

Annual report for 2018/19

Highlights of the Roblon Group's annual report for 2018/19

The Board of Directors and the Executive Management today considered and approved the annual report of Roblon A/S for 2018/19.

It was a challenging year for Roblon, and our performance fell short of our expectations for the 2018/19 financial year.

In the annual report for 2017/18, Management guided revenue in the range of DKKm 350-380 and a profit before tax in the range of DKKm 24-30 for the financial year 2018/19. In the interim report for Q1 2018/19, Management adjusted its pre-tax profit guidance to the lower end of these ranges. Roblon's company announcement no. 5/2019 of 12 April 2019 reported that deliveries to wind turbine manufacturer Senvion had been halted due to the customer's financial difficulties. These were deemed severe enough for Roblon's Management to make a major downgrade of its full-year guidance for 2018/19. Management thus guided revenue of around DKKm 270 and a loss before tax of DKKm 20 for full year 2018/19. The reported figures for 2018/19 were revenue of DKKm 267.2 (DKKm 221.8) and a loss before tax of DKKm 19.7 (a profit of DKKm 9.6).

Selected financial highlights

- Increase in revenue to DKKm 267.2 (DKKm 221.8), attributable to both the FOC and Composite product groups
- Revenue ex. contribution from Senvion project contract of DKKm 241.8 (DKKm 192.9)
- Operating loss (EBIT) of DKKm 22.4 (operating profit of DKKm 5.8) for a negative EBIT margin of 8.4% (a positive margin of 2.6%)
- Loss before tax of DKKm 19.7 (profit of DKKm 9.6)
- Profit before tax ex. Senvion project contract of DKKm 4.4 (DKKm 11.6)
- Net loss for the year of DKKm 14.6 (net profit of DKKm 14.5)
- Return on invested capital (ROIC) before tax negative at 15.4% (positive at 4.7%)
- Earnings per DKK 20 share (EPS) negative at DKK 8.2 (positive at DKK 8.1)
- Cash outflow from operations for the year of DKKm 35.6 (inflow of DKKm 37.1)
- The Board of Directors proposes that no dividend be paid for 2018/19

The Group's 2018/19 performance was severely impacted by the production stop and suspension of payments at wind turbine manufacturer Senvion, which trimmed DKKm 24.1 off the profit before tax for 2018/19. Moreover, the financial year 2018/19 was adversely affected by unsatisfactory profitability in the FOC product group due to an unfavourable production set-up. The Group has identified and launched initiatives that are expected to lift profitability considerably over the coming 3-9 months. The first positive results of this were realised in Q4 2018/19.

Senvion

Over the past six months, Roblon has sought to secure payment of its claims. During this period, Roblon has been in dialogue with Senvion and, as a result, Senvion acknowledged parts of Roblon's claim equivalent to USDm 3.6, provided that Roblon refrains from taking further legal action.

On 21 October 2019, Senvion issued a press release announcing that wind turbine manufacturer Siemens Gamesa Renewable Energy had signed a conditional agreement to acquire selected European assets from Senvion, including its blade facility in Portugal, Ria Blades. According to Senvion, the transaction is expected to close before the end of 2019, subject to regulatory approval.

On 20 December 2019, Roblon and Senvion have entered into a conditional settlement agreement with respect to Roblon's claim. In accordance with this agreement, the project contract will be terminated with immediate effect and the parties' respective obligations under the contract will be cancelled. Furthermore, the parties have agreed that Senvion will pay Roblon USDm 6.6 (approx. DKKm 43). The settlement amount is due for payment shortly after the closing of SGRE's conditional acquisition of Ria Blades and selected European assets from Senvion. SGRE's conditional acquisition is expected to be completed in Q1 2020.

Roblon has not had an opportunity to meet with the new owners of Ria Blades and the divested parts of the Senvion Group to learn about their plans for the acquisition. Whether business relations can be resumed under the new ownership has yet to be determined.

Outlook for 2019/20

Guidance

Guidance for 2019/20:

- Revenue in the DKKm 260-280 range (DKKm 267.2; DKKm 241.8 ex. Senvion)
- Profit before tax in the DKKm 20-25 range (loss of DKKm 19.7; profit of DKKm 4.4 ex. Senvion)

The Group's 2019/20 revenue is expected to grow compared with 2018/19, mainly for the FOC product group. This forecast is substantiated by market growth in the FOC industry segment.

Profit before tax for 2019/20 is expected to be favourably affected by changes in product mix and expected improved productivity in the FOC product group.

Foreign exchange forecast

The Group primarily operates in two foreign currencies; USD and EUR.

The forecast for 2019/20 is based on the following foreign exchange assumptions:

Expected exchange rate for 2019/20

| | |
|---------|-----|
| USD/DKK | 650 |
| EUR/DKK | 745 |

Settlement with Senvion

Roblon has signed a conditional settlement agreement with wind turbine manufacturer Senvion and its subsidiary Ria Blades, under which Roblon will receive a settlement of USDm 6.6 (approx. DKKm 43). The settlement amount is due for payment shortly after the closing of SGRE's conditional acquisition of Ria Blades and selected European assets from Senvion. SGRE's conditional acquisition is expected to be completed in Q1 2020. Due to the inherent uncertainty about the conditional agreement between SGRE and Senvion, the settlement amount has not been factored into Management's profit guidance for 2019/20.

Sale of head office

Roblon has decided to initiate a prospective sale of the Group's head office in Frederikshavn. After the sale, the Group's Danish activities will all be located at Roblon's facilities in Gærum, which currently house production and various administrative functions. As well as producing positive synergies in the day-to-day operations, this initiative is also expected to have a positive impact on Roblon's results, liquidity and equity going forward. The potential sale of the head office has not been factored into the profit guidance for 2019/20.

Frederikshavn, 20 December 2019
Roblon A/S

Jørgen Kjær Jacobsen
Chairman of the Board

Lars Østergaard
Managing Director and CEO

Enquiries regarding this announcement should be addressed to:
Managing Director and CEO Lars Østergaard, tel. +45 9620 3300