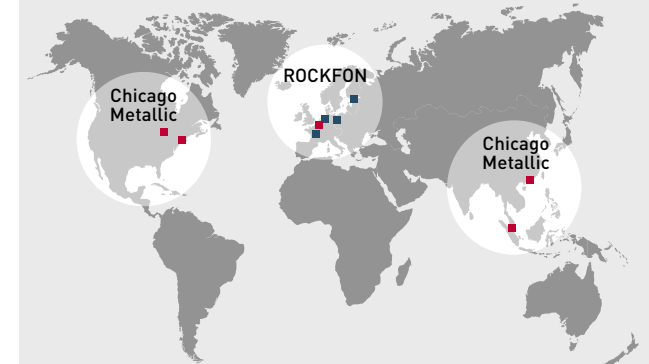
During 2014, priority was given to merge the ROCKFON and Chicago Metallic businesses, maximising the synergy potential in offering integrated suspended ceiling systems based on metallic grids from Chicago Metallic and stone wool ceiling tiles from ROCKFON. The first integrated solutions went to market in Europe during the second quarter and, thereafter, sales of ceiling tiles in the US accelerated throughout the year supplied by imports from our European factories. The new system solutions have been well received by customers and the Group has high expectations for strong continued growth.

Sales of ROCKPANEL **cladding boards** developed well, despite the relatively sluggish home markets in Western Europe, especially Benelux. ROCKPANEL cladding boards are generally gaining ground due to a winning combination of design potential, ability to withstand weather impacts and ease of installation. The Group is increasingly looking into the synergy with its facade insulation systems where ROCKPANEL boards can provide the exterior facing. In 2014, there was further expansion into newly established markets which fulfilled the ROCKPANEL growth strategy. A new facility in the Netherlands has significantly enlarged our production capacity so there is still potential to keep the growth on track.

The GRODAN company, a leader in the global market for optimising growing solutions in **horticultural substrates**, had a good year in Europe with stable sales and promising growth in North America. The horticultural industry in Europe is under pressure from low crop prices and sanctions on food products following the geopolitical tension in Ukraine. So far the impact on GRODAN, as a sub-supplier, has been limited.

In 2014, sales of **engineered fibres** for, among other things, brake linings, paints and gaskets, benefitted from positive market conditions in the automotive industry with steady sales and improved profitability. As this industry is increasingly concentrated in China and Southeast Asia, our LAPINUS FIBRES company established a production facility at the ROCKWOOL Group's plant in Southern China. This allows closer dialogue with customers and optimal production.

New ceiling business based on product and country synergies

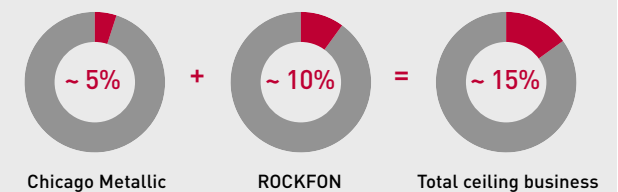


■ ROCKFON ceiling panel production
■ Chicago Metallic metal ceiling or grid production

Products turned into systems



Group net sales



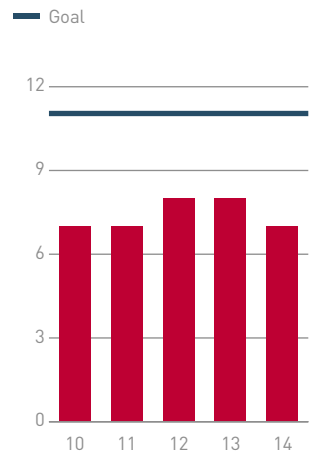
Financial performance

Profit for the year

EBITDA for the Group for 2014 amounted to EUR 311.7 million, which is on a par with 2013. The EBITDA ratio decreased compared to the previous year and ended at 14.3% a decrease of 1.3 percentage points of which 0.8 percentage points was attributable to the negative exchange rate effect. The remaining decrease was primarily due to the extra cost of running in the first green field factory in Mississippi, USA.

In 2014, EBIT reached EUR 161.4 million or a ratio of 7.4%. This is a decrease of EUR 7.5 million or 1.0 percentage point compared to the previous year. The negative exchange rate impact on Group EBIT amounted to EUR

EBIT ratio of net sales (%)



-10.7 million or -0.5% EBIT ratio, primarily due to the large decrease in the rouble. Like-for-like the EBIT increased 1.5% compared to last year.

Net financial costs ended at EUR 5.6 million, which is EUR 0.6 million lower than in 2013. During the year, the level of borrowing and interest costs remained low.

The effective tax rate was 28.4%, equivalent to a tax amount for the year of EUR 44.7 million. The effective tax rate slightly decreased compared to 2013 by 1.1%.

Group profit after tax was EUR 112.6 million, a decrease of EUR 3.1 million compared to 2013. This figure - predicted in March 2014 to be around EUR 127 million and in November 2014 to be in the range of EUR 110-120 million - met the autumn expectations, despite the additional exchange rates effects in November and December.

Profit after tax for the parent company amounted to EUR 138.4 million, an increase of EUR 168.6 million compared to 2013, mainly due to a significantly lower write-down of shares in subsidiaries this year.

Investments and cash flow

Cash flow from operating activities amounted to EUR 205.5 million, a decrease of 18.7%. Working capital at end 2014 decreased by EUR 29.7 million compared to 2013 and ended at EUR 188.2 million. The level of stock, especially

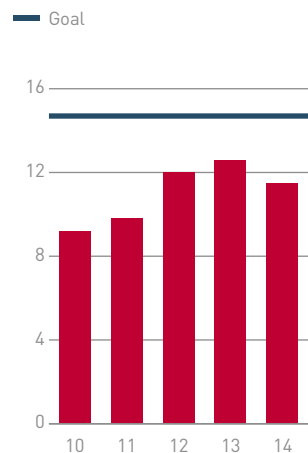
Precision growing is what the GRODAN companies offer their customers in the horticultural industry. Through performing substrate solutions and advice on growing techniques, the aim is to harvest more while at the same time reducing the use of nutrients, pesticides and water.



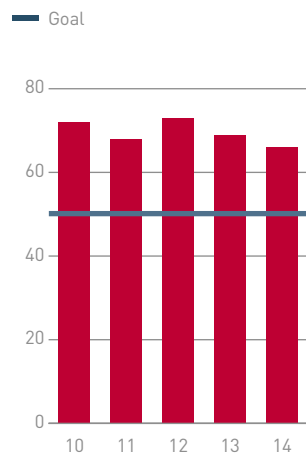
finished goods, increased due to rather low sales in the last weeks of December and exceptional inventories to support sales development like ROCKFON products in the US and Asia. Total net working capital amounted to EUR 188.2 million, corresponding to 8.6% of net sales against 7.9% in 2013. The acquisition of HECK Wall Systems had no significant effect on working capital.

Investments reached EUR 257.3 million in 2014, of which EUR 25.4 million was the second out of three instalments related to the purchase of Chicago Metallic. The payment of HECK wall systems was already included in 2013.

Return on invested capital (%)



Equity ratio of the assets (%)



Expenditure for the US green field factory has reached 70.5 million in 2014.

Free cash flow in 2014 amounted to EUR -51.8 million, a decrease of EUR 39.3 million, chiefly because of lower working capital, higher exchange losses and higher tax prepayments.

Balance sheet

At the end of 2014, total assets amounted to EUR 1,969.9 million; an increase of EUR 113.0 million compared to 2013.

Non-current assets increased by EUR 60.0 million compared to the previous year, primarily due to the acquisition of HECK Wall Systems and the new US factory.

Compared to 2013, the inventory increased by EUR 15.0 million and totalled EUR 176.7 million. The increase was mainly related to an increase in finished goods.

Trade receivables increased EUR by 9.6 million compared to 2013 and ended at EUR 220.7 million. The main reason was overall higher sales and a minor increase in debtor days due to unfavourable customer and country mix.

The ROCKWOOL Group equity was EUR 1,303.1 million at 2014 year end, an increase of EUR 19.3 million compared to the previous year and corresponding to an equity ratio of 66.2%. The equity includes a large negative impact from exchange rates, especially the decrease in the rouble.

Net cash at the end of 2014 amounted to EUR -139.7 million, a decrease of EUR 104.0 million compared to the year before. By year end, the Group had unused committed credit facilities of EUR 303.2 million.

Net interest-bearing debt for 2014 amounted to EUR 174.7 million, an increase of EUR 74.4 compared to 2013.

For the quarterly figures please refer to page 84-85.

Expectations

The last quarter of 2014 was marked by accelerating financial instability in Russia ending with a significant devaluation of the rouble and leaving room for much uncertainty about the Russian economy in 2015. Due to very high interest rates, we expect the new build construction market in Russia will face strong head winds while the renovation market should be more resilient. High inflation will weigh on margins and therefore the Group does not expect profitability in Russia to remain above the Group average.

In Europe, it is not expected to see major changes in the trading conditions for insulation markets. Some countries, like France and Germany, should continue to benefit from renewed and improved government incentives for energy renovation of existing buildings. Overall, we expect European insulation markets to show a moderate positive trend regarding sales volume.

Market conditions in North America are expected to remain very positive. The Group foresees sales to continue posting a double-digit increase benefitting from the additional capacity from the green field factory in Mississippi. In the light of the recent progress, we expect to see this factory reaching normal production efficiency in 2015.

In South Asia, the Group expects to see solid sales development in markets where stone wool can penetrate further, especially in the core industrial and technical segment. The situation in China is less positive with a challenging competitive environment and only minor progress expected for stricter building regulation which would favour the use of non-combustible insulation.

Systems segment sales are expected to continue the profitable growth in 2015, in particular the ROCKFON ceiling activity which will benefit from a complete ceiling system offer combined with Chicago Metallic's product range.

Sales prices are expected to be slightly below the average level of the last two years, subject to fierce competition given the available production capacity in the industry.

Overall, the Group expects net sales growth for 2015 to be slightly positive even when including a negative effect from lower average exchange rates in 2015. Based on the exchange rates as of today, the negative effect is estimated to 2.5%.

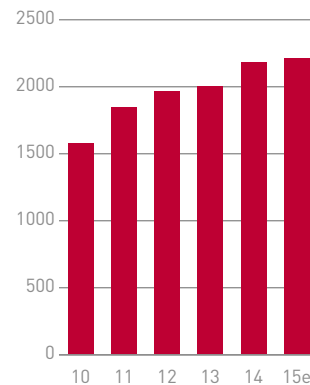
Given the fall in the price of oil, we foresee price decreases on some raw materials like plastic foils and chemicals as well as cheaper logistic costs assuming intermediate industries will transfer these benefits to customers.

The effect of lower exchange rates will also influence EBIT with a negative effect of approximately EUR 15 million. The Group thus expects an EBIT around EUR 150 million for the year 2015 corresponding to an EBIT ratio around 7%.

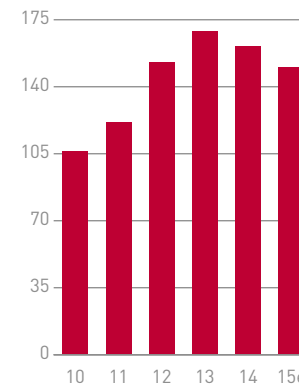
In 2015, the re-engineering of the European production platform continues with the start of the upgraded factory in northern Denmark and the continuation of the project in Poland. Investment expenditure in 2015 is expected at EUR 180 million of which expenses for major capacity

investments is planned at EUR 95 million. In addition the last instalment of the Chicago Metallic acquisition to be paid in 2015 will be approximately EUR 30 million.

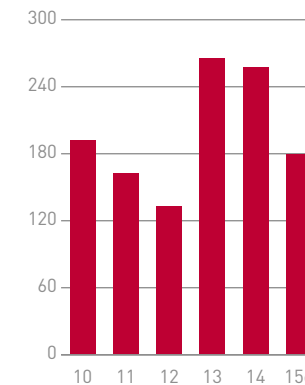
Net sales
(EUR million)



EBIT
(EUR million)



Investments and acquisitions
(EUR million)

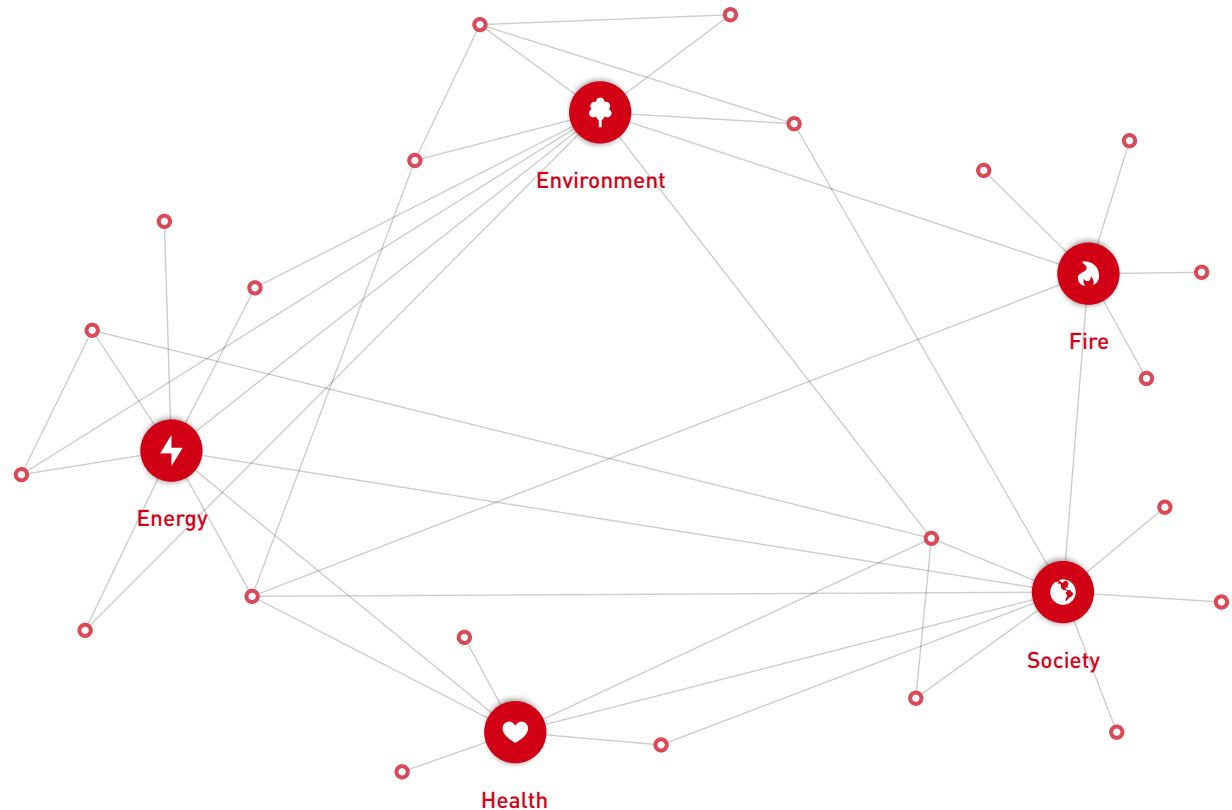


Sustainability - an inherent part of our daily activities

Countries, companies and individuals around the world are faced with a range of challenges that need to be tackled in both the long and the short term. Resource strains, climate change, urbanisation and energy dependency are some of the issues that will rapidly change the way we need to re-organise our society.

Such issues also challenge the entire ROCKWOOL workforce in the way we think about how our products and solutions help reduce CO₂ emissions, fight energy poverty and help nation states become less dependent on energy imports. This is the valid situation in 2014, and it will continue to be so in the years to come.

Even though stone wool is just one of the materials used in the building envelope, it is a key element with an excellent sustainability profile!



Pages 21-31 constitute the company's reporting in accordance with the Danish Financial Statements Act, Art. 99a.

The ROCKWOOL Group's view on sustainability is outlined in a dedicated area of our website where you also find the most recent sustainability reports:
 > www.rockwool.com/sustainability

Sustainability - an inherent part of our daily activities

Environment

The greatest positive impact the ROCKWOOL Group has on the environment is through its products. However, as a company with focus on sustainability, we are also keen to improve our own practices at every available opportunity. We are therefore always striving to limit the negative impact we might have on the environment through our production process. Our main focus points are energy efficiency, reducing CO₂ and other gaseous emissions, minimising waste and limiting the consumption of water.

Systems and processes

The ROCKWOOL Group is a signatory to the International Chamber of Commerce (ICC) Business Charter for Sustainable Development and is thereby committed to improve environmental management in accordance with the Charter's 16 principles. In addition to adopting a precautionary approach, our commitment includes having management practices to effect environmental improvement, to measure performance and to report this performance openly to internal and external stakeholders. With the commitment of all the subsidiary companies, the ROCKWOOL Group has drawn up an environment policy.

The policy is steered towards reducing the environmental impact of our operations and can be viewed at www.rockwool.com/environmental+policy

Special focus areas in 2014

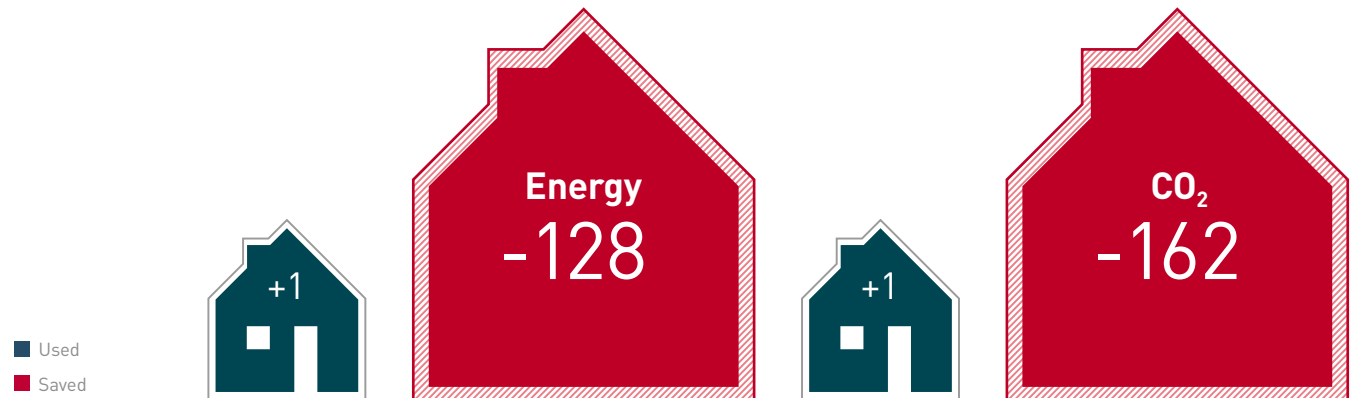
Promoting energy efficiency and combating climate change:
The ROCKWOOL Group is dedicated to expanding the use of insulation to create a more energy efficient society. Among our major initiatives in 2014 were targeted communications to help ensure that the EU 2030 Energy & Climate plan is as ambitious as possible. Insulation is one of the notable industrial products with a positive net carbon footprint and thus offers an obvious solution to cutting CO₂ emissions. Over its lifetime, ROCKWOOL thermal insulation saves far more CO₂ than is emitted during production.

During the course of 50 years in the Danish climate, a traditional 250 mm ROCKWOOL insulation product installed in a previously uninsulated loft will save over 128 times more primary energy and 162 times more CO₂ than has

been used and emitted during its production, transport and disposal. In this example, the energy balance will be positive just five months after installation and the CO₂ balance will be positive after only four months. CO₂ reductions are even higher for insulation used to protect hot industrial processes, for instance in power plants and petro-chemical industries, where temperatures can be anything upwards from 200°C or even exceed 600°C. On average, ROCKWOOL insulation for industrial processes and technical installations will save 20,000 times more CO₂ than was emitted during production.

Improving energy and CO₂ efficiency in our production:
The most sustainable energy is the energy we do not use. This situation not only accounts for the positive energy impact of our products, but also for the energy consumption we are able to save in our operations.

Lifetime savings



Melt energy, the energy used in connection with the furnace, is the biggest single item on our energy consumption list and therefore at the top of the agenda for reducing our energy consumption. We are constantly looking at technical possibilities to improve the energy efficiency of our processes and techniques and are currently introducing a new, more efficient melting technology within the Group.

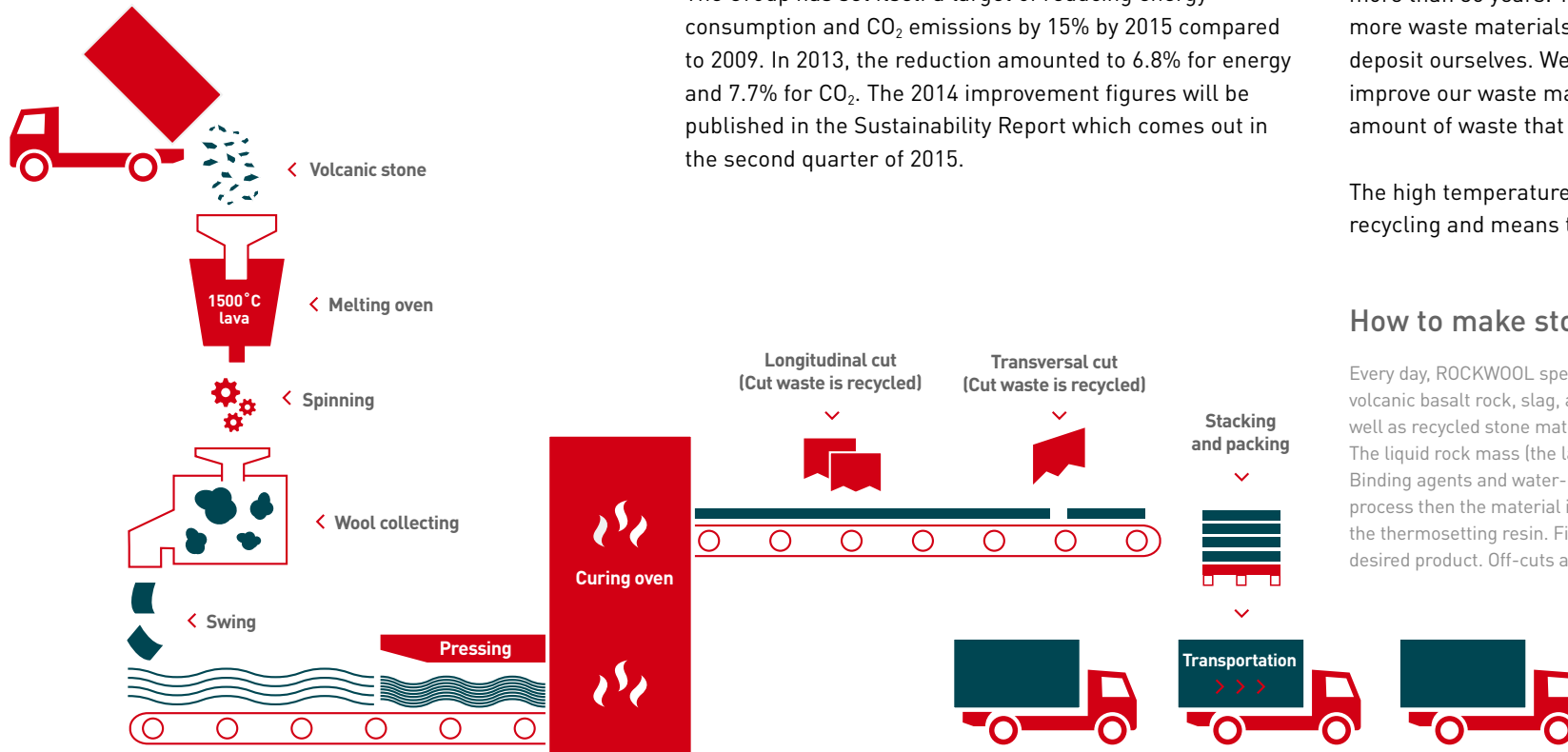
As part of the current upgrade projects with our new melting technology in Denmark and Poland, we are also implementing optimal heat recovery for the excess heat from the melting process. With the new melting furnaces energy recovery is optimised and we expect to be able to supply more heat. The excess heat is utilised in the local district heating system supplying domestic houses or used to heat up our factory building.

We report and monitor CO₂ emissions in compliance with the scoping requirements defined by the Greenhouse Gas Protocol Standard (www.ghgprotocol.org). In addition, our European factories need to comply with the EU-ETS regulation; consequently, our CO₂ data is externally verified.

The Group has set itself a target of reducing energy consumption and CO₂ emissions by 15% by 2015 compared to 2009. In 2013, the reduction amounted to 6.8% for energy and 7.7% for CO₂. The 2014 improvement figures will be published in the Sustainability Report which comes out in the second quarter of 2015.

Recycling and re-using waste from other industries:
The ROCKWOOL Group has been dedicated to recycling for more than 30 years. Today we actually recycle three times more waste materials from other industries than we deposit ourselves. We have invested in processes that improve our waste management and thus reduce the amount of waste that goes to landfill.

The high temperature of our production process is ideal for recycling and means that we are able to recycle materials



How to make stone wool?

Every day, ROCKWOOL specialists 'tame the volcano', a process in which volcanic basalt rock, slag, and residual products from other industries, as well as recycled stone material, are melted at 1,500°C. The liquid rock mass (the lava) is spun into stone wool fibres as it cools. Binding agents and water-repellent oil are added during the spinning process then the material is cured in an oven, a process that stabilises the thermosetting resin. Finally, the stone wool is processed into the desired product. Off-cuts are usually recycled directly on the site.

from other industries that would otherwise end up as waste.

Re-using end-of-life stone wool:

A large proportion of the waste generated in modern society emanates from the building industry. As the energy renovation of buildings intensifies – particularly in Europe – it becomes increasingly important to offer return schemes for refurbished and demolished material. We have several recycling schemes in place to re-process used ROCKWOOL and ROCKFON stone wool from renovation projects.

The ROCKWOOL Group's ROCKCYCLE scheme (waste collection service) has proved capable of handling very large renovation projects where the focus is on environmental protection and sustainability. The scheme enables efficient recycling of old mineral wool, which otherwise would have been sent to landfill. In particular, it has played a key role in several major flat roof renovation projects, a prime example being the renovation of an 80,000 m² roof at the Mercedes-Benz Global Logistics Centre in Germany.

Certification of our management systems:

Our Group Safety, Health & Environment Management Systems Manual details that each subsidiary or factory must have an environmental management system covering responsibilities and control procedures. Several have chosen to have their management systems certified by a third party. In total 21 factories have now individually implemented certified management systems for environmental management (ISO 14001), health and safety management (OHSAS 18001) and energy management (ISO

50001), as well as quality management (ISO 9001) (2013: 17).

In 2014, special attention was devoted to implementing the ISO 50001 management system (a management system for improving and formalising energy efficiency). Five factories in Denmark and Germany are certified to this standard. With regard to the certification against ISO 14001, we have increased this to 16 certified factories (2013: 12).

Supply chain management and human rights

As a globally active company with many suppliers, it is essential to have policies in place that formalise our respect for human rights – both for our own company and in dealing with suppliers. We already have several policies in place that cover our ambitions with regard to human rights. During the course of 2014 we renewed our procurement policy, providing greater opportunity to engage with our suppliers on social and ethical topics.

Systems and processes

In 2013, we finalised our Code of Conduct for Suppliers, which needs to be signed by all our major suppliers – suppliers of raw materials and equipment for repair, maintenance, operations etc. plus suppliers with whom we spend more than EUR 100,000. Our Code of Conduct addresses topics such as equal opportunities, trade union recognition and fair employment terms. Further, our suppliers are not allowed to use child labour in any form.

With regard to the environmental side of business, we have adopted the ICC "Business Charter for Sustainable Development – Principles for Environmental Management". This identifies responsibilities, requires an Environmental Officer to be appointed, expects companies to have an Environmental Management System with specific three year plans in place, and specifies that all new machinery is subject to an environmental risk assessment before coming into operation. In turn, our suppliers are required to ensure their own suppliers meet the same standards.

In the course of 2014 we implemented a renewed procurement policy which dictates that high risk suppliers will be audited against the Code of Conduct. The risk is determined by several factors – the spend we have with the supplier, the geographical location of the supplier, and whether or not the supplier has signed the Code of Conduct. When choosing new suppliers, or renewing business with existing ones, the criteria we use is clear, transparent and well documented. Sustainability and environmental aspects, costs, quality and reliability of supply are all important to our decision process.

With regard to respecting human rights, the ROCKWOOL Group supports the UN universal human rights principles which define a number of rights including freedom of association, non-discrimination and the abolition of child and forced labour. The Group's Social Charter supports our aim to contribute positively to society, to the individual's health and wellbeing, and to instil responsible, honest and humane behaviour among employees, in line with our Group values.

Special focus areas in 2014

Supply chain management:

Currently 75% of our key suppliers, in terms of spend as contracted by Group Sourcing & Procurement, signed the Code of Conduct. During 2015 we aim to increase this percentage. In 2014, we carried out desk research and site visits as part of our supplier evaluations.

Ethics and good conduct:

As an international reputable business, we aim to adopt the highest standards of ethics and good conduct for our employees and in our various business transactions. Please refer to the chapter 'People drive business'.

Evaluating human rights compliance:

In 2014, no grievances relating to human rights were filed. Compliance with human rights is monitored through our HR organisation, our general management systems, our risk management process, random checks by Group auditing, consultation with employee representatives and our 'whistleblower' scheme.

Non-discrimination:

The Group is against any kind of discrimination due to age, gender, race, colour, religion, political opinion, social origin, or any other aspect of human rights. We aim to strengthen internal diversity in these areas. Any incident of discrimination, and action taken against it, must be

More than Rock. In 2014, the R&D department decided to test refugee tents made out of stone wool at the Roskilde Rock festival to see how the key properties of durability, noise reduction, thermal resistance and fire safety would withstand the pressure of a busy festival venue with thousands of people. The idea is to develop a durable and affordable solution to help refugees living in camps due to regional conflicts.



reported to the management responsible. In 2014, no incidents of discrimination were filed.

Freedom of association:

The right to exercise freedom of association and collective bargaining is fundamental. The Group has not identified any operations in which this right has been violated or been at significant risk in 2014. The Group values constructive working relations with the unions and hosts a European Forum where employee representatives from major operations in Europe are in regular dialogue with members of Group Management on strategic cross-border issues. When signing our Code of Conduct, suppliers are obliged to respect human rights. In 2014, our evaluation of significant suppliers did not reveal any cases where the right to exercise freedom of association and collective bargaining was violated or at significant risk.

Abolition of child labour:

We believe child labour must be abolished and particular care must be taken that young workers under the age of 18, such as apprentices, are not exposed to hazardous work. The Group's operations are not at significant risk of using child labour and no incidents of child labour have been identified, nor have any cases of child labour been registered in our formal evaluations of significant suppliers.

Preventing forced or compulsory labour:

The ROCKWOOL Group does not use forced or compulsory labour. When signing our Code of Conduct, our suppliers are also obliged to respect the basic human right to freedom from forced labour. Our 2014 evaluation of significant suppliers did not reveal any cases where the use of forced or compulsory labour had been violated or was at significant risk.



People drive business

The success of the ROCKWOOL Group is strongly linked to the constant development of our organisational capability. The strategic ambition of the Group shapes our People Agenda and development priorities. Three key themes form the basis for the focus areas which are particularly important for the entire Group:

- Shared culture and values;
- Organisational agility and performance;
- Attract, engage and retain a talented, committed, and diverse workforce.

11,031

In 2014, we had a net increase of 469 employees, mainly thanks to acquisitions and growth. Today we represent a total of 11,031 employees

88%

Once again 88% 'favourable scores' on sustainable engagement - significantly higher than the norm for high performance companies we benchmark against

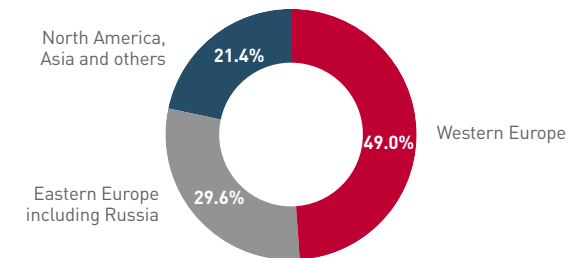


Colleagues operate in **35** more than 35 countries across the globe

32.3 million

Research spending of EUR 32.3 million in 2014

Employees by region



People drive business

The ROCKWOOL Way - special focus on business ethics in 2014

The ROCKWOOL Group has a strong company culture, with a working environment based on trust and empowerment, embracing the values of entrepreneurship, passion, efficiency, honesty and responsibility. These values help secure the ethical running of our business according to the expectations of society, the authorities and ourselves.

To enhance the Group's proper business conduct, our business ethics policy is in place to guide employees. Being present in many parts of the world, and growing in both size and complexity, there is an increasing need to ensure that all employees are fully aware of this policy and abide by its ethical code of practice.

In 2014, we intensified our e-learning training to keep employees informed about appropriate business ethics. All management team personnel in our subsidiaries and in Group functions participated in a mandatory e-learning process. This was followed by an intensive debriefing session for participants addressing ways to manage the dilemmas faced in their specific business environment while still being in harmony with Group policy. The maxim is "We never compromise with our business ethics". Over the next year, local management will be continuing this process, targeting all white collar employees to ensure common understanding and commitment in their respective businesses.

Read more about business ethics at the ROCKWOOL Group:
 > www.rockwool.com/business+ethics

Operational excellence

Our ROCKWOOL operational excellence programme is making good progress. Employees are encouraged through training to be self-driven, taking ownership responsibility for their work – which helps them to identify any problem, understand it, offer solutions and make decisions. A specially trained team of facilitators is assisting this transformation, based on LEAN methodology. The goal during 2015 is to initiate this programme in all our remaining manufacturing organisations in Europe – we are currently half way – and then continue outside Europe. More than 2,500 operators have already been trained, as well as the business and factory management teams of the

10 production units where the programme is already in progress. The number of improvement proposals generated so far is approximately 12,000. With an implementation rate typically between 80% and 95%, we have made more than 10,000 improvements so far.

Trust and empowerment are drivers across the ROCKWOOL Group.



A new member of the family

The acquisition of Chicago Metallic in October 2013 was followed by a thorough integration plan. Eleven areas - covering all business processes from operations to HR - have been unified with the new organisation effective as from 1 January 2015. A key element in this integration procedure is respect for the people of the acquired organisation and our ability to understand their position in the whole process.

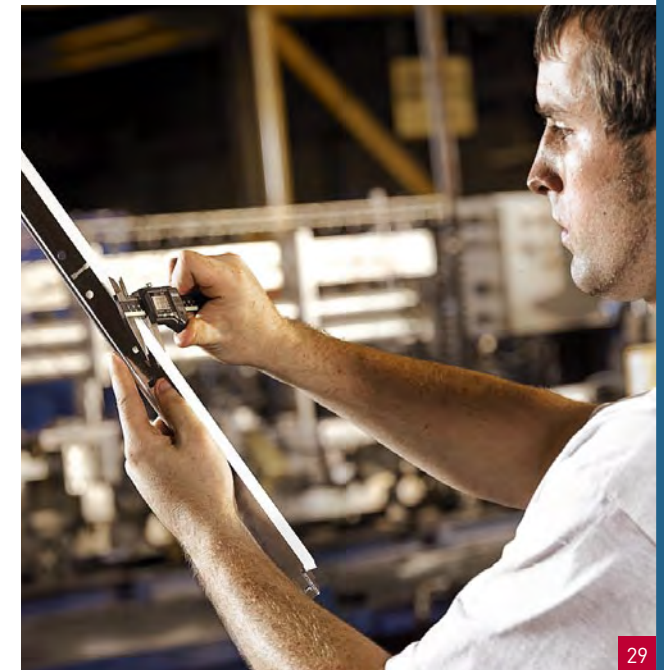
As Martha Jahn Martin, Head of HR at Chicago Metallic, says: "Getting used to being part of a much larger company has been tough, but what I've found is that my fellow colleagues at the ROCKWOOL Group are always there to help point me in the right direction. The new set-up is a powerful one. It provides opportunities for not only our sales to continue to grow, but our employees as well."

Good planning and cooperation, professionalism and flexibility have made this a most efficient and successful integration of a new company into the ROCKWOOL Group. The current employee engagement survey shows a high level of understanding and commitment to the ROCKWOOL Way among our new colleagues.



"I was one of the family owners, and selling the business was an extremely tough decision for us to make. Fortunately it's in the very fabric of our once 'two separate companies' to promote ethical and moral business in our dealings around the world. I believe this to be the very fabric that has helped bring our two companies close together in a relatively short time. Although I'm no longer an owner working in my family business, I am proud to say that today I am an engaged employee working in the ROCKWOOL Group."

Martha Jahn Martin,
Head of HR in Chicago Metallic



Sustainable engagement

We are now in the second year of our employee engagement survey "RockPulse" and have seen a consistently high response rate of 91% in 2013 and 89% in 2014. We have been able to identify positive trends and also areas on which we need more focus.

The growth and success of our Group requires a very high level of sustainable engagement, led by the way we operate through 'Trust and Empowerment'. For 'sustainable engagement', the result was 88% 'favourable scores' - the same high score as in 2013, and significantly higher than the norm for high performance companies we benchmark against.

Customer focus is another area which we are continuing to strengthen. It is encouraging to note ongoing improvements in our employees' appreciation of the requirements and expectations of customers. In this, and other respects, personal development is a strong motivational factor. We focus on intercultural competences to support cooperation between business units, countries and Group functions – this helps to get things done quickly and efficiently.

As the ROCKWOOL Group has a strong focus on environmental responsibility, it is very encouraging to note that our employees recognise and value efforts in this area.

Diversity

The ROCKWOOL Group recognises its talented, committed and diverse workforce as a key competitive advantage. Our business success is a reflection of highly engaged and skilled individuals. Our leadership principles and bold ambitions to foster trust and empowerment help us to create an environment in which all individuals can realise their maximum potential.

It is our stated ambition to stimulate diversity in our management teams, as well as in Group functions. A target of at least 15% female presence in our management teams by 2017 was established end 2013. By 31 December 2014, the actual gender diversity in management teams throughout the international organisation was an average of 83% male and 17% female which is an improvement of 1 percentage point compared to the year before.

Our talent and succession management process supports both cross-cultural and cross-functional diversity by increased visibility and focus on talent development. Awareness is raised through the RockPulse survey, where all members of office staff are asked, among other things, whether or not they believe that management supports equal career opportunities for all employees. The 2014 survey shows a 2 percentage point improvement in this area over 2013.

With regard to female members elected to the Board by the General Assembly the current aim is at least 1 by 2017; however, if the opportunity arises, and a suitable candidate becomes available, a higher target may be pursued.

The above constitutes the company's reporting in accordance with the Danish Financial Statements Act, Art. 99b.

Protecting our people

For a company in the industrial sector such as the ROCKWOOL Group, working in a safe manner is of the utmost importance. We have seen good progress over the years in health and safety performance, but naturally the topic remains on our agenda.

We have implemented our 'One Group – One Safety' programme - the philosophy being that people should go home after work as healthy as when they arrived. It is our ambition to create a safe and healthy workplace with no accidents. Several schemes are in place to create a safer working environment such as our 'Golden Safety Rules'. Every employee is required to work in accordance with these rules.

We continuously seek to improve our operations. This involves analysing business processes and continuously optimising them in order to avoid unnecessary steps while, at the same time, ensuring quality. At factory level, health



Key indicators

	2010	2011	2012	2013	2014
Training days per employee, office staff	3.3	3.2	3.9	3.1	3.5
Training days per employee, production staff	2.4	3.1	3.2	2.4	3.7
Patents granted in the year	66	121	218	161	98
Research and development costs (EUR million)	28.2	28.6	30.3	29.7	32.3
Frequency of accidents, production staff (per million working hours)	8.2	4.2	3.7	4.5*	3.5*

* including contractors, and as of 2014 also comprising our non-mineral wool companies

and safety performance is monitored regularly by management through dedicated dashboards and progress meetings. Every factory has a Health & Safety Manager who reports directly to the top governance body of that plant.

We believe the recipe for achieving even better safety is:

- Strong management commitment including hands-on participation in safety walkabouts and safety meetings
- Allocation of additional resources for training and safety measures where indicated
- Zero tolerance of unsafe behaviour – including the use of disciplinary action when needed
- High standards of housekeeping that support our dedicated safety culture.

Every accident is one too many. The ROCKWOOL Group has set ambitious goals for substantially reducing the number of accidents at our factories. In 2012, the goal for 2017 was set at a maximum of 2 accidents per million working hours.

Over the past five years, the frequency rate of accidents has dramatically reduced. Once again, a decrease was observed in 2014, to a frequency rate of 3.5 per million working hours.

The ROCKWOOL Foundation

The Foundation's research unit is one of the **most trusted** research institutions on social and economic research in Denmark

Almost **23%** of the Group's dividend goes to the Foundation's benevolent activities

In 2014, the Foundation made donations of more than EUR **6.7** million

Research Unit

Work and the welfare state

Migration and integration

Undeclared work and the law of the land

Families, children and health

Practical Interventions

Food security and poverty alleviation

Peace-building

Social capacity building

Health interventions

The ROCKWOOL Foundation

The Foundation is the largest single shareholder of ROCKWOOL International A/S with approximately 23% of the shares.

The ROCKWOOL Foundation is a charitable organisation established in 1981 by six members of the Kähler family who each contributed with 25% of their own shares.

The Foundation has two primary objectives: to deliver facts about society through independent reliable research, and to develop interventions that address challenges in society.

The research is conducted by the ROCKWOOL Foundation Research Unit and also by specialised external researchers. Currently the research is primarily focused on work and the welfare state, migration and integration, undeclared work and the law of the land, as well as families, children and health.

The practical interventions address societal challenges and are currently structured under the programme areas of food security, poverty alleviation and peace-building, social capacity building and health. The interventions benefit people and their environments in both developing and developed countries.

Read more about the ROCKWOOL Foundation at:
www.rockwoolfoundation.org

Morans (young Maasai warriors) herd and protect their livestock and safeguard the community; they are often armed with illegal firearms, and may become involved in major conflict with other tribes, as well as in cattle theft. These Morans are now participating in a conflict transformation programme which includes learning new livestock and farming methods to increase their range of livelihood choices.

An example of work performed by the ROCKWOOL Foundation in 2014:

Promoting agricultural development in support of peace

Food insecurity and violent conflict are often interlinked. Conflict can have a negative impact on food security, for example by preventing normal farming and herding activities. However food insecurity in itself may be a factor in the outbreak of conflicts, or in sustaining or extending them. It is said, that 'if you go to bed hungry, you wake up angry'. The root cause of conflict is often to be found in

competition over land and water, the basic elements of food production. Such competition may become violent when there are also tribal or ethnic tensions involved.

In 2014, the ROCKWOOL Foundation launched an innovative project to test whether the RIPAT model (Rural Initiatives for Participatory Agricultural Transformation) can be used as a peace-building tool. The project is being piloted in selected agro-pastoralist communities in northern Kenya that have been troubled by inter-tribal conflicts. It aims to integrate livelihood development and peace-building using a low-tech, sustainable, community-driven approach. The RIPAT model has been developed by the ROCKWOOL Foundation and the Tanzanian NGO RECODA.



Risk management

Managing risk is an important element of our business operation where we take a long-term perspective while, importantly, minimising daily avoidable risks. We address risks proactively and implement appropriate control systems based on the company's current activities and operations. Our approach identifies and controls risks with mitigation procedures involving relevant parts of the organisation, from subsidiaries to Group functions, Group Management and Board level.

Risk assessment process



Systems and processes

The Board continuously evaluates the overall and specific risks associated with the company's activities and operations, and the risks associated with the financial reporting process. As part of general risk management, the company has established various internal control systems that are continuously examined by the Board to ensure they are appropriate and adequate.

Risk management is organised under the CFO function which reports directly to the Board. All managing directors of the subsidiaries and Group functions are asked to ensure that risks within their areas of responsibility are described, scored for severity and likelihood, and quantified in terms such as predicted financial impact. The review includes, but is not limited to, 16 pre-defined categories. Appropriate mitigation actions to control identified risks are proposed by the subsidiaries and then evaluated to ensure appropriate risk management at Group level.

Risk management

Special focus areas

Public energy efficiency programmes:

The insulation markets in several countries are stimulated through various incentive systems in order to promote energy efficient buildings. In 2014, the risk associated with a large scale withdrawal of these incentive systems was not significantly higher than previously. In the most important jurisdiction, the EU, new targets were set for energy and climate protection to 2030 and the Group estimates that these will maintain incentives at the status quo level.

Nationalisation of assets and lack of local currency convertibility:

In a number of countries where the Group operates production facilities, the democratic tradition and rule of law is less well established than in our traditional core markets. In none of the countries where we have evaluated the risk of nationalisation, our local assets represent more than 15% of Group assets. The highest percentage risk in one single country is in Russia where the Group runs four stone wool facilities. The political climate in all volatile countries is monitored closely.

Uneven competitive field:

Politically determined production costs imposed on, for instance, raw materials or emissions, pose a risk – especially with regard to the cost of energy and CO₂ emissions. The Group is working actively to encourage legislators to establish programmes which will not counteract the competitiveness of stone wool insulation or encourage producers to allocate production facilities

outside the taxation area. Furthermore, we address this challenge by developing new highly energy efficient process technologies with lower CO₂ impact. In 2014, the EU finalised the Carbon Leakage system for 2015-2019 which is an important driver behind the costs of emitting CO₂. The CO₂ quota price remains at a very low level due to over allowances. However, some of the allowances are being removed as part of the 2014-2016 back loading plan, therefore we may see an increase in the CO₂ quota price.

The ROCKWOOL Group was awarded Carbon Leakage for 2015-2019, meaning that we are exempted from the CO₂ quota system.

Violation of property rights:

One of the Group's strengths, compared to its competitors, is the proprietary technology which secures lower production costs and a strong product portfolio. Therefore, considerable attention is focused on protecting access to our production facilities. This is especially pertinent to those factories which are equipped with our latest state-of-the-art equipment, likewise the handling of secret information generally within the Group.

A new system to strengthen the protection of communications, documents and professional know-how, was established. The new green field factory in the US piloted this system and projects for existing factories will follow.

IT systems:

In 2014, a new data recovery centre was established to reduce downtime in case of a major breakdown. IT systems



are increasingly central to the running of our operations therefore major breakdowns must be avoided through appropriate risk management. Over the last few years, both to enhance security and avoid system failures, the Group has consolidated many local IT platforms into a single centrally organised system and established new contingency plans.

Production risks:

The ROCKWOOL Group production facilities are of significant size and are, as with other heavy industries, subject to strict environmental supervision by local authorities and stakeholders. This is especially a concern in densely populated areas. When new factories are constructed, these will normally be located in industrial zones or well apart from major residential areas. However, for a number of our older plants, increasing urbanisation has brought residential areas closer. The Group invests heavily in cleaner technologies to address potential nuisance and to ensure – as a minimum – that we comply with local regulations. We also put time and effort into listening to, understanding and communicating with local stakeholders.

The stone wool production process relies on substantial amounts of energy to melt the volcanic rock and recycled materials. In most factories this is done via a coke-fired cupola oven. The price of coke – which has fluctuated highly over the years – is thus an essential element of the costs and profitability of the Group. To limit this risk factor, the Group has focused on researching alternative energy sources for the cupola oven, as well as developing new melting technology using energy sources other than coke.

In 2014, the Group inaugurated its first green field factory based on our new melting technology in Mississippi, USA, currently three production lines are running on the new melt process. In 2015-2016, this technology will be introduced during factory re-engineering projects in Denmark and Poland.

Business ethics:

We focus strongly on the ethical way we do business and work with our stakeholders. Our business ethics manual covers topics such as bribery, fraud, fair competition and money laundering and we are absolutely dedicated to best practice through a wide variety of activities. Please refer to the chapter 'People drive the business'.

Financial risks:

Identification, evaluation and mitigation of financial risks such as currency fluctuation are described in more detail in note 26.

Corporate Governance

The aim of our Corporate Governance is to ensure that the structure and function of our decision making bodies are the best possible for our business and our stakeholders.

ROCKWOOL International A/S has a corporate governance framework based on various principles and rules.

As a company organised under Danish law and with a listing on the NASDAQ Copenhagen stock exchange, ROCKWOOL International A/S is in compliance with the Danish Securities Trading Act and we are guided by the corporate governance recommendations of the stock exchange.

ROCKWOOL International A/S is generally in compliance with such recommendations but has, in some cases, chosen to differ. The differences are generally due to company specific views on the requirements to optimise value for our shareholders. The recommended explanation: "Report regarding the recommendations from the Danish Committee on Corporate Governance" is available on our corporate website rather than within this Annual Report.

Further to these stipulated regulations from Danish authorities, our corporate governance framework also comprises internal instructions such as the Articles of Association, the Business Procedure for the Board and the Management Instructions for the Management Board. It works in accordance with our corporate values and Principles of Leadership, and the business rules applied within the ROCKWOOL Group.

Governance bodies

Pursuant to the provisions of the Danish Companies Act and the ROCKWOOL International A/S Articles of Association, the supervision and management of the ROCKWOOL Group is divided among the General Meeting of shareholders, the Board (with well-defined functional committees) and Group Management.

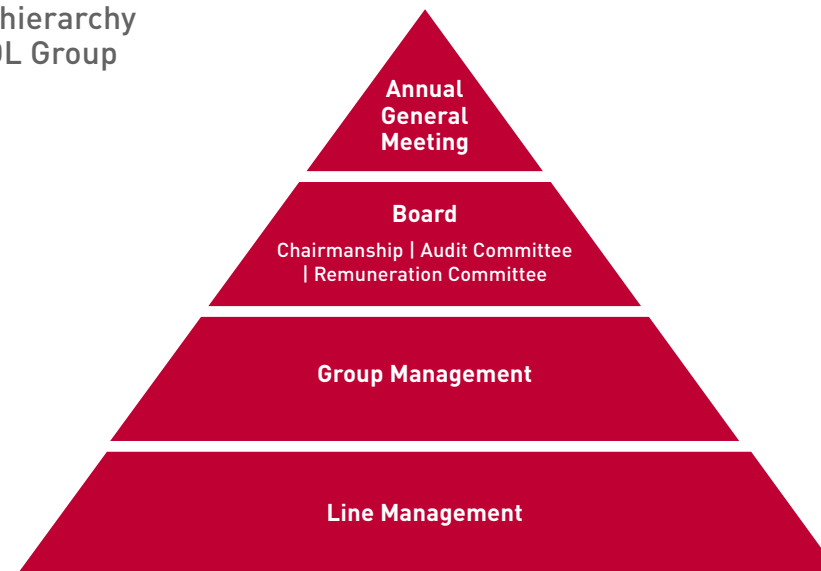
Annual General Meeting of shareholders

The General Meeting is the supreme body of ROCKWOOL International A/S and convenes the shareholders of the company. The ordinary General Meeting is held once a year.

The meeting is broadcasted live in Danish and English on our corporate website.

Voting at the General Meeting is based on possession of the two types of ROCKWOOL shares: A shares (51.1% of the capital) carrying ten votes each and B shares (48.9% of the capital) carrying one vote each. This share structure is deemed optimal for strategically developing the company and creating long-term value. Together with the high equity ratio – currently 66.2% - it provides independency from financial markets plus stability which can counterbalance the greatly fluctuating market conditions in the building

The governance hierarchy of the ROCKWOOL Group



sector, as well as the high operational leverage of our business model. The high operational leverage is linked to the capital intensive nature of our factories – one new plant will often cost more than EUR 100 million and must operate with sufficiently high capacity to pay back the investment.

The ROCKWOOL Foundation – the company’s biggest shareholder with approximately 23% of share capital – works for the benefit of society, while also duly considering the long-term interests of the company. ROCKWOOL International A/S Board member Søren Kähler and one of three employee-elected members, Lars Elmekilde Hansen, as well as managing director of ROCKWOOL Polska, Andrzej Kielar, are all members of the Board of the ROCKWOOL Foundation.

There is an agreement between certain members of the Kähler family that they meet regularly to coordinate their interests in the company, including voting strategy at the company’s General Meetings, although the agreement in no way requires them to vote jointly. Søren Kähler and Thomas Kähler – both members of the Board – participate in these meetings.

The company’s Board and Group Management are not aware of the existence of any shareholders’ agreements containing pre-emption rights or restrictions in voting rights.

The Hong Kong Velodrome park features a lawn, artificial lakes and a variety of leisure and sport facilities. ROCKWOOL products have been used for external walls.

The Board

The Board today consists of nine members, six of whom are elected by the shareholders at General Meetings. Of these, four members, including the chairman, are deemed independent according to the Danish Recommendations on Corporate Governance. The remaining three members are elected by the employees, pursuant to the Danish Companies Act. The roles and responsibilities of the Board are defined in the Business Procedure for the Board. The members of the Board are elected by the General Meeting for a period of one year and may be re-elected.

The Board evaluates its performance every year. Further, the Board annually evaluates the work and performance of Group Management.

Chairmanship:

The Board has established a structure consisting of the Chairman and two Deputy Chairs.

The Board has set up an Audit Committee and a Remuneration Committee. The committees report to the Board. The majority of the members of the committees are independent members of the Board. The Board has decided



not to formally establish a nomination committee but the Chairmanship will perform a number of the duties recommended for a nomination committee.

Audit Committee:

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

The Audit Committee monitors accounting and audit policies and conditions which, if determined by the Board or the Audit Committee, should be subject to thorough evaluation. Further, the Audit Committee evaluates the company's internal control and risk systems.

Remuneration Committee:

The Board has appointed a Remuneration Committee consisting of three members of the Board. The majority of the members of the Remuneration Committee are independent.

The Remuneration Committee ensures that the company maintains a remuneration policy for the members of the Board and Group Management, and that the guidelines for Group level variable pay schemes support the strategy. The remuneration policy and the long-term incentive schemes and all changes hereto are all approved by the Board, as well as the General Meeting. The Remuneration Committee evaluates and brings forward recommendations for the remuneration of the Board. The Remuneration Committee is also authorised to approve remuneration for senior executives.

Group Management

Group Management is responsible for the day-to-day management of the company and the compliance with the guidelines and recommendations set forth by the Board.

The responsibility of Group Management covers organisation of the company, as well as allocation of resources, producing and implementing strategies and policies, and ensuring timely reporting to the Board.

In 2014, the Board decided to change the CEO and informed the stock exchange on 23 October. The new CEO, Jens Birgersson, was in position from 9 February 2015. In the interim period, the Chairman of the Board has assumed a coordinating role, together with the Chief Financial Officer.

Group Management consists of the CEO and five other executives. The CEO and CFO are registered as management board with the Danish Business Authority (in Danish "Direktionen").

Auditing

To safeguard the interests of shareholders and the general public, an independent auditor is appointed at the General Meeting following a recommendation from the Board. Before making its recommendation the Board undertakes a critical evaluation of the auditor's independence and competence.

The auditor submits a written report to the assembled Board once a year but also immediately after identifying any issues of which the Board should be informed. The auditor's report is discussed in detail in the Audit Committee.

The Group works closely with the auditor in relation to procedures and internal controls by exchanging controller reports and audit reports, and by generally sharing all relevant information.

Internal control

The Group considers strong internal controls to be an essential management tool.

Group Management sets out general requirements for business processes and internal controls in the financial area of subsidiaries. The internal control system includes clearly defined organisational roles and responsibilities, reporting requirements and authorities. The local management teams are responsible for ensuring that the control environment in each company is sufficient to meet local and Group requirements.

Each month the Group's companies report financial data and each quarter comment on financial and commercial developments to head office in Hedehusene. This information is used to prepare consolidated financial statements and reports for Group Management. As part of this process the accounting information reported by all companies in the Group is reviewed both by controllers with regional links and in-depth knowledge of the individual companies, and by Group Controlling.

Twice a year, the financial directors of the Group's companies meet with Group Controlling to align financial procedures and reporting, and suggest possible improvements. Commercial and financial development, and the associated risks, is also discussed by Group

Management, regional management teams and the individual companies' supervisory committees and management teams during regular management meetings.

Group audit

The Group has set up a Group Audit to ensure objective and independent assessment of the adequacy and quality of the Group's internal controls. The most important role of the Group Audit is to assess whether the Group has well-established accounting practices, written policies and procedures in all important business areas plus adequate internal control procedures. This includes assessing whether there are satisfactory controls in relation to key IT systems and whether these comply with IT policy.

Group Audit prepares an audit schedule for the year based on a review of business risks and is responsible for planning, executing and reporting on the audit performed. This reporting includes observations, benchmarking and conclusions, together with suggestions for improvements to the internal control in each area audited. Follow up on these suggestions is performed as part of the Group Audit activities.

The ROCKWOOL Group publishes its statutory report on Corporate Governance for the financial year 2014 cf. the Danish Financial Statements Act section 107b (in Danish "Lovpligtig redegørelse for virksomhedsledelse" jf. årsregnskabsloven § 107b") on the company's website, including a detailed description of the Board's consideration in respect of all the recommendations. The statutory report on Corporate Governance can be found on:

> www.rockwool.com/corporate+governance+report+2015

The 'Markthal' in Rotterdam, the Netherlands is a combined market and residential building created with among others the use of ROCKFON and ROCKPANEL solutions.



Board

Thomas Kähler, Second Deputy Chairman
Born in 1970, nationality: Danish
Managing Director of ROCKWOOL Scandinavia.

Other positions related to the company:
Member of the Chairmanship, Remuneration Committee, and the Kähler Family Meeting.
Positions in other Danish companies:
Deputy Chairman of the Board of Betterhome ApS.

Heinz-Jürgen Bertram

Born in 1958, nationality: German
CEO of Symrise AG.

Other positions related to the company:
Member of the Audit Committee.
Other positions:
Member of the Boards of Nord/LB - Region Holzminden and Deutsche Bank - Region Hannover.

Connie Enghus Theisen

Born in 1960, nationality: Danish
Elected by employees
International Market Intelligence Manager
Residential, ROCKWOOL International A/S.

Carsten Bjerg, First Deputy Chairman

Born in 1959, nationality: Danish

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

Positions in other Danish companies:
Vice Chairman of the Board of Højgaard Holding A/S.
Member of the Boards of Vestas Wind Systems A/S and MT Højgaard A/S.

Other positions:
Chairman of the Board of the Market Development Fund.

Bjørn Høi Jensen, Chairman

Born in 1961, nationality: Danish
CEO of Zeno ApS.

Other positions related to the company:
Member of the Chairmanship. Chairman of the Remuneration Committee and the Audit Committee.

In accordance with legislation for audit committees in Denmark, Bjørn Høi Jensen is the member of the Audit Committee who is independent and possesses the required insight concerning auditing and accounting.

Positions in other Danish companies:
Deputy Chairman of the Board of Erhvervsinvest Management A/S.

Other positions:

Chairman of the Board of CEPOS. Member of the Board of the Bevica Foundation. Member of the Executive Committee of Mars & Merkur.

Lars Frederiksen

Born in 1958, nationality: Danish
Positions in other Danish companies:
Chairman of the Board of Matas A/S.
Vice Chairman of the Board of Falck A/S.
Member of the Boards of Widex A/S, Hedorf Holding A/S, Hedorf Foundation, and Augustinus Industri A/S.

Other positions:
Vice Chairman of the Board of the Danish Committee for Good Corporate Governance.
Member of the Supervisory Board of PAI Partners SA, France.

Lars Elmekilde Hansen

Born in 1960, nationality: Danish
Elected by employees
Senior Project Manager, ROCKWOOL International A/S.
Other positions related to the company:
Member of the Board of the ROCKWOOL Foundation.

Søren Kähler

Born in 1950, nationality: Danish
Other positions related to the company:
Member of the Audit Committee, Board of the ROCKWOOL Foundation, and Member of the Kähler Family Meeting.

Positions in other Danish companies:
Chairman of the Board of A/S Saltbækvig.
Other positions:
Member of the Board of the Foundation Sagnlandet Lejre.

Dorte Hanne Page Larsen

Born in 1955, nationality: Danish
Elected by employees
Senior Transport Coordinator, ROCKWOOL International A/S.

Further information is available at
> www.rockwool.com/board



Group Management

Theo Kooij

Division Managing Director, East Division
Member of Group Management: 2001
Born in 1960
Nationality: Dutch

Herman Voortman

Division Managing Director, Systems Division
Member of Group Management: 2012
Born in 1962
Nationality: Dutch

Gilles Maria

Senior Vice President and Chief Financial Officer (CFO),
Group Finance & Corporate Affairs
Registered as member of the Management Board
(in Danish: Direktionen).
Member of Group Management: 2007
Born in 1958
Nationality: French

Jens Birgersson

President and Chief Executive Officer (CEO)
Registered as member of the Management Board
(in Danish: Direktionen).
Member of Group Management: 9 February 2015
Born in 1967
Nationality: Swedish

Camilla Grönholm

Senior Vice President, HR, Legal and Communication & PR
Member of Group Management: 2012
Born in 1964
Nationality: Finnish

Henrik Frank Nielsen

Division Managing Director, Europe Division
Member of Group Management: 2007
Born in 1961
Nationality: Danish

Further information is available at
> www.rockwool.com/group+management



The ROCKWOOL shares

ROCKWOOL International A/S has been listed on the NASDAQ Copenhagen stock exchange since 5 January 1996. The shares are part of the NASDAQ Large Cap index in the Construction & Materials sector.

The share capital consists of two classes of shares, including a total of 11,231,627 A-shares (ROCK A, 10 votes) and 10,743,296 B-shares (ROCK B, 1 vote). The denomination of both types of shares is DKK 10 (EUR 1.3).

Trading of shares

Liquidity in the shares improved during the year. The number of ROCKWOOL shares traded on the NASDAQ Copenhagen stock exchange increased by 27.6% from 2013 to 2014, of which A-share trading rose by 59.9%.

However, along with the general stock market, the share price fell so by end 2014 the two shares had decreased in price on average by 27.5% compared to end of 2013, whereas the bench market index 'Construction & Materials PI' decreased by 5.7%.

See the share development:

> www.rockwool.com/investor/shares

For a list of shareholders holding more than 5% of the share capital or the votes, please refer to note 29.

Dividend

ROCKWOOL International A/S aims to pay a stable dividend taking into consideration the Group's profitability and equity development. At the Annual General Meeting on 15 April 2015, the Board will propose a dividend of DKK 11.30 (EUR 1.52) per share for the financial year 2014. It is the DKK amount that will be paid out. The dividend payment is three banking days after the Annual General Meeting.

Ownership

The company had 18,505 registered shareholders on 31 December 2014.

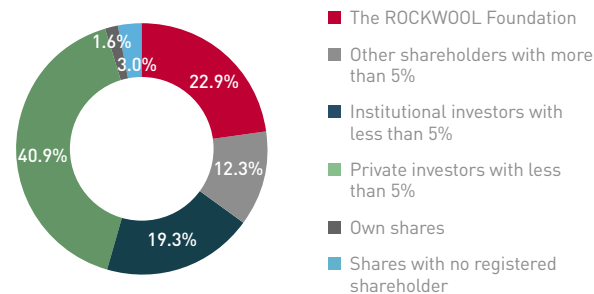
12.4% of the shares are owned by shareholder deposits located outside Denmark. In terms of voting capital, 6.4% is located outside Denmark. See below for an overview of the ownership.

Investor Relations activities

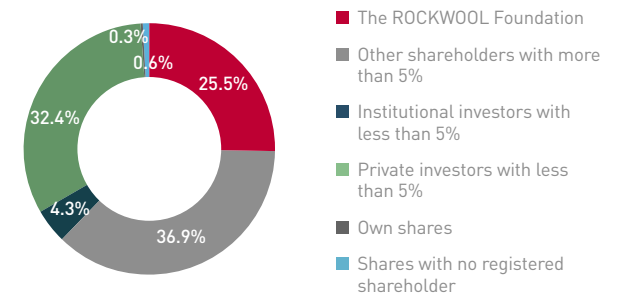
As a listed company ROCKWOOL International A/S has a defined policy for its activities relating to the ROCKWOOL shares. The aim of this policy is to:

- 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;
- Make public fair and transparent rules for the trading of ROCKWOOL shares by the company itself and by persons considered to be 'insiders';
- Communicate the ROCKWOOL Group values so the capital market perception is of an honest, accessible, reliable, and responsible company;

Ownership per shareholder category



Votes per shareholder category



- Maintain broad coverage by both domestic and foreign equity analysts;
- Work towards a diversified shareholder base in terms of both investment horizon and geographical location;
- Committed to being knowledgeable, responsive and proactive in our investor communication maintaining a fair balance between expectations and performance.

We adopt a "quiet period", where financial communication is halted three weeks prior to the presentation of the interim reports, as well as before the full year results.

Shareholders can communicate with and receive information from ROCKWOOL International A/S through various channels, either electronically or by letter:

- The shareholder portal where you can view your shareholdings; register or change whether you wish to receive the invitation to the General Meeting electronically or by letter; order admission cards to the Annual General Meeting; unsubscribe or re-subscribe to the printed version of our shareholder magazine;
- The Annual General Meeting;
- Shareholder magazine;
- Financial communications such as investor webcasts, presentations and stock exchange releases;
- Our website also provides general information on the ROCKWOOL Group, the performance of the ROCKWOOL Group shares, news from the company, and much more.

Find more information on the various communication channels as well as contact details:

> www.rockwool.com/shareholder

Annual General Meeting

The upcoming Annual General Meeting will take place on Wednesday 15 April 2015 and is hosted at 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 print communication at our shareholder portal. The agenda will be published on our website.

The agenda will include:

1. The Board's report on the company's activities during the past financial year.
2. Presentation of the Annual Report 2014 with the auditors' report.
3. Adoption of the Annual Report and discharge of liability for Group Management and the Board.
4. Approval of Board members' remuneration.
5. Allocation of profits or cover of losses according to the adopted accounts.
6. Election of members to the Board.
7. Appointment of auditors.
8. Proposals, if any, by the Board or the shareholders.

Shares must be registered in your name if you wish to vote. Shareholders may submit proposals for the agenda. Such proposals must be sent to the Legal Department by 3 March 2015 at the latest.

Banks following the ROCKWOOL shares

Alm. Brand Bank	HSBC
Berenberg Bank	Jyske Bank
Carnegie Bank A/S	Kempen & Co.
Citi	Nordea
Danske Bank	SEB
Exane BNP Paribas	Sydbank
Goldman Sachs International	Handelsbanken

Contact details for the analysts:

> www.rockwool.com/investor/analyst+coverage

Management's report

The Board and Management Board have today considered and approved the Annual Report of ROCKWOOL International A/S for the financial year that ended 31 December 2014.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

In our opinion the accounting principles used are appropriate and the Group's internal controls relevant to the preparation and presentation of the Annual Report are adequate. 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 2014 and of the results of the Group's and the parent company's operations and cash flows for the financial year 2014.

In our opinion the Management's review includes a true and fair review 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 review 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, 19 February 2015

Management Board

Jens Birgersson

Gilles Maria

Board

Bjørn Høi Jensen

Carsten Bjerg

Thomas Kähler

Heinz-Jürgen Bertram

Lars Frederiksen

Søren Kähler

Lars Elmekilde Hansen

Dorte Hanne Page Larsen

Connie Enghus Theisen

Independent auditors' reports

To the Shareholders of ROCKWOOL International A/S

Report on consolidated financial statements and parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of ROCKWOOL International A/S for the financial year 1 January to 31 December 2014, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies, for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and the parent company 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 Danish disclosure requirements for listed companies, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

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

The audit has not resulted in any qualification.

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 2014 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 2014 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the consolidated financial statements and the parent company financial statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the consolidated financial statements and the parent company financial statements.

Hellerup, 19 February 2015, PricewaterhouseCoopers,
Statsautoriseret Revisionspartnerselskab

Lars Baungaard
State Authorised
Public Accountant

Torben Jensen
State Authorised
Public Accountant

"With 1 million more people
on the planet every 5 days,
fire safety in cities is important
like never before"

Birgitte Messerschmidt
Public Affairs Manager, ROCKWOOL International A/S



**Leading thoughts on safe, sustainable and energy
efficient buildings**

Birgitte is blogging about fire safety in buildings. The blog also comments on sustainable buildings and energy efficiency in buildings; these comments are posted by other ROCKWOOL experts.

Follow the blog

> www.safeandsustainablebuildings.com

Income statement & statement of comprehensive income

1 January - 31 December

EUR million	Note	Group		Parent Company	
		2014	2013	2014	2013
Income statement					
Net sales		2,180.4	2,002.8	110.0	90.9
Other operating income	3	6.7	5.6	136.3	114.9
Operating income		2,187.1	2,008.4	246.3	205.8
Operating costs					
Raw material costs and production material costs		810.6	742.2	82.6	79.3
Delivery costs and indirect costs		297.6	273.4	15.2	9.4
Other external costs		235.0	188.4	67.1	54.0
Personnel costs	4	532.2	491.2	40.1	38.3
Depreciation, amortisation and write-downs	5	150.3	144.3	12.3	12.1
Operating costs		2,025.7	1,839.5	217.3	193.1
Operating profit (EBIT)		161.4	168.9	29.0	12.7
Income from investments					
Income from investments in subsidiaries	6	0	0	106.5	-31.6
Income from investments in associated companies	29	1.5	1.5	1.3	1.2
Financial income	7	27.2	13.8	35.2	12.1
Financial expenses	8	32.8	20.0	22.0	20.4
Profit before tax		157.3	164.2	150.0	-26.0
Tax on profit for the year	9	44.7	48.5	11.6	4.2
Profit for the year		112.6	115.7	138.4	-30.2

EUR million	Note	Group		Parent Company	
		2014	2013	2014	2013
Attributable to:					
Non-controlling interests		0.2	0.1		
Shareholders in the parent company		112.4	115.6		
		112.6	115.7		
Statement of comprehensive income					
Profit for the year		112.6	115.7	138.4	-30.2
Items that will not be reclassified to the income statement:					
Actuarial gains and losses of pension obligations		-8.8	2.1	0	0
Tax on other comprehensive income	9	0.2	-0.8	0	0
Items that may be subsequently reclassified to the income statement:					
Exchange rate adjustments of foreign subsidiaries		-63.1	-68.4	1.6	0.4
Hedging instruments, value adjustments		-2.3	2.7	0	0
Tax on other comprehensive income	9	0.6	-0.8	0	0
Total other comprehensive income		-73.4	-65.2	1.6	0.4
Comprehensive income for the year		39.2	50.5	140.0	-29.8
Attributable to:					
Non-controlling interests		0.5	-0.1		
Shareholders in the parent company		38.7	50.6		
		39.2	50.5		

Balance sheet – Assets As at 31 December

EUR million	Note	Group		Parent Company	
		2014	2013	2014	2013
Goodwill	11	65.6	33.7	0	0
Software	11	22.4	21.4	23.8	22.1
Customer relationships	11	35.7	31.8	0	0
Other intangible assets	11	27.0	33.4	22.0	22.4
Total intangible assets		150.7	120.3	45.8	44.5
Buildings and sites	12	540.3	485.9	14.3	14.8
Plant and machinery	12	541.2	490.6	0	0
Other operating equipment	12	19.7	18.1	1.7	1.4
Prepayments and tangible assets under construction	12	84.7	137.0	0	0
Total tangible assets		1,185.9	1,131.6	16.0	16.2
Shares in subsidiaries	13	0	0	911.3	873.8
Shares in associated companies	13	44.7	44.1	4.6	4.7
Loans to subsidiaries	13, 28, 29	0	0	480.7	229.9
Long term deposits and debtors		5.8	39.8	0	0
Deferred tax assets	18	44.1	35.4	0	0
Total financial assets		94.6	119.3	1,396.6	1,108.4
Non-current assets		1,431.2	1,371.2	1,458.4	1,169.1
Inventories	15	176.7	161.7	3.2	2.4
Work in progress		0	0	3.2	5.4
Trade receivables	16	220.7	211.1	0	0
Receivables from subsidiaries and associated companies	28, 29	1.9	1.6	131.6	116.6
Other receivables		31.7	33.6	14.0	12.5
Prepayments		17.7	10.3	3.0	2.4
Company tax	22	11.6	0.1	3.2	1.2
Cash	25	78.4	67.3	0	0
Current assets		538.7	485.7	158.2	140.5
Total assets		1,969.9	1,856.9	1,616.6	1,309.6

Balance sheet – Equity and liabilities As at 31 December

EUR million	Note	Group		Parent Company	
		2014	2013	2014	2013
Share capital	17	29.5	29.5	29.5	29.5
Foreign currency translation		-149.2	-85.8	2.0	0.4
Proposed dividend		33.4	30.1	33.4	30.1
Retained earnings		1,388.7	1,308.1	1,024.5	910.7
Hedging		-3.0	-1.3	0	0
Equity attributable to shareholders in the parent company		1,299.4	1,280.6	1,089.4	970.7
Non-controlling interests		3.7	3.2	0	0
Total equity		1,303.1	1,283.8	1,089.4	970.7
Deferred tax liabilities	18	44.6	48.3	21.0	16.6
Pension obligations	19	40.4	27.5	0	0
Provisions for other liabilities and charges	20	30.4	26.0	0.4	0.4
Loans from subsidiaries	21, 29	0	0	0	12.5
Bank loans and other loans	21	5.9	32.3	0	25.2
Non-current liabilities		121.3	134.1	21.4	54.7
Short-term portion of long-term debt	21	29.1	45.7	29.0	39.8
Bank debt	21, 25	218.1	103.0	213.7	46.9
Trade payables	21	162.4	156.3	15.4	8.7
Payables to subsidiaries and associated companies	21, 29	0	0	234.5	181.0
Provisions for other liabilities and charges	20	8.9	11.1	0	0
Other payables	21	127.0	122.9	13.2	7.8
Current liabilities		545.5	439.0	505.8	284.2
Total liabilities		666.8	573.1	527.2	338.9
Total equity and liabilities		1,969.9	1,856.9	1,616.6	1,309.6

Cash flow statement

EUR million	Note	Group		Parent Company	
		2014	2013	2014	2013
EBIT		161.4	168.9	29.0	12.7
Adjustments for depreciation, amortisation and write-downs		150.3	144.3	12.3	12.1
Other adjustments	23	3.2	3.2	140.8	72.7
Change in net working capital	24	-29.7	-1.6	49.8	-36.8
Cash flow from operations before financial items and tax		285.2	314.8	231.9	60.7
Finance income etc. received		19.8	14.9	35.2	12.1
Finance costs etc. paid		-28.2	-19.9	-22.0	-20.4
Taxes paid		-71.3	-57.0	-9.2	-7.7
Cash flow from operating activities		205.5	252.8	235.9	44.7
Purchase of tangible assets		-221.2	-172.1	-6.8	-5.0
Purchase of intangible assets		-11.0	-9.3	-12.2	-6.6
Acquisition of new activities, net of cash acquired	30	-60.5	-48.5	0	0
Additions of subsidiaries and associated companies		0	0	-108.7	-92.3
Dividend and capital decrease in subsidiaries and associated companies		0	0	46.4	141.1
Prepayments	30	35.4	-35.4	0	0
Cash flow from investing activities		-257.3	-265.3	-81.3	37.2
Cash flow from operating and investing activities (free cash flow)		-51.8	-12.5	154.6	81.9

EUR million	Note	Group		Parent Company	
		2014	2013	2014	2013
Dividend paid		-30.1	-29.1	-30.1	-29.1
Purchase of own shares		0	-9.9	0	-9.9
Sale of own shares		8.0	7.0	8.0	7.0
Change in non-current debtors		-1.1	1.6	-250.8	-25.7
Instalments of non-current debt		-20.4	-20.5	-48.5	-98.8
Increase in non-current debt		2.0	1.3	0	43.4
Cash flow from financing activities		-41.6	-49.6	-321.4	-113.1
Changes in cash available		-93.4	-62.1	-166.8	-31.2
Cash available 1/1		-35.7	25.3	-46.9	-15.7
Exchange rate adjustments		-10.6	1.1	0	0
Cash available 31/12	25	-139.7	-35.7	-213.7	-46.9
Unutilised, committed credit facilities 31/12		303.2	417.1	303.2	417.1

Individual items in the cash flow statement cannot be directly deduced from the consolidated balance sheet, as balance sheet items of the foreign companies have been converted at average exchange rates for the year.

Statement of changes in equity

Group

Attributable to shareholders of the parent company

EUR million	Share capital	Foreign currency translation	Proposed dividend	Retained earnings	Hedging	Equity before minority interests	Minority interests	Total equity
Equity 1/1 2014	29.5	-85.8	30.1	1,308.1	-1.3	1,280.6	3.2	1,283.8
Profit for the year	0	0	33.4	79.0	0	112.4	0.2	112.6
Other comprehensive income	0	-63.4	0	-8.6	-1.7	-73.7	0.3	-73.4
Comprehensive income for the year	0	-63.4	33.4	70.4	-1.7	38.7	0.5	39.2
Sale and purchase of own shares	0	0	0	8.0	0	8.0	0	8.0
Expensed value of options issued	0	0	0	2.2	0	2.2	0	2.2
Dividend paid to the shareholders	0	0	-30.1	0	0	-30.1	0	-30.1
Equity 31/12 2014	29.5	-149.2	33.4	1,388.7	-3.0	1,299.4	3.7	1,303.1
Equity 1/1 2013	29.5	-17.6	29.5	1,222.5	-3.2	1,260.7	3.3	1,264.0
Profit for the year	0	0	30.1	85.5	0	115.6	0.1	115.7
Other comprehensive income	0	-68.2	0	1.3	1.9	-65.0	-0.2	-65.2
Comprehensive income for the year	0	-68.2	30.1	86.8	1.9	50.6	-0.1	50.5
Sale and purchase of own shares	0	0	0	-2.9	0	-2.9	0	-2.9
Expensed value of options issued	0	0	0	1.3	0	1.3	0	1.3
Dividend paid to the shareholders	0	0	-29.5	0.4	0	-29.1	0	-29.1
Equity 31/12 2013	29.5	-85.8	30.1	1,308.1	-1.3	1,280.6	3.2	1,283.8

ROCKWOOL International A/S aims to pay a stable dividend taking into consideration the Group's profitability and development in equity. In 2014 a dividend of DKK 10.40 (EUR 1.40) per share was decided. At the Annual General Meeting on 15th April 2015, the Board will propose a dividend of DKK 11.30 (EUR 1.52) per share for the financial year 2014.

Management assesses the Group's capital requirements on an ongoing basis. At the end of 2014 the equity ratio was 66.2% (2013: 69.1%). The Group aims at having an equity ratio of at least 50%.

Statement of changes in equity

Parent Company

EUR million	Share capital	Foreign currency translation	Proposed dividend	Retained earnings	Hedging	Total equity
Equity 1/1 2014	29.5	0.4	30.1	910.7	0	970.7
Profit for the year	0	0	33.4	105.0	0	138.4
Other comprehensive income	0	1.6	0	0	0	1.6
Comprehensive income for the year	0	1.6	33.4	105.0	0	140.0
Sale and purchase of own shares	0	0	0	8.0	0	8.0
Expensed value of options issued	0	0	0	0.8	0	0.8
Dividend paid to the shareholders	0	0	-30.1	0	0	-30.1
Equity 31/12 2014	29.5	2.0	33.4	1,024.5	0	1,089.4
Equity 1/1 2013	29.5	0	29.5	972.8	0	1,031.8
Profit for the year	0	0	30.1	-60.3	0	-30.2
Other comprehensive income	0	0.4	0	0	0	0.4
Comprehensive income for the year	0	0.4	30.1	-60.3	0	-29.8
Sale and purchase of own shares	0	0	0	-2.9	0	-2.9
Expensed value of options issued	0	0	0	0.7	0	0.7
Dividend paid to the shareholders	0	0	-29.5	0.4	0	-29.1
Equity 31/12 2013	29.5	0.4	30.1	910.7	0	970.7

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Notes

1. Key accounting estimates and assumptions

In connection with the practical application of the accounting policies described, management must carry out estimates and set out assumptions concerning future events affecting assets and liabilities as well as contingent assets and liabilities. Management bases its estimates on historical experience and a number of other assumptions deemed reasonable under the given circumstances.

Especially estimates of importance for the financial reporting are made in the following:

Impairment testing. 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 have been determined based on value-in-use calculations. These calculations require the use of estimates as it is based on budgets, business plans and projections for 5 years and takes into account previous experiences and represent Management's best estimate of future developments. Key parameters are growth in sales, margin, future investments and capacity utilisation. Please refer to note 5/6.

Expected lifetime for assets. The expected lifetime for intangible and tangible assets is determined based on past experience and expectations for future use of the assets. Reassessments of the expected future lifetime are also made in connection with changes in production structures. Please refer to note 31.

Deferred tax assets. The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining provision for income tax 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. The judgement is made annually and is based on budgets and Management's expectations for the coming 3-5 years taxable income and whether this is sufficient to utilise the temporary differences and cover unused tax losses including the Group's future tax planning. Please refer to note 18.

Pensions. The present value of 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. Additional information is disclosed in note 19.

Business Combinations. Management makes estimates of the fair value of acquired assets, liabilities and contingent liabilities. The significant assets are often goodwill, tangible and intangible assets. The determined fair value of an item may be associated with uncertainty and adjusted subsequently. For the major part of the acquired assets and liabilities no effective market exists where a fair value can be measured. The methods used are therefore often model based on future cash flows based on e.g. royalty and sales forecasts. The unallocated purchase price is recognised in the balance sheet as goodwill, which is allocated to the Group's cash-generating units. Management makes estimates of the acquired cash-generating units and the allocation of goodwill. Please refer to note 30.

There are not identified any special areas in the accounting principles applied for the Group where Management has made judgements when applying policies.

Notes

2. Segmented accounts

Business segments

Group	Insulation segment		Systems segment		Eliminations		The ROCKWOOL Group	
	2014	2013	2014	2013	2014	2013	2014	2013
EUR million								
Income statement								
External net sales	1,677.5	1,607.5	502.9	395.3	0	0	2,180.4	2,002.8
Internal net sales	226.9	214.6	0	0.3	-226.9	-214.9	0	0
EBIT, segment profit	99.2	121.2	62.2	47.7	0	0	161.4	168.9
<i>EBIT ratio</i>	<i>5.2%</i>	<i>6.7%</i>	<i>12.4%</i>	<i>12.1%</i>			<i>7.4%</i>	<i>8.4%</i>
Non-current asset investments	266.2	151.8	4.9	127.1	0	0	271.1	278.9

The segment accounts have been redefined in 2014 to fit with the Group's improved internal management follow-up, giving a better operational understanding of the two business segments. Parent company costs are now allocated to the business segments where they are consumed. The comparative figures have been changed accordingly.

The ROCKWOOL Group operates in two business segments based on products: Insulation segment and Systems segment. The Insulation segment includes among others building insulation and industrial and technical insulation. The Systems segment includes acoustic ceilings, facade panels, engineered fibres, noise and vibration control, and horticultural substrates.

Intangible and tangible assets and related amortisation/depreciation, financial income and expenses, and income taxes are managed at Group level and are not allocated to business segments. All stone wool production takes place in the Insulation segment. Internal net sales from the Insulation segment to the Systems segment are at arms' length prices.

Geographical segments

Group	Intangible and tangible assets		Net sales	
	2014	2013	2014	2013
EUR million				
Western Europe	518.6	487.0	1,273.0	1,189.7
Eastern Europe and Russia	321.5	393.1	479.2	475.1
North America, Asia and others	496.5	371.8	428.2	338.0
Total	1,336.6	1,251.9	2,180.4	2,002.8

The net sales information above is based on the location of the customers. The domestic sales in Denmark is in the range of 3-4% of the Group's net sales both this year and last year. Net sales in Germany, France and Russia exceeds 10% of the Group's total net sales each. The domestic intangible and tangible assets in Denmark amounts to EUR 122.4 million (2013: EUR 98.3 million).

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

Notes

3. Other operating income

EUR million	Group		Parent Company	
	2014	2013	2014	2013
Royalties and other income	7.5	6.4	136.3	114.9
Net profit and loss on sale/scraping of assets	-0.8	-0.8	0	0
Total	6.7	5.6	136.3	114.9

4. Personnel costs

EUR million	Group		Parent Company	
	2014	2013	2014	2013
Wages and salaries	443.8	412.2	35.5	33.9
Expensed value of options issued	2.2	1.3	0.8	0.7
Pension contributions	20.1	20.0	3.5	3.4
Other social security costs	66.1	57.7	0.3	0.3
Total	532.2	491.2	40.1	38.3

Average number of employees	10,999	10,066	326	318
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The above items include to

Board and Group Management:

Remuneration to Group Management	8.0	4.0	8.0	4.0
Pension contribution	0.4	0.4	0.4	0.4
Value of options issued	0	0.9	0	0.9
Board's remuneration	0.6	0.6	0.6	0.6
Total	9.0	5.9	9.0	5.9
Hereof remuneration to Management Board	5.0	1.7	5.0	1.7
Hereof expensed value of options issued to Management Board	0	0.4	0	0.4
Hereof pension to Management Board	0.2	0.2	0.2	0.2
Total to Management Board	5.2	2.3	5.2	2.3

The redundancy agreements for the two changes in Group Management are included in the remuneration in 2014.

4. Personnel costs (continued)

Share options programme

Group Management and senior managers receive share options to retain them in the ROCKWOOL Group. The share option schemes for retaining executives fulfil the criteria provided for in the Corporate Governance recommendations. The Board members do not receive share options. The share options are exercisable 3 years after the issue date and will expire between 6 to 8 years after the issue date. The exercise price is based on the market price of the ROCKWOOL International share at the date of grant corrected for the estimated future dividend and interest costs.

The vesting conditions for the share option programme are a minimum of 12 months service with the ROCKWOOL Group at senior management level. There are no cash settlement alternatives and the Group does not have a past practice of cash settlements for these.

2014

Year	Agreements	Number of shares	Price (EUR)	Exercise period
2009	48	44,075	56.1	01.11.2013 - 31.10.2016
2011	134	93,325	86.1-86.3-86.6	01.09.2014 - 31.08.2017*
2012	92	107,000	69.0	01.09.2015 - 31.08.2020
2013	60	102,700	120.7	23.09.2016 - 22.09.2021
	334	347,100		

* Share 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 12,550 belongs to Management Board and 334,550 to senior managers.

2013

Year	Agreements	Number of shares	Price (EUR)	Exercise period
2008	65	53,250	110.9-113.1-115.6	01.08.2011 - 31.07.2014*
2009	79	64,650	56.1	01.11.2013 - 31.10.2016
2011	147	101,400	86.1-86.3-86.6	01.09.2014 - 31.08.2017*
2012	92	107,000	69.0	01.09.2015 - 31.08.2020
2013	60	102,700	120.7	23.09.2016 - 22.09.2021
	443	429,000		

* Share 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 51,850 belongs to Management Board and 377,150 to senior managers.

Notes

4. Personnel costs (continued)

	2014		2013	
	Number of shares	Average price	Number of shares	Average price
Share options				
Options outstanding 1/1	429,000	89.3	527,410	119.2
Issued during the year	535	86.1	102,700	120.7
Exercised during the year	78,285	94.5	85,500	87.1
Expired/cancelled during the year	4,150	102.8	115,610	255.2
Options outstanding 31/12	347,100	87.4	429,000	89.3

A limited number of share options were reissued during 2014, representing a value of less than EUR 0.1 million (2013: EUR 2.7 million). The market value of the share options 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:

	2014	2013
Expected life of the option in years (average)	0	5
Expected volatility	0	29.7%
Expected dividend per share	0	1.13%
Risk-free interest rate	0	1.14%
ROCKWOOL B share price at the date of grant (EUR)	0	121.2

5. Depreciation, amortisation and write-downs

EUR million	Group		Parent Company	
	2014	2013	2014	2013
Amortisation of intangible assets	13.7	15.0	11.0	11.2
Depreciation of tangible assets	133.0	123.5	1.3	0.9
Write-down of tangible assets	8.4	5.8	0	0
Reversal of previous write-down of tangible assets	-4.8	0	0	0
Total	150.3	144.3	12.3	12.1

5. Depreciation, amortisation and write-downs (continued)

The impairment tests for goodwill and other assets are based on value in use and calculated using the expected future cash flows. The assessment of future cash flows is based on 5-year management reviewed budgets and business plans where the last year is used as a normalised terminal year. The pre-tax discount rates in the Insulation segment range from 9%-14% (2013: 7%-11%) and in the System segment 10% (2013: 10%-11%). The average growth rate in the terminal period has been set between 0.0-0.5% both this year and last year in both the Insulation and System segment. The impairment test for goodwill did not lead to any impairment write-downs of goodwill. Even in scenarios with no development in 3 out of 5 years no impairment write-down would be needed.

Key assumptions used in impairment testing for both segments are growth in sales, gross margin, future investments, capacity utilisation and discount rates. Growth in sales is estimated to be between 2%-8% depending on the businesses. 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. Future investment is derived from the management approved investment budget and the capacity utilisation are 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).

2014

In 2014 the value of the Group businesses was assessed and the impairment calculation shows no further need for a write-down and consequently the write-down made last year is kept. Based on future capacity plans and the decision to discontinue the Chinese factory in Tianjin the Group has evaluated the value in use for some businesses in North America, Asia and other countries in the Insulation segment and a write-down of EUR 8.4 million is recognised, while the result in Western Europe was a reversal of EUR 4.8 million in the Insulation segment.

2013

In 2013 the value of the Group businesses in Western Europe was assessed considering the difficulties in some markets as well as the low capacity utilisation of some Western European factories in the Insulation segment. Consequently, the impairment calculation shows the need for a write-down of tangible assets by EUR 5.8 million. The recoverable amount of the businesses amounts to EUR 64.3 million (2012: EUR 156.2 million) and was calculated as the value in use. The discount rate used in the impairment test was set at 10% (2012: 10%).

Notes

6. Income from investments in subsidiaries	Parent Company	
	2014	2013
EUR million		
Dividends received from subsidiaries	123.1	71.4
Purchase and sale of shares in subsidiaries	9.9	0
Write-down of shares in subsidiaries	-26.5	-103.0
Total	106.5	-31.6

In the parent company an impairment test of subsidiaries has been made, which has led to a write-down of EUR 26.5 million (2013: EUR 103.0 million) mainly due to difficult market conditions in Asia. The recoverable amount of the subsidiaries amounts to EUR 102.9 million (2013: EUR 64.3 million) and was calculated as the value in use. The discount rate used in the impairment test was set at 9%-14% (2013: 10%).

7. Financial income	Group		Parent Company	
	2014	2013	2014	2013
EUR million				
Interest income	6.7	2.7	1.9	0.5
Interest income from subsidiaries	0	0	8.5	5.8
Exchange gains	20.5	11.1	24.8	5.8
Total	27.2	13.8	35.2	12.1
Financial income on financial assets at amortised cost	3.4	6.0	0	0.5

8. Financial expenses	Group		Parent Company	
	2014	2013	2014	2013
EUR million				
Interest expenses etc.	11.4	5.6	5.4	5.6
Interest expenses to subsidiaries	0	0	4.0	0.7
Exchange losses	21.4	14.4	12.6	14.1
Total	32.8	20.0	22.0	20.4
Financial expenses on financial liabilities at amortised cost	5.4	9.8	5.4	5.6

9. Tax on profit for the year	Group		Parent Company	
	2014	2013	2014	2013
EUR million				
Current tax	60.8	60.1	7.8	7.6
Adjustments to previous years	-4.1	-1.5	-0.6	0
Change in deferred tax	-9.0	-8.5	3.3	-3.4
Changes in tax percentages	0.7	0	1.1	0
Tax assets not recognised in previous years	-4.5	0	0	0
Total	43.9	50.1	11.6	4.2
Distributed between:				
Tax on profit for the year	44.7	48.5	11.6	4.2
Tax on comprehensive income	-0.8	1.6	0	0

Reconciliation of tax percentage	Group	
	2014	2013
Danish tax percentage	24.5%	25.0%
Deviation in non-Danish subsidiaries' tax compared to Danish tax percentage	1.6%	3.3%
Associated companies included after tax	-0.3%	-0.2%
Adjustment to valuation of tax assets	4.7%	-0.4%
Other deviations	-2.1%	1.8%
Effective tax percentage	28.4%	29.5%

10. Earnings per share	Group	
	2014	2013
EUR million		
Profit for the year excluding minority interests	112.4	115.6
Average number of shares (million)	22.0	22.0
Average number of own shares (million)	0.4	0.5
Average number of shares outstanding (million)	21.6	21.5
Dilution effect of share options	0.1	0.1
Diluted average number of outstanding shares (million)	21.7	21.6

Earnings per share of DKK 10 (EUR 1.3)	5.20	5.38
Earnings per share of DKK 10 (EUR 1.3), diluted	5.18	5.35

Notes

11. Intangible assets

EUR million	Group				Parent Company			
	Goodwill	Software	Customer relationships	Other	Total	Software	Other	Total
2014								
Cost:								
Accumulated 1/1 2014	55.0	64.6	38.7	41.2	199.5	59.4	31.1	90.5
Exchange rate adjustment	4.6	0	0.8	2.8	8.2	0.1	0.1	0.2
Additions for the year	0	10.0	0	2.2	12.2	9.8	2.4	12.2
Business combinations	27.3	0	4.0	-6.2	25.1	0	0	0
Disposals for the year	0	-6.6	0	0	-6.6	-6.3	0	-6.3
Accumulated 31/12 2014	86.9	68.0	43.5	40.0	238.4	63.0	33.6	96.6
The above costs include:								
Intangible assets under construction	0	7.2	0	0	7.2	7.2	0	7.2
Amortisation and write-downs:								
Accumulated 1/1 2014	21.3	43.2	6.9	7.8	79.2	37.3	8.7	46.0
Exchange rate adjustment	0	0	0.4	0.3	0.7	0	0.1	0.1
Amortisation for the year	0	8.3	0.5	4.9	13.7	8.2	2.8	11.0
Disposals for the year	0	-5.9	0	0	-5.9	-6.3	0	-6.3
Accumulated 31/12 2014	21.3	45.6	7.8	13.0	87.7	39.2	11.6	50.8
Net book value 31/12 2014	65.6	22.4	35.7	27.0	150.7	23.8	22.0	45.8

Notes

11. Intangible assets (continued)

EUR million	Group				Parent Company			
	Goodwill	Software	Customer relationships	Other	Total	Software	Other	Total
2013								
Cost:								
Accumulated 1/1 2013	39.5	57.8	26.5	19.7	143.5	52.8	31.1	83.9
Exchange rate adjustment	-1.0	-0.2	-1.2	-0.6	-3.0	0	0	0
Additions for the year	0	7.0	0	0.4	7.4	6.6	0	6.6
Business Combinations	16.5	0.1	13.4	22.0	52.0	0	0	0
Disposals for the year	0	-0.1	0	-0.3	-0.4	0	0	0
Accumulated 31/12 2013	55.0	64.6	38.7	41.2	199.5	59.4	31.1	90.5
The above costs include:								
Intangible assets under construction	0	5.0	0	0	5.0	5.0	0	5.0
Amortisation and write-downs:								
Accumulated 1/1 2013	21.3	33.6	4.8	5.0	64.7	28.9	5.9	34.8
Exchange rate adjustment	0	0	-0.2	-0.2	-0.4	0	0	0
Amortisation for the year	0	9.6	2.3	3.1	15.0	8.4	2.8	11.2
Disposals for the year	0	0	0	-0.1	-0.1	0	0	0
Accumulated 31/12 2013	21.3	43.2	6.9	7.8	79.2	37.3	8.7	46.0
Net book value 31/12 2013	33.7	21.4	31.8	33.4	120.3	22.1	22.4	44.5

Goodwill is allocated to the business segment Insulation at an amount of EUR 29.5 million (2013: EUR 17.2 million) and to the System segment at an amount of EUR 35.8 million (2013: EUR 16.5 million). Goodwill has been impairment tested in 2014 and 2013, which did not lead to any impairment write-downs.

The impairment test of goodwill is based on current and future results for the segments to where the results are allocated. Most of the goodwill in the Group is related to the acquisition of HECK Wall Systems in 2014, Chicago Metallic in 2013 and CSR in 2010 and this part of the Group is performing according to plan. For a description of impairment test on intangible assets please refer to note 5.

The net book value of other intangible assets includes development projects amounting to EUR 7.7 million (2013: EUR 9.0 million) and brands amounting to EUR 7.4 million (2013: EUR 22.4 million).

Notes

12. Tangible assets

EUR million

	Group					Total
	Buildings and sites	Plant and machinery	Other operating equipment	Prepayments and tangible assets under construction	Investment grants	
2014						
Cost:						
Accumulated 1/1 2014	825.4	1,758.5	89.7	137.0	-78.7	2,731.9
Exchange rate adjustment	-39.1	-43.3	-4.0	14.0	-0.6	-73.0
Additions for the year	4.4	8.9	1.2	204.1	-0.1	218.5
Business combinations	9.8	3.0	0.7	1.9	0	15.4
Transfer of assets under construction	94.0	163.4	7.5	-264.9	0	0
Disposals for the year	-3.1	-45.9	-10.8	-7.4	14.9	-52.3
Accumulated 31/12 2014	891.4	1,844.6	84.3	84.7	-64.5	2,840.5
Depreciation and write-downs:						
Accumulated 1/1 2014	328.5	1,259.2	71.6	0	-59.0	1,600.3
Exchange rate adjustment	-8.8	-20.0	-2.6	0	-0.5	-31.9
Depreciation for the year	23.5	105.7	5.8	0	-2.0	133.0
Write-downs for the year	0	1.0	0	7.4	0	8.4
Reversal of previous write-downs for the year	0	-4.8	0	0	0	-4.8
Disposals for the year	-2.4	-44.7	-10.2	-7.4	14.3	-50.4
Accumulated 31/12 2014	340.8	1,296.4	64.6	0	-47.2	1,654.6
Net book value 31/12 2014	550.6	548.2	19.7	84.7	-17.3	1,185.9
Investment grants	-10.3	-7.0	0	0	17.3	0
Net book value after investment grants 31/12 2014	540.3	541.2	19.7	84.7	0	1,185.9

Notes

12. Tangible assets (continued)

EUR million

	Group					Total
	Buildings and sites	Plant and machinery	Other operating equipment	Prepayments and tangible assets under construction	Investment grants	
2013						
Cost:						
Accumulated 1/1 2013	829.2	1,800.6	92.7	68.2	-79.1	2,711.6
Exchange rate adjustment	-35.9	-58.3	-2.7	-4.9	0.4	-101.4
Additions for the year	6.0	11.3	1.9	166.3	-2.8	182.7
Business Combinations	13.8	18.2	3.6	1.2	0	36.8
Transfer of assets under construction	28.8	59.8	5.2	-93.8	0	0
Disposals for the year	-16.5	-73.1	-11.0	0	2.8	-97.8
Accumulated 31/12 2013	825.4	1,758.5	89.7	137.0	-78.7	2,731.9
Depreciation and write-downs:						
Accumulated 1/1 2013	329.2	1,256.4	80.0	0.3	-59.1	1,606.8
Exchange rate adjustment	-8.0	-31.5	-1.7	0	0.2	-41.0
Depreciation for the year	22.3	99.2	4.0	0	-2.0	123.5
Write-downs for the year	0	5.8	0	0	0	5.8
Disposals for the year	-15.0	-70.7	-10.7	-0.3	1.9	-94.8
Accumulated 31/12 2013	328.5	1,259.2	71.6	0	-59.0	1,600.3
Net book value 31/12 2013	496.9	499.3	18.1	137.0	-19.7	1,131.6
Investment grants	-11.0	-8.7	0	0	19.7	0
Net book value after investment grants 31/12 2013	485.9	490.6	18.1	137.0	0	1,131.6

Notes

12. Tangible assets (continued)

Of the total net book value of buildings and sites, EUR 79.1 million (2013: EUR 70.0 million) represent sites not subject to depreciation. Costs for building and machinery acquired as finance lease at EUR 6.1 million (2013: EUR 6.6 million) represent a net book value of EUR 0.4 million (2013: EUR 0.8 million). Accumulated capitalised interests amounting to EUR 5.8 million (2013: EUR 6.2 million) are included in the cost of tangible assets. The range of interests rates used is 1%-10% (2013: 1%-10%).

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, the UK, Germany and the US. 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 exists.

For a description of impairment tests on tangible assets please see note 5.

Contractual obligations for the purchase of tangible assets amounts to EUR 19.0 million (2013: EUR 17.6 million). The parent company has investment obligations of EUR 18.3 million (2013: EUR 6.3 million).

EUR million

	Parent Company					Total
	Buildings and sites	Plant and machinery	Other operating equipment	Prepayments and tangible assets under construction	Investment grants	
2014						
Cost:						
Accumulated 1/1 2014	27.4	0	12.3	0	0	39.7
Exchange rate adjustment	0	0	0	0	0	0
Additions for the year	5.8	0	1.0	0	0	6.8
Disposals for the year	-5.7	0	-4.5	0	0	-10.2
Accumulated 31/12 2014	27.5	0	8.8	0	0	36.3
Depreciation and write-downs:						
Accumulated 1/1 2014	12.6	0	10.9	0	0	23.5
Exchange rate adjustment	0	0	0	0	0	0
Depreciation for the year	0.6	0	0.7	0	0	1.3
Disposals for the year	0	0	-4.5	0	0	-4.5
Accumulated 31/12 2014	13.2	0	7.1	0	0	20.3
Net book value 31/12 2014	14.3	0	1.7	0	0	16.0
Investment grants	0	0	0	0	0	0
Net book value after investment grants 31/12 2014	14.3	0	1.7	0	0	16.0

Notes

12. Tangible assets (continued)

EUR million	Parent Company					Total
	Buildings and sites	Plant and machinery	Other operating equipment	Prepayments and tangible assets under construction	Investment grants	
2013						
Cost:						
Accumulated 1/1 2013	23.0	0	11.7	0	0	34.7
Additions for the year	4.4	0	0.6	0	0	5.0
Disposals for the year	0	0	0	0	0	0
Accumulated 31/12 2013	27.4	0	12.3	0	0	39.7
Depreciation and write-downs:						
Accumulated 1/1 2013	12.1	0	10.5	0	0	22.6
Depreciation for the year	0.5	0	0.4	0	0	0.9
Disposals for the year	0	0	0	0	0	0
Accumulated 31/12 2013	12.6	0	10.9	0	0	23.5
Net book value 31/12 2013	14.8	0	1.4	0	0	16.2
Investment grants	0	0	0	0	0	0
Net book value after investment grants 31/12 2013	14.8	0	1.4	0	0	16.2

Notes

13. Financial assets

EUR million	Group		Parent Company		Total
	Shares in associated companies	Shares in subsidiaries	Loans to subsidiaries	Shares in associated companies	
2014					
Cost:					
Accumulated 1/1 2014	8.8	1,095.5	234.9	4.7	1,335.1
Exchange rate adjustment	0	2.2	0.5	0	2.7
Additions for the year	0	108.7	250.6	0	359.3
Reductions for the year	-0.2	-46.4	-0.3	-0.1	-46.8
Accumulated 31/12 2014	8.6	1,160.0	485.7	4.6	1,650.3
Adjustments:					
Accumulated 1/1 2014	35.3	-221.7	-5.0	0	-226.7
Exchange rate adjustment	0.9	-0.5	0	0	-0.5
Profit for the year after tax	1.7	0	0	0	0
Write-down for the year	0	-26.5	0	0	-26.5
Dividend	-1.8	0	0	0	0
Accumulated 31/12 2014	36.1	-248.7	-5.0	0	-253.7
Net book value 31/12 2014	44.7	911.3	480.7	4.6	1,396.6
2013					
Cost:					
Accumulated 1/1 2013	8.8	1,143.9	209.0	4.7	1,357.6
Exchange rate adjustment	0	0.4	0.2	0	0.6
Additions for the year	0	92.3	101.6	0	193.9
Reductions for the year	0	-141.1	-75.9	0	-217.0
Accumulated 31/12 2013	8.8	1,095.5	234.9	4.7	1,335.1
Adjustments:					
Accumulated 1/1 2013	35.9	-119.4	-5.0	0	-124.4
Exchange rate adjustment	-0.6	0	0	0	0
Profit for the year after tax	1.1	0	0	0	0
Write-down for the year	0	-102.3	0	0	-102.3
Dividend	-1.1	0	0	0	0.0
Accumulated 31/12 2013	35.3	-221.7	-5.0	0	-226.7
Net book value 31/12 2013	44.1	873.8	229.9	4.7	1,108.4

Notes

13. Financial assets (continued)

Associated companies, main figures (100%) Shares owned in the Group EUR million	Transsys 30%		RESO SA 20%		Flumroc AG 42.3%	
	2013	2012	2014	2013	2013	2012
Net sales	2.1	3.6	104.3	106.1	63.7	67.2
Profit for the year	0.2	0.3	2.4	2.5	5.7	0.5
Total assets	1.7	2.0	43.2	44.1	119.4	114.8
Liabilities	0.7	1.1	31.5	32.6	20.2	20.2

In 'Loans to subsidiaries' an amount of EUR 74.3 million (2013: EUR 65.7 million) is recognised as an addition to the share investment. Reference is made to the list of Group companies page 83.

In the parent company impairment tests have been made of the value of the shares in subsidiaries and the loans to subsidiaries. Please refer to note 6.

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 230.8 million (2013: EUR 200.3 million).

14. Own shares (A and B shares)

	2014			2013		
	Number of shares	Average purchase/sales price	% of share capital	Number of shares	Average purchase/sales price	% of share capital
Own shares 1/1	437,246		2.0	427,310		1.9
Purchase	0		0	93,925	105.9	0.4
Adjustment	535	86.1	0	0		0
Sale	78,325	94.5	0.4	83,989	87.3	0.3
Own shares 31/12	359,456		1.6	437,246		2.0

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

Notes

15. Inventories EUR million	Group		Parent Company	
	2014	2013	2014	2013
Inventory before write-downs	184.9	178.5	3.2	2.4
Write-downs 1/1	-16.8	-7.8	0	0
Change in the year	8.6	-9.0	0	0
Write-downs 31/12	-8.2	-16.8	0	0
Inventories 31/12	176.7	161.7	3.2	2.4

In 2013 the Group made a write-down to a lower net realisable value of a specific inventory in the Insulation segment which amounted to EUR 9.0 million. In 2014 the specific inventory has been sold, and the write-down has been partly used and partly reversed.

Specification of inventories EUR million	Group		Parent Company	
	2014	2013	2014	2013
Raw materials and consumables	81.1	77.1	3.2	2.4
Work in progress	8.2	8.7	0	0
Finished goods	87.4	75.9	0	0
Inventories 31/12	176.7	161.7	3.2	2.4

16. Trade receivables EUR million	Group	
	2014	2013
Trade receivables before write-downs (maximum credit risk)	237.5	222.9
Write-downs 1/1	-11.8	-12.3
Exchange rate adjustments	-0.2	0
Movements during the year	-3.5	-1.9
Realised losses during the year	-1.3	2.4
Write-downs 31/12	-16.8	-11.8
Trade receivables 31/12	220.7	211.1

Trade receivables (gross) can be specified as follows: EUR million	Group	
	2014	2013
Not due	188.8	180.5
Overdue by:		
1-60 days	31.6	30.3
60-360 days	6.6	7.0
Older	10.5	5.1
Trade receivables before write-downs	237.5	222.9

Primarily trade receivables overdue more than 90 days are written off.

17. Share capital EUR million	Parent Company	
	2014	2013
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

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 16 years.

Notes

18. Specification of tax assets and deferred tax

EUR million	Group				Parent Company			
	2014		2013		2014		2013	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Non-current assets	21.7	57.5	27.9	52.4	0	9.4	0	3.9
Current assets	10.4	1.0	10.1	0.3	5.2	0	7.7	0
Non-current liabilities	38.8	0.1	12.6	0	1.0	0	1.0	0
Current liabilities	4.4	4.7	5.9	2.9	0	0	0	0
Tax loss carried forward	5.3	0	7.6	0	0	0	0	0
Retaxable amounts	0	17.8	0	21.4	0	17.8	0	21.4
Total	80.6	81.1	64.1	77.0	6.2	27.2	8.7	25.3
Set-off within legal tax entities and jurisdictions	-36.5	-36.5	-28.7	-28.7	-6.2	-6.2	-8.7	-8.7
Deferred tax 31/12	44.1	44.6	35.4	48.3	0	21.0	0	16.6

The tax assets expire as follows:

	Recognised assets	Unrecognised assets	Recognised assets	Unrecognised assets
Within 1 year of balance sheet date	1.9	0	0.3	0
Within 1-5 years of balance sheet date	13.3	8.8	4.3	4.7
After 5 years of balance sheet date	3.7	1.2	4.7	2.0
Do not expire	25.2	29.8	26.1	22.0
Total	44.1	39.8	35.4	28.7

Tax assets not recognised amount to EUR 39.8 million (2013: EUR 28.7 million). The tax assets have not been recognised as they have arisen in subsidiaries that have been loss-making for some time and there is no evidence of recoverability in the near future.

Deferred tax assets and liabilities are offset in the consolidated balance sheet if the Group has a legally enforceable right to set off and the deferred tax assets and liabilities relate to the same legal tax entity/consolidation. Of the total deferred tax assets recognised, EUR 5.3 million (2013: EUR 7.6 million) relate to tax loss carry forwards. The valuation of tax assets is done on a yearly basis and is based on expected positive taxable income within the next 3-5 years.

Notes

19. Pension obligations

A number of the Group's employees and former employees participate in pension schemes. The pension schemes are primarily defined contribution plans. However, defined benefit plans are used for Belgium and for past services only in the UK and for small groups of employees in Norway, Switzerland and Germany.

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

The retirement benefit plans in the UK and Belgium have assets placed in independent pension funds. A number of plans in Germany and Norway are unfunded. For these plans the retirement benefit obligations amount to approximately 25% (2013: 24%) of the total gross liability. Except for the UK plan, the mentioned defined benefit plans are not subject to regulatory requirements regarding minimum funding.

The granted retirement 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.

EUR million	Group	
	2014	2013
Defined contribution plans		
Pension costs for the year, total	18.5	18.8
Defined benefit plans		
Pension costs	0.6	0.5
Interest costs	4.6	4.2
Interest income	-3.6	-3.2
Pension costs for the year, total	1.6	1.5

Net value of pension plans	Group				
	2014	2013	2012	2011	2010
EUR million					
Present value of pension liabilities	134.0	106.5	103.6	97.8	93.9
Fair value of plan assets	-93.6	-79.0	-73.6	-66.3	-65.5
Net value of pension plans 31/12	40.4	27.5	30.0	31.5	28.4

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 are based on the composition and the expectations to the economical development. The assumptions used are weighted averages:

	Group	
	2014	2013
Increase in salaries and wages	2.2%	2.9%
Discount rate	3.3%	4.2%
Remaining life expectancy (years)	26.2	26.8

Development in the present value of the defined benefit obligation	Group	
	2014	2013
EUR million		
Balance 1/1	106.5	103.6
Exchange rate adjustments	5.9	-1.4
Pension costs	0.6	0.5
Interests costs	4.6	4.2
Actuarial gains/losses from changes in demographic assumptions	0	0.3
Actuarial gains/losses from changes in financial assumptions	15.4	6.8
Actuarial gains/losses from changes in experience	-0.2	-3.1
Benefits paid	-4.1	-4.4
Business combinations	5.3	0
Total 31/12	134.0	106.5

Sensitivity analysis:

A sensitivity analysis for significant assumptions as at 31 December 2014 is shown below:

Assumptions	Group					
	Discount rate		Salary increase		Life expectancy	
	-0.5%	+0.5%	-0.5%	+0.5%	-1 year	+1 year
EUR million						
Impact on obligation	11.4	-11.3	-0.4	4.6	-3.3	8.9

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

Notes

19. Pension obligations (continued)

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

EUR million	Group	
	2014	2013
0-1 year	2.0	1.7
1-5 years	8.8	7.7
Falling due after 5 years	15.0	11.9
Total	25.8	21.3

The expected duration of the defined benefit plan obligation is 20 years (2013: 18 years) as at year end.

Development in the fair value of the plan assets:

EUR million	Group	
	2014	2013
Balance 1/1	79.0	73.6
Exchange rate adjustments	5.7	-1.5
Interest income	3.6	3.2
Actuarial gains/losses	5.3	6.2
Employer's contribution	0.8	0.7
Benefits Paid	-2.7	-3.2
Business Combinations	1.9	0
Total 31/12	93.6	79.0

Plan assets in major categories held as a percentage of total plan assets

	Group	
	2014	2013
Assets quoted in active markets:		
Equities in European markets	48%	59%
Bonds in European markets	50%	41%
Assets unquoted:		
Cash	0%	0%
Other	2%	0%

20. Provisions for other liabilities and charges

EUR million	Group		Parent Company	
	2014	2013	2014	2013
Provision for employees 1/1	17.2	15.9	0.4	0.3
Exchange rate adjustments	0.1	-0.1	0	0
Additions for the year	10.6	2.1	0	0.1
Used during the year	-0.5	-0.7	0	0
Reversed during the year	-1.9	0	0	0
Total 31/12	25.5	17.2	0.4	0.4
Provisions for claims and legal proceedings 1/1	4.3	4.0	0	0
Exchange rate adjustments	0	0	0	0
Additions for the year	1.9	2.8	0	0
Used during the year	-1.4	-1.2	0	0
Reversed during the year	-0.9	-1.3	0	0
Total 31/12	3.9	4.3	0	0
Other provisions 1/1	15.6	14.3	0	0
Exchange rate adjustments	0.3	-0.3	0	0
Additions for the year	10.1	6.8	0	0
Used during the year	-8.8	-3.6	0	0
Reversed during the year	-7.3	-1.6	0	0
Total 31/12	9.9	15.6	0	0
Total provisions	39.3	37.1	0.4	0.4
Specification of provisions:				
Non-current liabilities	30.4	26.0	0.4	0.4
Current liabilities	8.9	11.1	0	0
Total provisions	39.3	37.1	0.4	0.4

Provisions relate primarily to jubilee obligations and retirement benefits, restructuring and ongoing disputes, lawsuits etc.

As at 31 December 2014 other provisions include a provision of EUR 6.7 million (2013: EUR 9.5 million) for restructuring measures. This provision is expected to be utilised within 1-3 years.

Notes

21. Bank loans and other financial liabilities	Group		Parent Company	
	2014	2013	2014	2013
EUR million				
Redemption				
Redemption within 1 year	536.6	427.9	505.8	284.2
Redemption between 1 and 3 years	2.9	28.2	0	37.7
Redemption between 3 and 5 years	2.6	2.9	0	0
Falling due after 5 years	0.4	1.2	0	0
Total non-current	5.9	32.3	0	37.7
Interest assessment time				
Reassessed less than 12 months	5.1	6.6	0	12.5
Reassessed after more than 12 months or is fixed-interest	0.8	25.7	0	25.2
Total	5.9	32.3	0	37.7
Yield				
Non-interests bearing	0	0	0	0
Below 4%	0.9	25.3	0	37.7
Between 4% and 6%	5.0	7.0	0	0
Between 6% and 8%	0	0	0	0
Total	5.9	32.3	0	37.7

None of the debt in 2014 comprise capitalised finance lease commitments (2013: EUR 0.1 million).

22. Company tax	Group		Parent Company	
	2014	2013	2014	2013
EUR million				
Balance 1/1	-0.1	-1.1	-1.2	-0.5
Exchange rate adjustment	0	0	0	0
Tax paid during the year	-68.1	-54.7	-9.2	-7.7
Current tax provided in the year	56.6	57.0	7.2	7.0
Other taxes provided in the year	0	-1.3	0	0
Total 31/12	-11.6	-0.1	-3.2	-1.2

23. Adjustments	Group		Parent Company	
	2014	2013	2014	2013
EUR million				
Provisions	1.8	2.7	0	0.1
Expensed value of options issued	2.2	1.3	0.8	0.7
Gain/loss on sale of intangible and tangible assets	-0.8	-0.8	5.7	0
Income from subsidiaries and associated companies	0	0	134.3	71.9
Total adjustments	3.2	3.2	140.8	72.7

24. Change in net working capital	Group		Parent Company	
	2014	2013	2014	2013
EUR million				
Change in inventories	-19.3	-2.0	1.3	-9.4
Change in trade receivables	-4.7	5.5	0	0
Change in other receivables	-4.2	-2.3	-17.1	-32.6
Change in trade payables	0.9	5.5	6.7	-2.4
Change in other debt	-2.4	-8.3	58.9	7.6
Change in net working capital	-29.7	-1.6	49.8	-36.8

Notes

25. Cash available

EUR million	Group		Parent Company	
	2014	2013	2014	2013
Cash	78.4	67.3	0	0
Bank debts	-218.1	-103.0	-213.7	-46.9
Cash available 31/12	-139.7	-35.7	-213.7	-46.9

26. Financial risks and instruments

As a consequence of the 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.

26. 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 is 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 most exposed to USD and RUB. A movement of 5%, other things equal, in USD would change the result of around EUR 5-8 million (2013: EUR 2-4 million). A 10% movement, other things equal, in RUB would give a change in the result of around EUR 7-10 million (2013: EUR 12-15 million).

The Group's equity is most exposed to USD and RUB. A 5% movement in USD would, other things equal, result in a change in the equity of around EUR 7-10 million (2013: EUR 7-10 million) while movement in RUB of 10%, other things equal, would result a change of around EUR 14-17 million (2013: EUR 23-28 million).

The impact on the net sales of the difference between average rate and year-end rate amounts to EUR -53.4 million (2013: EUR -28.2 million) for the 4 largest currencies, which is a change of -2.4%.

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. 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 liquid assets, 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.

Notes

26. Financial risks and instruments (continued)

Liquidity risk

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

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 13 for further specification of the loans.

The parent company has issued ownership clauses and/or deed of postponements in connection with intercompany loans.

The parent company ensures on an ongoing basis that flexible, unutilised committed credit facilities of an adequate size are established with 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 liquid 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 rates swaps all of which has 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.

26. Financial risks and instruments (continued)

EUR million	Group		Parent Company	
	2014	2013	2014	2013
Financial instruments for hedging of future cash flows				
Fair value hedges	0.1	1.1	0	0
Financial assets at fair value	0.1	1.1	0	0
Trade receivables	220.7	211.1	0	0
Other receivables	31.7	33.6	626.3	359.0
Cash	78.4	67.3	0	0
Receivables at amortised costs	330.8	312.0	626.3	359.0
Financial liabilities at fair value				
Financial instruments for hedging of future cash flows	2.0	0.8	0	0
Fair value hedges	0	0	0	0
Financial liabilities at fair value	2.0	0.8	0	0
Bank loans incl. short term	35.0	78.0	29.0	65.0
Bank debt	218.1	103.0	213.7	46.9
Trade payables	162.4	156.3	15.4	8.7
Other payables	127.0	122.9	247.7	201.3
Financial liabilities at amortised costs	542.5	460.2	505.8	321.9

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.

27. Auditors fee

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

EUR million	Group		Parent Company	
	2014	2013	2014	2013
Statutory audit	1.0	1.0	0.3	0.3
Other opinions	0	0	0	0
Tax consultancy	0.1	0.3	0	0.1
Other services	0.1	0.3	0	0.1
Total	1.2	1.6	0.3	0.5

Notes

28. Commitments and contingent liabilities

For the Group, commitments comprise EUR 1.6 million (2013: EUR 0.4 million). Contingent liabilities amounts to EUR 2.7 million (2013: EUR 1.5 million). Contractual obligations for purchase of tangible assets are mentioned in note 12. 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 2014 (as well as at 31 December 2013). For the parent company contingent liabilities amounts to EUR 0.8 million (2013: EUR 0.7 million).

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

EUR million	Group		Parent Company	
	2014	2013	2014	2013
Within 1 year	15.3	14.2	0.4	0.3
Between 1 and 5 years	18.7	14.2	0.3	0.4
After 5 years	0	0	0	0
Total	34.0	28.4	0.7	0.7

Lease costs for the Group amounting to EUR 17.3 million (2013: EUR 16.5 million) are included in the income statement. The lease costs for the parent company amounts to EUR 0.3 million (2013: EUR 0.4 million).

For certain loans provided by the parent company amounting to EUR 269.3 million (2013: EUR 176.7 million) deeds of postponement have been given.

29. 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

	2014		2013	
	Share capital	Votes	Share capital	Votes
ROCKWOOL Foundation, DK-1360 Copenhagen K	23%	26%	23%	25%
15th June Foundation, DK-1553 Copenhagen K	6%	10%	6%	10%
Gustav Kähler, DK-2942 Skodsborg	6%	9%	6%	9%
Dorrit Eegholm Kähler, DK-2830 Virum	4%	6%	4%	6%
Jan Kähler, DK-2630 Taastrup	4%	6%	4%	6%
Tom Kähler, DK-3540 Lyngø	3%	5%	3%	5%

29. Related parties (continued)

The Company has no related parties with controlling interests.

The Group's related parties comprise the Company's shareholder the ROCKWOOL Foundation, the Company's Board and Management and associated companies. Apart from dividends no transactions were carried out with the shareholders during the year. For transactions with the Board and Management please refer to note 4.

Parent company:

The parent company's related parties also include the subsidiaries and associated companies listed as Group companies on page 83. 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.

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

EUR million	Group		Parent Company	
	2014	2013	2014	2013
Transactions with subsidiaries:				
Income from the engineering business			20.9	20.0
Royalty and services			97.0	68.2
Dividend from subsidiaries			123.1	71.4
Interest from subsidiaries			8.5	5.8
Interest to subsidiaries			4.0	0.7
Loans to subsidiaries			480.7	229.9
Receivables from subsidiaries			129.7	115.0
Loans from subsidiaries			0	12.5
Payables to subsidiaries			234.5	181.0
Transactions with associated companies:				
Dividend from associated companies	1.5	1.5	1.3	1.2
Receivable from associated companies	1.9	1.6	1.9	1.6

Notes

30. Acquisition of subsidiaries and activities

Chicago Metallic

2014

The valuation of acquired assets and liabilities in Chicago Metallic was finalised as per 30 September 2014 based on an updated understanding of the underlying assumptions. Especially the assumption on the expected future sales related to the IP rights has changed which decreased the fair value of the intangible assets. The final valuation has led to the changes mentioned in the table.

In 2014 the second instalment amounting to EUR 25.4 million was paid and the last instalment amounting to EUR 29.0 million will be paid in 2015.

2013

On 1 October 2013 the Group took over 100% control of Chicago Metallic. The company is a global provider of architectural building products and services - including metal panels and ceiling systems, suspended grid systems, and acoustical and sustainable ceiling panels. It has a network of sales and distribution channels throughout North America, Europe and Asia supported by production facilities in China, Malaysia, Belgium and the US. The acquisition is part of the ROCKWOOL Group's strategy to globalise and develop its ceiling business which today accounts for approximately 10% of Group revenues.

The total consideration was EUR 110.3 million, of which EUR 58.8 million was paid in cash in 2013 and the remaining amounts are to be paid half in 2014 and half in 2015.

Net assets at fair value amount to EUR 83.5 million. The assessment of the fair value of sites and buildings was based on an independent valuation by external appraisers. The fair value of plant and machinery was based on an internal valuation and the fair value of customer relationships is based on an excess earnings model with estimates for future cash flows and customer attrition rates etc. After recognition of identifiable assets and liabilities at fair value, goodwill was recognised with a fair value of EUR 16.5 million. Goodwill represents the value of employees and knowhow and expected synergies from the merger with ROCKWOOL International A/S. The goodwill recognised was partly tax deductible. The tax deductible part of goodwill amounts to approximately EUR 10.1 million.

The fair value of the trade receivables amounts to EUR 13.0 million. The gross amount of trade receivables was EUR 13.3 million. None of the trade receivables have been impaired and it was expected that the full contractual amounts can be collected. Cash flow on acquisition amounts to EUR 48.5 million, comprised of consideration paid cash of EUR 58.8 million and cash acquired in subsidiaries of EUR 10.3 million. In addition transaction costs amounting to EUR 1.1 million was paid.

From the date of acquisition, Chicago Metallic contributed with EUR 22.5 million of net sales in 2013 and EUR 0.5 million to the profit before tax of the Group. If the combination had taken place at the beginning of 2013, net sales for the Group would have been approximately EUR 2,100 million and the profit before tax for the Group would have been approximately EUR 170 million.

Chicago Metallic

EUR million	2014	2013	
	Fair value at the acquisition date (updated)	Changes	Fair value at the acquisition date
Intangible assets	18.7	-16.8	35.5
Tangible assets	36.9	0	36.9
Deferred tax	8.2	3.4	4.8
Inventories	10.9	0	10.9
Receivables	13.0	0	13.0
Other current assets	1.6	0	1.6
Non-current liabilities	-0.9	-0.8	-0.1
Current liabilities	-21.0	-1.9	-19.1
Net assets	67.4	-16.1	83.5
Goodwill	32.6	16.1	16.5
Cash consideration for the company	100.0	0	100.0
Cash less interest-bearing debt	10.3	0	10.3
Total consideration	110.3	0	110.3

Notes

30. Acquisition of subsidiaries and activities (continued)

HECK Wall Systems

2014

On 1 January 2014 the Group has acquired 100% of HECK Wall Systems, a leading German system holder for external facade insulation (ETICS). The acquisition covers 100% of HECK Wall Systems including the state of art render production facility in Marktredwitz and the well-established brands HECK Wall Systems and RAJASIL. The acquired business complements very well the existing ROCKWOOL ETICS strategy in Europe - primarily in Germany - where we have seen good growth in the facade insulation markets in recent years.

The total consideration paid was EUR 38.3 million and was included in the 2013 cash flow as prepayments net of cash. Transactions cost amounts to EUR 0.5 million.

Net assets at fair value amount to EUR 23.7 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 and the fair value of customer relationships is based on an excess earnings model with estimates for future cash flows and customer attrition rates etc. After recognition of identifiable assets and liabilities at fair value, goodwill was recognised with a fair value of EUR 11.4 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 4.3 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 can be collected. Cash flow on acquisition amounts to EUR 35.1 million, comprised of consideration paid cash of EUR 38.0 million and cash acquired in subsidiaries of EUR 2.9 million.

From the date of acquisition, HECK Wall Systems has contributed with EUR 61.2 million of net sales and EUR -1.6 million to the profit before tax of the Group.

The valuation of the acquired assets and liabilities in HECK Wall Systems was finalised as per 31 December 2014 based on an updated understanding of the underlying assumptions.

HECK Wall systems

	2014		1 January 2014
EUR million	Fair value at the acquisition date (updated)	Changes	Fair value at the acquisition date
Intangible assets	14.4	-9.2	23.6
Tangible assets	15.4	0	15.4
Deferred tax	-4.5	2.7	-7.2
Inventories	2.4	0	2.4
Receivables	4.3	0	4.3
Other current assets	1.1	0	1.1
Non-current liabilities	-3.4	0	-3.4
Current liabilities	-6.0	-0.2	-5.8
Net assets	23.7	-6.7	30.4
Goodwill	11.4	6.4	5.0
Cash consideration for the company	35.1	-0.3	35.4
Cash less interest-bearing debt	2.9	0	2.9
Total consideration	38.0	-0.3	38.3

Notes

31. Accounting policies applied

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 Danish disclosure requirements for listed companies. Danish disclosure requirements for listed companies are those laid down by the statutory order on the adoption of IFRS issued pursuant to the Danish Financial Statements Act and the reporting requirements of NASDAQ Copenhagen for listed companies.

The fiscal year for the Group is 1 January – 31 December 2014.

The accounting policies are unchanged compared to last year. Some comparable figures have been adjusted, primarily in other operating revenue and segments.

The Danish legislation has changed and as approved on the Annual General Meeting in 2014 the Annual Report is only presented in English and in Euro (EUR) and all comparative figures have been restated in Euro (EUR) as Euro is seen as the most relevant currency for the Group as a significant part of the business is in the Euro-zone.

New and changed standards and interpretations

The following EU adopted IFRS standards and interpretations with relevance for the Group were implemented with effect from 1 January 2014:

- IFRS 10 "Consolidated Financial Statements"
- IFRS 12 "Disclosures of Interests in Other Entities"
- Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"
- Revised IAS 28 "Investments in Associates and Joint Ventures"

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

New and changed standards and interpretations not yet entered in to force

EU adopted standards and amendments issued by IASB with effective date after 31 December 2014 and therefore not implemented, comprise:

- Annual improvements to IFRSs (2010-2012)
- Annual improvements to IFRSs (2011-2013)
- Annual improvements to IFRSs (2012-2014)

Implementation of these will lead to further specifications in the Notes and reclassifications but no material changes in recognition and measurement.

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.

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements at the time such enterprises are taken over. Divested or terminated enterprises are recognised in the consolidated income statement until the time of disposal. No adjustments are made to the comparative figures for newly acquired or divested enterprises.

On acquisitions of new enterprises the acquisition method is used. The newly acquired enterprises' identifiable assets and liabilities

are recognised in the balance sheet at fair values at the date of acquisition. Identifiable intangible assets are recognised if they are separable or arise from a contractual right, and the fair value can be reliably measured. Deferred tax on revaluations is recognised.

The acquisition date is the date when the ROCKWOOL Group effectively obtains control of the acquired subsidiary, enters the management of the joint venture or obtains significant influence over the associate. Acquisition costs are included in operating costs.

Minority interests are recognised as a relative share of the acquired enterprises identifiable assets and liabilities.

Any outstanding positive difference between the cost of the enterprise and the Group's share of the fair value of the identifiable assets and liabilities is goodwill and is recognised in the balance sheet. Goodwill is not amortised but is tested annually for impairment. The first impairment test is performed before the end of the acquisition year. Goodwill is allocated to the cash-generating units upon acquisition, which subsequently form the basis for the impairment test.

In case of any uncertainties regarding measurement of acquired identifiable assets, liabilities and contingent liabilities at the acquisition date, initial recognition will take place on the basis of preliminary fair values. In case identifiable assets, liabilities and contingent liabilities subsequently are determined to have a different fair value at the acquisition date than that first assumed, goodwill is adjusted up until 12 months after the acquisition. The effect of the adjustments is recognised in the opening balance of equity and comparative figures are restated accordingly.

Non-controlling interests

Non-controlling interests are recognised at the minority's share of the net assets.

On acquisition of non-controlling interests acquired net assets are not re-measured at fair value. The difference between the costs and the non-controlling interests' share of the total carrying

Notes

31. Accounting policies applied (continued)

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.

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 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.

Derivative financial instruments

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.

INCOME STATEMENT

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.

Investment grants

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.

Research and development activities

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.

Financial items

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

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.

Tax

The parent company is taxed jointly with all Danish subsidiaries. Income subject to joint taxation is fully distributed.

Tax on the profit for the year, which includes current tax on the profit for the year as well as changes to deferred tax, is recognised in the income statement. Tax on changes in other comprehensive income is recognised directly under equity.

BALANCE

Intangible assets

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	15 years

Notes

31. Accounting policies applied (continued)

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 CO₂ rights are capitalised under intangible assets. Granted CO₂ rights are not capitalised.

Tangible assets

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

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

Capital investments in subsidiaries and associated enterprises

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.

Impairment of assets

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 useful value, if greater. Other assets are tested for impairment when there are indications of change in the structural profitability.

Inventories

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.

Receivables

Receivables are measured after deduction for write-downs to meet losses on the basis of an individual assessment.

Equity

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.

Acquisition and sales prices 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.

Pension

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.

For certain defined benefit plans the related assets are placed in pension funds not included in the consolidated financial statements. 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.

Share option programme

An equity-based share option programme has been established, which is offered to Management and senior managers. The share option programme is not considered as part of remuneration, as the Board 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.

Notes

31. Accounting policies applied (continued)

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

Deferred tax

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.

Provisions

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.

Financial liabilities

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 loan are compiled less transaction costs.

Lease commitments

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.

CASH FLOW STATEMENT

Cash flow statement

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 and cash equivalents include cash and bonds less short-term bank debt.

SEGMENT ACCOUNTS

Segmental data

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.

Segmental data is stated for business areas and geographical areas. The division 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. Net interest costs are not allocated to the segments as this type of activity is driven centrally in the Group.

Ratios

The ratios have been calculated in accordance with "Anbefalinger & Nøgletal 2010" (Recommendations & Ratios 2010) issued by the Danish Society of Financial Analysts. The ratios mentioned in the five-year summary are calculated as described in the notes.

Definitions of key figures and ratios

EBIT	Profit before financial items and tax
EBITDA	Profit before depreciation, write-downs, amortisations, financial items and tax
EBIT ratio (%)	$\frac{\text{EBIT}}{\text{Net sales}} \times 100$
Earnings per share of DKK 10 (EUR 1.3)	$\frac{\text{Profit for the year after minority interests}}{\text{Average number of outstanding shares}}$
Diluted earnings per share of DKK 10 (EUR 1.3)	$\frac{\text{Profit for the year after minority interests}}{\text{Diluted average number of outstanding shares}}$
Cash earnings 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)	$\frac{\text{Dividend percentage} \times \text{nominal value of the share}}{100}$
Book value per share of DKK 10 (EUR 1.3)	$\frac{\text{Equity end of the year before minority interests}}{\text{Number of shares at the end of the year}}$
Return on invested capital (ROIC)	$\frac{\text{EBIT}}{\text{Average invested assets}} \times 100$
Return on equity (%)	$\frac{\text{Profit for the year after minority interests}}{\text{Average equity excluding minority interests}} \times 100$
Equity ratio (%)	$\frac{\text{Equity end of the year}}{\text{Total equity and liabilities at the end of the year}} \times 100$
Financial gearing	$\frac{\text{Net interest-bearing debt}}{\text{Equity end of the year}} \times 100$
Payout ratio (%)	$\frac{\text{Dividend for the year}}{\text{Profit for the year after minority interests}} \times 100$

Group companies

	Country	Shares owned %		Country	Shares owned %		Country	Shares owned %
Parent company						Systems Division		
ROCKWOOL International A/S	Denmark		ROCKWOOL Building Materials Ltd.	Hong Kong	100	Chicago Metallic Continental BVBA	Belgium	100
Subsidiaries			ROCKWOOL Hungary Kft.	Hungary	100	Chicago Metallic Canada ULC	Canada	100
Insulation			ROXUL ROCKWOOL Insulation India Ltd.	India	100	Chicago Metallic (Shenzhen) Co., Ltd.	China	100
ROCKWOOL Handelsgesellschaft m.b.H.	Austria	100	ROXUL ROCKWOOL Technical Insulation India Pvt. Ltd.	India	100	Chicago Metallic Continental (Deutschland) GmbH	Germany	100
ROCKWOOL N.V.	Belgium	100	ROCKWOOL Ltd.	Ireland	100	ROCKWOOL ROCKFON GmbH	Germany	100
s.a. Etablissements N.V. Charles Wille & Co	Belgium	100	ROCKWOOL Italia S.p.A.	Italy	100	Chicago Metallic Limited	Great Britain	100
ROXUL Brazil Parts Ltda.	Brazil	100	SIA ROCKWOOL	Latvia	100	Chicago Metallic (Asia Pacific) Ltd.	Hong Kong	100
ROCKWOOL Bulgaria Ltd.	Bulgaria	100	ROCKWOOL UAB	Lithuania	100	Chicago Metallic (Malaysia) Sdn. Bhd.	Malaysia	100
ROXUL Inc.	Canada	100	ROCKWOOL Malaysia Sdn. Bhd.	Malaysia	94.84	GRODAN S. de R.L de C.V.	Mexico	100
ROCKWOOL Building Materials (Tianjin) Co. Ltd.	China	100	ROCKWOOL Insulation Sdn. Bhd.	Malaysia	100	Chicago Metallic B.V.	Netherlands	100
ROCKWOOL Firesafe Insulation (Guangzhou) Co. Ltd.	China	94.84	Breda Confectie B.V.	Netherlands	100	Consmat Metallic Pte. Ltd.	Singapore	100
ROCKWOOL Firesafe Insulation (Shanghai) Co. Ltd.	China	100	ROCKWOOL B.V.	Netherlands	100	Fortalan Asesores S.L. in liquidation	Spain	55
ROCKWOOL Adriatic d.o.o.	Croatia	100	A/S ROCKWOOL	Norway	100	GRODAN MED S.A.	Spain	100
ROCKWOOL a.s.	Czech Republic	100	Malkinia Sp. z o.o.	Poland	100	Other subsidiaries		
ROCKWOOL A/S	Denmark	100	FAST Sp. z o.o.	Poland	100	ROCKWOOL LAT S.A.S.	France	100
ROXUL ROCKWOOL Technical Insulation Middle East FZE	Dubai	100	ROCKWOOL Romania s.r.l.	Romania	100	ROCKWOOL Beteiligungs GmbH	Germany	100
ROCKWOOL EE Oü	Estonia	100	CSJC Mineralnaya Vata	Russia	100	Rockwool.com GmbH	Germany	100
ROCKWOOL Finland OY	Finland	100	LLC ROCKWOOL North	Russia	100	ROCKWOOL Benelux Holding B.V.	Netherlands	100
ROCKWOOL France S.A.S	France	100	LLC ROCKWOOL Ural	Russia	100	BuildDesk Polska Sp. z o.o.	Poland	100
Deutsche ROCKWOOL Mineralwoll GmbH & Co. OHG	Germany	100	LLC ROCKWOOL Volga	Russia	100	Chicago Metallic Company LLC	USA	100
HECK Wall Systems GmbH	Germany	100	ROCKWOOL Building Materials (Singapore) Pte Ltd.	Singapore	100	ROXUL Holding USA, Inc.	USA	100
ROCKWOOL Mineralwolle GmbH Flechtingen	Germany	100	ROCKWOOL Slovensko s.r.o.	Slovakia	100	Associated companies		
ROCKWOOL Limited	Great Britain	100	ROCKWOOL Peninsular S.A.	Spain	100	Transsys spol. s r. o.	Czech Republic	30
			ROCKWOOL AB	Sweden	100	RESO SA	France	20
			ROCKWOOL GmbH	Switzerland	100	Flumroc AG	Switzerland	42.3
			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			

Contact information can be found at
> www.rockwool.com/near+you

Quarterly follow-up (part of Management review)

EUR million	2014				2013			
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
Income statement								
Net sales	484.5	547.9	580.9	567.1	422.6	495.7	529.0	555.5
Operating income	485.8	550.5	582.3	568.5	425.1	497.4	531.4	554.5
Operating costs	457.4	503.1	530.9	534.3	404.6	458.9	471.6	504.4
EBITDA	68.7	84.5	89.8	68.7	55.5	75.7	95.3	86.7
EBIT	28.4	47.4	51.4	34.2	20.5	38.5	59.8	50.1
Income from investments								
associated companies	0.3	0.4	0.3	0.5	0.4	0.4	0.1	0.6
Financial items	-1.6	-1.4	-2.3	-0.3	-2.1	-2.1	-0.7	-1.3
Profit before tax	27.1	46.4	49.4	34.4	18.8	36.8	59.2	49.4
Tax on profit for the period	8.0	12.9	14.1	9.7	5.5	10.9	17.7	14.4
Profit for the period	19.1	33.5	35.3	24.7	13.3	25.9	41.5	35.0
EBITDA ratio								
	14.2%	15.4%	15.5%	12.1%	13.1%	15.3%	18.0%	15.6%
EBIT ratio								
	5.9%	8.7%	8.8%	6.0%	4.9%	7.8%	11.3%	9.0%
Statement of comprehensive income								
Profit for the period	19.1	33.5	35.3	24.7	13.3	25.9	41.5	35.0
Exchange rate adjustments of foreign subsidiaries	-35.6	37.2	10.2	-74.9	-3.4	-28.2	-15.6	-21.2
Change in pension obligation	0	0	0	-8.8	0	0	0	2.1
Hedging instruments, value adjustments	-0.4	0.3	-1.4	-0.8	1.3	-0.9	0.5	1.8
Tax on comprehensive income	0	0	0.2	0.6	-0.3	0.3	-0.1	-1.5
Total comprehensive income	-16.9	71.0	44.3	-59.2	10.9	-2.9	26.3	16.2

continues...

Sales in the fourth quarter increased by 2.1% compared to the same period last year. This included a negative exchange rate effect of 4.3% and an acquisition effect of 2.4%. Like-for-like the sales increased 4.0% with good development in Russia and North America.

In the fourth quarter, the net sales in the Insulation segment increased by 1.2% or 3.6% like-for-like compared to the same period last year and amounted to EUR 420.6 million. Net sales in the Systems segment ended at EUR 146.5 million, an increase of 5.1% like-for-like with no acquisition effect as Chicago Metallic became part of the Group on 1 October 2013.

The fourth quarter EBIT amounted to EUR 34.2 million, which is EUR 15.9 million lower than 2013 or EUR 40.7 million like-for-like. The EBIT is negatively impacted by exchange rates of EUR 5.3 million. The difficult start-up of the green field US factory and slight decrease on sale prices are the main other elements. Input prices remained stable.

The Group profit after tax for the fourth quarter totalled EUR 24.7 million which is EUR 10.3 million lower than last year.

Quarterly follow-up (part of Management review)

EUR million	2014				2013			
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
Cash flow statement								
Operating profit before financial items	28.4	47.4	51.4	34.2	20.5	38.5	59.8	50.1
Adjustments for depreciation, amortisation and write-downs	40.3	37.1	38.4	34.5	35.0	37.2	35.5	36.6
Other adjustments	-0.6	7.0	-1.0	-2.2	0.8	0.8	0.3	1.3
Change in net working capital	-66.6	-31.0	36.6	31.3	-53.0	-6.4	15.4	42.4
Cash flow from operations before financial items and tax	1.5	60.5	125.4	97.8	3.3	70.1	111.0	130.4
Cash flow from operating activities	-10.6	45.0	112.2	58.9	-4.2	51.9	94.3	110.8
Cash flow from investing activities	-60.4	-68.2	-81.3	-47.4	-33.6	-45.8	-104.2	-81.7
Cash flow from operating and investing activities (free cash flow)	-71.0	-23.2	30.9	11.5	-37.8	6.1	-9.9	29.1
Cash flow from financing activities	0.5	-33.1	0.1	-9.1	-10.6	-40.4	2.9	-1.5
Change in cash available	-70.5	-56.3	31.0	2.4	-48.4	-34.3	-7.0	27.6
Segment reporting								
Insulation segment:								
External net sales	374.3	427.9	454.7	420.6	342.7	409.5	439.9	415.4
Internal net sales	46.9	56.1	58.4	65.5	45.2	48.3	52.9	68.2
EBIT	7.4	39.5	33.5	18.8	2.5	34.8	46.8	37.1
<i>EBIT ratio</i>	1.8%	8.2%	6.5%	3.9%	0.6%	7.6%	7.9%	7.7%
Systems segment:								
External net sales	110.2	120.0	126.2	146.5	79.9	86.2	89.1	140.1
Internal net sales	0	0	0	0	0	0	0	0.3
EBIT	9.2	19.7	17.9	15.4	7.9	13.8	13.0	13.0
<i>EBIT ratio</i>	8.3%	16.4%	14.2%	10.5%	9.9%	16.0%	14.6%	9.3%
Geographical split of external net sales:								
Western Europe	296.6	315.1	326.9	334.4	265.4	301.0	309.3	314.0
Eastern Europe including Russia	93.8	126.0	145.9	113.5	78.0	118.1	139.7	139.3
North America, Asia and others	94.1	106.8	108.1	119.2	79.2	76.6	80.0	102.2
Total external net sales	484.5	547.9	580.9	567.1	422.6	495.7	529.0	555.5

The ROCKWOOL® trademark

ROCKWOOL® - our 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 the ROCKWOOL Group, and thus well protected and defended by us throughout the world.

Please help us protect our trademark:

- The ROCKWOOL® trademark must always be written in capital letters;
- The word ROCKWOOL must always be followed by a descriptive noun.
Example: ROCKWOOL products, ROCKWOOL insulation or ROCKWOOL stone wool;
- Always write the ROCKWOOL trademark in full. Never abbreviate, change or modify it;
- The ROCKWOOL word is not the generic term for insulation or stone wool, and may not be used as such. Use instead e.g. the term ROCKWOOL insulation;
- The first time you mention the ROCKWOOL trademark, it must include the registration symbol ®. Company names are however without registration symbol.

Thank you for using our ROCKWOOL trademark correctly.

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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