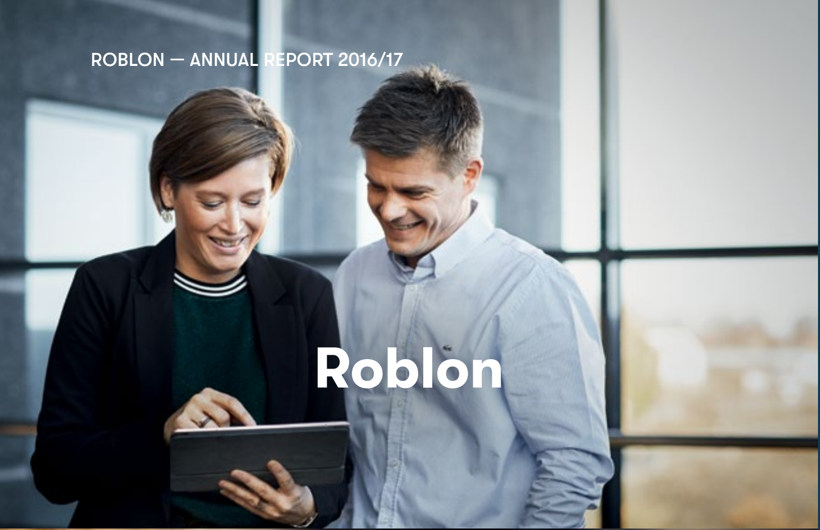
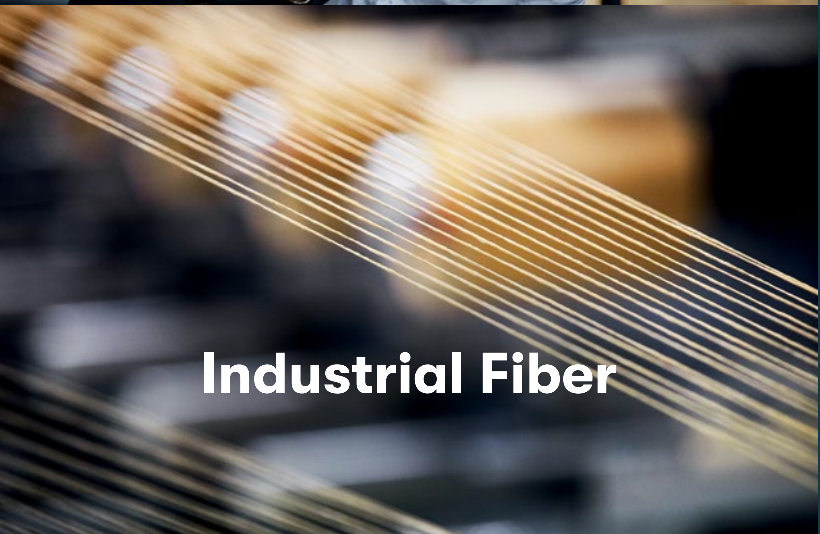
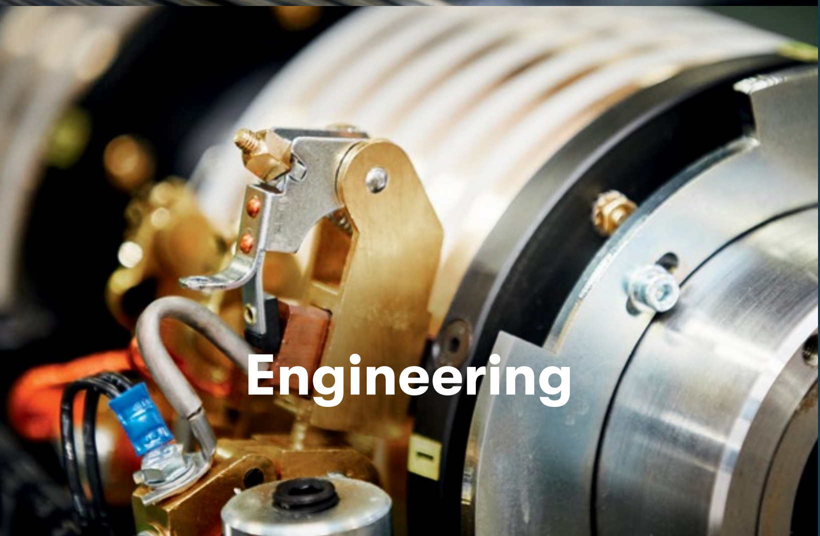
Roblon

Annual report 2016/17

Roblon A/S
Nordhavnsvej 1
DK-9900 Frederikshavn
CVR no. 57 06 85 15







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Strategic decisions and commitment

Financial year 2016/17 is the first of five years of Roblon's 2021 Strategy, which the Group announced in the autumn of 2016. During the year, important decisions were made and brought into action to back up the Group's visions and goals, and a number of initiatives and strategic projects were launched, which will support the Group's future growth.

Acquisition and establishment in the USA
In a step towards its 2021 Strategy, Roblon in April 2017 concluded an agreement to acquire activities and assets from Neptco, Hickory, North Carolina, part of the listed US Chase Corporation group. Roblon acquired plant, inventories, product rights, brands and customer relations related to the fibre optic cable industry.

With the acquisition, the Group added new products to its portfolio and is thus significantly closer to becoming a total supplier of strength element solutions to selected strategic customers in the fibre optic cable industry. In addition to this important expansion of the Group's product range, Roblon's establishment in the USA has made it easier for the Group to maintain close proximity to selected strategic customers in the North American market.

The area of North and South Carolina has a large concentration of enterprises in the fibre optic cable industry, covering several links of the value chain. They include suppliers of chemicals and glass yarns for use in the production of fibre optic cable components and a large number of end producers of fibre optic cables, who are among Roblon's strategic customers. This established cluster of enterprises also means that there is a strong potential for recruitment of people with relevant skills, who will be able to support the Group's growth strategy.

Focus on core business
On 30 April 2017, the Group sold the business segment Roblon Lighting. The sale happened as a consequence of the realisation, in connection with the development of the 2021 Strategy, that Roblon Lighting fell outside the core business. Also, it was assessed that to fulfil the segment's identified potential would require significant investments and a dedicated effort.

Roblon Lighting was sold to local investors. As part of the transaction, all Roblon Lighting staff were employed by the buyer. In connection with the sale, the Group entered into a lease with the buyer for production and office facilities at Roblon's domicile in Frederikshavn.

Initiatives and strategic projects
In 2016/17, the Group introduced a new organisational structure that is better aligned with the Group's business segments. During the year, a strategic project was also launched to support the development of a culture of continual improvement efforts. The work is organised within a formalised framework and is initially aimed at improving safety, quality and delivery capability.

The Group has launched a project strengthening IT business support and thereby promoting and increasing IT-supporting business processes. The project, which involves the replacement of the existing ERP platform, will be implemented in stages, beginning with Roblon A/S and subsequently the US subsidiary. This strategic project is expected to continue for 12-24 months.

In 2016/17, four new employees and managers were recruited in sales-promoting functions, and an adjustment of the Company's agent network was initiated, all for the purpose of enhancing the Group's long-term expansion potential.

In 2016/17, Roblon divided up its product development organisation, so that each of the two business segments now has its own dedicated development functions. In the group structure, these are linked to the innovation and product development committee established under the Board of Directors. During the financial year, five employees were added to the development functions in support of the Group's growth strategy.

The execution of Roblon's 2021 Strategy is well under way. We took the first important steps towards realising the Group's vision in 2016/17, which for the first two years focuses on regenerating the Group's operational platform for development and growth.

In the years to 2021, the Group will make additional investments in growth with more efficient sales and distribution channels and increased focus on value-adding partnerships with selected customers. We will also step up our efforts to develop new innovative solutions for our customers that will form the basis of the Group's future growth.

Financial highlights for the Roblon Group

	Unit	2016/17	2015/16	2014/15	2013/14	2012/13
Orders						
Order intake	DKKm	304.7	253.8	210.8	–	–
Order book	DKKm	69.2	50.9	29.0	–	–
Income statement						
Revenue, continuing operations	DKKm	284.5	229.6	202.8	–	–
Revenue, discontinued operations	DKKm	12.5	22.0	24.9	–	–
Revenue, total	DKKm	297.0	251.6	227.7	259.8	267.0
Of which exports	DKKm	276.3	200.0	198.7	239.7	227.6
Export ratio	%	97.1	87.1	98.0	92.3	85.2
Gross profit	DKKm	150.9	122.1	113.9	151.2	149.6
Operating profit (EBIT)	DKKm	21.4	28.1	24.2	51.3	53.4
Net financial items	DKKm	2.0	0.7	1.9	2.0	0.7
Profit before tax from continuing operations	DKKm	23.4	28.8	26.1	–	–
Profit/loss before tax from discontinued operations	DKKm	4.1	-3.4	-2.1	–	–
Total profit before tax	DKKm	27.5	25.4	24.0	53.3	54.1
Profit for the year from continuing operations	DKKm	17.0	22.6	20.0	–	–
Profit/loss for the year from discontinued operations	DKKm	3.2	-2.6	-1.6	–	–
Total profit for the year	DKKm	20.2	20.0	18.4	40.4	41.0
Balance sheet						
Assets	DKKm	306.4	300.6	287.4	300.6	274.5
Working capital	DKKm	80.4	63.8	71.0	82.5	93.7
Share capital	DKKm	35.8	35.8	35.8	35.8	35.8
Invested capital	DKKm	160.3	129.1	129.7	135.2	147.9
Equity	DKKm	252.3	251.8	249.7	252.8	230.3
Cash flows						
Cash flow from operating activities	DKKm	36.9	28.1	23.2	59.8	31.4
Cash flow from investing activities	DKKm	-31.4	-38.7	-67.0	-7.7	-8.7
Of which investment in marketable securities	DKKm	7.1	-31.8	-49.3	–	–
Cash flow from financing activities	DKKm	-17.9	-17.9	-21.5	-17.9	-17.9
Investments in property, plant and equipment	DKKm	-9.3	-4.0	-15.4	-5.4	-5.0
Depreciation, amortisation and impairment	DKKm	10.1	-9.6	-8.4	-9.0	-8.0
Cash flow for the year	DKKm	-12.3	-28.4	-65.3	34.3	4.8

Financial ratios for the Roblon Group

	Unit	2016/17	2015/16	2014/15	2013/14	2012/13
Ratios						
Book-to bill ratio	%	107.1	110.5	103.9		
Gross margin [1)]	%	53.0	53.2	56.2	58.2	56.0
EBIT-margin [1)]	%	7.5	12.2	11.9	19.8	20.0
ROIC/return on average invested capital [1)]	%	14.8	21.7	18.3	36.2	39.0
Equity ratio	%	82.4	83.8	86.9	84.1	83.9
Return on equity	%	8.0	8.0	7.3	16.7	18.7
Working capital, % of revenue [1)]	%	28.3	27.8	35.0	31.8	35.1
Average no. of full-time employees [1)]	No.	136	130	120	138	138
Gross profit per full-time employee [1)]	DKKm	1.1	0.9	0.9	1.1	1.1
Per share ratios						
Earnings per DKK 20 share (EPS) [2)]	DKK	11.3	11.2	10.3	22.6	22.9
Price/earnings ratio (PE)	DKK	33.1	21.1	23.6	12.6	10.4
Payout ratio	%	89	90	97	53	44
Cash flow per DKK 20 share from operations [2)]	DKK	20.7	15.8	13.0	33.5	17.6
Proposed dividend (% of nominal value)	%	50	50	50	60	50
Book value of shares [2)]	DKK	141	141	140	141	129
Quoted year-end market price[2)]	DKK	408.5	236	243	286	238
Price/book value		2.9	1.7	1.7	2.0	1.8

[1)] Ratios are based on continuing operations (2014/15, 2015/16 and current year)
[2)] Restated to reflect 1:5 stock split on 25/03/2013 of the Company's class A and class B shares. Comparative figures have been restated for all years under review.

The stated per share ratios relate to class B shares.

See accounting policies in note 36 to the financial statements for terms and definitions.

Facts about Roblon

Over the past six decades, Roblon has amassed a wealth of knowledge about treating fibres and manufacturing machinery to process fibres. Previously, the Group was a rope manufacturer, and the knowledge from this formed part of the basis of its current activities.

The Company’s class B shares have been listed on the Nasdaq Copenhagen stock exchange since 1986.

Roblon is headquartered in Frederikshavn and has production facilities in Gærum and Sæby (Denmark) and Hickory, North Carolina (USA).

Founded in 1957

Supplies fibre-based strength element solutions and machinery for rope-making and cable industries

World-wide sales, direct and via agents and distributors

Production in Denmark and the USA

157 employees

Performance for 2016/17 and outlook for 2017/18

Performance for 2016/17

In 2016/17, the Group realised a profit before tax of DKKm 23.4, against DKKm 28.8 the year before. The Group's performance is in line with the profit guidance provided in the interim report for Q3 2016/17.

Outlook for 2017/18

Guidance
Profit guidance for 2017/18:

- Revenue of around DKKm 330 (2016/17: DKKm 284.5)
- Profit before tax of around DKKm 33 (2016/17: DKKm 23.4)

Roblon projects organic revenue growth of around 7% in the 2017/18 financial year.

- For Roblon Industrial Fiber, a modest revenue growth of 1-2% is projected. The Group expects increased sales of and revenue from fibre optic cable components, as the market for these is seeing positive growth rates. Sales of and revenue from composites-based solutions are expected to be adversely impacted by lower demand than in 2016/17.
- In Roblon Engineering, the organic revenue growth is expected to be 10-15%, attributable to the intensified sales efforts focusing more on selected strategic customers.

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

The forecast for 2017/18 is based on the following foreign exchange assumptions:

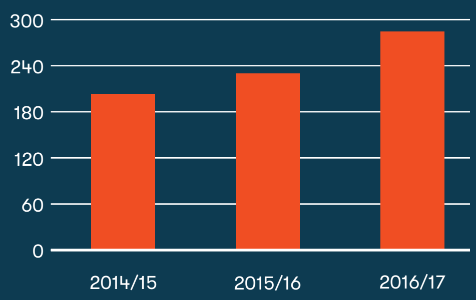
	Expected exchange rate for 2017/18
USD/DKK	625
EUR/DKK	Continued pegging to EUR

Forward-looking statements
The above forward-looking statements, in particular revenue and earnings projections, are inherently uncertain and subject to risk. Many factors are beyond Roblon's control and, consequently, actual results may differ significantly from the projections expressed in the annual report. Such factors include, but are not limited to, changes in market and competitive situation, changes in demand and purchasing behaviour, foreign exchange and interest rate fluctuations and general economic, political and commercial conditions.

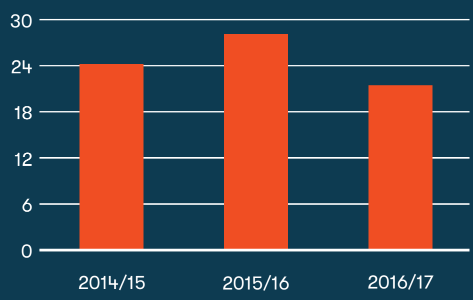
Roblon's sales are characterised by a structure based on project sales. This makes it difficult at any given time to forecast future revenue for a specific period, i.e. three-month, six-month or 12-month periods.

See also the risk management section on page 23.

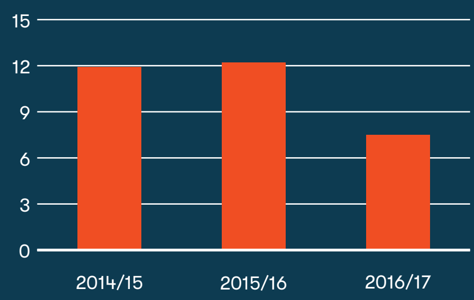
Revenue



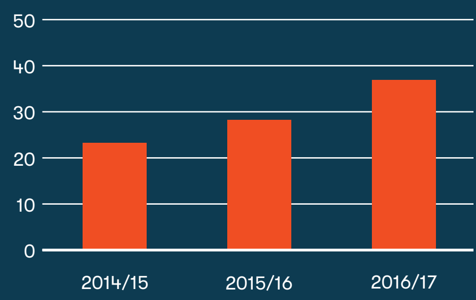
EBIT



EBIT margin



Cash flows from operating activities



Industry and market potential

At the end of the 2016/17 financial year, Roblon's identified market potential was at DKKm 3,500, an increase of DKKm 1,000 compared with the amount stated in the annual report for 2015/16. The increase was due to an improved basis of data and information.

Roblon Industrial Fiber

targets manufacturers of fibre optic cables and composites solutions for offshore and other industries.

The fibre optic cable manufacturing industry is seeing strong growth, with particularly the North American and Asian markets expected to grow significantly in the coming years due to factors such as the roll-out of infrastructure to support 5G telecommunications. The industry is transparent, competitors and customers being well known.

In the offshore industry, the Group is impacted by the general conditions prevailing, including oil prices and the attractiveness of launching new projects. Roblon's offshore-related activities are niche-driven, and the Group collaborates with a number of very large, successful industry players.

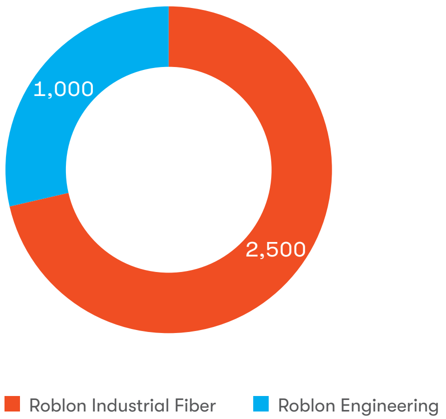
The market that Roblon Industrial Fiber addresses is worth around DKKm 2,500. The industry is further described in the following sections on the segment.

Roblon Engineering

targets manufacturers of rope and yarn for industry sectors as well as fibre optic cables. The rope-making industry is fragmented, and in the section of the market that Roblon addresses, the Company has one major competitor and a number of discount manufacturers from India and China. Market growth in the fibre optic cable industry has a positive impact on the demand for cable machinery.

The market that Roblon Engineering addresses is worth around DKKm 1,000. The industry is further described in the following sections on the segment.

Market potential, DKKm



Business scope

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

The Company made a name for itself early on using nylon fibres to make rope, later switching to more sophisticated fibres for numerous applications. Roblon also had success making machines to process the fibres, which are in demand from customers world-wide.

Roblon possesses specialist knowledge of the fibres' properties – including their shape, colour and their physical, chemical and optical properties – and how to process the fibres, which makes the Company's products unique.

As the world's leading manufacturer of rope-making equipment, Roblon adds properties to the fibres and thus adds value for users of rope around the globe. The machines are designed to handle different types of fibre, from naturally occurring fibres known from traditional ropes to fibres possessing very high strength and stiffness. The Company also supplies machines for processing high-tenacity fibres such as Kevlar and carbon fibre.

Roblon processes reinforcement fibres for fibre optic cables that connect networks globally. These reinforcement fibres usually have fibreglass or Kevlar as their raw material, but Roblon gives the fibres added value by applying a functional coating. Doing this makes the fibres more robust in the customers' production facilities and can make fibre optic cables watertight or e.g. prevent rodents from damaging the fibre optic cables.

Exacting requirements apply to the physical and chemical properties of fibre products within the composite material area. Over time, Roblon has become one of the most renowned and specialised manufacturers of fibre-based reinforcement straps for pipes and products for fixing submarine installations to pipes and cables. In fields of use such as these, the long-term durability of the products is a crucial competitive factor.

Roblon's organisation comprises two business segments: Roblon Industrial Fiber and Roblon Engineering.

2021 Strategy

In autumn 2016, Roblon introduced a new five-year strategy covering the period up to and including financial year 2020/21.

The Group's vision for 2021 was defined by its two business segments and the aim is to achieve the vision through these.

- **Roblon Industrial Fiber** aspires to a position as total supplier of strength element solutions to selected strategic customers in the fibre optic cable industry. The segment also aims to be a market-leading supplier of strength elements to the offshore industry.
- **Roblon Engineering** aspires to a position as global market-leading supplier of production equipment and services to selected customers in the rope-making industry. The segment also aims to be a niche supplier of equipment for manufacturing and coiling of cables for the fibre optic cable industry as well as other selected industries.

Roblon expects to achieve its vision for 2021 through a combination of organic growth and acquisitions.

The Group's strategic initiatives in support of its growth strategy and financial objectives are focused on the core business and on an enhanced sales effort targeting both existing strategic key customers and potential customers in new geographical markets.

The resources set aside for product development, which is carried out in close collaboration with strategic customers, will be increased accordingly.

Roblon's financial objectives
Within the strategy period 2016–2021, Roblon is aiming to establish a basis on which to achieve the following financial objectives, assuming normal economic conditions.

Roblon's financial objectives

Annual revenue growth (organic) of at least

7%

EBIT margin of at least

10%

Annual EPS growth of at least

7%

Return on invested capital (ROIC) of at least

15%

Innovation and product development

Foundation/structure:
At the beginning of the 2016/17 financial year, Roblon reorganised its innovation and product development structure. The result is a simplified, more focused structure, anchored from the Board of Directors to the operational part of the organisation, as well as a stronger footprint in the market. Also, several new development engineers were recruited during the year. In addition to these measures, the number of development projects in progress was trimmed considerably and the Group's product development process model was adjusted.

Product development
The Group aims to maintain a manageable development portfolio with the aim of regularly releasing new products on the market.

During the year, two new products were released:

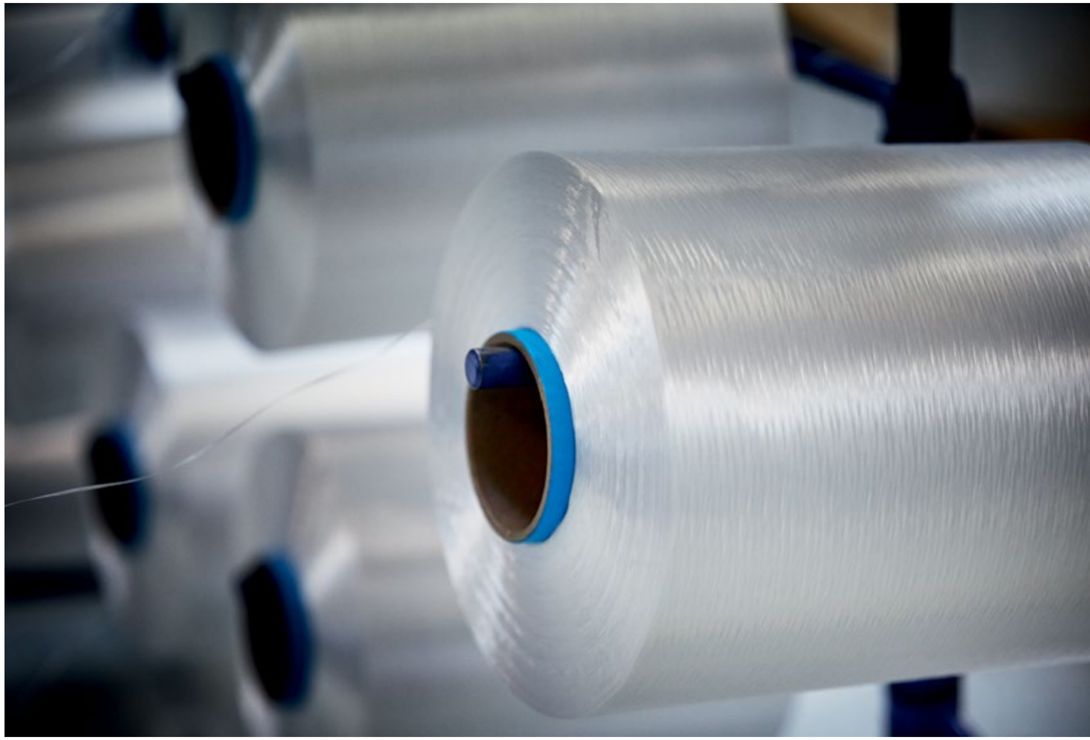
Roblon Industrial Fiber

- A new water-blocking Light-Flex product was released following the required customer tests. The product is used as a sub-component in fibre optic cables.

Roblon Engineering

- Roblon has developed and launched a new Low Tension Binder for use in manufacturing very thin fibre optic cables. Roblon's newly developed machine is designed to control yarn tension as low as 300 grams at 4,000 revolutions per minute. This performance is maintained with accurate and constant yarn tension at varying revolutions and operation temperatures.

In addition to these product launches, Roblon made a number of adaptations and adjustments to existing products in 2016/17. For example, Roblon Engineering carried out and completed a comprehensive optimisation of most of its machinery programme, renewing software and electronics.



Cable material, Light-Flex, water-blocking.

Group

Financial statements 2016/17

As announced in company announcement no. 5, 3 April 2017, Roblon established a subsidiary in the USA (Roblon US Inc.) in April 2017 with the aim of acquiring operations in the fibre optic cable industry.

With the acquisition a group was formed, and the annual report for 2016/17 has therefore been prepared on a consolidated basis.

Unless otherwise indicated, the financial commentary is based on the 2016/17 consolidated financial statement figures and comparative figures are the consolidated financial statement figures for 2015/16, which solely comprise the parent company. As the parent company is a very significant part of the Group, the financial performance of the parent company is not described separately, except where it differs from that of the Group.

Selected financial highlights*

DKKm	Q4 2016/17	Q3 2016/17	Q2 2016/17	Q1 2016/17	Q4 2015/16
Order intake	64.0	105.1	74.4	61.2	53.9
Order book	69.2	82.0	60.5	54.2	50.9
Revenue	76.0	82.5	68.1	57.9	74.9
Operating profit (EBIT)	1.0	8.0	7.4	5.0	10.6
Non-recurring items	-1.6	-0.1	-5.4	0.0	0.0
Profit before tax	1.4	8.0	8.1	5.9	10.7
EBIT margin	1.3%	9.7%	10.9%	8.6%	14.2%

* The financial highlights are not audited.

Consolidated income statement

Q4 2016/17

The Group's order intake was DKKm 64.0 for Q4 2016/17, against DKKm 53.9 in the same quarter last year, and the total increase of DKKm 10.1 was mainly due to the acquired business in the USA. The order book at the end of October 2017 amounted to DKKm 69.2 compared to DKKm 50.9 last year. Of the DKKm 18.3 improvement, DKKm 4.1 is attributable to Roblon US Inc., and both Roblon Industrial Fiber and Roblon Engineering have increasing order books.

Total revenue amounted to DKKm 76.0 in Q4 2016/17 (2015/16: DKKm 74.9).

Operating profit (EBIT) was DKKm 1.0 (2015/16: DKKm 10.6), equalling an EBIT margin of 1.3% against 14.2% last year. The development was due to an unfavourable product mix during the quarter and the recognition of DKKm 1.5 in extraordinary bonuses for all employees. The realised profit for the quarter was as expected.

In Q4 2016/17, cash flow from operating activities was DKKm 17.3 (2015/16: DKKm 25.7). Cash flow from investing activities was negative at DKKm 18.1 (2015/16: negative at DKKm 2.4), and there was no cash flow from financing activities in either Q4 2016/17 or the year-earlier period.

2016/17

Order intake
The Group's order intake was DKKm 304.7 in 2016/17, an improvement of 20% on last year (2015/16: DKKm 253.8). Of the DKKm 50.9 improvement, DKKm 29.5m related to the acquired business in the USA and the remaining improvement was generated by both of the Group's business segments.

The book-to-bill ratio was 107.1% for 2016/17 (2015/16: 110.5%).

Revenue
For the 2016/17 financial year the Group's revenue was DKKm 284.5, an improvement of 23,9% over last year's revenue of DKKm 229.6. Of the DKKm 54.9 increase, DKKm 26.1 was driven by acquisition, whereas the organic revenue growth was DKKm 28.8 (12.5%). The improvement was generated by both business segments, but Industrial Fiber particularly increased the Group's revenue from strategic customers during the financial year.

Revenue was realised at the guidance level announced by Management in September 2017 of around DKKm 290.

The export ratio was 97.1%, against 87.1% last year.

Revenue was distributed with 43% (2015/16: 58%) in Europe, 18% (2015/16: 8%) in Amerika and 39% (2015/16: 34%) in the rest of the world.

Gross profit and gross margin
Roblon's gross profit amounted to DKKm 150.9, an increase of DKKm 28.8 on last year's gross profit of DKKm 122.1, of which DKKm 9.1 related to the acquired business. The gross margin for the financial year was 53.0%, in line with last year's gross margin of 53.2%.

Other external costs
Other external costs amounted to DKKm 43.3, which was an increase of DKKm 16.3 compared to last year. The principal reasons for the increase are that during the year the Group incurred DKKm 4.7 in transaction costs related to the US acquisition, increased costs totalling DKKm 6.7 in connection with the new operations in the US subsidiary and increased costs related to increased travel activity and sales promoting initiatives.

Staff costs
Staff costs amounted to DKKm 77.5, an increase of DKKm 16.2 compared with DKKm 61.3 in the 2015/16 financial year. The increase in staff costs was due to a number of recruitments to strengthen the sales and product development functions and a number of key positions in the support functions. These recruitments were planned in the 2021 Strategy. Moreover, in 2016/17, an extraordinary bonus for all employees totalling DKKm 1.5 was recognised in response to their dedicated efforts in a financial year marked by the introduction and execution of a new strategy.

Depreciation, amortisation and impairment
The Group's depreciation, amortisation and impairment amounted to DKKm 10.1, which was an increase of DKKm 2.0 compared to last year. Of the total increase, DKKm 1.5 related to amortisation, depreciation and impairment of intangible assets and property, plant and equipment added through the Group's acquisition and establishment in the USA.

Operating profit (EBIT)
EBIT for the year was DKKm 21.4, against DKKm 28.1 in the 2015/16 financial year. This equalled a decrease in EBIT of DKKm 6.7, or 23.8%. This was a result of the launch of the 2021 Strategy plan, affected by planned recruitments in sales and product development and costs related to enhanced resources for the support functions: finance, HR, IT and quality.

EBIT for 2016/17 was furthermore negatively affected by incurred transaction costs of DKKm 4.7 in connection with the acquisition in the USA. The relatively large amount in relation to the size of the investment is due to the complex nature of the acquisition, for which additional legal advice has been required. For further details on the transaction costs, see note 32 to the financial statements. Finally, EBIT for 2016/17 was negatively affected by a settlement with a former UK agent, expensed in the amount of DKKm 0.9, and extraordinary bonuses for all employees, totalling DKKm 1.5. These non-recurring items totalled DKKm 7.1, which was recognised in 2016/17.

Net financial items
Financial items amounted to net income of DKKm 2.0, against net income of DKKm 0.7 last year.

Profit for the year before tax
Profit for the year before tax amounted to DKKm 23.4 (2015/16: DKKm 28.8), in line with the guidance level announced by Management in September 2017 (DKKm 22.5).

Tax on profit for the year
Tax on the profit for the year was recognised as a total expense of DKKm 6.5, against a tax expense of DKKm 6.2 for the previous year. The total tax rate was 27.6%, against 21.5% last year. The increase in tax rate was mainly due to non-deductible acquisition-related costs.

Discontinued operations
Profit for the year 2016/17 before tax was DKKm 4.1, comprising an operating profit of DKKm 0.2 for the period until the business was divested at the end of April 2017 and the net profit from the sale of DKKm 3.9. Profit for the year from discontinued operations after tax was DKKm 3.2.

The profit for the year 2016/17 from discontinued operations before tax was in line with Management's guidance in the interim report for Q3 2016/17.

Profit for the year
The overall profit for the year 2016/17 was DKKm 20.2 (2015/16: DKKm 20). The profit for 2016/17 included DKKm 0.7 from the acquired business.

Earnings per share (EPS)
EPS from continuing operations was DKKm 9.5 (2015/16: DKKm 12.7).

Consolidated balance sheet

Total assets for the Group amounted to DKKm 306.4 at 31 October 2017 – a 1.9% increase over last year. Working capital was DKKm 80.4 (2015/16: DKKm 63.8), equalling 28.3% (2015/16: 27,8%) of revenue for the year. Of the DKKm 16.6 increase in working capital, DKKm 8.5 related to the acquired business in the USA and the rest was a combination of increased funds tied up in trade receivables and a decrease in current liabilities.

Intangible assets
Intangible assets amounted to DKKm 17.8 at 31 October 2017, against DKKm 8.7 last year. The DKKm 9.1 increase mainly consisted of the value of trademarks in the acquired business. The value of trademarks was determined at DKKm 10.3 in connection with the calculation of the takeover balance sheet on acquisition of the business in the USA. The value of trademarks is amortised on a straight-line

basis over a ten-year period and was recognised at DKKm 8.9 in the balance sheet at 31 October 2017.

Completed development projects and development projects in progress amounted to DKKm 8.9, against DKKm 8.7 last year.

Property, plant and equipment
Property, plant and equipment at 31 October 2017 in the consolidated balance sheet amounted to DKKm 61.1, against DKKm 51.2 at 31 October 2016. The DKKm 9.9 increase related to the value of production equipment and technical plant in the acquired business of DKKm 9.0.

Inventories
The Group's inventories amounted to DKKm 74.1 at 31 October 2017, against DKKm 66.9m last year, the DKKm 7.2 increase being related to inventories in the Group's US subsidiary.

In total, the Group made write-downs for obsolescence of DKKm 10.4, against DKKm 10.5 last year, equalling a write-down ratio of 12.3% and 13.6%, respectively, of the calculated gross value of inventories.

Receivables
Total receivables at 31 October 2017 amounted to DKKm 51.2, against DKKm 45.8 last year. The Group's trade receivables rose to DKKm 46.8 from DKKm 36.0 at 31 October 2016. Of the DKKm 10.8 increase, DKKm 4.8 was attributable to the Group's US subsidiary, and the rest was related to increased revenue in the parent company in Q4 2017 relative to last year.

Marketable securities
The market value of the Group's securities portfolio at 31 October 2017 was DKKm 86.2, against DKKm 91.8 the year before. The portfolio of marketable securities comprises listed bonds and equities. The securities are available for sale and agreements are in place with Danske Capital and Nykredit Asset Management to follow an active management strategy with low risk exposure.

Securities were sold in connection with funding of the acquisition of the US business.

Financing and capital resources
The Group's contribution of cash from operations in 2016/17 was DKKm 36.9, against DKKm 28.1 last year.

Roblon's total investment in non-current assets was DKKm 38.6, against DKKm 7.0 the previous year. Investment in business acquisition amounted to DKKm 27.3 (2015/16: DKKm 0.0) and investment in new products amounted to DKKm 2.0, against DKKm 3.0 last year.

Contribution of cash from financing activities, related to dividend payments, was an outflow of DKKm 17.9 in 2016/17, in line with the previous year.

At the balance sheet date, marketable securities and net cash amounted to DKKm 100.8, against DKKm 119.0 last year. In addition to this, Roblon has an undrawn credit facility of DKKm 10.0 with the Group's bankers.

Equity
The Group's equity stood at DKKm 252.3 at 31 October 2017, against DKKm 251.8 at 31 October 2016. Equity thus increased by DKKm 0.5, comprising a profit for the year of DKKm 20.2, adjustments taken directly to equity of DKKm 1.8 and a dividend payment of DKKm 17.9.

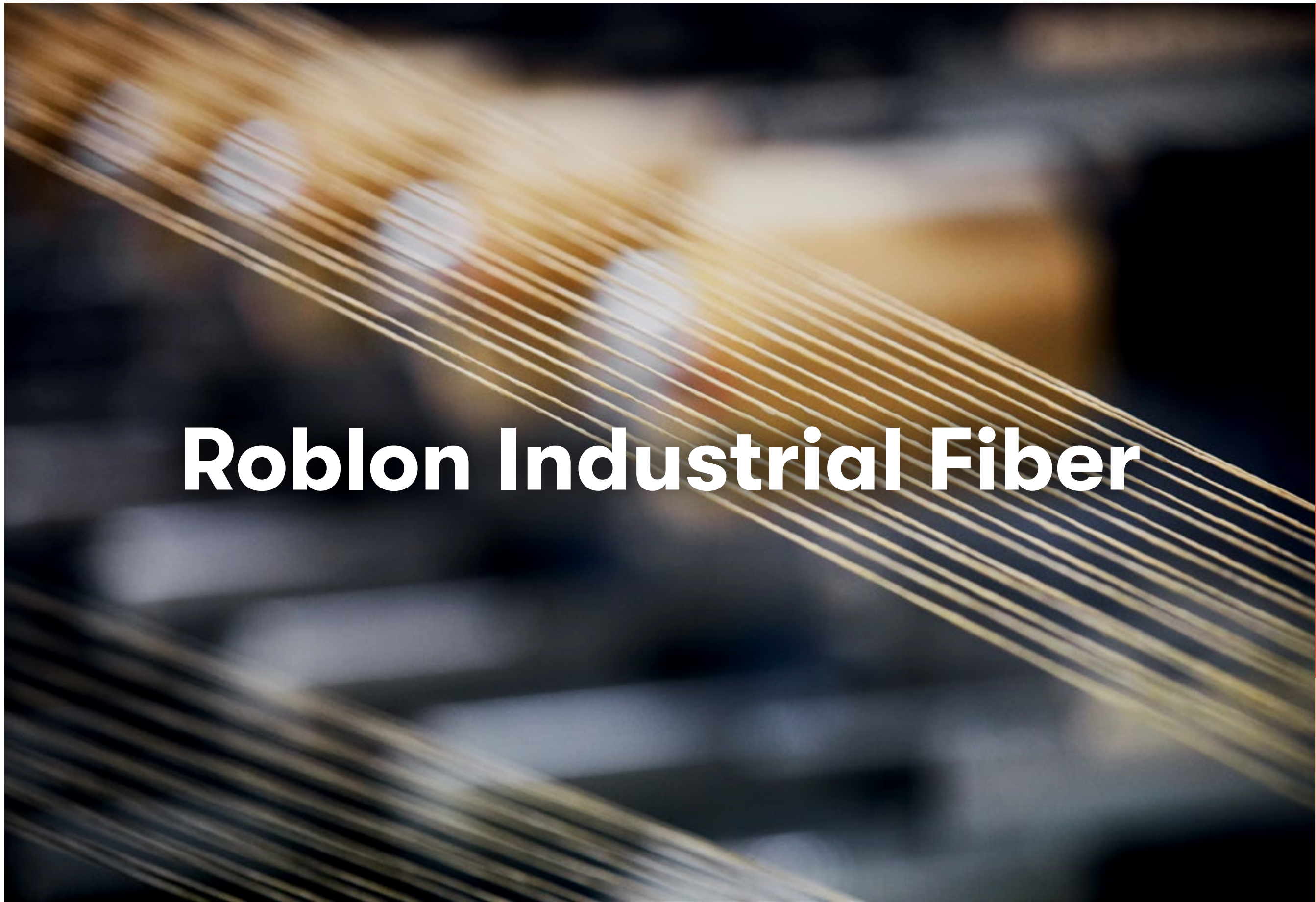
Dividends
Based on the positive performance in 2016/17, Roblon's strong capital structure and Management's expectations for the future, at the Annual General Meeting on 25 January 2018, Management will propose to the shareholders a dividend payment of 50% of the nominal value per share.

Events after the balance sheet date
No significant events have occurred after the balance sheet date of 31 October 2017 of significance to the annual report.

Management and employees
At 31 October 2017, the Group had 157 employees, against 129 at 31 October 2016. The employees are distributed among the Company's three locations in Denmark and one business location in the USA. At 31 October, there were 80 hourly-paid workers and 77 salaried employees. Last year, the distribution was 70 hourly-paid workers and 59 salaried employees. In connection with the Group's sale of Roblon Lighting, 17 employees were transferred from Roblon to the buyer, whereas the business acquisition in the USA did not involve any employees.

Parent company

In 2016/17, the parent company's revenue was DKKm 258.4 (2015/16: DKKm 229.6) and its operating profit (EBIT) was DKKm 20.4 (2015/16: DKKm 28.1) Profit for the year from continuing operations amounted to DKKm 16.3, against DKKm 22.6 last year. The parent company's equity ratio at 31 October 2017 was 83.5% (2015/16: 83.8%).



Roblon Industrial Fiber

Roblon Industrial Fiber comprises development, production and sale of fibre optic cable components to the fibre optic cable industry and composites to offshore and other industries.

Revenue

DKKm

184.3

EBIT

DKKm

24.0


Roblon

Roblon Industrial Fiber at a glance
Roblon Industrial Fiber comprises development, production and sale of fibre optic cable components to the fibre optic cable industry and composites to offshore and other industries.

Roblon Industrial Fiber targets the fibre optic cable industry, where the demand for fibre optic cables is driven by an ever-increasing interest in faster data transfer, cloud server solutions, streaming services, online gaming, etc. This demand creates a need for expanded and upgraded infrastructure as seen, for example, in the roll-out of 5G telecommunications in the USA and China.

Roblon Industrial Fiber supplies a wide range of the components used to construct and design the cable. These components vary according to the requirements for the cable's durability and function.

The business segment also works with composite materials: Roblon's coating technology applied to fibres creates composite materials such as tapes, ropes and straps with high strength, low weight and a long service life. For many years now, Roblon Industrial Fiber has supplied various types of tape and straps used in connection with oil drilling and exploration. The products are mainly used for fixing, stabilisation and reinforcement purposes in connection with drilling for oil from platforms or ships.

The products consist of synthetic fibres coated with various types of sheathing material, and Roblon Industrial Fiber offers solutions with breaking strengths varying from three tonnes to more than 400 tonnes.

The products are made to order based on the customer's detailed and specific requirements. Customers demand great flexibility and adaptability of Roblon Industrial Fiber to make deliveries at short notice.

Roblon Industrial Fiber supplies industries that have stringent quality and documentation requirements, which are supported by Roblon Industrial Fiber's ISO 9001 and 14001 certifications.

Industry and market potential
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) and Gotex (E) are considered among the leading suppliers of optic cable components to the fibre optic cable industry. In addition to these, there are a few high-volume manufacturers of selected fibre cable materials in China and India, supplying their domestic markets and exporting to mainly the North American, and to some extent the European, market.

Substantial growth is expected in the North American and Asian markets in the coming years with, among other things, the roll-out of infrastructure to support 5G telecommunications.

The market for composite materials for offshore and other industries is much more of a niche market for Roblon with few market-leading customers and few competitors.

The market that Roblon Industrial Fiber addresses is worth around DKKm 2,500.

2021 Strategy
Roblon Industrial Fiber aspires to a position as total supplier of strength element solutions to selected strategic customers in the fibre optic cable industry. The segment also aims to be a market-leading supplier of strength elements to the offshore industry.

The Company's strategic initiatives that support its financial objectives focus on an enhanced sales effort targeting both existing strategic key customers and potential customers in new geographical markets.

The resources set aside for product development, carried out in close collaboration with strategic customers, will be increased accordingly.

Financial highlights

DKKm	2016/17	2015/16	2014/15
Key figures			
Order intake	195.7	159.3	106.8
Order book	35.7	26.2	13.9
Revenue	184.3	147.0	126.5
Depreciation, amortisation and impairment	6.9	6.1	5.0
Operating profit (EBIT)	24.0	25.5	23.2
Segment assets	111.9	94.3	82.6
Ratios			
Book-to bill ratio	106.2%	108.4%	84.4%
Revenue growth	20.2%	13.9%	-3.4%
EBIT margin	13.0%	17.3%	18.3%

Business review
Roblon US Inc.'s results are included in this business segment.

Q4 2016/17
In Q4 2016/17, the order intake amounted to DKKm 41.3, against DKKm 29.4 last year, and the DKKm 11.9 improvement was attributable entirely to the acquisition of the US business.

The book-to-bill ratio was 135.3% for Q4 2016/17 (2015/16: 113.2%).

Revenue amounted to DKKm 47.3, in line with revenue realised in Q4 last year.

EBIT was DKKm 2.4 (2015/16: DKKm 9.7) and, as expected, was adversely affected by an unfavourable product mix and increased sales and marketing and product development costs.

2016/17
In 2016/17, the order intake amounted to DKKm 195.7, against DKKm 159.3 last year, and of the DKKm 36.4 improvement, DKKm 29.5 was attributable to the acquired business in the USA.

The book-to-bill ratio was 106.2%, against 108.4% in 2015/16.

Revenue in 2016/17 was DKKm 184.3, against DKKm 147.0 last year. Of this DKKm 37.3 increase, DKKm 26.1 was attributable to the acquired business. The remaining DKKm 11.2 of the increase was due in part to a larger order book at the beginning of the 2016/17 financial year than the previous year and in part to a greater order intake during the financial year.

EBIT was DKKm 24.0 (2015/16: DKKm 25.5) and was adversely affected in an amount of DKKm 5.6 by the above-mentioned transaction costs related to the US acquisition and the settlement with a former UK agent.

The gross margin improved in 2016/17 compared with the previous year. The main reason for this was the product mix development.

Profit was positively affected in the approximate amount of DKKm 1.0 by earnings in Roblon US Inc.

Management considers the performance of Roblon Industrial Fiber to be satisfactory.

Roblon establishes a presence in the USA through acquisition of US competitor.

As part of Roblon's growth strategy and greater focus on the core business, the Company in April 2017 acquired activities and assets from Neptco Inc., Hickory, North Carolina, part of the listed US Chase Corporation group.

The acquisition of Neptco's activities supports Roblon Industrial Fiber's strategy of developing into a total supplier of strength element solutions to selected strategic customers in the fibre optic cable industry.

For a number of years, Roblon has supplied strength element solutions to the fibre optic cable industry, mainly in Europe. Roblon and Neptco complement each other in terms of product offering and geographical footprint, which is increasingly considered to be essential to servicing selected strategic global customers with production facilities in a number of locations worldwide.

This acquisition will thus enable Roblon to offer key customers a broader product range, and in close geographical proximity to the customers' own production.

As part of the agreement, a four-year lease was concluded for existing production sites and offices in Hickory, USA.

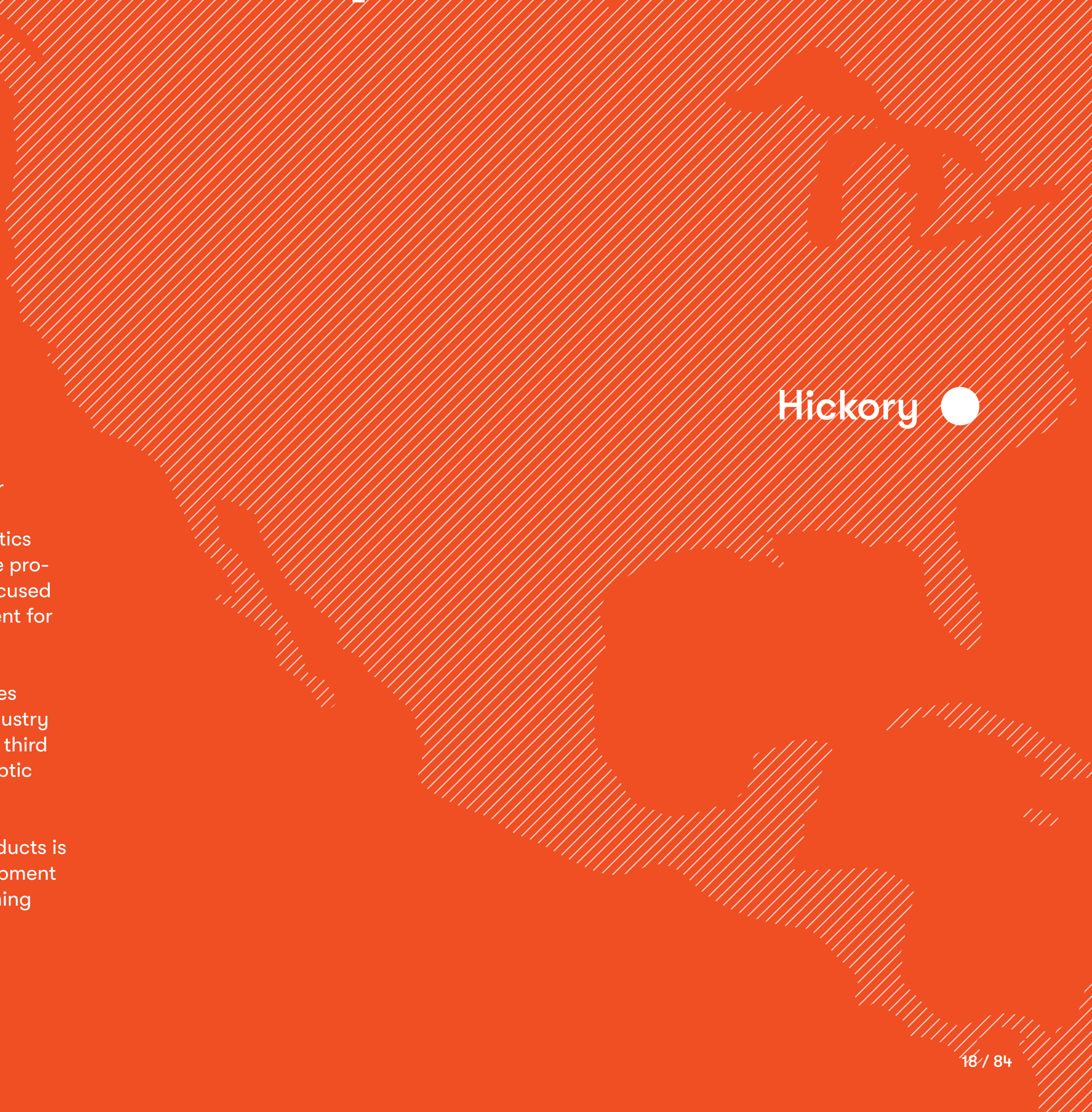
The parties also concluded an agreement for Neptco to provide Roblon with a number of production, procurement, IT and administrative services for a specified period.

The aim of this structure is for Roblon to be able immediately after takeover to concentrate on selling and marketing the two companies' products.

At 1 September 2017, Roblon US hired Scott Radley as sales director for the US market. Scott has many years' experience from the fibre optics market. The Company is also in the process of hiring a technical expert focused on process and product development for this industry.

Its new geographical location places Roblon US in a fibre optic cable industry cluster responsible for more than a third of the world's production of fibre optic cables.

The US market for fibre optical products is expanding rapidly, and this development is expected to continue for the coming 3-5 years.



Roblon Engineering

Roblon Engineering comprises development, production and sale of rope-making equipment, twisters and winders and cable machinery and dates back to the Company's origins more than 60 years ago as a supplier of rope to the local fishing industry.

Revenue

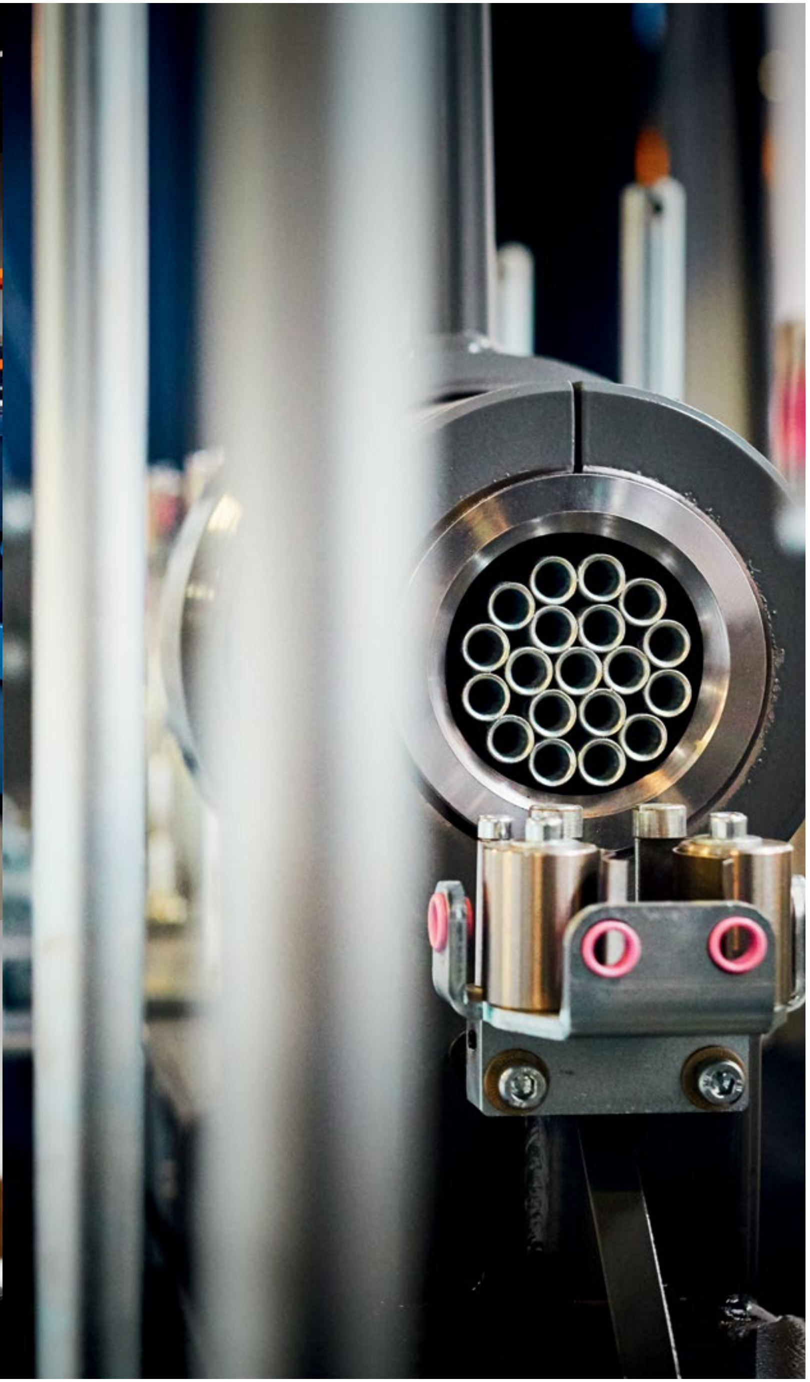
DKKm

100.2

EBIT

DKKm

-1.1



Roblon Engineering at a glance
Roblon Engineering comprises development, production and sale of rope-making equipment, twisters and winders and cable machinery and dates back to the Company's origins more than 60 years ago as a supplier of rope to the local fishing industry.

Roblon Engineering's twisters are used to make twine and yarns for sectors including agriculture, fishery and industry. Increasingly, the machines are also used in the production of technical yarns, which are used in many different types of products.

Roblon Engineering's wide range of rope-making machines includes equipment that produces cabled rope in thicknesses from as little as 1 mm to as much as 52 mm in diameter. Rope is used in countless contexts and made all over the world.

Roblon Engineering's winders are used to wind yarns which are subsequently used in other products and processes. As a spin-off of its focus on rope, Roblon Engineering has also developed winders for various industries using carbon fibre as a raw material.

Roblon Engineering is also an experienced developer and manufacturer of machinery for manufacturing and handling of cable for the fibre optic cable industry. The extensive range of machines in the production line includes both standard machines and customised solutions. By working closely with the customer, the Company achieves a good understanding of their need for innovative production solutions and thus efficient, competitive products.

Industry and market potential
The rope-making industry is fragmented in terms of geography and manufacturer size. There are concentrations of manufacturers in Asia, South America, southern Europe and a handful of large manufacturers in North America. Manufacturers of machinery for the rope-making industry fall into three groups covering machines for braided, twisted or ring-twisted rope. There is some overlap between the three groups. Roblon is one of six main manufacturers of machinery for the rope-making industry.

Production and sale of cable machinery is far more of a niche business for Roblon, in which the Group has a selected range of machines that form part of a cable manufacturer's complete production line. Roblon sells machinery directly to selected customers who also purchase the Group's fibre optic cable components, as well as via OEM partnerships.

The market that Roblon Engineering addresses is worth around DKKm 1,000.

2021 Strategy
Roblon Engineering aspires to a position as global market-leading supplier of production equipment and services to selected strategic customers in the rope-making industry. The segment also aims to be a niche supplier of equipment for manufacturing and coiling of cables for the fibre optic cable industry as well as other selected industries.

The Group's strategic initiatives in support of its growth strategy and financial objectives are focused on the core business and on an enhanced sales effort targeting both existing strategic key customers and potential customers in new geographical markets.

The resources set aside for product development, carried out in close collaboration with strategic customers, will be increased accordingly.

Financial highlights

DKKm	2016/17	2015/16	2014/15
Key figures			
Order intake	109.0	94.5	79.4
Order book	33.5	24.7	13.0
Revenue	100.2	82.6	76.3
Depreciation, amortisation and impairment	3.1	1.9	1.7
Operating profit (EBIT)	-1.1	2.6	1.0
Segment assets	76.5	70.4	62.0
Ratios			
Book-to bill ratio	108.8%	114.4%	103.5%
Revenue growth	17.6%	7.6%	-21.4%
EBIT margin	-1.1%	3.1%	1.3%

Business review

Q4 2016/17
In Q4 2016/17, the order intake amounted to DKKm 22.7, against DKKm 24.5 last year, which was a minor decline of DKKm 1.8.

The book-to-bill ratio was 79.1% (2015/16: 89.7%).

Q4 revenue was up from DKKm 27.3 last year to DKKm 28.7 in 2016/17.

EBIT was DKKm 0.7 (2015/16: DKKm 0.8), which was in line with the guidance.

2016/17
Order intake in 2016/17 was DKKm 109.0, against DKKm 94.5 last year. Of the DKKm 14.5 improvement, DKKm 2.0 was attributable to increased sale of machinery to the rope-making industry and the rest related to an increase in the sale of cable machinery.

The book-to-bill ratio was 108.8%, against 114.4% in 2015/16.

Revenue amounted to DKKm 100.2 in 2016/17, against DKKm 82.6 last year, equalling an organic growth rate of 21.3%. The increase in revenue was due to a combination of a larger order book at the beginning of the 2016/17 financial year than the previous year and a greater order intake during the financial year.

EBIT was negative at DKKm 1.1 (2015/16: positive at DKKm 2.6), adversely affected by increased costs for new appointments in sales, development and management.

The gross margin saw a positive development in 2016/17 compared with the previous year, and a minor improvement of under 1 percentage point was recorded.

Open House at Roblon Engineering

In mid-May 2017, Roblon Engineering hosted an Open House event for its customers and business partners, attended by more than 100 guests from 32 countries.

The event was held at Roblon Engineering's newly refurbished showroom in Sæby, Denmark, which is where the characteristic blue Roblon machinery for the rope-making industry has been manufactured since 1978.

The many attendees networked and made new contacts, and in addition to the professional programme, the event included a number of social activities, for instance daily dinners and sightseeing trips to Skagen and Læsø.

This was the seventh such Open House event since 1993, when Roblon Engineering first had the idea, and the event has become known internationally as a good opportunity to meet peers in an international forum for the rope-making industry.

Risk management

Roblon is exposed to a number of risks related to the Group's activities. Roblon's Management aims to ensure that risk factors are adequately exposed and handled. Outlined below are a number of risk factors that may influence the Group's future growth, operations, financial position and results of operations.

Management sees effective risk management as an integral part of the Group's activities and continually strives to identify, analyse and manage significant risks in order to optimise the Group's value proposition. Annually, the Group's overall risk exposure is reassessed to find if it has changed and whether the risk mitigation measures are adequate or excessive. The Board of Directors sets out guidelines for the major risk factors, monitors developments and ensures that plans are in place to manage individual risks, including strategic, operational, financial and compliance risks.

In 2016/17, Roblon implemented a new risk management model, which will be continued in the coming financial years. The Group's risk management approach is based on a predefined and structured framework, starting with an assessment of the business impact of individual risks, adjusted for risk mitigation measures, and an assessment of the likelihood of occurrence of the risk in question.

The Roblon Group's risk management governance structure is illustrated in figure 1.

Strategic risks
Market situation and competition: Roblon sells its products globally, with most of revenue being generated in Europe. The Group is basically a niche player, differentiating itself from its competitors in terms of know-how, quality and flexibility. Roblon generally has long-term relationships with customers, and this trend is expected to be strengthened further in the coming years, as the 2021 Strategy focuses on strategically selected customers.

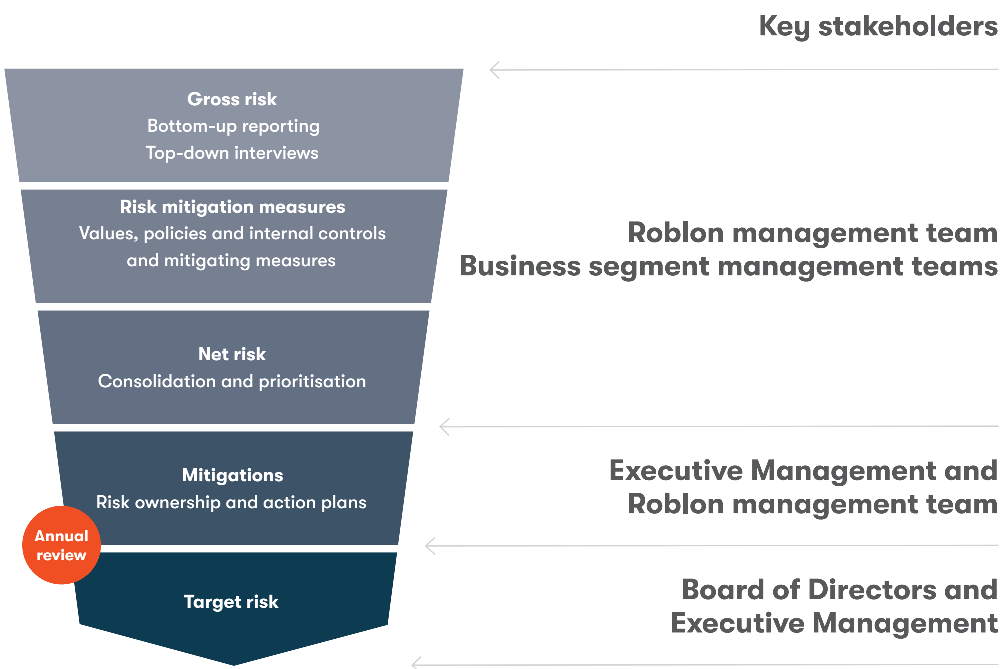
The Group is sensitive to economic developments in the countries where Roblon's products are sold, but the geographical diversification in terms of countries and continents is deemed to be adequate, thus reducing the overall risk exposure.

The markets in which the Group operates are not subject to significant seasonality, but much of the business is characterised by a structure based on project sales.

Customer relations: The Group's products are sold directly to Roblon's customers as well as indirectly via agents and distributor networks outside Europe. Also, in Roblon Engineering, OEM agreements have been concluded as a supplement to direct sales of machinery to the fibre optic cable industry. The Group sells its products to large, international and global groups as well as to small and medium-sized companies.

In 2016/17, two of Roblon's customers accounted for a total of 25.1% of revenue (2015/16: two customers accounted for 24.3%). Significant resources have been mutually invested in the technical integration of Roblon's products in these customers' end products. Roblon continually strives to expand its customer portfolio

Figure 1 — Governance structure — risk management



and attract new customers in its chosen focus areas, among other reasons to reduce Roblon's exposure to the economic conditions in any one market segment.

IT business support: The Group has initiated the implementation of a new ERP platform to support Roblon's growth strategy. The project is being implemented in stages, starting with Roblon A/S and moving on to the subsidiary. This strategic project is expected to continue for another 12-24 months.

Operational risks

Suppliers: Roblon is dependent on a number of suppliers, mainly in Europe, the USA and Asia, and seeks to maintain long-term relationships with selected suppliers. The Group aims to secure supplies of critical raw materials through contracts and agreements and, wherever possible, to collaborate with more than one supplier.

Employees: In the autumn of 2017, the Group launched a new initiative for a continual, structured effort to ensure the well-being of the Group's employees.

IT risk: The Group works continually to reduce risks through IT security guidelines and policies as well as technical security controls. In addition to these measures, the Group regularly holds internal information meetings to draw the employees' attention to the subject of cybercrime and what each individual employee can do to reduce the risk of triggering negative events.

Insurance: Roblon has established an insurance programme under which insurances are taken out to such extent and in such a manner that any damage to Roblon's assets and any claim for damages against the Group will not materially affect its financial position or future operations.

In accordance with the above, an insurance programme has been established for the Group, including all-risk consequential loss insurance, professional liability and product liability insurance.

The Group works with an insurance broker internationally recognised in this area, and the Group made a combined insurance tender as recently as in 2017. The Group regularly assesses its need for insurance and at least once a year reviews its overall insurance programme.

Financial risks

In connection with Roblon's business activities, the Group's profit/loss, balance sheet and equity are exposed to a number of financial risks, such as: currency, interest rate, credit and liquidity risk.

The Group addresses these risks on a regular basis and has established a number of relevant policies to ensure that the Group handles these risks on an ongoing basis in a regulated and transparent manner. The Company does not actively speculate in financial instruments.

For additional information on the Group's financial risks, see note 26 to the consolidated financial statements.

Compliance risk

Roblon is subject to legislation and guidelines in the countries in which the Group operates. Compliance in relation to products, finance, administration, quality and CSR is handled centrally in order to ensure that the organisation consistently complies with all relevant legislation, rules, policies and standards.

Internal control and risk management systems in relation to the financial reporting process

The primary responsibility for the Group's risk management and internal control procedures in relation to the financial reporting process, including compliance with relevant legislation and other financial reporting regulations, rests with the Board of Directors and the Executive Management. The Board of Directors is thus responsible for ensuring that the annual report and other financial reporting are prepared in accordance with applicable legislation, standards, etc. Prior to the publication of financial reports, the Board of Directors ensures that these are clear and balanced and give a true and fair view of the Company's assets, liabilities, financial position and cash flows. It also ensures that the management's review includes a fair review of the matters covered by the review, including prospects for the future.

Roblon's risk management and internal controls in relation to the financial reporting process are designed with a view to effectively managing, rather than eliminating, the risk of errors and omissions in financial reporting. It can provide reasonable, but not absolute, assurance that misappropriation of assets, losses and/or significant errors and omissions in the financial reporting are avoided.

At least once a year, the Board of Directors assesses Roblon's organisational structure, its risk of fraud as well as the existence of in-house rules and guidelines.

The Board of Directors and the Executive Management are responsible for establishing and approving general policies, procedures and controls in key areas in relation to the financial reporting process. The Board of Directors has adopted policies and procedures in important areas in relation to financial reporting, which are available on Roblon's intranet.

The Executive Management regularly monitors compliance with relevant legislation and other financial reporting regulations and provisions and reports its findings to the Board of Directors.

Quality control

Roblon wishes to be perceived as a well-reputed, development-oriented and reliable supplier whose services continually meet our customers' expectations. The Company is committed to complying at all times with relevant requirements set by our partners, including customers and authorities.

Roblon Industrial Fiber has been certified to ISO 9001:2015 and ISO 14001.

The Company realises its policy by:

- performing measurements of compliance with delivery times to the customers
- processing complaints efficiently and logging them as they occur
- recording and systematically following up on the number of ongoing suggestions for quality improvements
- carrying out customer satisfaction surveys
- setting requirements for new suppliers by requiring ISO certification or approval via supplier audits and recording of and following up on supplier deviations
- performing systematic and focused entry, processing and exit controls

2016/17 saw the organisation continue with activities targeted at boosting customer satisfaction through rapid response times, confidence-building dialogue and being clearer about Roblon's capacity, as well as meeting delivery times and other contractual obligations.

The Company maintains an ongoing dialogue with customers to optimise the understanding of the customers' individual requirements and enhance quality. The Company's production facility in Gærum has gone through several customer audits with highly satisfactory results.

Roblon conducts regular internal process and product audits to assess risks and identify ways in which to optimise production processes and the customer's experience of both new and old products.

During the financial year, the quality department and the technical department stepped up the use of FMEA (Failure Mode and Effects Analyses) to set out preventive measures in order to minimise waste and the risk of complaints in connection with changes in machinery, processes and raw materials.

Significant improvements of the Group's packaging and packing/loading were made in 2016/17 in order to better protect Roblon's products during transport and

in storage at the Company's warehouses and at the customers' premises. Loading and packaging instructions have been optimised over time, and the employees trained accordingly.

Roblon conducts regular supplier audits and evaluations to ensure that suppliers deliver the desired quality.

Efficient processing of complaints and long-term corrective measures to ensure that the root cause is not repeated, combined with the preventive measures introduced during the financial year, have reduced the number of recorded complaints by 33% from 86 in 2015/16 to 58 in 2016/17. The Company also focused on reducing complaints processing times by optimising the complaints process.

Corporate governance report

Governing bodies
Roblon's current management structure consists of a Board of Directors and an Executive Management.

Board of Directors
The Board of Directors has six members. Four board members are elected by the general meeting for terms of one year and are eligible for re-election. The two board members elected by the employees are elected for terms of four years.

A minimum of four ordinary board meetings are held each year.

The overall profile of the Board of Directors may be characterised as having broad, international business experience with professional skills in, among other areas, management of a listed company, development and innovation, production, sales, marketing and finance. The overall profile of the Board of Directors is deemed to match the Group's needs, and the Board regularly assesses the need for any changes in the skills represented by the Board. The board members actively keep updated on Roblon and other general matters of importance to the Group.

Rules of procedure for the Board of Directors of Roblon have been prepared. These rules are reviewed annually by the full Board to ensure that they match current needs. Among other things, the rules of procedure set out an annual cycle of planned subjects, guidelines for the Board of Directors in relation to the Executive Management and the tasks and duties of the Chairman, Deputy Chairman and committee chairmen.

Board committees
The Board has appointed two chairmen of two committees under the Board of Directors. Due to the Company's size, all board members are represented in the two committees.

Committee	Chairman	No. of ordinary meetings
Audit committee	Randi Toftlund Pedersen	4
Innovation and product development committee	Peter Sloth Vagner Karlsen	4

Audit committee
The audit committee is charged with analysing and making recommendations on matters to be considered by the Board of Directors. The committee's principal tasks are to:

- inform the Board of Directors of the outcome of audits and financial reporting performed
- monitor the financial reporting process and compliance
- monitor the efficiency of the Company's internal control system
- monitor the statutory audit of the annual report and perform quality control of the Company's auditors appointed in general meeting
- monitor the independence of the auditors, including approve non-audit services provided by the auditors
- make recommendations to the Board of Directors on the Board's proposal for appointment of auditors at the general meeting

In 2016/17, the committee focused on the sale and acquisition of businesses, IT security, the initiated ERP project and the Group's risk management in general.

Innovation and product development committee
The innovation and product development committee is charged with analysing and making recommendations on matters to be considered by the Board of Directors. The committee's principal tasks are to:

- set the strategic direction of the Company's long-term product and technology development
- monitor Management's and the development function's review of the ideas and development portfolio in terms of level of innovation, value to customers and commercial potential

In 2016/17, the committee focused on organisational changes to increase focus in the Group's two business segments and on adjustments of the project portfolio and the product development process model.

Executive Management
The Executive Management reports to the Board of Directors and together with the Group's management team is responsible for business conduct and all operational matters, organisation, resource distribution, establishment and implementation of strategies and policies, setting targets and direction and ensuring timely reporting and information to the Board of Directors.

Rules of procedure for the Executive Management of Roblon have been established and are reviewed annually by the entire Board of Directors for a need for updates.

Corporate governance recommendations
In 2013, the Committee on Corporate Governance issued revised recommendations on corporate governance, most recently updated in November 2014. The recommendations are publicly available at the website of the Committee on Corporate Governance, www.corporategovernance.dk.

As a listed company, Roblon must either comply with the guidelines or explain why it does not wholly or partially comply. Management generally agrees with the

Committee's recommendations and in all material respects complies. The Board of Directors and the Executive Management have chosen to deviate from the recommendations in the following areas:

Composition and organisation of the Board of Directors
Due to the size and complexity of the Company, the Board has decided only to establish an audit committee and an innovation and product development committee. In addition to these, ad hoc committees are set up as and when required, most recently an acquisition committee and a CEO recruitment committee.

There is no set age limit for Board members because the Board of Directors prioritises every individual member's capacity, expertise and contribution to the management of the Company.

Management committees
Due to Roblon's complexity, size and simple management structure, the Board has not deemed it necessary to establish a nomination or remuneration committee.

Disclosure of the remuneration policy
In the annual report, the Company discloses information about remuneration of the Chairman, Deputy Chairman and other members of the Board and the board committees.

For the Executive Management, the total amount of remuneration is disclosed. The remuneration of individual members is not disclosed on the grounds that this is information of a personal nature that will also only be of limited relevance to shareholders.

Remuneration of the Board of Directors and the Executive Management is on market terms for a listed company of Roblon's size. In light of the size of the Company, the Board does not find it relevant to prepare a remuneration policy for the Board of Directors and the Executive Management.

Financial reporting, risk management and audits
The risk management section on page 24 discusses internal control and risk management systems in relation to the financial reporting process.

As recommended, the Company has considered setting up a whistle-blower scheme and with reference to the size and complexity of the Company has not found it relevant to do so at present.

The Company's detailed corporate governance report is available in full on Roblon's website:
http://www.roblon.com/download/CorporateGoverance2017/corporate_governance_rev10_sep2017.pdf.

Report on corporate social responsibility

Roblon considers corporate social responsibility (CSR) to be a natural part of the Group's business principles and acknowledges a responsibility for the society which we are all part of. Roblon has established a number of key CSR policies, which are described in more detail in this section.

In its 2021 Strategy, Roblon expresses an ambition to be the preferred supplier to selected strategic customers in the Group's two business segments. Our customers demand a structured, managed CSR approach, which is a natural part of Roblon's efforts to fulfil our strategy. Roblon collaborates with customers and other stakeholders to maintain a CSR policy and introduce measures to increase the Company's value proposition.

In the past financial year, the Group launched a strategic project to support the development of a culture that encourages all employees to think even more in terms of improvement, and a formalised structure has been set up for the Company's improvement efforts throughout the organisation.

This structure and the use of improvement boards have generated more attention to and a sense of community around the improvement efforts. It is now even easier for individual employees to make suggestions and affect their own job and working conditions. In 2016/17, a number of proposed improvements were implemented to strengthen occupational health and safety, product quality, process optimisation and waste reduction.

Human rights and labour rights
Committed, competent employees are key to the consistent and increasing competitiveness of a high-tech industrial enterprise like Roblon. Consequently, a good mental and physical working environment has a high priority, and to support this, in the autumn of 2017 the Company introduced the above-mentioned initiatives to implement improvements throughout the organisation. In addition, the Company launched a new initiative for a structured and ongoing effort to improve the employees' well-being, which will make it possible to collect information, follow up and report on developments in employee satisfaction going forward.

Management is committed to developing Roblon and remaining an attractive workplace in the future.

At the end of the 2016/17 financial year, Roblon started collecting information and signed declarations from the Group's suppliers who are part of the supply chain of production materials. The Company requested and obtained declarations from our suppliers about their recognising labour rights, not using child labour, etc. and their unequivocally disassociating themselves from corruption and bribery in their business. So far, 61% of the suppliers approached have signed the declaration, and the Company will follow up on the suppliers who have not replied until a satisfactory conclusion is reached.

Working environment

Both Management and employees consider a good working environment at Roblon to be an important prerequisite for the Company's ability to act in a professional and proper manner towards our customers and other business partners. There is a common safety organisation in place for Roblon, structured in accordance with the relevant rules of the Danish Working Environment Act. The employees and Management must at all times work towards maintaining and developing a safe and healthy working environment. This is achieved through preventive measures and by continually keeping up with and complying with existing and new occupational health and safety rules.

A minimum of four meetings per year are held in Roblon's occupational health and safety group.

Roblon realises its policy by:

- having established a safety organisation and systems to ensure the documentation, implementation and maintenance of the occupational health and safety system
- having co-determinant groups which discuss the working environment at least annually
- regularly following up on absence due to illness to determine any absence linked to working environment
- informing the employees of results in this area

The Company reduced the number of registered reportable accidents from nine in 2014/15 to two in 2015/16 and four in 2016/17. Roblon is committed to maintaining and developing a safe and healthy working environment and, to that end, has formed a collaboration with an external occupational health and safety consultancy business. Focus areas have included optimising the Company's general occupational safety, optimising the quality of workplace assessments and enhancing security in the handling of chemicals.

In 2016/17, the Company also took steps to improve the indoor environment in several production facilities, including the implementation of a building control system and optimised process exhaust systems. During the financial year, the Company invested in new lifting equipment to minimise ergonomic strains in selected work processes. The employees' well-being is heightened by a very active events committee which arranges cross-departmental events.

Since 2015/16, Roblon has had mandatory company-paid health insurance for all employees, and the Company arranges annual in-house courses to prevent back pain and injury.

At the end of the past financial year, the Company also launched activities aimed at improving the working environment. A strategic project was launched to further enhance the employees' well-being with regular well-being surveys covering a range of subjects. Another strategic project launched aims at mapping out and developing the skills of the Company's employees.

Environment and climate

Roblon wants to be an environment-conscious company committed to ensuring an environmentally sound development through its activities, with due consideration for natural resources, statutory requirements and other relevant provisions.

Roblon Industrial Fiber has been certified to ISO 14001:2015.

The Company realises its policy by:

- surveying its environmental issues and preparing risk assessments and action plans to minimise the risk of environmental impact
- keeping employees and others working on behalf of Roblon informed of the Company's environmental policy and environmental management system
- registering electricity and gas consumption to ensure efficient control of energy consumption in production
- assessing the environmental consequences for the Company and its customers of using new materials
- focusing on sustainability and green transition in waste recycling
- taking a sustainable approach to acquiring new equipment for manufacturing processes

During the financial year, Roblon worked on preventing and reducing its environmental impact. The Company's production facility in Gærum has the greatest environmental impact and is therefore a natural focus area. The environmental improvements and initiatives introduced at the Gærum site are carried on to the Company's other production facilities to create synergies in the environmental improvement efforts.

During the financial year, the Company focused on optimising energy consumption by reducing leakages in the compressed air system, etc. The Company also ran campaigns to reduce energy consumption during no-load operations. Moreover, measures were taken to reduce energy consumption in connection with dehumidification of production sites and maintenance heat in several production lines. Overall, these measures have produced a cost reduction.

In the financial year, Roblon focused on reducing the use of chemicals, resulting in a 28% reduction in the number of chemicals used during the year.

The Company also focused on point-of-use sorting in order to increase the number of waste fractions for recycling. As a result, 73% of all waste from the Gærum production facility is collected for recycling and a further 11% is collected for heat recovery. The Company intends to keep working on increasing its recycling rate and has already launched more initiatives.

Report on Management's gender composition

Roblon believes that a diverse and varied staff composition, including gender composition, contributes to creating an innovative organisation and a positive working environment, which in turn helps improve competitiveness and profitability.

The Company's target for the under-represented gender on the Board is 25%. Presently, the Board comprises one woman and three men, and the target is thus met.

To ensure diversity on other management levels, Roblon has formulated a policy to increase the proportion of the under-represented gender in the rest of Management. Other management positions comprise the Executive Management and Roblon's management team. In 2017, Roblon revised its target for the under-represented gender in the rest of Management to 40% by the end of financial year 2020/21.

Roblon will seek to increase the proportion of the under-represented gender in the rest of Management through the following initiatives:

- a goal of at least one candidate of each gender among the final three candidates in the recruitment process
- in connection with in-house promotions to management positions, the goal is to put forward at least one female candidate.

In other management positions, the proportion of the under-represented gender increased from 0% in 2015/16 to 10% in 2016/17.

Investor information

Capital and share structure
Roblon A/S has two share classes: A shares and B shares. The Company's share capital has a nominal value of DKKm 35,763 and consists of 27,775 class A shares of DKK 200 each and 1,510,400 class B shares of DKK 20 each.

The Roblon B share is listed on Nasdaq Copenhagen under the short name of RBLN B, with ISIN code DK0060485019 and LEI code 213800OWIZN2WOQM2C29. The Roblon B share is a component of the Small Cap index.

All class B shares are negotiable instruments and freely transferable. Each class A share of DKK 200 carries 100 votes. Each class B share amount of DKK 20 carries 1 vote.

Voting rights attached to shares acquired through transfer may only be exercised if the shareholder concerned is listed in the Company's register of shareholders or has reported and documented their acquisition before the notice date for the Annual General Meeting.

The Board of Directors reviews the Company's capital and share structure at least once a year, giving priority to retaining a high equity ratio in order to ensure the necessary financial versatility. At its most recent review in December 2017, the Board of Directors found the Company's capital and share structure to be appropriate and adequate relative to the Company's plans and expectations.

Register of shareholders
The Company's registrar is Computershare A/S, Kongevejen 418, DK-2840 Holte.

Shareholder structure
In the past year, Roblon increased the number of shareholders registered by name from some 1,600 to some 1,700, together representing approx. 83% of the Company's share capital.

Of these, the following are listed in the Company's register in accordance with section 56 of the Danish Companies Act:

	Ownership %	Voting share %
ES Holding Frederikshavn ApS CVR-no. 29325731	25.1	68.8
Investeringsforeningen Fundamental Invest, CVR no. 25709675	6.1	2.7

All class A shares are owned by ES Holding Frederikshavn ApS. Roblon A/S is included in the consolidated financial statements of ES Holding Frederikshavn ApS, which are available to the public from the Danish Business Authority.

At 31 October 2017, the members of the Board of Directors and the Executive Management and their related parties held 27,026 of the Company's class B shares, corresponding to 1.5% (2015/16: 0.4%) of the share capital and 1.8% (2016: 0.54%) of the listed capital.

Treasury shares
Issues of shares or acquisition of treasury shares are subject to a resolution by the Company in general meeting.

Under the authority of the Board of Directors, the Company may acquire treasury shares representing up to 10% of the share capital. The authority is valid until 30/6 2018 for the Company to acquire treasury shares of up to 10% of the share capital at a price that may deviate by no more than 10% from the most recently calculated price of all trades prior to the acquisition.

The Board of Directors will request a renewed authorisation at the Annual General Meeting to be held on 25 January 2018.

Insider rules
The Executive Management, the Board of Directors and senior employees and their related parties are required to inform the Company of their transactions in the Company's shares for reporting to Nasdaq Copenhagen. These persons and an additional 31 persons who, as a consequence of their affiliation with the Company, may possess inside, price-sensitive information about the affairs of the Group are listed in the Company's insider register. Persons who are listed in the insider register may trade in the Company's shares only during a four-week trading window opening on the publication of interim and annual reports.

Investor relations policy
The Group seeks to maintain a high and uniform level of information toward its shareholders and other stakeholders. The Company aims for an open, active dialogue with shareholders, equity analysts, the press and the public at large in order to ensure that they have the necessary knowledge, and thus a sound foundation on which to assess the Company.

Roblon regularly participates in Small Cap seminars and other investor presentations for small groups of investors or individual investors. These investor presentations are published on the Company's website as soon as possible after the event.

It is the Company's policy that Management refrain from participating in meetings with investors or analysts or make statements to the press for a period of three weeks prior to the publication of interim or annual reports. Roblon also uses the website, www.roblon.com, as a tool of communication with the stock market. On the website, additional information on the Group and its business segments is available.

Investor relations questions may be sent by e-mail to Investor Relations at ir@roblon.com.

www.roblon.com
The Company's website contains press releases and company announcements and other information on the Group and its business segments. The Company's annual reports for the past ten years and its interim reports and company announcements for the past five years are available on the website, where users can also subscribe to the Company's news service.

Market maker agreement
Roblon has concluded a market maker agreement with Danske Bank, which acts as market maker for Roblon's class B share on Nasdaq Copenhagen.

The terms of the market maker agreement are as follows:

- Danske Bank will provide quotes during 90% of Nasdaq Copenhagen's trading hours
- Ask and bid prices are quoted at a maximum spread of 2%
- Quotes are provided for a minimum volume of 100 shares
- Danske Bank may disregard the above in case of changes in economic, financial or political conditions which significantly complicate its fulfilment of obligations

Danske Bank will continually quote both bid and ask prices in Roblon's B share. The purpose of the agreement is to improve the liquidity of the Company's share on Nasdaq Copenhagen to facilitate a transparent price.

Dividend policy
Roblon's objective is to ensure attractive long-term returns for its shareholders through a combination of dividend payments and a positive share price development.

The aim is to make annual dividend distributions corresponding to 50% of the nominal value per share, or DKK 10 per class B share and DKK 100 per class A share. In addition to this, the Board of Directors may propose to the shareholders the distribution of an interim dividend for a given financial year.

It is essential that Roblon maintain sufficient financial resources to execute the Group's growth strategy. To this end, the Board of Directors may deviate from the stated dividend policy and propose to the shareholders that no dividend, or a lower dividend than that set out in the dividend policy, be distributed for a given financial year.

Financial calendar

25 January 2018	Annual General Meeting
13 March 2018	Interim report for Q1 2017/18
26 June 2018	Interim report for Q2 2017/18
11 September 2018	Interim report for Q3 2017/18
20 December 2018	Preliminary statement
24 January 2019	Annual General Meeting

Company announcements
Roblon A/S company announcements to the Danish FSA and Nasdaq Copenhagen in 2016/2017.

18	2016	Preliminary statement
19	2016	Major shareholder announcement
20	2016	Notice of Annual General Meeting
1	2017	Information at today's Annual General Meeting
2	2017	Annual General Meeting of Roblon A/S
3	2017	Interim report for Q1 2016/17
4	2017	Sale of Roblon Lighting
5	2017	Acquisition and establishment in the USA
6	2017	Managers' transactions
7	2017	Interim report for Q2 2016/17
8	2017	Managers' transactions
9	2017	Managers' transactions
10	2017	Managers' transactions
11	2017	Managers' transactions
12	2017	Interim report for Q3 2016/17
13	2017	Managers' transactions
14	2017	Managers' transactions
15	2017	Managers' transactions
16	2017	Financial calendar

The announcements are available at the Company's website, www.roblon.com.

According to the Company's articles of association, holders of B shares have a preferential right to dividend of 8 % of their nominal shareholding, if dividend is declared. Any remaining dividend accrues to the holders of A shares until they have received dividend equalling 8% of their nominal shareholding. Any remaining dividend thereafter will be distributed evenly on all shares, regardless of share class.

Based on the positive performance in 2016/17, Roblon's strong capital structure and Management's expectations for the future, at the Annual General Meeting to be held in January 2018, Management will propose to the shareholders a dividend payment of DKK 10 per class B share. This corresponds to a payout ratio of 50%, in line with the payout ratio for 2015/16.

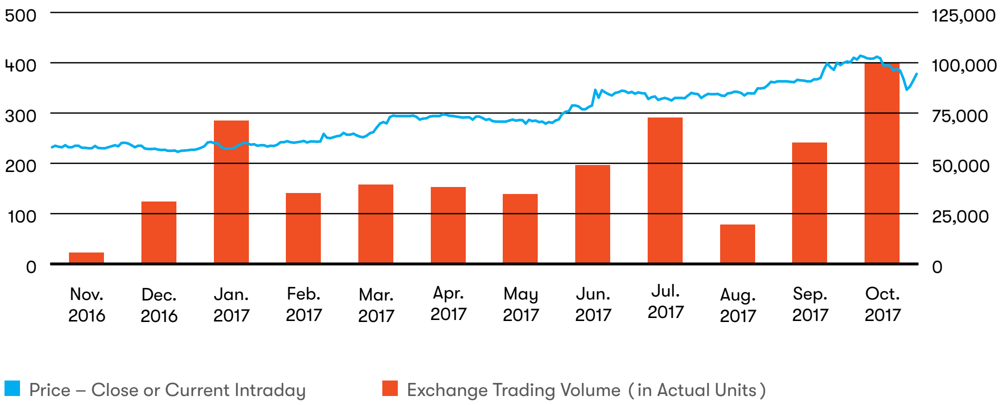
Price development

The Roblon B share opened the financial year at 236 and closed at 408.5 at the end of October 2017, which was an increase of 73.1%. Including the DKK 10 per share dividend distributed, the return of the Roblon B share for the year was 77.3% in 2016/17.

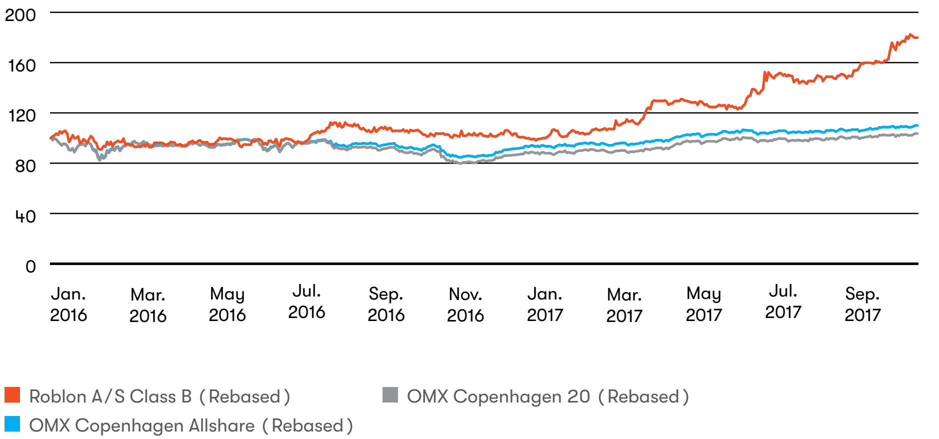
The overall market value of the Company's listed share capital at the end of the financial year was approx. DKKm 619, against approx. DKKm 356 at the end of 2016.

At the end of October 2017, the free float in Roblon was approx. 87%.

Price development **Volume**



Price index



Board of Directors

				
	Jørgen Kjær Jacobsen Chairman	**Ole Krogsgaard** Deputy Chairman	**Peter Sloth Vagner Karlsen**	**Randi Toftlund Pedersen**
Born	1952	1947	1963	1963
Elected to the Board of Directors	2014	2002	2011	2016
Education	Graduate diploma - HD(A), 1979 BSc Business Administration, 1975	MSc (physics and mathematics), 1973	Master of Science in Engineering, 1987	INSEAD and IMD management modules, 2004-2013, State-authorised public accountant, 1993, MSc (Business Administration and Auditing), 1990
Other executive functions	Gabriel Holding A/S (C), Nordjyske Holding A/S (C), MEDF Holding A/S (C), Egebjerggaard A/S (B), BKI foods A/S (B), EM Fiberglas A/S (B), Raskier A/S – (D) and (B), Mads Eg Damgaards Familiefond (C), Aalborg Stiftstidendes Fond (C)		Group Senior Vice President (D), Grundfos Holding A/S, Global Development & Engineering, Sparekassen Vendsyssels Fond Hals (B)	Group Senior Vice President Corporate Finance, Dansk Supermarked A/S, Dansk Supermarked, Ejendomme A/S (B), D.S. Forsikring A/S (B), Færchfonden (B)
No. of Roblon shares at 31 October 2017	14,290 (2016: 3,825)	30 (2016: 30), related Birgitte Krogsgaard 86 (2016: 86)	395 (2016: 395)	1,000 (2016: 1,000)
Specialised skills	Senior management experience from listed companies and board experience	Natural science skills	Management skills from global group in the areas of group product development, production and quality	Management skills from global listed group in the finance area and board experience
Independence	Meets the definition of independence as set out by the Corporate Governance Committee	Does not meet the definition of independence as set out by the Corporate Governance Committee due to being married to holder of A shares	Meets the definition of independence as set out by the Corporate Governance Committee	Meets the definition of independence as set out by the Corporate Governance Committee
Other			Chairman of Roblon's Innovation and product development committee	Chairman of Roblon's audit committee

Board of Directors

Executive Management





	Nita Svendsen *) HR assistant	**Svend-Jørgen Matthews Rævdal *)** Machine operator	**Lars Østergaard** Managing Director and CEO	**Carsten Michno** Chief Financial Officer (CFO)	**Kim Müller** Chief Technical Officer (CTO)
Born	1972	1955	1965	1970	1969
Elected to the Board of Directors	2015	2015 (alternate), joined the board in 2017			
Education		Machine operator, qualified in 1976	MSc. (international business economics), 1991	MBA Strategic Management, 2007 M.Sc. (Business Economics and Auditing), 1995	(m-MBA) 2007 Electrical engineering background - TDB, 1989
Other executive functions					Erhvervsservice Nord ApS (B)
No. of Roblon shares at 31 October 2017	65 (2016: 65)	110 (2016: 0)	3,459 (2016: 1,264)	4,500 (2016: 0)	3,091 (2016: 205)
Other			Joined Roblon in 2016	Joined Roblon in 2015	Joined Roblon in 1992

C = Chairman of the Board
B = Board member
D = Director
*) Elected by the employees

Statement and report

Statement by the Management

The Board of Directors and Executive Management today considered and approved the annual report of Roblon A/S for 2016/17.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

In our opinion, the consolidated financial statements and the parent company's financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 October 2017 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 November 2016 – 31 October 2017.

Furthermore, in our opinion the management's review includes a fair review of the development and performance of the Group's and the Company's business, results for the year, cash flows and financial position together with a description of the principal risks and uncertainties that the Group and the Company face.

We recommend that the annual report be adopted at the Annual General Meeting.

Frederikshavn, 19 December 2017

Executive Management

Lars Østergaard
Managing Director and CEO

Carsten Michno
Chief Financial Officer (CFO)

Kim Müller
Chief Operating Officer (COO)

Board of Directors

Jørgen Kjær Jacobsen
Chairman

Ole Krogsgaard
Deputy Chairman

Peter Sloth Vagner Karlsen

Randi Toftlund Pedersen

Nita Svendsen
Employee representative

Svend-Jørgen Matthews Rævdal
Employee representative

Independent auditor’s report

To the shareholders of Roblon Aktieselskab

Opinion
We have audited the consolidated financial statements and the parent financial statements of Roblon Aktieselskab for the financial year 01.11.2016 - 31.10.2017, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group’s and the Parent’s financial position at 31.10.2017, and of the results of their operations and cash flows for the financial year 01.11.2016 - 31.10.2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor’s report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Roblon Aktieselskab for the first time on 12.02.2009 for the financial year 2009/10. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 1 years up to and including the financial year 2016/17.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1.11.2016 - 31-10-2017. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Cutoff of revenue	How the matter was addressed in our audit
Revenue recognised by the Group and the Parent amounts to DKK 284,477k and DKK 258,380k, respectively, for the financial year 2016/17. We consider cutoff of revenue a key audit matter as the assessment of the passing of risk to the buyer in connection with the sale of machinery in the Engineering business segment is subject to estimation. We refer to note 3 to the consolidated financial statements and the parent financial statements.	We identified and assessed the internal controls related to the time for recognising revenue. We tested design and implementation of internal controls related to the time for recognising revenue. Our audit procedures for revenue recognition comprised an assessment of the accounting policy applied to revenue recognition, including an assessment of whether this accounting policy is consistent with applicable accounting standards. On a sample basis, we tested sales transactions occurring before the balance sheet date and credit notes having been issued after the balance sheet date to determine whether such transactions had been recognised in the correct period. We also evaluated the adequacy of the information provided by Management in the consolidated financial statements and the parent financial statements.

Valuation of inventories	**How the matter was addressed in our audit**
The carrying amount of the Group's and the Parent's inventories is DKK 74,119k and DKK 66,949k, respectively, at 31 October 2017. We consider the valuation of inventories a key audit matter because these inventories account for 24% and 22% of the balance sheet total of the Group and the Parent, respectively, and because of the substantial level of management judgement exercised in such valuation, including the judgement of obsolescence. We refer to note 18 to the consolidated financial statements and the parent financial statements.	We identified and assessed the internal controls related to the valuation of the Group's and the Parent's inventories. Our audit procedures for inventories comprised testing of Management's calculations of cost prices. Our audit procedures comprised an assessment of the model for testing inventories for impairment where cost exceeds net realisable value. During our audit, we tested the basis underlying the calculation for completeness and tested the calculation for mathematical accuracy. We assessed the appropriateness of the estimates used by Management in the model and assessed the estimates made compared to prior years.

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Management's responsibilities for the consolidated financial statements and the parent financial statements
Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Aalborg, 19-12-2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Lars Birner Sørensen	Jakob Olesen
State-Authorised Public Accountant MNE no 11671	State-Authorised Public Accountant MNE no 34492

Financial statements 2016/17

Income statement

for the period 1 November - 31 October

		GROUP		PARENT COMPANY	
Amounts in DKK'000	**Note**	**2016/17**	**2015/16**	**2016/17**	**2015/16**
Revenue	3	284,477	229,591	258,380	229,591
Cost of sales	4	-133,556	-107,530	-116,612	-107,530
Gross profit		**150,921**	**122,061**	**141,768**	**122,061**
Work carried out for own account and capitalised	5	1,171	2,407	1,171	2,407
Other operating income	6	225	34	1,655	34
Other external costs	7	-43,317	-26,979	-38,267	-26,979
Staff costs	8	-77,538	-61,300	-77,376	-61,300
Depreciation, amortisation and impairment	9	-10,052	-8,086	-8,502	-8,086
Operating profit (EBIT) from continuing operations		**21,410**	**28,137**	**20,449**	**28,137**
Financial income	10	2,604	2,167	2,612	2,167
Financial expenses	11	-586	-1,480	-605	-1,480
Profit before tax from continuing operations		**23,428**	**28,824**	**22,456**	**28,824**
Tax on profit for the year from continuing operations	12	-6,471	-6,192	-6,145	-6,192
Profit for the year from continuing operations		**16,957**	**22,632**	**16,311**	**22,632**
Profit for the year from discontinued operations	31	3,204	-2,669	3,204	-2,669
Profit for the year		**20,161**	**19,963**	**19,515**	**19,963**
Appropriated as follows:					
Shareholders of Roblon A/S		20,161	19,963	19,515	19,963
Earnings per share (DKK)	13				
Earnings per share (EPS), continuing and discontinued operations		11.3	11.2	11.0	11.2
Earnings per share, diluted (EPS-D), continuing and discontinued operations		11.3	11.2	11.0	11.2
Earnings per share (EPS), continuing operations		9.5	12.7	9.2	12.7
Earnings per share, diluted (EPS-D), continuing operations		9.5	12.7	9.2	12.7

Statement of comprehensive income

for the period 1 November - 31 October

		GROUP		PARENT COMPANY	
Amounts in DKK'000	**Note**	**2016/17**	**2015/16**	**2016/17**	**2015/16**
Profit for the year		**20,161**	**19,963**	**19,515**	**19,963**
Other comprehensive income					
Items that may be recycled to profit or loss					
Fair value adjustments during the year		1,248	199	1,248	199
Fair value adjustments reclassified to financial income		-592	-171	-592	-171
Fair value adjustment of available-for-sale financial assets		656	28	656	28
Foreign exchange adjustment on translation of foreign subsidiary		-2,283	-	-	-
Tax on other comprehensive income	12	-144	-6	-144	-6
Other comprehensive income		**-1,771**	**22**	**512**	**22**
Comprehensive income for the year		**18,390**	**19,985**	**20,027**	**19,985**
Appropriated as follows:					
Shareholders of Roblon A/S		18,390	19,985	20,027	19,985

Balance sheet

As at 31 October

		GROUP		PARENT COMPANY	
Amounts in DKK'000	**Note**	**2016/17**	**2015/16**	**2016/17**	**2015/16**
ASSETS					
Completed development projects		5,641	6,828	5,641	6,828
Development projects in progress		3,288	1,848	3,288	1,848
Trademarks		8,914	–	–	–
Intangible assets	**14**	**17,843**	**8,676**	**8,929**	**8,676**
Land and buildings		37,824	34,342	37,824	34,342
Plant and machinery		21,129	14,140	13,801	14,140
Other fixtures and fittings, tools and equipment		1,245	1,576	1,245	1,576
Property, plant and equipment under construction		885	1,177	885	1,177
Property, plant and equipment	**15**	**61,083**	**51,235**	**53,755**	**51,235**
Investment in subsidiary	16	–	–	27,796	–
Non-current receivable regarding sale of discontinued operation	17	1,340	–	1,340	
Financial assets		**1,340**	**–**	**29,136**	**–**
Total non-current assets		**80,266**	**59,911**	**91,820**	**59,911**
Inventories	**18**	**74,119**	**66,892**	**66,949**	**66,892**
Trade receivables	19	46,848	36,023	42,070	36,023
Current receivable re. sale of discontinued operation	17	1,300	–	1,300	
Other receivables		2,460	1,555	2,460	1,555
Income tax	20	–	7,886	–	7,886
Prepayments		568	332	568	332
Receivables		**51,176**	**45,796**	**46,398**	**45,796**
Marketable securities	**21**	**86,167**	**91,813**	**86,167**	**91,813**
Cash and cash equivalents	**22**	**14,648**	**27,207**	**12,948**	**27,207**
Assets held for sale	31	–	9,011	–	9,011
Total current assets		**226,110**	**240,719**	**212,462**	**240,719**
Total assets		**306,376**	**300,630**	**304,282**	**300,630**

Balance sheet

As at 31 October

		GROUP		PARENT COMPANY	
Amounts in DKK'000	**Note**	**2016/17**	**2015/16**	**2016/17**	**2015/16**
EQUITY AND LIABILITIES					
Share capital		35,763	35,763	35,763	35,763
Other reserves		-1,073	698	2,727	698
Retained earnings		199,763	197,484	197,600	197,484
Proposed dividends		17,882	17,882	17,882	17,882
Total equity	23	**252,335**	**251,827**	**253,972**	**251,827**
Deferred tax	24	4,941	4,207	4,941	4,207
Total non-current liabilities		**4,941**	**4,207**	**4,941**	**4,207**
Other provisions	25	725	575	725	575
Trade payables		30,639	22,256	26,535	22,256
Amount owed to subsidiary		–	–	661	–
Income tax	20	3,876	–	3,588	–
Other debt		13,860	18,478	13,860	18,478
Current liabilities		**49,100**	**41,309**	**45,369**	**41,309**
Liabilities relating to assets held for sale	31	–	3,287	–	3,287
Total current liabilities		**49,100**	**44,596**	**45,369**	**44,596**
Total liabilities		**54,041**	**48,803**	**50,310**	**48,803**
Total equity and liabilities		**306,376**	**300,630**	**304,282**	**300,630**

Equity and dividends

	GROUP					
Amounts in DKK'000	**Share capital**	**Currency translation reserve**	**Reserve for available-for-sale financial assets**	**Retained earnings**	**Proposed dividends**	**Total equity**
Equity 31/10/ 2015	**35,763**	**–**	**676**	**195,403**	**17,882**	**249,724**
Profit for the year				2,081	17,882	19,963
Other comprehensive income			22			22
Comprehensive income for the financial year			**22**	**2,081**	**17,882**	**19,985**
Distributed dividends					-17,882	-17,882
Equity 31/10/ 2016	**35,763**	**–**	**698**	**197,484**	**17,882**	**251,827**
Profit for the year				2,279	17,882	20,161
Other comprehensive income			512			512
Foreign exchange adjustment on translation of foreign subsidiary		-2,283				-2,283
Comprehensive income for the financial year		**-2,283**	**512**	**2,279**	**17,882**	**18,390**
Distributed dividends					-17,882	-17,882
Equity 31/10/ 2017	**35,763**	**-2,283**	**1,210**	**199,763**	**17,882**	**252,335**

Equity and dividends

	PARENT COMPANY					
Amounts in DKK'000	**Share capital**	**Reserve for available-for-sale financial assets**	**Reserve for development costs**	**Retained earnings**	**Proposed dividends**	**Total equity**
Equity 31/10/ 2015	**35,763**	**676**	**–**	**195,403**	**17,882**	**249,724**
Profit for the year				2,081	17,882	19,963
Other comprehensive income		22				22
Comprehensive income for the financial year		**22**	**–**	**2,081**	**17,882**	**19,985**
Distributed dividends					-17,882	-17,882
Equity 31/10/ 2016	**35,763**	**698**	**–**	**197,484**	**17,882**	**251,827**
Profit for the year				1,633	17,882	19,515
Other comprehensive income		512				512
Recognised development costs for the year after tax			1,517	-1,517		
Comprehensive income for the financial year		**512**	**1,517**	**116**	**17,882**	**20,027**
Distributed dividends					-17,882	-17,882
Equity 31/10/ 2017	**35,763**	**1,210**	**1,517**	**197,600**	**17,882**	**253,972**

Statement of cash flows

for the period 1 November - 31 October

		GROUP		PARENT COMPANY	
Amounts in DKK'000	**2016/17**	**2015/16**	**2016/17**	**2015/16**	
Operating profit (EBIT) from continuing operations		21,410	28,137	20,449	28,137
Profit before tax from discontinued operations	31	4,108	-3,422	4,108	-3,422
Operating profit (EBIT)		**25,518**	**24,715**	**24,557**	**24,715**
Adjustment for non-cash items	29	10,140	10,382	9,402	10,382
Change in working capital	30	-2,467	-2,939	-1,949	-2,939
Financing provided by seller, discontinued operations	17	-2,640	-	-2,640	-
Cash generated from operations		**30,551**	**32,158**	**29,370**	**32,158**
Financial income received		1,477	699	1,465	699
Financial expenses paid		-107	-56	-107	-56
Income tax paid		5,015	-4,696	5,015	-4,696
Cash flow from operating activities		**36.936**	**28,105**	**35,743**	**28,105**
Investment in intangible assets		-1,944	-2,955	-1,944	-2,955
Purchase of securities		-54,065	-63,308	-54,065	-63,308
Sale of securities		61,198	31,499	61,198	31,499
Acquisition of subsidiaries and operations	32	-27,289	-	-27,769	-
Purchase of property, plant and equipment		-9,330	-3,997	-9,330	-3,997
Sale of property, plant and equipment		-	42	-	42
Cash flow from investing activities		**-31,430**	**-38,719**	**-31,937**	**-38,719**
Dividends paid		-17,882	-17,882	-17,882	-17,882
Cash flow from financing activities		**-17,882**	**-17,882**	**-17,882**	**- 17,882**
Change in cash and cash equivalents		-12,376	-28,496	-14,076	-28,496
Cash and cash equivalents at beginning of year		27,207	55,639	27,207	55,639
Foreign exchange adjustment of cash and cash equivalents		-183	64	-183	64
Cash and cash equivalents at end of year		**14,648**	**27,207**	**12,948**	**27,207**

Overview of notes to financial statements

Notes to the financial statements

1. Accounting policies

Roblon A/S is a public limited company domiciled in Denmark. The financial statements part of the annual report for the period 1 November 2016 – 31 October 2017 comprises the consolidated financial statements of Roblon A/S and its subsidiaries (the Group) and the financial statements of the parent company.

The consolidated and parent company financial statements of Roblon A/S for 2016/17 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

On 19 December 2017, the Board of Directors and Executive Management considered and approved the annual report of Roblon A/S for 2016/17. The annual report will be submitted to Roblon A/S' shareholders for adoption at the annual general meeting to be held on 25 January 2018.

Basis of preparation
The consolidated and parent company financial statements are presented in DKK, the functional currency of the parent company, rounded to the nearest DKK thousand.

The accounting policies, which are set out below and in note 36 to the financial statements, have been applied consistently for the financial year and for the comparative figures. For standards implemented prospectively, comparative figures are not restated.

The full wording of the accounting policies is set out in note 36 to the financial statements.

Changes to accounting policies

Additional information about product development costs
Costs incurred for technical sales support are no longer included in additional information about product development costs incurred. The comparative figures have been restated accordingly. For the Group the amount included in additional information for 2015/16 is DKK 6,037 thousand, against DKK 10,408 thousand previously, and for the parent company the amount is the same. This change does not impact the profit/loss for 2016/17 or the previous year.

Reserve for development costs
Pursuant to changes to the Danish Financial Statements Act, capitalised development costs adjusted for tax effect and amortisation/impairment is to be recognised in a new reserve under equity (reserve for development costs). The change, which applies only to the parent company, relates to development costs first recognised in the balance sheet in financial years beginning on or after 1 January 2016. Effective for the 2016/17 financial year, Roblon has recognised an amount of DKKm 1.5 in this new reserve under equity in the parent company balance sheet.

Statement of cash flows
In the statement of cash flows, foreign exchange adjustment of cash was previously presented under cash flow from operating activities, but in the 2016/17 financial statements, it is presented in a separate line under cash and cash equivalents. The comparative figures have been restated accordingly. Figures for 2012/13 – 2014/15 have not been restated in the financial highlights on page 4.

Implementation of new standards and interpretations
Roblon A/S has implemented the standards and interpretations that are effective for 2016/17. None of these have affected recognition and measurement or presentation, nor are they expected to materially affect the Group.

IASB has issued a number of new standards, amendments to existing standards and interpretations, which are not yet in force but will come into force in 2017/18 or later. They include:

- IASB has issued IFRS 9 Financial instruments. The standard comes into force for financial years starting on or after 1 January 2018.
- IASB has issued IFRS 15 Revenue from Contracts with Customers. The standard comes into force for financial years starting on or after 1 January 2018.
- IASB has issued IFRS 16 Leases. The standard comes into force for financial years starting on or after 1 January 2019.

New and amended standards are implemented when they come into force.

Management believes that adopting the amended IFRS 9, 15 and 16 will not materially affect Roblon's annual reports for the coming financial years. Management's analysis was not yet completed at the balance sheet date, however.

Significant accounting estimates
In preparing the annual report, Management makes a number of accounting estimates that form the basis for the presentation, recognition and measurement of the Group's and the parent company's assets and liabilities. The most significant accounting estimates are set out in note 2 to the financial statements.

Notes to the financial statements

2. Uncertainties and estimates

In applying the Group's accounting policies as described in note 36 to the financial statements, Management is required to make judgements, estimates and assumptions concerning the carrying amounts of assets and liabilities which cannot be immediately inferred from other sources.

Many financial statement items cannot be measured reliably, but must be estimated. Such estimates comprise judgments made on the basis of the most recent information available at the reporting date. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the reporting period in which the change occurs and in future reporting periods in which the change occurs as well as subsequent reporting periods.

Significant accounting estimates
In applying the accounting policies described, Management exercises significant accounting estimates and judgments that may materially affect the assets and liabilities in the annual report at the balance sheet date. Management bases its estimates on historical data and other factors that Management considers appropriate under the circumstances, but which are inherently uncertain and unpredictable. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may occur. As a result of the risks and uncertainties that the Group is subject to, actual outcomes may differ from the estimates made.

It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or as a result of new information or subsequent events.

Estimates particularly material to the financial reporting are made, among other things, in connection with impairment testing of development projects and trademarks and the valuation of inventories. Moreover, material accounting estimates are made in relation to initial recognition of the business acquisition.

Business acquisitions
On acquisition of businesses, the identifiable assets, liabilities and contingent liabilities of the acquired business are recognised at fair value under the purchase method. The most significant assets are generally goodwill, property, plant and equipment and intangible assets, receivables and inventories. For a large part of assets and liabilities taken over, no active markets exist which may be used to determine their fair value. This applies in particular to acquired intangible assets. The methods most commonly applied are based on the fair value of future cash flows based on, e.g., royalty rates or other expected net cash flows related to the asset, or the cost approach, which is based on, e.g., the replacement cost. Accordingly, Management uses estimates in determining the fair value of the acquired assets, liabilities and contingent liabilities. Depending on the nature of the item, the determination of fair value may be subject to uncertainty and may subsequently be adjusted.

The fair value of identifiable assets, liabilities and contingent liabilities is set out in note 32 to the financial statements on acquisition of subsidiaries and operations.

Impairment testing of development projects
Completed and in-progress development projects are tested for impairment annually.

Development costs are not capitalised until the technical and commercial feasibility of the project has been established. Development projects are based on future expectations of customer and market demand.

The expected useful life of completed development projects is determined in connection with the capitalisation of development costs. Management assesses the usual amortisation period to be five years.

Based on the above, management has estimated the recoverable amounts of the development projects by way of expected future net cash flows.

The value of development projects recognised in the balance sheet at 31 October 2017 was DKKm 8.9 (2015/16: DKKm 8.7).

Impairment testing of trademarks
The value of trademarks acquired in connection with business acquisitions is tested for impairment annually.

The impairment testing is based on the relief-from-royalty method over a ten-year period. The principal assumptions on which Management bases its calculations relate to royalty rate, expected useful life, revenue growth and theoretical tax benefit.

The value of trademarks recognised in the balance sheet at 31 October 2017 was DKKm 8.9 (2015/16: DKK 0).

Inventories
The estimation uncertainty associated with inventories relates to write-down to net realisable value. Inventories are written down in accordance with the Group's write-down policy, which involves an assessment of inventory turnover rate and potential losses due to obsolescence, quality problems and economic trends.

The value of inventories recognised in the balance sheet at 31 October 2017 was DKKm 74.1 (2015/16: DKKm 66.9, excluding DKKm 6.6 transferred to assets held for sale). Total inventory write-down at 31 October 2017 was DKKm 10.4 (2015/16: DKKm 10.5 transferred to assets held for sale).

Notes to the financial statements

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2016/17**	**2015/16**	**2016/17**	**2015/16**

3. Segment reporting

Roblon's internal reporting to the parent company's Board of Directors is based on the Group's segments, Industrial Fiber and Engineering.

The Industrial Fiber segment comprises development, production and sale of strength element solutions: fibre optic cable components to the fibre optic cable industry and composites to offshore and other industries.

Roblon Engineering comprises development, production and sale of rope-making equipment, twisters and winders and cable machinery.

For commentary on the events for the financial year in each of the segments and comments on segment performance relative to 2015/16, see the management's review.

Segment reporting on the Group's business segments:

Amounts in DKK'000	Group 2016/17	Group 2015/16	Parent company 2016/17	Parent company 2015/16
Revenue				
Industrial Fiber	184,320	146,999	158,223	146,999
Engineering	100,157	82,592	100,157	82,592
Total	**284,477**	**229,591**	**258,380**	**229,591**
Depreciation, amortisation and impairment				
Industrial Fiber	6,945	6,137	5,395	6,137
Engineering	3,107	1,949	3,107	1,949
Total	**10,052**	**8,086**	**8,502**	**8,086**
Operating profit (EBIT)				
Industrial Fiber	24,002	25,559	23,041	25,559
Engineering	-1,092	2,578	-1,092	2,578
Non-allocated items	-1,500	-	-1,500	-
Total	**21,410**	**28,137**	**20,449**	**28,137**
Segment assets				
Industrial Fiber	111,942	94,262	109,187	94,262
Engineering	76,465	70,454	76,465	70,454
Non-allocated items	117,969	126,903	118,630	126,903
Total	**306,376**	**291,619**	**304,282**	**291,619**

Non-allocated assets for the Group and the parent company mainly comprise Roblon's domicile in Frederikshavn, loan to discontinued operation and securities and cash and cash equivalents.

Notes to the financial statements

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2016/17**	**2015/16**	**2016/17**	**2015/16**
3. Segment reporting, continued				
Revenue from external customers by geographical regions:				
Denmark	8,148	29,570	8,148	29,570
UK	35,671	27,902	34,675	27,902
Rest of Europe	77,642	75,120	77,559	75,120
Asia	51,178	45,318	50,838	45,318
Brazil	59,908	33,584	59,895	33,584
Latin America	31,052	6,066	19,368	6,066
North Amerika	20,878	12,031	7,897	12,031
Total	**284,477**	**229,591**	**258,380**	**229,591**
Revenue from external customers by categories:				
Rope-making and cable machinery and sale of spare parts	100,157	146,999	100,157	82,592
Strength element solutions incorporated in other end products	184,320	82,592	158,223	146,999
Total	**284,477**	**229,591**	**258,380**	**229,591**

Of the Group's non-current assets, DKKm 64 is placed in Denmark (2015/16: DKKm 59.9, and the remaining DKKm 16.3 is placed in North America (2015/16: DKKm 0).

The Group's revenue is largely derived from the sale of goods.

Of the Group's total revenue, DKKm 42.6 and DKKm 28.9, respectively, (2015/16: DKKm 29.3 and DKKm 26.4) is derived from sales to the Group's two largest customers. Sales to these customers thus account for more than 10% of the Group's total revenue. In both years, revenue from these customers falls under the Industrial Fiber segment.

4. Cost of sales				
Cost of sales	133,683	105,276	117,455	105,276
Inventory write-downs	-127	2,254	-843	2,254
Total	**133,556**	**107,530**	**116,612**	**107,530**

Notes to the financial statements

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2016/17**	**2015/16**	**2016/17**	**2015/16**
5. Work carried out for own account and capitalised				
Work carried out for own account and capitalised as intangible assets, see note 14	1,040	1,835	1,040	1,835
Work carried out for own account and capitalised as intangible assets, discontinued operations	–	-157	–	-157
Work carried out for own account and capitalised as property, plant and equipment, see note 15	131	729	131	729
Total	**1,171**	**2,407**	**1,171**	**2,407**
6. Other operating income				
Profit from sale of non-current assets	–	34	–	34
Management fee, subsidiary	–	–	1,430	–
Rental income	225	–	225	–
Total	**225**	**34**	**1,655**	**34**
7. Other external costs				
External costs incurred	44,222	27,749	39,172	27,749
Of this, capitalised external costs incurred	-905	-770	-905	-770
Total	**43,317**	**26,979**	**38,267**	**26,979**
Additional information				
Product development costs				
Product development costs incurred for own account before capitalisation	10,438	8,485	10,438	8,485
Of this, value of capitalised work for own account	-1,040	-1,678	-1,040	-1,678
Of this, capitalised external costs incurred	-905	-770	-905	-770
Recognised in the income statement under other external costs and staff costs	**8,493**	**6,037**	**8,493**	**6,037**

Costs incurred for technical sales support are no longer included in additional information about product development costs incurred. The comparative figures have been restated accordingly. For the Group the amount included in additional information for 2016 is DKK 6,037 thousand, against DKK 10,408 thousand previously, and for the parent company the amount is the same. This change does not impact the profit/loss for 2016/17 or the previous year.

	GROUP 2016/17	GROUP 2015/16	PARENT COMPANY 2016/17	PARENT COMPANY 2015/16
Fee to auditors appointed in general meeting				
Statutory audit of financial statements	221	212	221	212
Tax advice	12	11	12	11
Non-audit services	40	201	40	201
Services relating to acquisition of Roblon US (included in stated amount regarding transaction costs in note 32)	587	–	587	–
Total	**860**	**424**	**860**	**424**

Notes to the financial statements

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2016/17**	**2015/16**	**2016/17**	**2015/16**
8. Staff costs				
Board fee, Chairman	250	250	250	250
Board fee, Deputy Chairman	120	120	120	120
Board fees, remaining board members	400	400	400	400
Salaries and pensions, Executive Management	5,723	3,908	5,723	3,908
Salaries and pensions, other senior employees	5,313	4,708	5,313	4,708
Wages and salaries	65,984	57,530	65,822	57,530
Defined contribution plans, others	4,664	4,431	4,664	4,431
Other social security costs	1,365	1,340	1,365	1,340
Costs reimbursement received from public authorities	-725	-694	-725	-694
	83,094	71,993	82,932	71,993
Staff costs, discontinued operations	-5,556	-10,693	-5,556	-10,693
Total	**77,538**	**61,300**	**77,376**	**61,300**

In addition to this, company cars are available to Executive Management, valued at DKK 340 thousand (2015/16: DKK 271 thousand).

The Group only has defined contribution plans and pays regular contributions to an independent pension company. Roblon thus is not exposed to any risk in relation to the future development of interest, inflation, mortality, disability rates, etc. in respect of the amount eventually payable to the employee.

Average number of full-time employees including discontinued operations	146	149	146	149
Average number of full-time employees excluding discontinued operations	136	130	136	130

Notes to the financial statements

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2016/17**	**2015/16**	**2016/17**	**2015/16**
9. Depreciation, amortisation and impairment				
Amortisation, intangible assets	2,255	1,839	1,692	1,839
Impairment, intangible assets	–	1,200	–	1,200
Depreciation, property, plant and equipment	7,797	6,559	6,810	6,559
Total	**10,052**	**9,598**	**8,502**	**9,598**
Allocated as follows:				
Continuing operations	10,052	8,086	8,502	8,086
Discontinued operations	–	1,512	–	1,512
Total	**10,052**	**9,598**	**8,502**	**9,598**
10. Financial income				
Return on available-for-sale securities	1,241	1,804	1,241	1,804
Other interest income	84	126	73	126
Interest income from subsidiary	–	–	19	–
Market value gain on securities – reclassified from other comprehensive income	1,279	237	1,279	237
Total	**2,604**	**2,167**	**2,612**	**2,167**
11. Financial expenses				
Other interest expenses	88	55	107	55
Market value loss on securities – reclassified from other comprehensive income	448	258	448	258
Foreign exchange losses and adjustment (net)	50	1,167	50	1,167
Total	**586**	**1,480**	**605**	**1,480**

Notes to the financial statements

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2016/17**	**2015/16**	**2016/17**	**2015/16**
12. Tax on profit for the year				
Tax on the profit for the year is specified as follows:				
Tax on profit for the year from continuing operations	6,471	6,192	6,145	6,192
Tax on profit for the year from discontinued operations	904	-753	904	-753
Tax on other comprehensive income	144	6	144	6
Tax on profit for the year	**7,519**	**5,445**	**7,193**	**5,445**
Tax on profit for the year from continuing operations is calculated as follows:				
Current tax	5,874	6,608	5,548	6,608
Deferred tax	734	-267	734	-267
Prior-year tax adjustments	-137	-149	-137	-149
	6,471	**6,192**	**6,145**	**6,192**
Calculated tax on profit before tax from continuing operations. 22%	5,154	6,341	4,940	6,341
Tax effect of:				
Adjustment of tax calculated for foreign group enterprises relative to 22%	115	–	–	–
Non-deductible items	1,230	24	1,230	24
Increased tax depreciation base (115%)	-11	-15	-11	-15
Other adjustments	120	-9	123	-9
Prior-year tax adjustments	-137	-149	-137	-149
Total	**6,471**	**6,192**	**6,145**	**6,192**
Effective tax rate (%)	27.6	21.5	27.4	21.5

Tax on other comprehensive income, DKK 144 thousand (2015/16: DKK -6 thousand) relates to tax on available-for-sale financial assets.

Notes to the financial statements

	GROUP	
Amounts in DKK'000	**2016/17**	**2015/16**
13. Earnings per share		
Profit for the year after tax, continuing operations	16,957	22,632
Profit for the year after tax, discontinued operations	3,204	-2,669
Profit for the year after tax, continuing and discontinued operations	20,161	19,963
Number of class A shares of DKK 200 each	27,775	27,775
Number of class B shares of DKK 20 each	1,510,400	1,510,400
Earnings per class A share, continuing operations	94.8	126.6
Earnings per class A share, discontinued operations	17.9	-14.9
Earnings per class A share, continuing and discontinued operations	112.7	111.6
Earnings per class B share, continuing operations	9.5	12.7
Earnings per class B share, discontinued operations	1.8	-1.5
Earnings per class B share, continuing and discontinued operations	11.3	11.2
The number of shares is not affected by share options or other matters affecting diluted earnings per share.		
Diluted earnings per class A share, continuing operations	94.8	126.6
Diluted earnings per class A share, discontinued operations	17.9	-14.9
Diluted earnings per class A share, continuing and discontinued operations	112.7	111.6
Diluted earnings per class B share, continuing operations	9.5	12.7
Diluted earnings per class B share, discontinued operations	1.8	-1.5
Diluted earnings per class B share, continuing and discontinued operations	11.3	11.2

Notes to the financial statements

Amounts in DKK'000	GROUP Completed development projects	 Development projects in progress	 Trademarks	PARENT COMPANY Completed development projects	 Development projects in progress
14. Intangible assets					
Cost at 01/11/2016	10,543	1,848	–	10,543	1,848
Addition of assets developed in-house 2016/17	–	1,040	–	–	1,040
Other additions	–	905	–	–	905
Additions on acquisition of business	–	–	10,288	–	–
Foreign exchange adjustment	–	–	-811	–	–
Disposals	-2,440	–	–	-2,440	–
Transfers	505	-505	–	505	-505
Cost at 31/10/2017	**8,608**	**3,288**	**9,477**	**8,608**	**3,288**
Amortisation and impairment at 01/11/2016	3,715	–	–	3,715	–
Amortisation for the year	1,692	–	563	1,692	–
Reversal on disposal	-2,440	–	–	-2,440	–
Amortisation and impairment at 31/10/2017	**2,967**	**–**	**563**	**2,967**	**–**
Carrying amount at 31/10/2017	**5,641**	**3,288**	**8,914**	**5,641**	**3,288**
Cost at 01/11/2015	15,756	3,954	–	15,756	3,954
Addition of assets developed in-house	–	1,835	–	–	1,835
Other additions	1,120	–	–	–	1,120
Disposals	-980	–	–	-980	–
Transfers	5,061	-5,061	–	5,061	-5,061
Transferred to assets held for sale	-9,294	–	–	-9,294	–
Cost at 31/10/2016	**10,543**	**1,848**	**–**	**10,543**	**1,848**
Amortisation and impairment at 01/11/2015	10,950	–	–	10,950	–
Impairment	1,200	–	–	1,200	–
Amortisation for the year	1,839	–	–	1,839	–
Reversal on disposal	-980	–	–	-980	–
Transferred to assets held for sale	-9,294	–	–	-9,294	–
Amortisation and impairment at 31/10/2016	**3,715**	**–**	**–**	**3,715**	**–**
Carrying amount at 31/10/2016	**6,828**	**1,848**	**–**	**6,828**	**1,848**

Notes to the financial statements

14. Intangible assets, continued

All intangible assets other than development projects in progress are considered to have determinable useful lives, over which they are amortised. See the description of accounting policies in note 36 to the financial statements.

Development projects in progress are tested for impairment annually. The test is based on the discounted value in use of the expected cash flows from the assets over their expected useful lives. The cash flows are based on the budget and strategy plans approved by Management and a discount factor of 10% (2015/16: 10%). For the current year, no need for impairment write-down has been determined.

Completed development projects are tested for impairment in the same way as projects in progress if there is evidence of impairment.

For 2016/17, no need for impairment write-down has been determined.

In 2015/16, an impairment loss of DKKm 1.2 on completed development projects was recognised.
The impairment was distributed as follows:

- DKKm 0.1 on a project in the Industrial Fiber segment. Due to the oil crisis and competition, the product is not expected to generate future cash flows matching its value. The value in use is DKKm 0.

- DKKm 0,2 on a project in the Engineering segment. The product is a minor component in products of which sales are insufficient to justify its value. The value in use is DKKm 0.

- DKKm 0,9 on two products in the discontinued Lighting segment. One project of DKKm 0.1 whose calculated value in use is DKKm 0 and one project of DKKm 0.8 whose calculated value in use is DKKm 0.1.
  Based on valuation uncertainty, the value has been determined at DKKm 0.

The value of trademarks have been tested for evidence of impairment, and no need for impairment write-down has been determined.

Notes to the financial statements

Amounts in DKK'000	GROUP Land and buildings	Plant and machinery	Other fixtures & fittings, tools and equipment	Property, plant & equipment in progress	PARENT COMPANY Land and buildings	Plant and machinery	Other fixtures & fittings, tools and equipment	Property, plant & equipment in progress
15. Property, plant and equipment								
Cost at 01/11/2016	89,459	86,430	8,063	1,177	89,459	86,430	8,063	1,177
Addition of assets developed in-house	–	131	–	–	–	131	–	–
Other additions	5,897	2,285	132	885	5,897	2,285	132	885
Additions on business acquisition	–	9,014	–	–	–	–	–	–
Foreign exchange adjustment	–	-699	–	–	–	–	–	–
Transfers	498	679	–	-1,177	498	679	–	-1,177
Disposals	–	-1,127	-307	–	–	-1,127	-307	–
Transferred to assets held for sale	–	1,469	725	–	–	1,469	725	
Cost at 31/10/2017	**95,854**	**98,182**	**8,613**	**885**	**95,854**	**89,867**	**8,613**	**885**
Depreciation and impairment at 01/11/2016	55,117	72,290	6,487	–	55,117	72,290	6,487	–
Reversal on disposal	–	-1,127	-307	–	–	-1,127	-307	–
Depreciation for the year	2,913	4,421	463	–	2,913	3,434	463	
Transferred to assets held for sale	–	1,469	725	–	–	1,469	725	
Depreciation and impairment at 31/10/2017	**58,030**	**77,053**	**7,368**	**–**	**58,030**	**76,066**	**7,368**	**–**
Carrying amount at 31/10/2017	**37,824**	**21,129**	**1,245**	**885**	**37,824**	**13,801**	**1,245**	**885**
Cost at 01/11/2015	89,565	94,483	9,398	272	89,565	94,483	9,398	272
Addition of assets developed in-house	–	729	–	–	–	729	–	–
Other additions	265	918	720	1,365	265	918	720	1,365
Transfers	–	364	96	-460	–	364	96	-460
Disposals	-185	-269	-824	–	-185	-269	-824	–
Transferred to assets held for sale	-186	-9,795	-1,327	–	-186	-9,795	-1,327	–
Cost at 31/10/2016	**89,459**	**86,430**	**8,063**	**1,177**	**89,459**	**86,430**	**8,063**	**1,177**
Depreciation and impairment at 01/11/2015	52,794	78,855	8,271	–	52,794	78,855	8,271	–
Re. assets disposed of	-185	-269	-824	–	-185	-269	-824	–
Depreciation for the year	2,694	3,499	367	–	2,694	3,499	367	
Transferred to assets held for sale	-186	-9,795	-1,327	–	-186	-9,795	-1,327	–
Depreciation and impairment at 31/10/2016	**55,117**	**72,290**	**6,487**	**–**	**55,117**	**72,290**	**6,487**	**–**
Carrying amount at 31/10/2016	**34,342**	**14,140**	**1,576**	**1,177**	**34,342**	**14,140**	**1,576**	**1,177**

In 2016/17, no property, plant and equipment was sold. Last year, the net proceeds from sales of property, plant and equipment of DKK 34 thousand were recognised in other operating income.
Sale of property, plant and equipment from discontinued operations is specified in note 31 to the financial statements.
Property, plant and equipment fully depreciated but still in use amounts to DKKm 93.1 (2015/16: DKKm 99.5) calculated at original cost.

Notes to the financial statements

	PARENT COMPANY	
Amounts in DKK'000	**2016/17**	**2015/16**
16. Investment in subsidiary		
Cost at 01/11	–	–
Formation and investment in subsidiary during the year	27,796	–
Cost at 31/10	**27,796**	**–**

Name	Domicile	Ownership	Share capital	Amount owed by parent company DKK'000	Equity DKK'000	Profit for the year DKK'000
Roblon US Inc.	North Carolina	100%	USD 0.1	661	26,158	645

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2016/17**	**2015/16**	**2016/17**	**2015/16**
17. Receivable regarding sale of discontinued operation				
Receivable from buyer of operation sold	2,640	–	2,640	–
Total	**2,640**	**–**	**2,640**	**–**
The receivable falls due within the following periods from the balance sheet date:				
Less than one year	1,300	–	1,300	–
Between one and two years	1,340	–	1,340	–
Total	**2,640**	**–**	**2,640**	**–**

Notes to the financial statements

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2016/17**	**2015/16**	**2016/17**	**2015/16**
18. Inventories				
Raw materials and consumables	33,672	43,454	31,312	43,454
Work in progress	13,762	10,178	13,143	10,178
Finished goods	26,685	19,842	22,494	19,842
Transferred to assets held for sale	–	-6,582	–	-6,582
Total	**74,119**	**66,892**	**66,949**	**66,892**
Inventory write-downs:				
Write-downs at 01/11	10,480	14,158	10,480	14,158
Change in write-downs	-127	2,767	-843	2,767
Write-downs at 31/10	10,353	16,925	9,637	16,925
Write-downs, assets held for sale	–	-6,445	–	-6,445
Write-downs, continuing operations at 31/10	**10,353**	**10,480**	**9,637**	**10,480**

In total, the Group has made write-downs for obsolescence of DKKm 10.4, against DKKm 10.5 last year, equalling a write-down ratio of 12.3% and 13.6%, respectively, of the calculated gross value of inventories.

In total, the parent company has made write-downs for obsolescence of DKKm 9.6, against DKKm 10.5 last year, equalling a write-down ratio of 12.7% and 13.6%, respectively, of the calculated gross value of inventories.

Notes to the financial statements

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2016/17**	**2015/16**	**2016/17**	**2015/16**
19. Trade receivables				
Trade receivables, continuing and discontinued operations	46,848	38,452	42,070	38,452
Transferred to assets held for sale	–	-2,429	–	-2,429
Trade receivables, continuing and discontinued operations	**46,848**	**36,023**	**42,070**	**36,023**

Of the total trade receivables, DKKm 23.3 is secured by letter of credit, other third-party security or by credit insurance (2015/16: DKKm 20.5).

Impairment losses are recognised for receivables if the value is found to be impaired based on an individual assessment of each debtor's ability to pay, for example in case of suspension of payment, bankruptcy, or similar. Write-downs are recognised at estimated net realisable value.

Impairment losses on receivables are made via the loss provision account and provisions for losses are regarded as realised when it is no longer considered probable that further payments will be received on the claim.

Provisions at 01/11	343	426	343	426
Reversed provisions	-18	-86	-18	-86
Losses recorded for the year	-246	–	-246	–
Provisions for losses for the year	336	152	336	152
Transferred to assets held for sale	–	-149	–	-149
Loss provision account at 31/10	**415**	**343**	**415**	**343**

20. Income tax				
Receivable/payable at 01/11	7,886	8,901	7,886	8,901
Prior-year income tax paid	-7,605	1,422	-8,023	1,422
	281	10,323	-137	10,323
Prior-year tax adjustments	137	149	137	149
Current tax	-6,884	-5,861	-6,596	-5,861
Current-year tax paid on account	2,590	3,275	3,008	3,275
Receivable/payable at 31/10	**-3,876**	**7,886**	**-3,588**	**7,886**

Notes to the financial statements

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2016/17**	**2015/16**	**2016/17**	**2015/16**
21. Marketable securities				
Marketable securities relate to available-for-sale financial assets. The item comprises listed bonds and equity portfolios, measured at fair value determined as market price at the balance sheet date.				
Cost at 01/11	90,887	59,099	90,887	59,099
Additions during the year	54,064	63,308	54,064	63,308
Disposals during the year	-60,366	-31,520	-60,366	-31,520
Cost at 31/10	**84,585**	**90,887**	**84,585**	**90,887**
Value adjustment at 01/11	926	898	926	898
Fair value adjustments during the year	1,248	199	1,248	199
Fair value adjustments reclassified to financial income	-592	-171	-592	-171
Value adjustment at 31/10	**1,582**	**926**	**1,582**	**926**
Carrying amount at 31/10	**86,167**	**91,813**	**86,167**	**91,813**
The following additional information applies to bonds:				
Average duration of (years)	2.6	2.4	2.6	2.4
Average effective yield of	1.4	1.6	1.4	1.6
The bonds mature within the following periods from the balance sheet date:				
Less than one year				
Between one and two years	29,298	39,191	29,298	39,191
Between two and three years	31,641	24,512	31,641	24,512
Between three and four years	-	4,156	-	4,156
Between four and five years	-	2,052	-	2,052
More than five years	10,520	10,715	10,520	10,715
Total	**71,459**	**80,626**	**71,459**	**80,626**
Total equities	**14,708**	**11,187**	**14,708**	**11,187**
Total marketable securities	**86,167**	**91,813**	**86,167**	**91,813**

Notes to the financial statements

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2016/17**	**2015/16**	**2016/17**	**2015/16**
22. Cash				
Cash and bank balances	**14,648**	**27,207**	**12,948**	**27,207**

	NUMBER		NOMINAL VALUE, DKK '000	
	2016/17	**2015/16**	**2016/17**	**2015/16**
23. Equity				
Share capital				
Class A shares of DKK 200 each	27,775	27,775	5,555	5,555
Class B shares of DKK 20 each	1,510,400	1,510,400	30,208	30,208
Total			**35,763**	**35,763**

Each class A share amount of DKK 200 carries 100 votes
Each class B share amount of DKK 20 carries 1 vote

In a stock split on 25 March 2013, the denomination of the class B share was changed from DKK 100 to DKK 20 in order to improve the liquidity of the share.

The share capital is fully paid up.

The A shares are not listed.

The B shares are listed. If dividend is declared, holders of B shares have a preferential right to dividend of 8% of their nominal shareholding.

Any remaining dividend accrues to the holders of A shares, until they have received dividend equalling 8% of their nominal shareholding. Any remaining dividend thereafter will be distributed evenly on all shares, regardless of share class.

Notes to the financial statements

23. Equity, continued

Currency translation reserve
The currency translation reserve comprises the Group's share of foreign exchange differences on translation of the assets and liabilities of subsidiaries with another functional currency than DKK and foreign exchange adjustments relating to foreign exchange hedging transactions connected to the Group's net investments in subsidiaries.

The reserve is dissolved when the hedged transaction is realised, if the hedged cash flows are no longer expected to be realised or if the hedge is no longer effective.

Reserve for available-for-sale financial assets
Reserve for available-for-sale financial assets comprises the accumulated change in the fair value of available-for-sale financial assets.

The reserve is reclassified to the income statement if available-for-sale assets are sold or if the assets are no longer classified as available for sale.

Reserve for development costs
Reserve for development costs in the parent company comprises capitalised development costs adjusted for the tax effect of amortisation and impairment.

The reserve for development costs was introduced with effect for the annual report for 2016/17 without restatement of comparative figures.

The reserve is dissolved if the capitalised development costs are sold or otherwise decommissioned. The reserve decreases as a result of regular amortisation or any impairment. If an impairment loss is subsequently reversed, the reserve is restored.

The reserve for development costs may not be used for distribution of dividends.

Dividends
Dividends are recognised as a liability at the date when they are adopted at the annual general meeting. The proposed dividend payment for the year is disclosed as a separate item under equity until adopted in general meeting.

Notes to the financial statements

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2016/17**	**2015/16**	**2016/17**	**2015/16**
24. Provision for deferred tax				
Deferred tax at 01/11	4,207	4,474	4,207	4,474
Deferred tax for the year, recognised in profit for the year	734	-267	734	-267
Deferred tax at 31/10	**4,941**	**4,207**	**4,941**	**4,207**
The provision for deferred tax relates to:				
Current assets	963	456	963	456
Intangible assets	1,964	1,909	1,964	1,909
Property, plant and equipment	2,174	2,090	2,174	2,090
Non-current liabilities	-160	-248	-160	-248
Total	**4,941**	**4,207**	**4,941**	**4,207**
25. Other provisions				
Other provisions at 01/11	575	300	575	300
Additions during the period	725	1,125	725	1,125
Used during the period	-575	-300	-575	-300
Transferred to liabilities relating to assets held for sale	-	-550	-	-550
Other provisions at 31/10	**725**	**575**	**725**	**575**

Other provisions comprise warranty obligations expected to be used within one year.

Warranty obligations relate to goods sold with a warranty. The provision is based on individual assessments of the remedial costs.

Notes to the financial statements

Amounts in USD'000	GROUP 31.10.17	GROUP 31.10.16
26. Financial risks		
Specification of financial assets and liabilities		
Non-current receivable re. sale of discontinued operation	1,340	-
Trade receivables	46,848	36,023
Other receivables	2,460	1,555
Cash and cash equivalents	14,648	27,207
Receivables relating to assets held for sale	-	2,429
Total loans, advances and receivables	**65,296**	**67,214**
Marketable securities	86,167	91,813
Available-for-sale financial assets	**86,167**	**91,813**
Trade payables	30,639	22,256
Other payables	13,860	18,478
Trade payables relating to assets held for sale	-	934
Other payables relating to assets held for sale	-	1,803
Financial liabilities measured at amortised cost	**44,499**	**43,471**

As a consequence of its operations and investments, the Group is exposed to a number of financial risks, including market risk (currency and interest rate risk) and credit risk.

The Group's cash reserve comprises cash and cash equivalents, marketable securities and unutilised credit facilities.

Roblon's policy is to maintain a low risk profile so that currency, interest rate and credit risks arise only in commercial relations. It is Group policy not to engage in active speculation in financial risks.

Relevant matters relating to the Group's risk management are described in the following section. There are no significant changes in the Group's risk exposure or risk management as compared with 2015/16.

Notes to the financial statements

Amounts in DKK'000	Receivables/cash & cash equivalents	Debt	Net position

26. Financial risks, continued

Currency risk

The Group primarily hedges its currency risks by matching the currency of payments received with the currency of payments made. The matching is made on the basis of monitoring of foreign exchange holdings compared with known order backlog and purchases.

The Group's currency positions at 31/10/2017 stated in DKK:

Currency	Receivables/cash & cash equivalents	Debt	Net position
EUR	41,704	-15,045	26,659
USD	10,041	-5,287	4,754
GBP	2,511	-	2,511
Total	**54,256**	**-20,332**	**33,924**

A 10% depreciation of the USD/GBP against DKK at the balance sheet date would result in a loss of DKKm 0.8 (2015/16 : DKKm 0.3).
A corresponding increase would result in a gain of DKKm 0.8 (2015/16: DKKm 0.3).

The Group's currency positions at 31/10/2016 stated in DKK:

Currency	Receivables/cash & cash equivalents	Debt	Net position
EUR	39,165	-15,144	24,021
USD	1,683	-772	911
GBP	2,297	-17	2,280
Other	2	-4	-2
Total	**43,147**	**-15,937**	**27,210**

The Group's trade receivables and trade payables normally fall due within three months of delivery.

Over the years, the Group has accumulated a liquidity surplus and has not been dependent on debt financing. The surplus liquidity is placed as cash funds in bank accounts, in listed bonds and equities.

Risks related to securities

The Group has invested DKKm 86.2 via asset management agreements. The 12-month Value at Risk (VaR) is 4.14%, which means that with a 95% confidence level, the Group risks a maximum loss is DKKm 3.6 of the total value of securities at 31 October 2017 (2015/16: calculation not available).

Notes to the financial statements

Amounts in DKK'000

26. Financial risks, continued

Interest rate risk:
Bonds have an average duration of 2.6 (2015/16: 2.4) years, used as the basis for the below calculation of the impact of interest rates on equity.

A one percentage point p.a. rise in the market rate relative to the interest rate level at the balance sheet date would have a negative impact of DKKm 1.9 before tax on the Group's equity related to losses on the bond portfolio (2015/16: DKKm 1.9). A corresponding fall in the market rate would have a corresponding positive effect of DKKm 1.9 (2015/16: DKKm 1.9).

A one percentage point p.a. rise in the market rate relative to the interest rate level at the balance sheet date would have a positive impact of DKKm 0.1 (2015/16: DKKm 0.3) before tax on the Group's profit and equity related to an interest rate gain on cash. A corresponding fall in the market rate would have a corresponding negative effect of DKKm 0.1 (2015/16: DKKm 0.3).

Liquidity risk:
The Group ensures sufficient cash resources through a combination of cash management, investment in marketable securities and establishment of credit facilities.

In order to limit the Group's counterparty risk, deposits are placed with reputable banks only and invested in a portfolio of highly secure and liquid marketable securities.

The Group's cash reserve consists of the following:

	2016/17	2015/16
Available-for-sale marketable securities	86,167	91,813
Cash	14,648	27,207
Unutilised credit facilities	10,000	10,000
Total	**110,815**	**129,020**

Notes to the financial statements

Amounts in DKK'000

26. Financial risks, continued

Credit risk

The Group's principal credit risk relates to trade receivables. The Group does not have risk exposure to any individual customer or business partner.According to the Group's policy for assuming credit risk, all major customers and business partners are credit rated. Receivables are partially credit insured and a significant portion of the Group's receivables are secured by other forms of security. Based on the Group's knowledge of the customers in question and its internal credit rating procedures, the credit quality of non-impaired receivables is considered high and the risk of losses low.

Historically, the Group has suffered relatively minor losses on trade receivables, and the risk of significant losses on total receivables is considered to be limited. See also note 19, Trade receivables.

Overdue, but not impaired receivables are distributed as follows:

	GROUP		PARENT COMPANY	
	31.10.17	**31.10.16**	**31.10.17**	**31.10.16**
Overdue by up to one month	2,819	6,385	2,765	6,385
Overdue by between one and three months	3,407	1,555	2,305	1,555
Overdue by between three and six months	556	465	483	465
Overdue by more than six months	1,230	114	1,230	114
Total	**8,012**	**8,519**	**6,783**	**8,519**

The maximum credit risk exposure to receivables corresponds to their carrying amount.

Specifically in respect of receivables overdue by more than six months, a loss provision of DKKm 0.5 has been made at 31 October 2017 (2015/16: DKKm 0).

Optimisation of capital structure

Management regularly considers whether Roblon's capital structure best serves the Group's and its shareholders' interests. The overriding goal is to ensure a capital structure that supports long-term financial growth and at the same time maximises the return for Roblon's stakeholders. The Group's overall strategy is unchanged compared to last year.

The Group's capital structure consists of available-for-sale financial assets, cash and equity, including share capital, other reserves and retained earnings.

The Group has a high level of equity and robust capital resources, which are considered to be a significant strength with regard to any future activity expansions. With the current ownership structure, the Group has no immediate plans to propose a merger of the two share classes, which is considered an obstacle to raising capital on the stock exchange. Accordingly, the Group needs stronger capital resources than would otherwise be the case.

Notes to the financial statements

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**31.10.17**	**31.10.16**	**31.10.17**	**31.10.16**

27. Rental and lease commitments

On acquisition of a business in the USA, the Group entered into sales, management, production and lease agreements with the seller. The agreements have terms of 1-4 years from commencement in April 2017.

In addition to these, the Group has entered into operating leases for company cars.

The total minimum lease payment on non-terminable leases breaks down as follows:

	GROUP 31.10.17	GROUP 31.10.16	PARENT COMPANY 31.10.17	PARENT COMPANY 31.10.16
Within one year of the balance sheet date	4,343	225	216	225
Between one and five years of the balance sheet date	7,528	241	84	241
Total	**11,871**	**466**	**300**	**466**
Rental and lease expenses recognised in profit for the year	2,794	137	251	137

The business segment sold, Roblon Lighting, rents separate production space and offices at Roblon's domicile in Frederikshavn. This lease is non-terminable in respect of both parties for three years from commencement in April 2017. The rent for the three years amounts to DKKm 1.8.

28. Contingent liabilities

Bank guarantees have been provided in the amount of DKKm 0.9 as security for prepayments received (2015/16: DKKm 0.3).

Roblon A/S is taxed jointly in Denmark with ES Holding Frederikshavn ApS as the administration company. Pursuant to the relevant provisions of the Danish Corporation Tax Act, the Company is liable for income taxes etc. for the jointly taxed companies, and as from 1 July 2012 for any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies.

Notes to the financial statements

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2016/17**	**2015/16**	**2016/17**	**2015/16**
29. Adjustment for non-cash items				
Profit from sale of property, plant and equipment	–	-42	–	-42
Depreciation, amortisation and impairment	10,053	9,599	8,502	9,599
Provisions	-400	825	-400	825
Adjustment, current part of financing provided by seller on the sale of discontinued operations	1,300	–	1,300	–
Foreign exchange adjustment	-813	–	–	–
Total	**10,140**	**10,382**	**9,402**	**10,382**
30. Change in working capital				
Change in inventories	7,341	-5,771	6,525	-5,771
Change in receivables	-10,837	-7,707	-6,060	-7,707
Change in non-current other payables	–	-3,849	–	-3,849
Change in current liabilities	1,029	14,388	-2,414	14,388
Total	**-2,467**	**-2,939**	**-1,949**	**-2,939**

Notes to the financial statements

Amounts in DKK'000	GROUP 2016/17	GROUP 2015/16	PARENT COMPANY 2016/17	PARENT COMPANY 2015/16

31. Discontinued operations and assets held for sale

In company announcement no. 4 – 2017, the Group announced that the Roblon Lighting business segment has been sold. The sale was effective as at 30 April 2017, and was a consequence of the development of the 2021 strategy, in which it was assessed that Roblon Lighting fell outside the core business.

As part of the agreement to sell Roblon Lighting, the Group provided a loan of DKKm 2.6, which bears interest at 3% per annum and is repaid over two years.

Amounts in DKK'000	GROUP 2016/17	GROUP 2015/16	PARENT COMPANY 2016/17	PARENT COMPANY 2015/16
Income statement, discontinued operations				
Revenue	12,453	21,983	12,453	21,983
Cost of sales	-4,679	-8,947	-4,679	-8,947
Gross profit	**7,774**	**13,036**	**7,774**	**13,036**
Work carried out for own account and capitalised	–	157	–	157
Other operating income	–	8	–	8
Other external costs	-2,024	-4,418	-2,024	-4,418
Staff costs	-5,556	-10,693	-5,556	-10,693
Depreciation, amortisation and impairment	–	-1,512	–	-1,512
Operating profit	**194**	**-3,422**	**194**	**-3,422**
Net proceeds from divestment of operations	3,914	–	3,914	–
Profit/loss before tax	**4,108**	**-3,422**	**4,108**	**-3,422**
Tax on profit/loss for the year	-904	753	-904	753
Profit/loss for the year	**3,204**	**-2,669**	**3,204**	**-2,669**
Discontinued operations affected the statement of cash flows as follows:				
Cash flow from operations	10,242	2,119	10,242	2,119
Cash flow from investments	–	-499	–	-499
Cash flow from financing	–	–	–	–
Total	**10,242**	**1,620**	**10,242**	**1,620**

Notes to the financial statements

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2016/17**	**2015/16**	**2016/17**	**2015/16**

31. Discontinued operations and assets held for sale, continued

Profit before tax from sale of discontinued operations amounts to DKKm 4.1, comprising an operating profit during the Group's period of ownership to 30 April 2017 of approx. DKKm 0.2 and net profit from the sale of operations of DKKm 3.9. The net profit was generated by deducting the value of transferred inventories as at 30 April 2017, transferred warranty provisions and transaction costs for financial and legal advisors etc., from the final selling price of DKKm 12.3.

The entire profit for the year from discontinued operations is attributable to the shareholders of Roblon A/S.

	GROUP 2016/17	GROUP 2015/16	PARENT COMPANY 2016/17	PARENT COMPANY 2015/16
Assets held for sale at 31 October are specified as follows:				
Intangible assets	–	–	–	–
Property, plant and equipment	–	–	–	–
Inventories	–	6,582	–	6,582
Receivables	–	2,429	–	2,429
Assets held for sale	**–**	**9,011**	**–**	**9,011**
Other provisions	–	550	–	550
Trade payables	–	934	–	934
Other payables	–	1,803	–	1,803
Liabilities held for sale	**–**	**3,287**	**–**	**3,287**
Net assets held for sale	**–**	**5,724**	**–**	**5,724**

No accumulated income or costs are recognised in other comprehensive income relating to assets held for sale.

Notes to the financial statements

Amounts in DKK'000

32. Acquisition of subsidiary and operations

In company announcement no. 5 – 2017, Roblon announced its acquisition of activities and assets from Neptco jv llc, Hickory, North Carolina, part of the listed US Chase Corporation group. The transaction was carried out through a newly established US company, Roblon US Inc. – which is wholly owned and controlled by Roblon A/S, and operations of the acquired business are included from the takeover date (3 April 2017).

Neptco is a reputable supplier in the fibre optic cable industry and supplies fibre optic cable components (strength element solutions) marketed under a number of known brands. Neptco's current business is primarily focused on the North American market.

The acquisition of Neptco's activities supports Roblon Industrial Fiber's strategy of aspiring to become a total supplier of strength element solutions to selected strategic customers in the fibre optic cable industry. Roblon and Neptco complement each other in terms of product offering and geographical footprint, which is increasingly considered to be essential to service selected strategic global customers with production facilities in a number of locations worldwide.

The acquisition price amounts to approximately DKKm 27.3. DKKm 2.8 has been placed in an escrow account and the amount will be released 18 months after the takeover date (3 April 2017), unless Roblon A/S submits a claim for a reduction of the agreed acquisition price. The remaining acquisition price was paid in cash directly to the seller.

In association with the takeover, the Group has incurred transaction costs of DKKm 4.7 related to legal and financial advisers etc. These costs are recognised under "other external costs" in the income statement. The transaction costs are relatively high given the total amount invested in the acquisition. The level of costs incurred reflected the complexity of the transaction, which required additional legal assistance due to, e.g.:

- the structure of the agreement (purchase of net assets – and thereby separation from existing business);
- the conclusion of a number of business administration service agreements and a lease with the seller;
- environmental assessments and patent reviews; and
- US legislation in general.

The approach and structure of the acquisition outlined above mean that the Group decided to invest in a transparent setup with the seller, in which a large part of Roblon US Inc.'s cost base is known. This will allow the Group to initially focus on sales, product and market development of the acquired business unit.

For the period since the takeover in April 2017 (seven months), Roblon US Inc. has been included in profit from continuing operations after tax with DKKm 0.7 and in revenue with DKKm 26.1. Calculated on a pro forma basis, as if the acquired operations had been owned for the full financial year (12 months), revenue amounts to DKKm 45 and profit for the year from continuing operations amounts to DKKm 1.5.

Specification of recognised assets and liabilities at the acquisition date

	Recognised value at acquisition date
Intangible assets (trademarks)	10,288
Property, plant and equipment (production equipment and technical plant)	9,014
Inventories	7,987
Acquired net assets (total purchase price)	**27,289**

In connection with the takeover, assets (and contingent liabilities) were identified, and these were recognised in the takeover balance sheet at fair value. Intangible assets are stated under the Relief from Royalty method, under which the royalty saved in owning the assets in question is discounted.

The value of the customer portfolio and existing customer orders etc. has also been assessed. As there is a high degree of overlap in Neptco and Roblon's respective customer bases, the value is assessed as insignificant, and no separate items have been recognised in the takeover balance sheet.

No related deferred tax or contingent liabilities are included in the takeover balance sheet, and the purchase price allocation is thus considered to be final.

Notes to the financial statements

Amounts in DKK'000	PARENT COMPANY 2016/17	PARENT COMPANY 2015/16

33. Related parties

Roblon's related parties exercising significant influence are the Group's Board of Directors, Executive Management and senior employees and their close family members. Related parties also include major shareholders exercising control over the Group and its subsidiary Roblon US Inc.

Board of Directors and Executive Management
Management's remuneration is disclosed in note 8.

Shareholders exercising control over the Group
ES Holding Frederikshavn ApS, Bøgevej 11, DK-8370 Hadsten, owns the class A shares in Roblon A/S and exercises control over the Group.

There were no transactions with ES Holding Frederikshavn ApS other than joint taxation contributions and dividends to the parent company, ES Holding Frederikshavn ApS.

Transactions with the subsidiary, Roblon US Inc.	2016/17	2015/16
Purchase of goods from subsidiary	-1,237	-
Management fee from subsidiary	1,430	-
Interest income from subsidiary	19	-
Amount owed to subsidiary	661	-

Transactions with the subsidiary have been eliminated in the consolidated financial statements in accordance with the accounting policies. All transactions with the subsidiary have been carried out on an arm's length basis.

Other than as mentioned above, there were no transactions between Roblon and the Board of Directors, Executive Management, senior employees, major shareholders, subsidiary or other related parties.

Notes to the financial statements

	OWNERSHIP %		VOTING SHARE %	
DKK'000	2017	2016	2017	2016
34. Shareholder Information The Group has registered the following shareholders holding more than 5% of the voting rights or nominal value of the share capital:				
ES Holding Frederikshavn ApS, CVR no 29325731, Bøgevej 11, DK-8370 Hadsten	25.1	25.1	68.8	68.8
Investeringsforeningen Fundamental Invest, CVR no. 25709675	6.1	5.3	2.7	2.2

Roblon A/S is comprised by the consolidated financial statements of ES Holding Frederikshavn ApS.
The financial statements are publicly available from the Danish Business Authority. (www.cvr.dk).

35. Events after the balance sheet date

No significant events have occurred after the balance sheet date of 31 October 2017 of significance to the annual report.

Notes to the financial statements

36. Accounting policies

In addition to the description in note 1, the accounting policies are set out below.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group/the parent company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when, as a result of a past event, the Group/the parent company has a legal or constructive obligation and it is probable that an outflow of economic benefits will be required to settle the obligation and the value of the obligation can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into consideration any gains, losses and risks that arise before the presentation of the annual report and that confirm or invalidate matters existing at the balance sheet date.

Income is recognised as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. In addition, expenses incurred to generate the income for the year are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals of amounts previously recognised in the income statement as a result of changed accounting estimates.

Discontinued operations and assets held for sale
Discontinued operations are significant business areas that have been sold or are held for sale in accordance with a single, co-ordinated plan.

The profit/loss from discontinued operations is presented as a separate income statement item consisting of operating profit after tax of the operations in question and any profit or loss on fair value adjustment or sale of the assets and liabilities related to the activity.

Non-current assets and groups of assets held for sale are presented separately as current assets in the balance sheet.

Liabilities directly related to the assets in question are presented as current liabilities in the balance sheet.

Non-current assets held for sale are not depreciated or amortised, but are written down to fair value less expected costs to sell where this is lower than the carrying amount.

Segment reporting
Segment information has been prepared in accordance with Roblon A/S's accounting policies and is based on the Group's internal management reporting.

Segment income, expenses and assets comprise items that can be directly attributed to individual segments and items that can be allocated to the individual segments on a reasonable basis.

Items not allocated mainly concern assets and liabilities as well as financial income and expenses and tax.

Non-current segment assets comprise assets used directly in the operating activities of the segment, including intangible assets and property, plant and equipment.

Current segment assets comprise assets directly related to the segment's operating activities, including inventories, trade receivables and payables.

Transactions between segments are priced at estimated market value.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the parent company, Roblon A/S, and any subsidiaries in which Roblon A/S has control over the company's financial and operating policies so as to obtain returns or other benefits from its activities. Control is achieved by directly or indirectly owning or having disposal of more than 50% of the voting rights or otherwise having control of the company in question.

When assessing whether Roblon A/S has control or significant influence, de-facto control and potential voting rights that are real and substantive at the balance sheet date are taken into account.

The consolidated financial statements are prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, prepared in accordance with the Group's accounting policies with elimination of intra-group income and costs, shareholdings, balances and dividends as well as realised and unrealised profits on transactions between the consolidated businesses.

Financial statement items of subsidiaries are recognised 100% in the consolidated financial statements.

Business combinations
Newly acquired or newly formed businesses are recognised in the consolidated financial statements from the acquisition date. Comparative figures are not corrected for newly acquired businesses. Discontinued operations and assets held for sale are presented separately.

On acquisition of new businesses in which the Group assumes control over the acquired business, the purchase method is applied. The identifiable assets, liabilities and contingent liabilities of the acquired business are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they can be separated or if they arise from a contractual right. Deferred tax is recognised on the basis of the revaluations made.

The acquisition date is the date on which the Group actually assumes control of the acquired business.

Costs attributable to business combinations are recognised in other external costs in the year in which they are incurred.

If the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of purchase price is subject to uncertainty at the acquisition date, initial recognition will be based on a preliminary calculation of the values. If the identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities on initial recognition subsequently proves to have been incorrect, the calculation is adjusted retrospectively until 12 months after the acquisition, and comparative figures are restated.

Notes to the financial statements

Profits or losses on disposal of subsidiaries and associates are stated as the difference between the selling price or the proceeds from the winding-up and the carrying amount of net assets, including goodwill, at the date of disposal and costs related to selling or winding-up.

FOREIGN CURRENCY TRANSLATION

A functional currency is determined for each of the reporting entities in the Group. The functional currency is the currency used in the primary financial environment in which the reporting entity in question operates. Transactions in currencies other than the functional currency are transactions in foreign currency.

On initial recognition, transactions in foreign currency are translated to the functional currency at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the exchange rate at the payment date are recognised in the income statement as financial income or expenses.

Receivables, payables and other monetary items in foreign currency are translated to the functional currency at the exchange rate at the balance sheet date. The difference between the exchange rate at the balance sheet date and the exchange rate at the time the receivable or debt arose or the exchange rate in the most recent annual report is recognised in the income statement as financial income or expenses.

On recognition in the consolidated financial statements of subsidiaries with another functional currency than DKK, income statement and other comprehensive income items are translated at the exchange rates at the transaction date and balance sheet items are translated at the exchange rates at the balance sheet date. The average exchange rate for the individual month is used as the exchange rate at the transaction date to the extent that this does not produce a significantly different outcome.

Foreign exchange differences arising on translation of these businesses' opening equity to the exchange rate at the balance sheet date and on translation of income statements from the exchange rate at the transaction date to the exchange rate at the balance sheet date are recognised in other comprehensive income as a separate currency translation reserve under equity.

INCOME STATEMENT

Revenue
Revenue from the sale of goods for resale and finished goods is recognised in profit/loss when transfer of risk to the buyer has taken place.

Other operating income and expenses
Other operating income and expenses comprise items secondary to the principal objective of the company.

Cost of sales
Costs comprise raw materials and consumables used in the manufacturing process to generate revenue. Raw materials and consumables used in capitalised development projects are set off against the item.

Other external costs
Other external costs mainly comprise selling and distribution costs, maintenance costs, costs of premises and administrative expenses. Other external costs also comprise external costs relating to development projects for own account that do not qualify for capitalisation.

Development projects for own account
Development costs for own account are incurred where a project is launched before an agreement is reached with a third party to co-fund the development project. Development costs are generally recognised in the income statement when incurred. For development projects marketed in the form of new products in a potential market and where the development projects are clearly defined, development costs are capitalised.

Staff costs
Staff costs comprise costs for production staff as well as sales, procurement, development and administrative staff.

Financial income and expenses
Financial income and expenses comprise interest, foreign exchange gains and losses and impairment losses on debt and transactions in foreign currencies, amortisation of financial assets and liabilities and surcharges and allowances under the tax prepayment scheme, etc.

Distributions of profits in subsidiaries are recognised in the parent company's income statement in the financial year in which the dividend is declared. If the distributed amount exceeds the comprehensive income of the subsidiary for the period, an impairment test is performed.

Tax
Tax on the profit for the year comprises the year's current tax and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to items recognised in other comprehensive income is recognised in other comprehensive income.

The current tax charge for the year is calculated based on the tax rates and rules applicable at the balance sheet date.

Roblon A/S is jointly taxed with the parent company. The current Danish income tax liability is allocated among the jointly taxed companies in proportion to their taxable income (full absorption with refunds for tax losses). It has not yet been decided whether Roblon US Inc. will be included in the joint tax scheme with the parent company.

BALANCE SHEET

Intangible assets
Intangible assets are measured at the lower of cost less accumulated amortisation and impairment and the recoverable amount.

Development costs comprise costs, wages and salaries directly attributable to the Group's development activities. Any interest expenses on loans to finance development projects are included in cost if they relate to the development period.

Development projects that are clearly defined and identifiable, and where the technical utilisation degree, sufficient resources and potential future market or development opportunities in the Group are evidenced, and where the Group intends to produce, market or use the project, are recognised as intangible assets if it is probable that the product or the process will generate future economic benefits for the Group and the development costs of the individual asset can be measured reliably. Those of the Group's development costs that do not meet the above capitalisation criteria are taken to profit/loss during the year in which they are incurred.

Notes to the financial statements

Once completed, development projects are amortised on a straight-line basis over their estimated economic lives. The amortisation period of capitalised projects has been set at five years.

Development projects are tested for impairment annually.

Trademarks and other intangible assets acquired in business combinations are measured at cost less accumulated amortisation and impairment losses.

Trademarks are amortised on a straight-line basis over 10 years and tested for impairment annually.

Property, plant and equipment
Land and buildings, plant and machinery and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is ready for use. The cost of assets manufactured by the Group comprises direct and indirect costs of materials, components, subsuppliers and labour. Any interest expenses on loans to finance the manufacture of property, plant and equipment are recognised in cost if such expenses relate to the production period.

Property, plant and equipment is written down to the lower of the recoverable amount and the carrying amount.

The basis of depreciation is cost less residual value. Depreciation is calculated on a straight-line basis over the expected useful lives, which are as follows:

Buildings	25 years
Significant modifications to buildings	5 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-5 years

Profits and losses on the divestment of property, plant and equipment are determined as the difference between the selling price less divestment costs and the carrying amount at the date of divestment. Profits or losses are recognised in the income statement under other operating income and expenses.

Impairment testing of non-current assets
The carrying amount of non-current intangible assets and property, plant and equipment is tested for evidence of impairment at least annually. When there is evidence that an asset may be impaired, the recoverable amount of the asset is determined.

The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

Whether or not any evidence of impairment has been determined, development projects and other intangible assets are tested for impairment annually.

An impairment loss is recognised where the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount of the asset or cash-generating unit.

Investments in subsidiaries in the annual report of the parent company
Investments in subsidiaries are measured at cost. Where the recoverable amount is lower than cost, the investments are written down to this lower value.

Inventories
Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The cost of raw materials and consumables comprises the purchase price plus delivery costs.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct labour and indirect production costs. Indirect production costs comprise indirect materials and labour costs as well as maintenance and depreciation of production machinery, buildings and equipment.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and developments in the expected selling price.

Receivables
Receivables comprise trade receivables as well as other receivables.

On initial recognition, receivables are measured at fair value and subsequently at amortised cost, usually corresponding to the nominal value less provision for bad debts.

Marketable securities
Marketable securities relate to available-for-sale financial assets and comprise listed bonds and equities.

On initial recognition, the item is measured at fair value at the settlement date with the addition of costs directly attributable to the acquisition. The assets are subsequently measured at fair value at the balance sheet date (equal to market price), and changes in the fair value are recognised in other comprehensive income. When the assets are sold or settled, prior year adjustments are reversed through profit/loss.

Other provisions
Provisions are recognised when, as a consequence of an event occurring before or at the balance sheet date, the company has a legal or constructive obligation, and it is probable that there may be an outflow of economic benefits to meet the obligation.

Operating leases
Operating lease payments are recognised in profit/loss on a straight-line basis over the lease term.

Liabilities
Current liabilities, which comprise trade payables and other payables, are measured at amortised cost, usually corresponding to nominal value.

Income tax
Current tax payable and receivable is recognised in the balance sheet as the tax charge on the taxable income for the year, adjusted for tax paid on account.

Notes to the financial statements

Deferred tax
Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax assets are recognised in the amount at which they are expected to be utilised as set-off against deferred tax liabilities. Deferred tax is measured on the basis of the tax regulations and rates that, according to the applicable legislation at the balance sheet date, will apply at the time the deferred tax is expected to crystallise as current tax. With regard to changes in deferred tax resulting from changes in tax rates, the part relating to profit/loss for the year is recognised in the income statement, and the part relating to items recognised in other comprehensive income is recognised in other comprehensive income.

Statement of cash flows
The statement of cash flows is prepared according to the indirect method based on operating profit (EBIT) as set out in the income statement. The statement of cash flows indicates how the three activities set out below have impacted cash and cash equivalents for the year.

Cash flow from operating activities comprises EBIT, adjusted for non-cash operating items, changes for the year in working capital and income tax paid.

Cash flow from investing activities comprises cash flows from purchase and sale of intangible assets, property, plant and equipment and financial assets.

Cash flow from financing activities comprises cash flows from, e.g. shareholder dividends, purchase and sale of treasury shares and subscription of employee shares.

Cash and cash equivalents comprises cash and bank deposits.

Definitions of financial ratios

RATIOS

Earnings per share (EPS) and diluted earnings per share (EPS-D) are calculated in accordance with IAS 33. Other financial ratios are calculated in accordance with "Recommendations and Ratios 2015" issued by the Danish Society of Financial Analysts.

The key figures and ratios set out in Financial highlights are calculated as follows:

Book-to bill ratio	Order intake / revenue
Gross profit	Revenue less cost of sales
Gross margin	Gross profit as a percentage of revenue
EBIT margin	Operating profit as a percentage of revenue
ROIC/return on average invested capital	Operating profit (EBIT) as a percentage of average invested capital. Invested capital comprises equity and income tax less cash and cash equivalents and securities
Equity ratio	Equity as a percentage of total assets at year end
Return on equity	Profit after tax as a percentage of average equity
Gross profit per full-time employee	$\frac{\text{Gross profit}}{\text{Average no. of full-time employees}}$
Earnings per DKK 20 share (EPS)	Profit after tax divided by average number of shares (excluding treasury shares), calculated in accordance with IAS 33
Price/earnings ratio (PE)	Market price divided by earnings per DKK 20 share
Payout ratio	Total dividends as a percentage of profit on ordinary activities after tax
Cash flows per DKK 20 share	Cash flows from operating activities divided by average no. of shares (excluding treasury shares)
Book value of shares	Equity divided by no. of shares at year end (excluding treasury shares)
Price/book value	$\frac{\text{Quoted year-end market price}}{\text{Book value of shares}}$
Market capitalisation	No. of shares multiplied by quoted year-end market price

Design and production: www.noted.dk

Roblon

Roblon A/S
Nordhavnsvej 1
DK-9900 Frederikshavn
Denmark

Tel.: +45 9620 3300
Email: info@roblon.com

roblon.com