

Report by the Board of Directors for Roblon A/S – financial year 2021/22 Jørgen Kjær Jacobsen, Chairman of the Board

In the report by the Board of Directors at the annual general meeting in January last year, Management predicted that Roblon's revenue for the financial year 2021/22 would grow considerably, that earnings would likewise grow and that operations would still be impacted by the aftereffects of COVID-19 – including supply constraints for certain raw materials and logistical challenges.

We further predicted that 2021/22 earnings would be affected extraordinarily by the integration of the acquired Czech business and the relocation and installation of selected parts of the production facilities from Denmark to the Czech Republic.

These expectations were fully realised.

More specifically, the figures were as follows:

- Guided revenue in the range of DKKm 330-370. At 30 April 2022, this guidance was raised to DKKm 360-390.
 - Reported revenue was DKKm 381 (DKKm 250) – a growth rate of 52%!
- Guided operating profit before depreciation, amortisation and impairment and special items (EBITDA) in the range of DKKm 8-27. At 30 April 2022, this guidance was raised to DKKm 17-27.
 - Reported EBITDA was DKKm 23.4 (a loss of DKKm 12.6) – in other words an improvement of DKKm 36, or 27% of a revenue increase of DKKm 131.
- EBIT in the range of a loss of DKKm 19 to a profit of DKKm 0. At 30 April 2022, this guidance was raised to a range of a loss of DKKm 10 to a profit of DKKm 0.
 - Reported EBIT was a loss of DKKm 3.8 (a loss of DKKm 32.9) – in other words an improvement of DKKm 29 or 22% on a DKKm 131 revenue increase.
- Special items relating to restructuring costs were guided at an expense of around DKKm 8.
 - The reported figure was DKKm 6.8 (DKKm 0)

I should mention in all fairness that the comparison here is the dreadful financial year 2020/21, in which the COVID-19 pandemic was particularly

hard on Roblon. These are some of the challenges we faced in 2020/21, and to some extent in the 2021/22 financial year as well:

- Delays in supplies of production equipment for Roblon US
- Sharp increases in raw materials prices and freight rates
- Logistical challenges – caused by suppliers', customers' and our own inventory imbalances

In the past few years, being a Roblon shareholder has not been easy, with an absence of dividends and share price falls.

In the past five to six years, the Group has undergone a major, necessary development process, and the last two to three years of this process happened under the shadow of the COVID-19 pandemic and later a war in Europe with ensuing complications.

In **autumn 2016**, we released Roblon's five-year strategy for the period 2016-2021, with the intention of creating the foundations on which Roblon was to achieve the financial goals which we will return to later in this report.

The Board of Directors is confident that Roblon's strategy is right, that it is being executed and that it is working.

However, in 2016, many conditions had yet to be fulfilled before the strategy could be effectively executed and continuous growth and financial goals could be achieved.

Over these past six years or so, the Group has carried out a number of necessary fundamental changes and transformations. They include:

- the divestment of business entities that did not fit in the current core business,
- the acquisition in 2017 of a US production entity in the core business area, the fibre optic cable industry,
- an overhaul of the product programme and customer groups,
- the implementation of changes to and strengthening of the organisation by adding new competences and resources,
- the implementation of a new ERP system,
- the acquisition in January 2022 of a Czech production entity as part of Roblon's growth strategy in the core business,

- ongoing investment – including in the 2021/22 financial year – in an expansion of capacity and productivity-enhancing production equipment in each of the three production entities,
- the strengthening of process and product development and, consequently, expansion of the pipeline of development projects that are to become future new products.

The core business has thus developed and become focused on high-performance fibre solutions and technologies for selected international strategic customers who are all competitive within their core businesses. Here we present a few. You will get an opportunity to ask questions about these when our Chief Technology Officer, Kim Müller, presents product developments and new products after the AGM.

Roblon operates in two product groups, FOC and Composite.

FOC

With an identified potential of just over DKKbn 3.3, FOC is Roblon's largest product area, and it is a market enjoying continuous global growth.

The greatest general market growth is currently seen in Americas (North America). The product category Rod is a central strength member in fibre optic cables. It accounts for more than half of the total market potential and is furthermore the product category with the largest growth rate. A large proportion of Roblon's revenue and earnings growth is expected to be generated through an increased US market share, supported by:

- Roblon's US subsidiary, Roblon US, which occupies a central position in the FOC cluster in North and South Carolina, in close proximity to the largest customers. Roblon has positioned itself as a competitive and local provider in the US market and has a growing market share with the largest manufacturers of fibre optic cables
- US FOC manufacturers are increasingly placing their business with domestic manufacturers of cable materials
- In accordance with the strategy plan, Roblon has completed a major investment programme in production equipment in the US business to increase productivity and capacity and has in the current financial year, 2022/23, launched additional initiatives and investments.

The European fibre optic cable industry has been consolidated in recent years, primarily with manufacturers in southern and eastern Europe and with increased focus on coordinated procurement across production entities.

Roblon DK, which serves the European market, has started to manufacture an essential strength member (Rod) for fibre cables based on technology transferred from Roblon US. Roblon expects to sell this product to European departments of the US customer base, and this market is expected to grow in the coming years.

In order to be able to serve European customers in proximity to their production facilities and to achieve satisfactory competitiveness and earnings, in January 2022 Roblon acquired Vamafil, a Czech high-performance fibre business. Roblon relocated parts of the Danish production to the Czech company during the second half of 2021/22, and this relocation is expected to be completed in 2022/23.

Composite

The market that Roblon addresses in the Composite product group is worth around DKKm 700.

In the Composite product group, Roblon supplies high-performance strength members to selected strategic customers in oil & gas, wind and energy transmission (subsea) and other industries. Roblon has long-standing close collaborations with large industrial groups in these industry segments.

These collaborations involve the continuous development of new products, which is and has been a key factor in Roblon's strong position. Roblon's strategy is being executed, and it works.

In the oil and gas industry, Roblon has for a number of years been a supplier of various types of coated high-strength products included as strength members in oil pipes used in drilling and exploration from off-shore platforms or vessels.

Roblon is exposed to the prevailing conditions in this industry, including the impact of oil prices on decisions to launch new investment-intensive projects.

A large part of the Group's business takes place in Brazil, which was particularly hard hit by the COVID-19 pandemic for parts of 2019/20,

throughout 2020/21 and for parts of 2021/22. During that period, several known projects were repeatedly postponed.

This market only returned to positive growth in the second half of 2022, and Roblon's order intake has subsequently grown. Industry surveys indicate that the coming years are expected to see a high level of activity.

In recent years, Roblon has intensified its product development in wind, energy transmission (subsea) and other industries, which will see growth in the coming years.

Back in 2019 and 2020, Roblon supplied strength members to the first major subsea energy cable project. Since then, Roblon and the customer in question have together developed additional products for that segment. This is a large application and product segment that is generally enjoying strong growth, but our customer's innovative new subsea solution will be able to capture a previously untapped market. Roblon is thus expecting additional projects in the coming years, although the timing of execution of known projects is highly uncertain.

Energy Transmission (subsea, including energy cables) is only included in Composite's market worth to a limited extent, as it is a new area whose market potential is difficult to assess at present. However, it is an industry that is expected to enjoy considerable global growth in the coming years and in which we expect to see increasing use of composite-based strength element solutions over time.

Following the acquisition of Vamafil, Roblon also services manufacturers within the treatment and processing of high-performance fibres for a number of industrial applications.

Vision, strategy and financial goals

In the report by the Board of Directors at the annual general meeting in January 2022, we had to concede that the long-term financial goals presented in 2016 had not been achieved. As mentioned earlier, the period 2019 to 2021 in particular was so beset by external challenges that it was not possible to achieve our goals.

A new strategy plan for 2021-2026 was drawn up in the fall of 2021. The plan is generally a continuation of the 2016 strategy plan. Management seeks

fundamental and clear management processes in pursuit of constant growth in identified potential, revenue and earnings.

The key points of the strategy plan, as set out in Roblon's annual report and on our website are as follows:

Mission

Roblon is an innovative and sustainable business developing and supplying high-performance fibre solutions to selected customers.

Vision

We aim to be the preferred supplier of high-performance fibre solutions for selected customers.

Strategy

Increased product development efforts in collaboration with selected customers.

Continual improvement of competitiveness:

- productivity and efficiency
- supply chain/logistics.

Roblon's financial targets

The Group strives to achieve the following annual financial ratios, assuming normal market and economic conditions.

Average annual revenue growth of at least

15%

Average annual EPS growth of at least

15%

Average annual EBIT margin of at least

10%

A return on invested capital (ROIC) before tax of at least

20%

In view of Roblon's performance in the past few years, it would be natural to question whether our financial goals can and will be achieved. Obviously, we, the Management, cannot guarantee this, but we remain confident that we have a relevant and realistic basis on which to realise these goals.

According to our guidance for the current financial year, 2022/23, we will not achieve our goals this year, but we find it realistic to fulfil the following expectations:

- Management expects an increase in Group revenue and a profit for the 2022/23 financial year.
- The global FOC market is expected to grow.

- The total production capacity in the USA will increase by more than 50%, and additional improvements are expected in production profitability.
- Management expects substantial improvements in the Composite product group compared to reported 2021/22 levels, particularly in supplies to the offshore oil and gas industry. This prospect is supported by a larger order book at the beginning of the 2022/23 financial year and a higher general level of business activity.
- Roblon expects profitability improvements in connection with the ongoing relocation and installation of selected parts of the FOC production from Denmark to the recently acquired subsidiary Vamafil in the Czech Republic.
- Revenue and earnings guidance for 2022/23:
 - Revenue in the range of DKKm 430-470 (DKKm 380.9).
 - Operating profit before depreciation, amortisation and impairment and before special items (EBITDA) in the range of DKKm 40-55 (DKKm 23.4).
 - Operating profit before special items (EBIT) in the range of DKKm 10-25 (a loss of DKKm 3.8).

Management expects Q1 2022/23 revenue to be challenged due to a revenue shortfall in the FOC product group. Based on expectations of accelerating growth in the FOC product group over the coming quarters, a positive revenue performance is expected in the subsequent three quarters.

Roblon's annual report and CSR report for 2021/22 were published on 20 December 2022 on the Company's website.

Next on the agenda is the presentation by our CFO, Carsten Michno, of the most important parts of our financial statements and CSR report.

At this point, I would like to add a few comments to the financial statements for 2021/22 at hand:

- At 31 October 2022, equity represented 59% (78%) of total assets.
- The reduced equity ratio was due to the fact that we raised a not insubstantial amount of debt during the financial year in connection with our strong growth – including

- the acquisition of Vamafil (DKKm 47.1)
 - investments in production equipment (DKKm 21.6)
- and an increase in funds tied up in
- extraordinarily high inventories (DKKm 114.5/75.0)
 - increasing receivables (DKKm 86.0/59.7)
- Roblon's bank credit limit was raised to DKKm 75

Dividends

As a result of major investments and the operating loss realised in 2021/22, the Board of Directors proposes to the shareholders in general meeting that no dividend be distributed for the 2021/22 financial year.

Share price

Roblon's share price closed at 141 at 31 October 2022 (152). At noon today – almost three months into the new financial year – the price was **XYZ**.

Corporate governance

Being a listed company, Roblon is comprised by the Recommendations on Corporate Governance.

We consider our work on the corporate governance recommendations as an important and continuous process. Roblon complies in all material respects with the recommendations, which are currently updated in accordance with new and ever more comprehensive versions.

Diversity policy

Roblon's diversity policy sets out our targets for the under-represented gender. The CSR report for 2021/22 comprises Roblon's reporting on Management's gender composition.

Our ambition for the gender composition of management remains to achieve a balance between both genders. The target is quite simply an even gender distribution over time. Of the board members elected by the shareholders, the proportion of the underrepresented gender is 25%, while among the board members elected by the employees the proportion is on target at 50%. The proportion of the underrepresented gender is 0% in the Executive Management and 23% in middle management.

The Board of Directors and Executive Management regularly assess the competency requirements, and the Group will continue to promote and

support the journey towards this goal in order to meet the target of a balanced gender composition at all levels of management.

Achieving a balanced gender composition in Management is expected to be a long-term proposition, as the percentage of the under-represented gender will only increase as and when a change in or expansion of the individual level of management is needed.

Board evaluation

Roblon conducts annual evaluations of the Board of Directors to ensure that we possess the required competencies and that the internal cooperation, including with the Executive Management, is well-functioning. This year, the board evaluation was facilitated by external consultants.

The most important conclusions of the evaluation were that the Board of Directors and the board committees have continued a positive trend in terms of commitment, required core competencies and the engagement by and amongst the members of the Board of Directors and board committees, including in the relation between the Board of Directors and Executive Management.

The evaluation furthermore concluded that the Board of Directors still has sufficient industry knowledge and competencies to support Roblon's business and strategic goals.

Once every three years, external consultants facilitate the board evaluation, next in 2024/25.

CSR at Roblon

CSR (Corporate Social Responsibility) is a focus area for Roblon. Roblon's CSR report for 2021/22 comprises Roblon's CSR strategy, organisation and strategy. A digital version of the report is available at www.roblon.com.

Roblon considers corporate social responsibility to be a natural part of the Roblon Group's business principles, and we acknowledge that we have a responsibility for our employees and the society which we are all part of. We have naturally integrated CSR into the Group's endeavours to execute our strategy. We interact with our customers and other stakeholders to comply with the Group's CSR policy and implement measures that contribute to sustainable value creation.

The Roblon Group has established a CSR organisation with a steering committee reporting to the Executive Management. The CSR organisation promotes visibility and benchmarking across the Group by implementing common systems, reporting and best practice principles.

Roblon's CSR policy focuses on:

- environment and climate
- social and employee relations
- human rights
- anti-corruption and bribery, and
- Roblon's progress towards achieving the UN Sustainable Development Goals

For several years, the Group has contributed to fulfilling the 17 UN Sustainable Development Goals, and in **2020/21** we specified which goals we believe we can contribute to the most. They are:

- Clean water and sanitation (SDG 6)
- Affordable and clean energy (SDG 7)
- Decent work and economic growth (SDG 8)
- Responsible consumption and production (SDG 12), and
- Partnerships for the goals (SDG 17).

We are still in the process of clarifying the long-term objectives and the initiatives connected to Roblon's ambition to reduce the Group's carbon emissions. The Group expects to publish its long-term objectives in the coming financial year. The Group's carbon emissions are initially measured according to the principles of the Greenhouse Gas Protocol Scopes 1 & 2, but the principles of Scope 3 will eventually be included as well.

Roblon's remuneration policy and report

Roblon's remuneration policy was approved at the annual general meeting in 2021 and sets out general guidelines for remuneration of the Board of Directors and the Executive Management.

The Board of Directors still believes that the framework of the remuneration policy supports the achievement of Roblon's business strategy and long-term interests. The policy is available at Roblon's website www.roblon.com. There were no deviations or departures from the policy's guidelines in the financial year 2021/22.

The remuneration report is presented for advisory vote at today's general meeting.

Roblon's head office

Management already decided to sell Roblon's property in Frederikshavn a few years ago. It is more efficient to combine all activities in Gærum, as this will simplify the day-to-day collaboration between departments in the Danish business. Selling the property will improve Roblon's results, liquidity and equity, but these effects are not included in the guidance for 2022/23. There are no prospective buyers at present.

Closing

In closing, I want to thank the Executive Management and all our employees in Frederikshavn and Gærum and at Roblon-Vamafil and Roblon US for their good collaboration and great commitment.

Let me also thank my colleagues on the Board of Directors and the board committees for their good and constructive collaboration. Also thank you to our shareholders, customers and other business partners.

Thank you!