

Report by the Board of Directors of Roblon A/S – financial year 2020/21

Jørgen Kjær Jacobsen, Chairman of the Board

In the Board of Directors' report at our annual general meeting held in January 2021 under the cloud of COVID-19, Management predicted that revenue and operations would remain adversely affected by the pandemic in the 2020/21 financial year. This was reflected in our guidance, and our realised results have, indeed, turned out to be severely impacted by the pandemic:

- Expected revenue in the range of DKKm 260-280
 - Reported revenue was DKKm 250

- Expected EBITDA in the range of DKKm 5-13
 - Reported EBITDA was a loss of DKKm 12.6

- Expected loss before tax in the range of DKKm 19-11
 - The reported loss before tax was DKKm 29.3

Management expected the pandemic to affect mainly the first half, but its impact stretched far into the second half of the financial year. Only our fourth quarter revenue and earnings were satisfactory.

In terms of order intake from the project-oriented part of our business, Composite, prospects have been unusually unclear in the past 18 months. During the financial year 2020/21, this resulted in downward adjustments in June and September 2021. In connection with the preparation of the 2020/21 financial statements in November, we made one upward adjustment.

We know that projects are in the pipeline, as our customers give us regular updates. Precisely when we will receive the individual orders remains uncertain, and this can cause huge fluctuations in our forecasts. Particularly in the first half of 2020/21, the order inflow to the Composite product group was significantly slower than in the previous years, and this was reflected in the full-year performance.

Over the past 18 months, the pandemic has had the following effects:

- COVID-19 caused sales orders to be postponed in the Composite product group. These are expected to be realised at a later date.

- Composite in 2020/21 reported the lowest revenue by far in the past five years despite not losing a single customer or order.

- The FOC product group experienced severe delays in supplies and also in the implementation of production equipment for the expansion of production capacity in Roblon US. These issues had an adverse effect on earnings.

- Rising raw materials prices, freight rates and logistical challenges for both raw materials and finished goods added further to the earnings difficulties.

While the negative effects of COVID-19 are currently easing off, Management expects to see further disruptions directly or indirectly connected to the pandemic during the current financial year, 2021/22.

Order flow in the product groups

Roblon's business comprises two product groups, strength members for fibre-optic cables (the FOC product group) and Composite products for off-shore, wind and sub-sea cables.

Orders in the **FOC-product group** typically consist of industry orders arriving in a steady flow. This allows both the customer and Roblon to reasonably plan consumption over a given period based on forecasts.

Roblon US has completed a DKKm 15 investment programme to increase production capacity and productivity in FOC-US. The first positive results of this investment have been realised and are reflected in the results for Q4 2020/21.

Roblon's production company in Gærum services the FOC-EMEA market. Management assesses that the high cost level in Denmark no longer makes it possible to operate a sufficiently profitable FOC business in Denmark. In the past year, we have therefore worked on other potential solutions with emphasis on finding a site in geographical proximity to Roblon's major strategic customers, located in southern and eastern Europe.

As a result of this work, Roblon acquired Czech production company Vamafil on 3 January 2022. The company has some 100 employees and is a sound business with solid fibre production capabilities built up over more than 100 years. The company has produced good financial results through the years and is centrally located in the Czech Republic and in proximity to Roblon's largest European customers in neighbouring countries to the south.

With Vamafil, Roblon is taking over annual revenue of around DKKm 35 and EBIT of around DKKm 2-3.

However, the principal reason for the acquisition of Vamafil is that it allows us to relocate our FOC production currently located in Gærum as a profitable unit at Vamafil. Because of the current travel restrictions and increased sickness absence among our employees, etc. caused by the pandemic, we will not start moving machinery to the new facilities until later in the year, but we have already begun the process of integrating Vamafil in the Roblon Group.

The **Composite product group** has suffered an order drought in the past 18 months. The inflow of project orders has been at a five-year low, which has weighed heavily on the Group's earnings. In this niche area, the value added in the production process is relatively

high. Roblon possesses the skills, products and documentation required to meet the customers' very exacting product property and quality demands.

In the past financial year, revenue in the Composite product group has been challenged. The slow-down started in Q3 2019/20, when the COVID-19 pandemic began to create difficulties in Roblon's Brazilian market. As mentioned earlier, revenue in the following three quarters was far below normal. Although it picked up somewhat during the second half, reported revenue for 2020/21 was nonetheless at a five-year low.

The **Composite product group** is generally characterised by large project orders, the outcome of which may be a large order representing several months' production – or nothing. Roblon has for many years realised strong results in this product group.

The oil and gas sector will continue to demand Roblon's Composite products for several years to come.

The Composite product group also focuses on developing products for new applications. Over the past few years, new types of technologically advanced sub-sea cables have been introduced for projects that will be realised in the coming years. This is expected to be a growth area in the Composite product segment that will replace our past steel reinforcement products. This is an obvious growth market for Roblon.

Internationally known projects are in the pipeline, but it is as yet unknown precisely when orders will be placed. All we know is that Roblon is a highly qualified candidate for this exciting market, recognised by the major players in the industry. Management also considers this area to be an important element in the foundation for the Group's growth and earnings during the new five-year strategy period.

Roblon is ready. Products have been technically approved for certain individual projects. Although some production capacity is available, we expect to have to expand capacity in the coming year. This will require estimated investments of around DKKm 15 over the coming 18-24 months.

After the 2020/21 year-end closing, Roblon's total long-term credit facilities were increased by DKKm 75 in December 2021, and we are planning to take out a mortgage on Roblon's production facility in Gærum. The purpose of this is to support our growth plans and secure sufficient liquidity after the acquisition of Vamafil at a price of EURm 8.7.

In 2020/21, we planned specific activities with a view to achieving stronger growth and earnings:

- Completion of measures to expand production capacity and enhance productivity in Roblon US

- in the past 18 months, Roblon has completed a DKKm 15 investment programme in production equipment in the USA in order to increase productivity and capacity;
- despite the current constraints due to the COVID-19 pandemic, Roblon US in the second half of 2020/21 experienced increasing revenue and improved operating results, and this trend is expected to continue in the coming quarters.
- Completion of the trimming of the customer and product portfolio in FOC-EMEA
 - completed.
- Market introduction of Rod (central strength member in cables) to FOC customers in EMEA
 - concrete product approvals are underway with the largest customers in the EMEA area.
- General cost adjustments
 - completed.

Strategy

2016-2021 strategy plan

Roblon announced its five-year strategy for **2016-2021** in the autumn of **2016**, and during this period we:

- divested former business entities;
- acquired new US business in the core business;
- implemented a new ERP solution for the Group in order to ensure a strong common group infrastructure;
- implemented changes to and strengthened the organisation by adding new competences and resources;
- continued to develop new products and production technology in FOC and Composite high-performance fibre solutions.

The **core business** has in the past five years been developed and focused on delivering high-performance fibre solutions and technologies to customers who demand the highest quality, durability and safety standards.

Our ongoing development and sales efforts have strengthened the business in the past few years. The following should be emphasised:

- Strong exposure in Telecommunications (cable materials for fibre optic cable manufacturers) and Energy and Submarine Energy Transmission (for example

energy cables). These industries are expected to enjoy considerable global growth in the coming years.

- Establishment of production and sales capabilities in close proximity to key customers in the USA. A similar set-up is being executed in Europe with the acquired Czech business.
- Launch of new products using more sustainable production processes with reduced energy consumption and fibre products replacing traditional steel reinforcement.

2021-2026 strategy plan

In the autumn of 2021, Roblon launched a new five-year strategy plan for the period to 2025/26. 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.

Mission (Business scope) 2021-2026

Roblon is an innovative company developing and supplying sustainable high-performance fibre solutions.

Synthetic fibres make up a key element of Roblon's DNA – indeed they are the cornerstone of the Group's long success story.

Roblon possesses specialist knowledge about the properties of the fibres and how to process them, and that is what makes the Group's products unique.

Our business activities include development, production and sales of coated and extruded fibre solutions primarily used as reinforcement elements in the fibre optic cable industry and in the energy sector – both of which are enjoying global growth and will continue to do so in the future.

Vision 2026

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

Strategy

Product development, Key Account Management, Logistics and Productivity are our key processes.

The aim is to constantly increase Roblon's product development efforts in collaboration with selected customers.

Continual improvement of competitiveness:

- productivity and efficiency
- supply chain/logistics

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 EBIT margin of at least 10%
- average annual EPS growth of at least 15%
- a return on invested capital (ROIC) of at least 20%

Performance of the FOC product group's market

The fibre optic cable manufacturing industry is seeing strong growth, among other things due to the roll-out of infrastructure to support 5G telecommunications. Both the European and North American markets are growing, and US growth is expected to be further stimulated by the US government's USDbn 65 grant for investments in the coming roll-out of telecommunications (broadband) in the US as part of an infrastructure plan. In this transparent industry, competitors and customers are well known. Several of the major global fibre optic cable manufacturers have in recent years initiated investments in new production facilities and equipment.

The fibre optic cable manufacturing industry comprises up to 20 major global manufacturers with production sites on several continents and a number of regional and smaller cable manufacturers. Major global manufacturers include companies such as Corning, Prysmian, Commscope, Nexans and Huber+Suhner.

Along with Roblon, Fiberline (US), Indore (IND) and Gotex (E) are considered some of the leading suppliers of cable components to the fibre optic cable industry. Also, there are a few manufactures of selected optic cable components who sell these products in very large quantities. They do so to their respective domestic markets in China and India as well as to particularly the North American market and, to a lesser extent, the European market.

Performance of the Composite product group's market

The Composite product group comprises applications in offshore oil & gas, wind and energy transmission. In the offshore oil & gas industry, the Group is exposed to the general prevailing conditions, including the impact of oil prices on decisions to launch new investment-intensive projects. A large part of the Group's business is located in Brazil, where we expect to continue to see activity in the coming years as a consequence of already determined oil and gas extraction projects.

Through external analyses, Roblon has verified an annual revenue potential for the Group of up to DKKm 100 in the years until 2025/26 in Brazil alone, which is Roblon's largest marketplace for this application.

The Composite product group also comprises the application “**Energy and Submarine Energy Transmission**” (energy cables among other things). Its market potential for Roblon cannot be assessed at this point.

It is an industry that is expected to enjoy considerable global growth in the coming years and in which, as mentioned earlier, we will see increasing use of Composite-based strength element solutions in replacement of existing steel-based strength element solutions.

Over a period of several years, Roblon has developed a Composite-based strength element solution for energy cables in close collaboration with a market-leading customer engaged in establishing sub-sea cable connections – including at great ocean depths and over long distances.

Roblon’s total identified market potential

In the autumn of 2021, Roblon’s total identified market potential was assessed to amount to DKKbn 3.2: DKKbn 2.7 in the FOC product group and DKKbn 0.5 in the Composite product group. The acquisition of Vamafil has added further potential for that part of the Group’s business. Management assesses that Roblon will be sufficiently competitive in terms of expertise, trust and price to take advantage of the identified market potential.

Roblon’s annual report and CSR report for 2020/21 were published on 21 December 2021 on the Company’s website. This year, both reports are for the first time available digitally rather than in print.

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

Despite the poor financial performance for the year, we are pleased to note that Roblon is still a solid and strong company. At 31 October 2021, equity represented 78% of total assets.

Due to large-scale investments, the operating loss reported in 2020/21 and an expected operating loss and continued major investments in the current financial year, 2021/22, the Board of Directors proposes to the annual general meeting that no dividend be distributed for 2020/21.

Roblon’s share price closed at 152 at 31 October 2021, compared with 176 at 31 October 2020. At noon today – almost three months into the new financial year – the price was 154.

Corporate governance

Being a listed company, Roblon is comprised by the Recommendations on Corporate Governance. We opted for early adoption of the most recent recommendations of the Danish Corporate Governance Committee, which are effective for financial years beginning on or after 1 January 2021.

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 2020/21 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 20% in middle management.

The Board of Directors and Executive Management regularly assess the competency requirements, and in order to meet the target of a balanced gender composition at all levels of management, the Group will continue its efforts to promote and support the journey towards this goal.

Reaching the goal of 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's evaluation was dialogue-based and internally facilitated.

The most important conclusions and results of the evaluation were that the Board of Directors and the board committees have continued a positive trend in terms of commitment, meeting required core competencies and the important engagement 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, and this is the case in 2021/22.

CSR at Roblon

CSR (Corporate Social Responsibility) is a focus area for Roblon. As in 2019/20, our initiatives are described in Roblon's CSR Report, which presents 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 under the responsibility of 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.

In 2020/21, the Group identified those of the 17 UN Sustainable Development Goals to which we believe we can contribute 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).

Roblon's remuneration policy and report

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

We believe that the framework of the policy continues to support 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 2020/21. The remuneration report is presented for advisory vote at today's general meeting.

Guidance for full year 2021/22

Management expects growth in the Group's revenue and earnings in the 2021/22 financial year. This is based, among other things, on the following significant factors:

- Revenue is expected to increase in the FOC product group in the USA, where Roblon is well positioned. Order intake continues to rise in this growth market.
- Roblon has increased its production capacity through an investment programme carried out over the past 18 months. Further investments and productivity enhancements are being planned;

- In the Composite product group, Management expects revenue to be on a par with the financial year 2020/21.
- Roblon's acquisition of Vamafil on 9 December 2021, effective at 3 January 2022, is expected to contribute revenue of around DKKm 30-35 and an operating profit (EBIT) in the 2021/22 financial year.

Short-term expectations are subject to a high degree of uncertainty in light of the continuing impact of COVID-19 on many markets in addition to continued supply constraints for certain raw materials and logistical challenges.

The 2021/22 financial year will also extraordinarily be affected 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.

Revenue and earnings guidance for 2021/22

The goal of the strategy plan for 2016-2021 was that Roblon was to achieve its financial objectives from 2021/22, assuming normal economic conditions. We worked determinedly to create the basis to achieve this. Mainly due to dealing with the global pandemic for nearly two years, however, we now have to concede that we fell short of the target.

The full-year profit announcement of 21 December 2021 comprised the following guidance for the current financial year, 2021/22:

- revenue in the range of DKKm 330-370 (around DKKm 250)
- operating profit before amortisation, depreciation and impairment and exceptional items (EBITDA) in the range of DKKm 8-27 (a loss of around DKKm 13)
- operating profit/loss before exceptional items (EBIT) in the range of a loss of DKKm 19 to a profit of DKKm 0 (a loss of around DKKm 33)
- exceptional items relating to restructuring costs in connection with the integration of Vamafil in the Czech Republic of around DKKm 8 (DKKm 0)

Roblon's head office

Management decided to sell Roblon's property in Frederikshavn a couple of 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 2021/22.

Closing

We have good reason to believe that Roblon will be able to deliver growth in revenue and earnings going forward. The Group has a clearly defined and identified potential, the required structure, competencies and capital to maintain strong growth year after year. To achieve this, however, we have to continually step up the necessary measures mentioned in this report.

Today, we look forward to leaving the pandemic behind us and operating under more normal market and economic conditions.

In closing, I want to thank the Executive Management and our employees for their good collaboration and great commitment under difficult conditions.

It requires a lot of resources to steer a company that is going through a turbulent time and is unable to realise the targeted results for a period of time.

At Roblon, we see a strong positive and constructive commitment to finding solutions despite the challenges.

To our employees at the production site in Gærum, from which we are planning a partial relocation of production machinery, who may feel that the future is uncertain, I want to express a big thank you for their continued strong and loyal efforts.

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 loyal shareholders, customers and other business partners.

Thank you!