Roblon

Annual report 2019/2020

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Overview

Highlights

The Roblon Group realises revenue and earnings in line with latest guidance

Selected financial highlights

- Order intake of DKKm 242.4 (DKKm 250.8).
- Revenue of DKKm 254.6 (DKKm 267.2).
- Operating profit (EBIT) from continuing operations of DKKm 35.8 (a loss of DKKm 22.4) and an operating loss of DKKm 8.7 ex. Senvion (a profit of DKKm 1.4).
- Operating profit before amortisation, depreciation and impairment (EBITDA) from continuing operations of DKKm 53.7 (a loss of DKKm 1.7) and DKKm 9.2 ex. Senvion (DKKm 12.5).
- EBIT margin of 14.1% (negative at 8.4%) and a negative 3.4% ex. Senvion (positive at 0.6%).
- Profit before tax from continuing operations of DKKm 35.8 (a loss of DKKm 19.7) and a loss of DKKm 8.4 ex. Senvion (DKKm 4.4).
- Loss before tax from discontinued operations of DKKm 3.1 (DKKm 0.0).
- Net profit for the year after tax of DKKm 24.0 (a net loss of DKKm 14.6).
- Return on invested capital (ROIC) before tax of 22.4% (negative at 15.4%) and negative at 5.4% ex. Senvion (positive at 1.0%)
- Earnings per class B share of DKK 14.8 (negative at DKK 8.2) and negative at DKK 4.0 ex. Senvion (positive at DKK 2.1).
- Cash inflow from operations for the year of DKKm 65.6 (an outflow of DKKm 35.6) and an inflow of DKKm 21.1 ex. Senvion (an outflow of DKKm 11.8).

Highlights

The Group's 2019/20 performance was heavily affected by the settlement with Senvion and by COVID-19 during the financial year:

- In December 2019, a settlement was reached with wind turbine manufacturer Senvion and its subsidiary Ria Blades. In May 2020, Roblon received a settlement amount of USDm 6.6, or DKKm 45.3.

- The Group's order intake, revenue and profit were adversely effected by the COVID-19 pandemic in the second half of the year.

- Revenue was down 4.7% to DKKm 254.6 (DKKm 267.2) for the full year 2019/20. In the first half, revenue rose 27% to DKKm 142.0 (DKKm 112.2). Revenue was down 27% in the second half to DKKm 112.6 (DKKm 155.0).

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

- The expansion of capacity in Roblon US was delayed by COVID-19.

- Likewise, the expected productivity increase in the second half in the Danish FOC production was not realised as a result of COVID-19.

Based on the net profit for 2019/20 and expected profit for and planned investments in 2020/21, the Board of Directors proposes to the company in general meeting that no dividend be distributed for the year.

Outlook

Profit guidance

Management expects Roblon's revenue and operations to continue to be adversely affected by COVID-19 in the coming financial year 2020/21, particularly in the first half.

The effects of COVID-19 are still not fully known. For example, the situation in South America causes uncertainty concerning order intake and requested delivery dates for known projects in the Composite product group. Management has therefore lowered its expectations with respect to project order revenue, which is expected to be below the year-earlier period in 2020/21, and particularly in the first half of the financial year.

In the FOC product group, revenue is expected to rise in 2020/21, particularly in the second half. Growth is expected to be generated through the continuing expansion of production capacity in Roblon US and the introduction of new products developed in collaboration with strategic customers, particularly in the US and European markets. Earnings are also expected to benefit from the productivity-enhancing activities initiated in the past financial year.

2020/21 earnings are expected to be adversely affected by product mix issues and increased depreciation resulting from completed and planned investments in production capacity.

In 2019/20, Roblon implemented measures and planned additional measures for 2020/21 that are expected to drive earnings growth in 2020/21 and subsequent years:

- Completion of measures to expand production capacity and enhance productivity in FOC US.
- Completion of the trimming of the customer and product portfolio in FOC EMEA.
- Market introduction of Rod to FOC customers in EMEA.
- General cost adjustments.

Profit guidance for 2020/21:

- Revenue in the range of DKKm 260-280 (DKKm 254.6).
- Operating profit before amortisation, depreciation and impairment (EBITDA) in the range of DKKm 5-13 (DKKm 53.7) (DKKm 9.2 ex. Senvion).
- Loss before tax in the range of DKKm 19-11 (profit of DKKm 35.8) (loss of DKKm 8.4 ex. Senvion).

For Q1 2020/21, Management forecasts revenue in the range of DKKm 40-45, an operating loss before amortisation, depreciation and impairment (EBITDA) in the range of DKKm 11-9 and a loss before tax in the range of DKKm 19-17.

Roblon has developed and focused its core business on delivering high-performance fibre solutions and technologies, and the Group has established a strong foundation for future growth. Management believes that the Group has created a solid platform with strategic customers. This, combined with the implemented measures to drive earnings and a high level of investment in production capacity, supports Management's confidence that the Group will be able to achieve its financial objectives, assuming normal economic conditions. Accordingly, the targets of annual revenue growth of at least 15%, an EBIT margin of at least 10%, annual EPS growth of at least 15% and a return on invested capital (ROIC) before tax of at least 20% are maintained from 2021/22 onwards.

Foreign exchange projections

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

The projections for 2020/21 are based on the following foreign exchange assumptions:

- USD/DKK 635
- EUR/DKK DKK pegged to EUR at existing rate

Head office building put up for sale

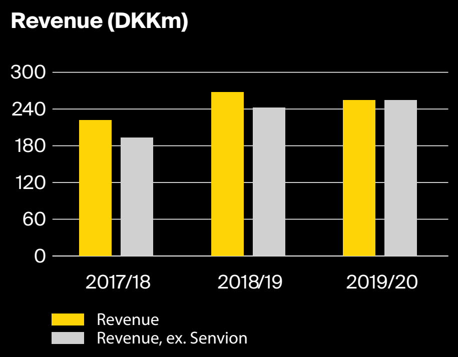
In the past financial year, Roblon decided to initiate a prospective sale of the Group's head office in Frederikshavn. After the sale, the Group's Danish activities will be centred at Roblon's facilities in Gærum, which currently house production and various administrative functions. As well as generating positive synergies in the day-to-day operations, this initiative is also expected to have a positive impact on Roblon's results and equity going forward. Relevant prospective buyers have shown an interest in the property, but the sales process has been hampered somewhat by the COVID-19 situation.

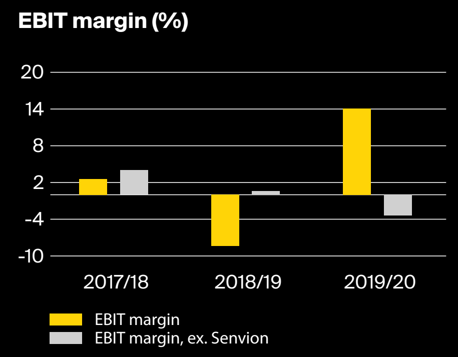
Forward-looking statements

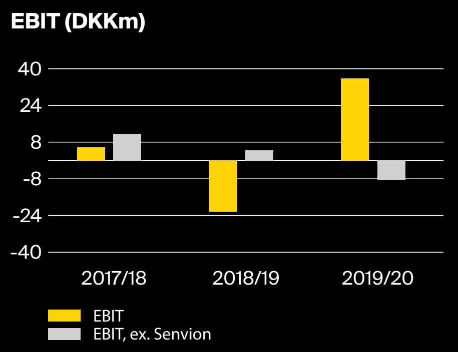
Please note that short-term forecasts are subject to a high degree of uncertainty in light of all markets being affected by COVID-19.

Roblon's sales structure is 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.

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 actual results may consequently 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.







Financial highlights

	Unit	2019/20	2018/19	2017/18	2016/17	2015/16
Orders						
Order intake, continuing operations	DKKm	242.4	250.8	226.9	220.4	173.8
Order book, continuing operations	DKKm	24.8	35.8	54.7	48.9	28.8
Income statement						
Revenue, continuing operations	DKKm	254.6	267.2	221.8	198.6	161.3
Revenue, discontinued operations	DKKm	-	-	27.2	98.4	90.3
Revenue, total	DKKm	254.6	267.2	249.0	297.0	251.6
Gross profit, continuing operations	DKKm	131.1	122.6	108.0	104.6	87.9
Operating profit before amortisation, depreciation and impairment (EBITDA), continuing operations	DKKm	53.7	-1.7	15.9	27.6	36.2
Operating profit/loss (EBIT), continuing operations	DKKm	35.8	-22.4	5.8	19.6	26.0
Net financial items, continuing operations	DKKm	-	2.8	3.8	2.0	0.7
Profit/loss before tax from continuing operations	DKKm	35.8	-19.7	9.6	21.6	26.7
Profit/loss before tax from discontinued operations	DKKm	-3.1	-	8.8	5.9	-1.3
Total profit/loss before tax	DKKm	32.7	-19.7	18.4	27.5	25.4
Profit/loss for the year from continuing operations	DKKm	26.5	-14.6	7.7	15.6	20.9
Profit/loss for the year from discontinued operations	DKKm	-2.4	-	6.9	4.6	-0.9
Total profit/loss for the year	DKKm	24.0	-14.6	14.5	20.2	20.0
Balance sheet						
Cash and securities	DKKm	83.4	54.1	122.3	100.8	119.0
Assets	DKKm	284.5	271.6	290.8	306.4	300.6
Working capital	DKKm	73.7	87.2	55.9	50.9	31.8
Share capital	DKKm	35.8	35.8	35.8	35.8	35.8
Invested capital	DKKm	159.5	160.3	131.1	111.3	73.3
Equity	DKKm	238.2	216.0	248.3	252.3	251.8
Cash flows						
Cash flow from operating activities	DKKm	65.6	-35.6	37.1	33.0	28.1
Cash flow from operating activities (ex. Senvion)	DKKm	21.1	-11.8	39.1	-	-
Cash flow from investing activities	DKKm	-51.7	38.3	-22.2	-27.5	-38.7
Of which investment in marketable securities	DKKm	-25.1	61.1	-26.5	7.1	-31.8
Of which investment in property plant and equipment	DKKm	-23.2	-14.2	6.0	-9.3	-4.0
Cash flow from financing activities	DKKm	9.3	-11.2	-17.9	-17.9	-17.9
Depreciation, amortisation and impairment, total	DKKm	-17.9	-20.8	-10.4	-10.1	-9.6
Cash flow for the year	DKKm	4.6	-8.5	-3.0	-12.4	-28.4

	Unit	2019/20	2018/19	2017/18	2016/17	2015/16
Key figures						
Book-to-bill ratio	%	95.2	93.9	102.3	111	107.7
Revenue growth, continuing operations	%	-4.7	20.4	11.7	23.1	19.8
Gross margin	%	51.5	45.9	48.7	52.7	54.5
EBIT margin	%	14.1	-8.4	2.6	9.9	16.1
EBIT margin (ex. Senvion)	%	-3.4	0.5	4.0	-	-
ROIC/return on average invested capital	%	22.4	-15.4	4.7	21.2	36.4
ROIC/return on average invested capital (ex. Senvion)	%	-5.4	1.0	6.4	-	-
Equity ratio	%	83.7	79.5	85.4	82.4	83.8
Return on equity	%	10.6	-6.3	5.8	8.0	8.0
Return on equity (ex. Senvion)	%	-4.6	1.8	6.4	-	-
Working capital, % of revenue, continuing operations	%	29.0	32.6	25.2	25.6	19.7
Employees						
Average no. of full-time employees	No.	193	171	96	87	80
Gross profit per full-time employee	DKKm	0.7	0.7	1.0	1.2	1.1
Per share ratios						
Earnings per DKK 20 share (EPS)	DKK	13.5	-8.2	8.1	11.3	11.2
Price/earnings ratio (PE)	DKK	13.1	-19.7	32.1	36.2	21.1
Payout ratio	%	-	-	123.1	88.5	89.4
Cash flow from operations per DKK 20 share	DKK	36.7	-19.9	20.7	18.5	15.8
Proposed dividend (% of nominal value)	%	-	-	50.0	50.0	50.0
Book value of shares	DKK	133.2	120.8	139.0	141.0	141.0
Quoted year-end market price	DKK	176.5	161.0	261.0	408.5	236.0
Price/book value		1.3	1.3	1.9	2.9	1.7

The stated per share ratios relate to B shares.

See Note 34 to the financial statements for financial ratio definitions and formulas.

Roblon at a glance

Over the past six decades, Roblon has amassed a wealth of knowledge about the use, development and manufacturing of high-performance fibre solutions and related technologies.

Over the years, the Group has established a strong and recognised brand and has developed from a manufacturer of rope and rope-making equipment to now being in a position to use this knowledge in a number of fibre-based strength element solutions that form part of end products in the telecommunications, offshore oil & gas, wind energy and other industries.

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

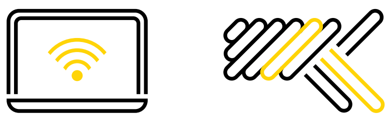
Roblon is headquartered in Frederikshavn and has production facilities in Gærum (Denmark) and Hickory, North Carolina (USA).

Business

Business scope

Highly processed synthetic fibres are a key element of Roblon's DNA and the cornerstone of the Group's development through its long history. We possess extensive specialist knowledge about the properties and processing of fibres, and we use this know-how to manufacture advanced and customised products for our customers.

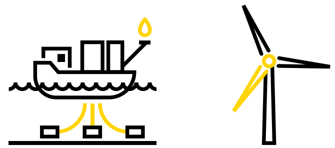
Roblon's business activities include the development, production and sale of coated and extruded fibre solutions primarily used as strength elements in the fibre optic cable industry and in the energy sector – both of which are enjoying global growth, which is expected to continue in the future.



Telecommunications – fibre optic cable industry

We target our products to the fibre optic cable industry, where the demand for fibre optic cables is driven in part by the users' constant demand for faster data transfer, mobility, access to data networks, etc.

Roblon processes synthetic fibres used as strength members in finished fibre optic cables, connecting data networks globally. Roblon adds value to the reinforcement fibres, primarily made of fibreglass, aramid or polyester, by applying a functional coating to them. Roblon is continually developing coatings, production technologies and processes. Roblon's products add strength to the finished cable, protecting the optical fibres by adding water-blocking and rodent-resistance properties to them. The Group supplies a wide range of the components used to construct and design the cable, depending on the requirements for the cable's durability and function.



Energy, offshore oil & gas, wind and energy transmission (subsea)

For numerous years, the Group has been a supplier of various types of coated tape and straps used in offshore oil and gas drilling and exploration. The products are used both as integral strength members in oil and gas cables and for fastening, stabilising and strengthening other elements used in offshore drilling from rigs or ships.

Roblon manufactures products defined by their low weight, high strength and durability.

In 2019, we launched a newly developed composite strength element for energy cables. Like most other products in Roblon's portfolio, we developed this strength element in close collaboration with the customer, one of more leading global cable manufacturers. Among other applications, the product is used as a strength element in subsea energy and data transmission cables.

Business model

The Group's products are made to order based on the customer's detailed and specific requirements.

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

Resources

Employees
Some 200 employees with specific industry/professional experience and a set of values focused on innovation and quality

Technology and process know-how
60 years of experience in refining high-performance fibres and developing technology and production equipment and process know-how

Knowledge network
Value-adding partnerships with universities and key suppliers on ensuring innovation and competitiveness

Core business

High-performance fibre solutions

Raw materials

Aramid / Fibreglass / Polyester / Carbon fibre

Processing

Winding, Extrusion, Drying, Coating

Documentation and transportation

Testing, Certificates, Transportation

Customer segments

Fibre Optic Cables
Roblon offers a wide range of products to manufacturers of fibre optic telecommunication cables

Wire & Cables
Roblon's strength members are applicable for various Wire & Cable designs

Offshore Oil /Gas
Coated fibre products, including tapes, straps and ropes, used in connection with offshore exploration and production of oil/gas

Energy
Energy sector customers are increasingly replacing traditional steel reinforcement with sustainable fibre solutions

Value creation

Roblon wants to be the preferred business partner and to create lasting value for our stakeholders:

Customers
We are a trustworthy, innovative and value-adding business partner for customers demanding the highest quality, durability and safety standards

Environment and local communities
With increased consideration for the environment and using risk assessments, we manufacture products and support developments in the local community in which we are present

Employees
We offer an attractive and stimulating workplace committed to a high level of employee satisfaction and healthy values

Shareholders
Our investments in production, products and employees generate solid long-term returns for our shareholders

Strategy

Roblon announced its five-year strategy for 2016-2021 in the autumn of 2016

Roblon is now four years into the five-year strategy period:

- We have developed and focused our core business on delivering high-performance fibre solutions and technologies to customers who demand the highest quality, durability and safety standards.
- We have acquired new business in the core business area.
- We have sold two business entities.
- We have introduced a new ERP system, developed our organisation and reorganised our business structure to prepare the Group for future growth.

Mission

Roblon is a global, innovative company developing and supplying competitive high-performance fibre solutions and technologies to customers who demand the highest quality, durability and safety standards.

Vision

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

Strategy

Continually growing our sales drive targeting strategic customers

Product development in close collaboration with strategic customers

Focus on competitiveness
- Productivity and efficiency
- Supply Chain / Logistics

Roblon's financial targets

Within the strategy period, the Group's aim is to **create a basis** for achieving the following financial ratios, assuming normal economic conditions.

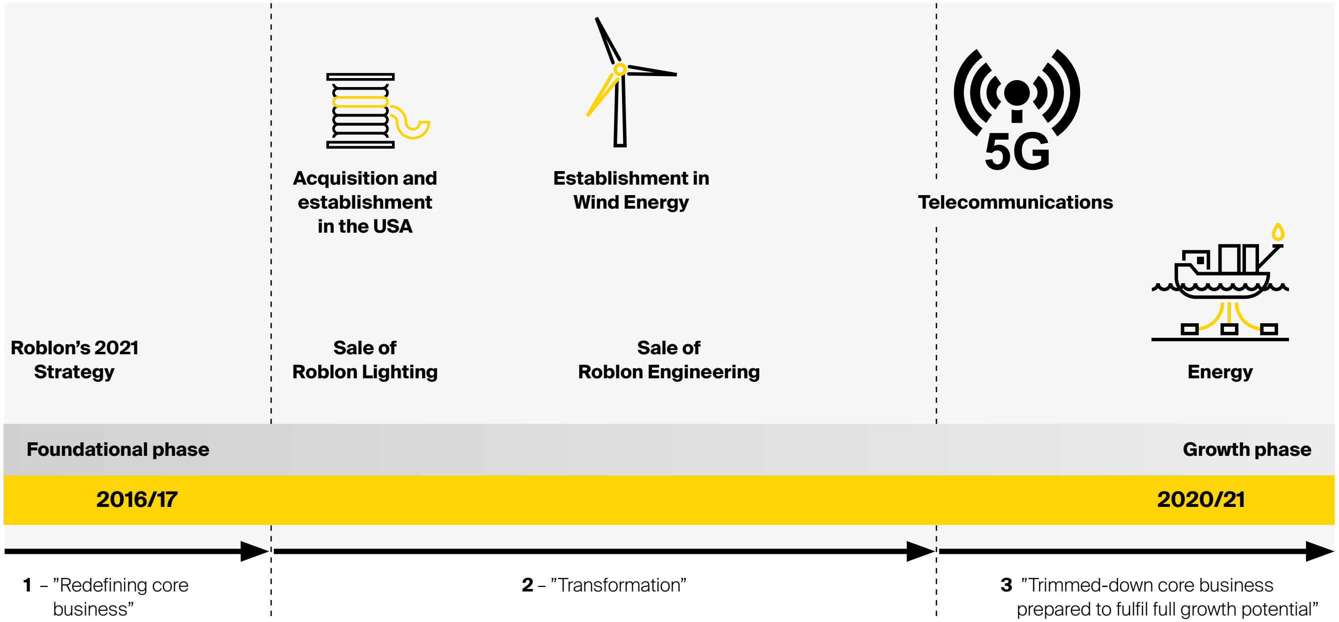
Average annual revenue growth of at least	15%
An average annual EBIT margin of at least	10%
Average annual EPS growth of at least	15%
A return on invested capital (ROIC) of at least	20%

Our ongoing sales and development efforts during the strategy period have strengthened the business. The following should be emphasised:

- Strong exposure in Telecommunications (cable materials for fibre optic cable manufacturers) and Energy and Submarine Energy Transmission (for example energy cables) – industries that are expected to see strong global growth rates in the coming years.
- Establishment of production and sales facilities in close proximity to key customers in the USA, facilitating optimal servicing of these. Similar measures have been planned and are being executed in Europe.
- Launch of new products using ground-breaking sustainable production processes with reduced energy consumption and sustainable fibre products replacing traditional steel reinforcement.

In 2019/20, Roblon was adversely affected by COVID-19 in several ways. Despite this, the Group is well positioned for future growth, and Management believes that we have established a solid platform with our strategic customers.

Execution of strategy



Transformation
- Sale of Roblon Lighting and the rope-making division
- Acquisition and establishment in the USA (FOC)
- Acquisition and conclusion of wind energy contract (Composite)
- New ERP platform / business structure / organisation around core processes

Trimmed-down core business prepared to fulfil full growth potential
- Identification and development of new industry segments (Composite)
- Enhanced competitiveness and improved productivity and product range (FOC)
- Further digitalisation of business processes
- Ongoing evaluation of potential business acquisitions for the core business

Markets and products

Roblon’s identified market potential is around DKKm 3,000: DKKm 2,500 in the FOC product group and DKKm 500 in the Composite product group.

Fibre optic cable industry (FOC) product group

The fibre optic cable manufacturing industry is seeing strong growth, among other reasons due to the roll-out of infrastructure to support 5G telecommunications. The industry is transparent, competitors and customers being well known. Several of the major global fibre optic cable manufacturers have in recent years made significant investments in capacity enhancements, in the form of new production facilities and equipment.

The fibre optic cable manufacturing industry comprises some 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 Prysmian Group, Corning Optical Communications, Commscope, OFS/Furukawa, Superior Essex, Nexans, AFL/Fujikura.

Along with Roblon, Fiber-line (US), Indore Composite (IND) and Coats/Gotex (E) are considered some of the leading suppliers of components to the fibre optic cable industry. In addition to these, there are a number of smaller, more regional suppliers of selected cable components.

The total annual market potential has been determined to be DKKm 2,500. The distribution on markets and product categories is illustrated in the chart below.

Suppliers	Fibre optic cable manufacturers	Telecommunications providers
Produce and sell materials for use in fibre optic cables	Producing fibre optic cables	Providing Internet and telecommunications services
Roblon	AFL/FUJIKURA	AT&T
Other suppliers	COMMSCOPE	BRITISH TELECOM
	CORNING OPTICAL COMMUNICATIONS	T-MOBILE
	NEXANS	VERIZON
	OFS/FURUKAWA	
	PRYSMIAN	
	SUPERIOR ESSEX	

Section of value chain – Fibre optic cable industry

Market potential

By markets

By product categories

The three market regions are approximately equal in size, but their current growth rates differ. The greatest general market growth is currently seen in Americas (mainly North America). Rod is by far the largest product category – and also the one with the highest growth rate. A large propoertion of Roblon's revenue and earnings growth is expected to be generated through an increased share in this market, supported by:

- Roblon's US subsidiary, Roblon US, is centrally located in the FOC cluster in North and South Carolina, in close proximity to the largest customers.
- US FOC manufacturers are increasingly placing their business with domestic manufacturers of cable materials, i.e. Roblon and Fiber-line. Traditionally, more than 80% of these materials were imported from India and China, but customs tariffs and increased focus on management and risk mitigation in the supply and value chains are creating a surge in demand for Roblon's products.
- Roblon DK has for decades focused mainly on EMEA and mainly on the product categories Flex Glass and Polyester Binder Yarn (PBY). With Rod seeing an increased market penetration in the Americas, Roblon will in 2021 launch Rod in EMEA as well, primarily focusing on Roblon's core customers in this region.
- In accordance with the strategy plan, Roblon has in the past year invested in production equipment in the US in order to increase productivity and capacity. Similarly, since summer 2020, we have worked on developing a new production set-up in Denmark with a view to achieving further improvements in the Group.

Composite product group

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

Roblon's offshore-related business is niche-driven, and the Group collaborates with large, successful industry players.

The size of the market that Roblon addresses is around DKKm 500. Energy and Submarine Energy Transmission (for example energy cables) is not included in Composite's market worth as it is a new area whose market potential is difficult to assess at present. It is an industry that is expected to enjoy considerable global growth in the coming years and in which we will see increasing use of composite-based strength element solutions in replacement of existing steel-based strength element solutions.

As an element of the 2021 Strategy, the Group identifies new business opportunities in the Composite product group, based on the Group's existing high technology and competence levels.

Suppliers	**Manufacturers of offshore oil & gas equipment**	**Energy companies**
Producing and selling composite products used in flexible risers and other offshore applications	Producing and selling completed solutions for oil companies	Establishing and owning drilling rigs
Roblon	**BAKER HUGHES**	**CHEVRON**
Other suppliers	**BALMORAL**	**PETROBRAS**
	NATIONAL OILWELL VARCO	**SHELL**
	TECHNIP	**STATOIL**
	TRELLEBORG	

Section of value chain – the energy sector, offshore oil & gas

Product and business development

Developing new products for strategic customers and making relevant acquisitions in the value chain within the core business area are Roblon's principal growth drivers.

Roblon pursues continuous product development in close collaboration with selected strategic customers. These collaborations are continually expanded through the core processes of innovation and product development as well as through key account management.

For example, in 2018/19, Roblon launched a fibre-based composite which is a central strength element in energy cables. The first delivery was made over a 12-month period and successfully completed in Q3 2019/20. These composite products are used in a rapidly expanding industry segment focusing on energy and data transmission. This expansion is expected to continue in the years ahead.

For the past three years, Roblon has been engaged in developing new products based on carbon fibres. Carbon fibres possess a range of functional properties that in a finished composite product offer unique reinforcement applications in extreme environments.

In the financial year 2019/20, Roblon US launched an existing product manufactured in a new, state-of-the-art sustainable production process. With this new production technology, we are able to reduce energy consumption in the production process by 75% while maintaining the high quality level and production functionality.

Roblon has invested in and developed high-tech machinery and equipment for the manufacture and handling of high-performance fibre solutions, enabling us to adapt to new markets and product areas.

In 2019/20, Roblon invested DKKm 5.6 (DKKm 7.5) in product development, corresponding to 2.2% (2.8%) of total revenue.

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. 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.

The Group's risk management approach is based on a defined 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 the chart on the right.

Strategic risks

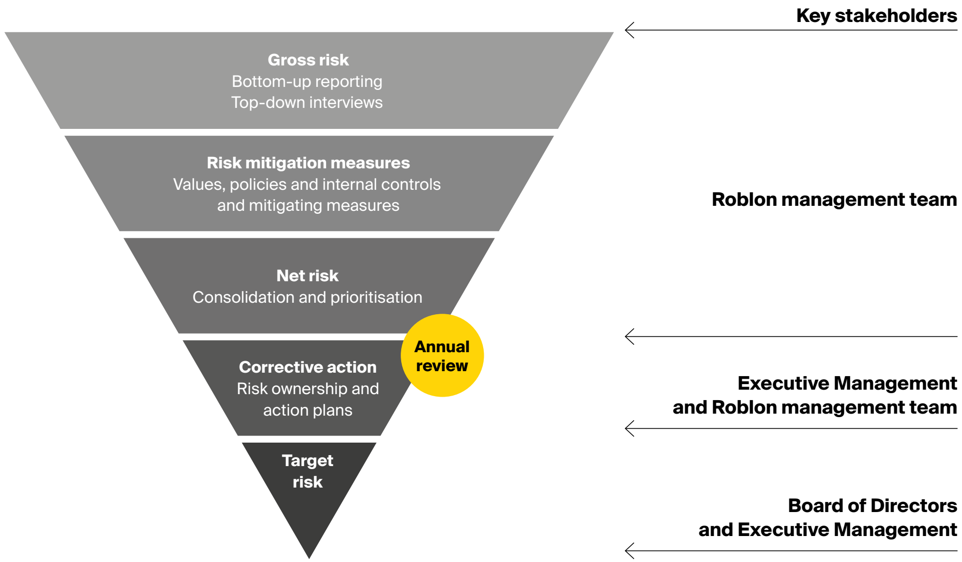
Market situation and competition: Roblon sells its products globally, with most of revenue being generated in Europe and North America. The Group is basically a niche player, differentiating itself from its competitors in terms of know-how, quality and flexibility. Roblon generally has long-standing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

The Group is sensitive to economic developments in the countries where Roblon's products are sold, but the geographical diversification on countries and continents is deemed to be adequate.

The markets in which the Group operates are not subject to significant seasonality, but 30-40% of the business is characterised by a structure based on project sales.

Customer relations: The Group's products are primarily sold directly to Roblon's customers and mainly to large, international and global groups and to a lesser extent to small and medium-sized companies. The customer portfolio is trending towards fewer, bigger customers.

Governance structure – risk management



Operational risks

Suppliers: Roblon is dependent on suppliers, mainly in Europe, the USA and Asia, and seeks to maintain long-term relationships with these. 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: The Group takes a continuous, structured approach to employee well-being and development. Our efforts focus on ensuring general work motivation and ongoing development of our employees' skills, among other things.

IT risk: The Group works continually to reduce these risks through its IT security guidelines and policy as well as technical security controls. In addition to these measures, the Group regularly holds internal information meetings and periodically arranges training and skills development activities to draw everyone's 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 to ensure 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.

Accordingly, an insurance programme has been established for the Group, which includes all-risk consequential loss insurance, professional liability, product liability and cybercrime insurance.

The Group annually reviews its insurance programme with an insurance broker and makes adjustments as required to support Roblon's development.

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 24 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.

Whistleblowing policy

Roblon has a whistleblowing policy to enable employees, former employees, customers, suppliers, business partners, shareholders and other stakeholders to report suspected unlawful or unethical conduct within the Roblon Group, such as: suspected financial crime, bribery, corruption, breach of competition law or environmental and climate regulation, discrimination or sexual harassment.

Financial performance

Matters of note in 2019/20

The Group's 2019/20 performance was heavily affected by two special circumstances during the financial year.

On the upside, we reached a settlement with wind turbine manufacturer Senvion and its subsidiary Ria Blades in December 2019. In May 2020, Roblon received a settlement amount of USDm 6.6, or DKKm 45.3. Pulling in the opposite direction, the Group's revenue and earnings fell short of the guidance at the beginning of the financial year, adversely affected by COVID-19. For Roblon, the effects were mainly seen in the second half of 2019/20. These special circumstances are discussed in more detail below:

COVID-19

The outbreak of COVID-19 and the resulting market limitations and consequences meant that growth conditions changed significantly, which had an impact on the second half of 2019/20.

Revenue was down 4.7% to DKKm 254.6 (DKKm 267.2) for the full year 2019/20. In the first half of the financial year, revenue rose 27% to DKKm 142.0 (DKKm 112.2). In the second half, revenue fell by 27% to DKKm 112.6 (DKKm 155.0). COVID-19 particularly affected market conditions in North and South America, two important markets for Roblon.

At present, most of the Group's composite-related business is derived from the oil and gas offshore industry in South America, including Brazil. Towards the end of spring 2020, Brazil was hit particularly hard by COVID-19, bringing expected projects to a standstill. This meant that expected project orders were suspended, but we expect them to be realised at a later date. This had an adverse impact on Roblon's revenue and results for 2019/20.

North American demand for products in the FOC product group is in strong growth, and Roblon's market position and competitiveness are good. In the financial year, demand exceeded the capacity and productivity of Roblon's US subsidiary, however. Towards the end of 2019, we initiated a process of procuring and installing essential production equipment and restructuring processes.

These improvements have been, and will continue to be, hampered by COVID-19, causing delays relative to the original schedule. Deliveries of essential machine parts for the improvement measures at Roblon's US factory were delayed. Travel restrictions in the period to October 2020 also took their toll, preventing the physical presence of critical competences from Roblon DK, and key employees at the US subsidiary were hit directly or indirectly by COVID-19. Likewise, the expected productivity increase in the second half in the Danish FOC production was not realised as a result of COVID-19.

The Group has furthermore incurred a number of additional expenses related to COVID-19, for example for recruitment of temporary staff as a result of increased sickness absence.

Senvion

In the annual report for 2018/19, it was announced that Roblon had signed a conditional settlement agreement with wind turbine manufacturer Senvion and its subsidiary Ria Blades on 20 December 2019. According to the settlement agreement, Roblon was to receive a settlement amount of USDm 6.6 upon completion of Siemens Gamesa Renewable Energy's conditional acquisition of Ria Blades and selected European assets from Senvion. Due to the inherent uncertainty about this acquisition, the settlement amount was not factored into Management's profit guidance for 2019/20.

The settlement amount covered Senvion's non-performance of contractual commitments towards Roblon under a three-year project contract.

In Company Announcement no. 5/2020 of 30 April 2020, Roblon stated that the conditional settlement agreement with Senvion had been realised, after which Roblon received a settlement amount of approximately DKKm 45.3. After deduction of legal and other costs, the remaining contribution to profit before tax was DKKm 44.2.

The Roblon Group's revenue and results adjusted for Senvion-related activities are set out in the table below.

The Group realised a loss before tax excluding Senvion of DKKm 8.4 (a profit of DKKm 4.4). The performance was adversely affected by COVID-19, which caused sales orders to be postponed, leading to reduced revenue and earnings. Furthermore, throughout the financial year, we focused on productivity-enhancing measures in the FOC product group, which is underperforming relative to the Group's earnings targets. Due to the COVID-19 situation, the full anticipated effects of these productivity-enhancing measures have not been achieved in the 2019/20 financial year.

Results, Roblon Group (continuing operations) ex. Senvion

	ROBLON GROUP		SENVION SHARE		RESULTS EX. SENVION	
DKKm	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Revenue	254.6	267.2	0.0	25.4	254.6	241.8
EBIDTA	53.7	-1.7	44.5	-14.2	9.2	12.5
EBIT	35.8	-22.4	44.5	-23.8	-8.7	1.4
Profit/loss before tax	35.8	-19.7	44.2	-24.1	-8.4	4.4

Financial statements 2019/20

Roblon reports on a single segment, disclosing information on revenue distribution on the following two product groups:

- **FOC** (cable components and cable machinery for the Fibre Optic Cables industry)
- **Composite** (composite materials for onshore and offshore industries)

Unless otherwise indicated, in the following the financial commentary is based on the 2019/20 consolidated financial statement figures with comparative consolidated financial statement figures for 2018/19.

Consolidated income statement

Q4 2019/20

The Group's order intake amounted to DKKm 45.7 in Q4 2019/20 (DKKm 46.6).

Total revenue amounted to DKKm 49.8 in Q4 2019/20 (DKKm 94.2). In Q4 2019/20, the Composite product group was down DKKm 39.5 and the FOC product group was down DKKm 4.9 on the year-earlier period. The decline was due to the mentioned effects of COVID-19 and a high level of activity in Q4 2018/19.

The gross profit amounted to DKKm 19.5, down DKKm 32.1 compared with a gross profit of DKKm 51.6 in Q4 2018/19. The gross margin for Q4 2019/20 was 39.2% (54.8%) , and the strong decline relative to the the year-earlier period was mainly due to an unfavourable product mix.

Staff costs amounted to DKKm 24.3 (DKKm 23.6). The increase was due to the recruitment of additional staff at the US factory and the fact that, at 6 November 2019, an additional 16 employees at the US factory were taken over from a former service and production partner. Relative to reported figures for Q1-Q3, this meant that production wages in the amount of DKKm 4.5 were reclassified from other external costs to staff costs.

EBIT was an operating loss of DKKm 11.6 (an operating profit of DKKm 17.7), for a negative EBIT margin of 23.3% against a positive margin of 18.8% for the same period last year.

The Group realised a loss before tax from continuing operations of DKKm 11.0 (a profit of DKKm 17.6).

In Q4 2019/20, cash flow from operating activities was an outflow of DKKm 0.3 (an inflow of DKKm 7.1). Cash flow from investing activities was an outflow of DKKm 5.5 (an inflow of DKKm 5.1), and cash flow from financing activities for Q4 2019/20 was an outflow of DKKm 0.7 (an outflow of DKKm 6.7).

Selected financial highlights, continuing operations

DKKm	Q4 2018/19	Q1 2019/20	Q2 2019/20	Q3 2019/20	Q4 2019/20
Order intake	46.6	92.3	63.0	41.4	45.7
Order book	35.8	54.4	48.8	28.2	24.8
Revenue	94.2	73.7	68.3	62.8	49.8
Operating profit/loss (EBIT)	17.7	4.1	47.3	-4.0	-11.6
Profit/loss before tax	17.6	4.9	46.1	-4.2	-11.0
EBIT margin	18.8%	5.6%	69.3%	-6.4%	-23.3%

2019/20

Sales activities and revenue performance

Revenue performance
Roblon's revenue fell 4.7% to DKKm 254.6 for the financial year (DKKm 267.2). The change was made up of a DKKm 11.9 increase in the FOC product group and a DKKm 24.4 decline in the Composite product group.

In the annual report for 2018/19, Management guided revenue of around DKKm 260-280 for the financial year 2019/20. Based on the revenue performance for the first half of 2019/20 and matters related to COVID-19, Management downgraded its full-year 2019/20 revenue guidance to the range of DKKm 250-270.

In Company Announcement no. 10/2020 of 30 October 2020, Roblon downgraded the profit guidance due to the adverse impacts of the COVID-19 situation. Management thus guided revenue of around DKKm 250 for full year 2019/20.

Realised revenue for 2019/20 was DKKm 254.6.

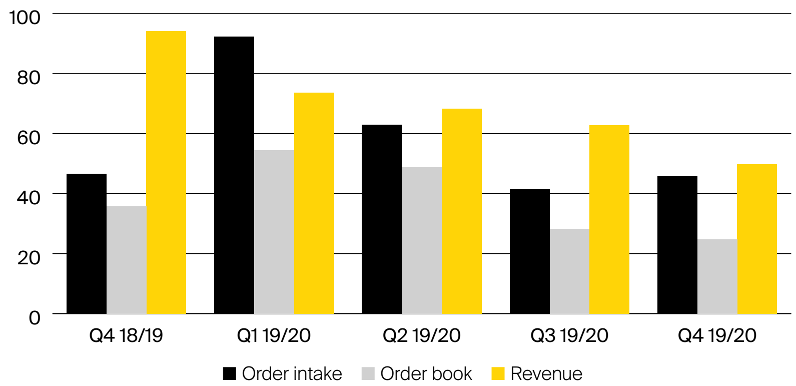
Sales performance and market developments

In the Composite product group, Roblon has for a number of years worked in close collaboration with selected customers in various industry segments. This ensures the ongoing development of new products and extensive knowledge of the requirements that are important to Roblon's customers and their customers. This has given Roblon a strong position in these areas. The Group's strategy is to continue strengthening the close collaboration with selected strategic customers.

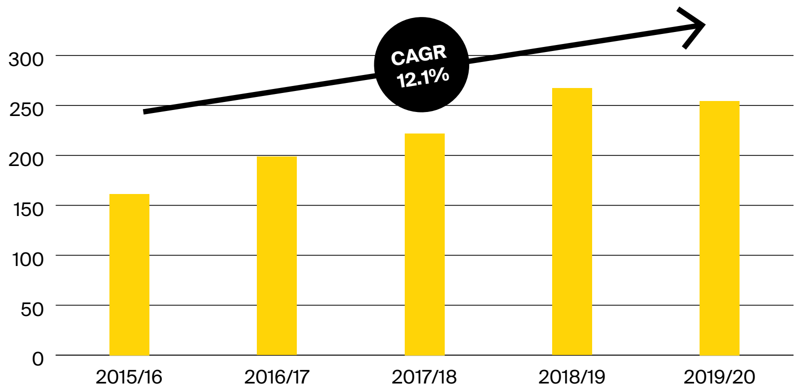
In the oil and gas industry, Roblon has for a number of years developed and sold specialised coated strength elements used in, among other things, flexible risers (oil pipes) and for protection and fastening of other products related to this segment. The level of activity has been rising since mid-2019, and this is expected to continue in the coming 3-5 years. However, since the end of spring 2020, the COVID-19 outbreak has put a temporary halt to this growth, as several of the markets serviced by Roblon have been particularly hard hit and projects have been postponed. The expectation is that these projects will be resumed once the COVID-19 situation is under control.

Other industries are an important element in Roblon's strategy, and Roblon is targeting other relevant industries, such as Energy and Submarine

The chart below illustrates the development in order intake, order book and revenue over the past five quarters until and including Q4 2019/20.



The chart below illustrates the development in revenue for the past five financial years.



*CAGR is the compounded annual growth rate.

Energy Transmission (for example energy cables) – industries that are expected to enjoy considerable global growth in the coming years.

For example, in July 2020, Roblon completed deliveries of the first major project of fibre-based strength element designed for use in sub-sea energy cables. This new product was developed in collaboration with one of the leading providers of energy cables and is yet another example that Roblon's close collaboration with customers, also in the technical area, enables us to develop high-market value customised solutions for our customers. This is an industry segment in strong growth, and Roblon expects more projects in the coming years.

The 2021 Strategy expresses an ambition of identifying and achieving the potential of the new industry segments in the Composite product group, in which Roblon can capitalise on its competences in offering fibre-based alternatives to traditional steel solutions. In order to further support these opportunities, Roblon has strengthened its organisation through the addition of necessary technical and commercial capabilities.

In the FOC product group, Roblon is focusing on sales performance and market developments and on improving competitiveness, both in accordance with the strategy plan with continued strong exposure in telecommunications (cable materials for fibre optic cable manufacturers), which is seeing strong growth globally.

The market growth is driven by an increasing demand for data transmission, new teleservice providers in the market and current investments in 5G technology. This made most of Roblon's customers embark on major investments in production capacity expansion, which is expected to further boost the demand for Roblon's products and technologies over the coming years.

During the 2019/20 financial year, Roblon's subsidiary in North Carolina, USA saw a continued growing demand for the Group's products in the North American market. This was a consequence of current market developments and the intensive execution of Roblon's KAM strategy, a central element of which is to focus on selected strategic customers in a growth market.

For a number of years, US cable manufacturers have largely sourced their raw materials (cable materials) from Chinese and Indian manufacturers. The upside of this was low prices, however the cable manufacturers' development of cable designs and their very exacting demands with respect to documented quality and flexible suppliers as well as the political development and, most recently, COVID-19, have led to a shift in focus. It is essential to the cable manufacturers that their primary suppliers meet these demands, and being attractively located within the cluster of cable manufacturers in North and South Carolina, Roblon satisfies these new demands. In three years, Roblon has positioned itself as a competitive and local provider in the US market.

In Europe, the fibre optic cable industry is undergoing constant changes due to the consolidation of manufacturers in mainly southern and eastern Europe and increased focus on coordinated procurement across production entities. Here, Roblon leverages its long-standing relations with customers and will in the upcoming period secure the required proximity to the customers and a product programme that meets their demands.

Earnings

For 2019/20, Roblon realised a profit before tax from continuing operations of DKKm 35.8 (a loss of DKKm 19.7) and a loss of DKKm 8.4 ex. Senvion (a profit of DKKm 4.4).

In the annual report for 2018/19, Management guided a profit before tax in the range of DKKm 20-25 for the financial year 2019/20. In the annual report for 2018/19, it was announced that Roblon had signed a conditional settlement agreement with wind turbine manufacturer Senvion and its subsidiary Ria Blades on 20 December 2019. According to the settlement agreement, Roblon was to receive a settlement amount of USDm 6.6 upon completion of Siemens Gamesa Renewable Energy's conditional acquisition of Ria Blades and selected European assets from Senvion. Due to the inherent uncertainty about this acquisition, the settlement amount was not factored into Management's profit guidance for 2019/20.

In Company Announcement no. 5/2020 of 30 April 2020, Roblon stated that the conditional settlement agreement with Senvion and its subsidiary Ria Blades had been realised. Based on the expected payment under the settlement agreement with Senvion, Roblon upgraded its guidance for 2019/20 to a profit before tax in the range of DKKm 65-70.

In Roblon's interim financial statements for H1 2019/20, which were released on 24 June 2020, Management assessed that the second half of 2019/20 would in particular be adversely impacted by the COVID-19 developments in North and South America, two important markets for Roblon. It remained uncertain whether expected orders from Composite customers in these markets would be realised, and they were therefore no longer included in the basis of Management's full-year guidance for 2019/20. Furthermore, deliveries of essential machine parts for productivity improvements and capacity enhancements at Roblon's US factory were delayed. Based on revenue and profit performance for H1 2019/20 and the mentioned issues related to COVID-19, Management downgraded its guidance to a profit before tax of DKKm 45-50.

In Company Announcement no. 10/2020 of 30 October 2020, Roblon downgraded its profit guidance due to a further adverse impact of the COVID-19 situation. Management thus revised its guidance to a profit before tax of DKKm 35-38 for full year 2019/20.

The Company realised a profit before tax from continuing operations of DKKm 35.8 for 2019/20.

The operating profit before amortisation, depreciation and impairment (EBITDA) from continuing operations amounted to DKKm 53.7 (a loss of DKKm 1.7) and DKKm 9.2 ex. Senvion (DKKm 12.5).

The EBIT margin for 2019/20 was 14.1% (negative at 8.4%), which should be seen in light of the special circumstances concerning Senvion and the COVID-19 pandemic.

The loss before tax from discontinued operations for 2019/20 of DKKm 3.1 (DKKm 0.0) related to a provision for loss on seller financing made in 2017 in connection with the sale of discontinued operations.

The Group realised a profit for the year 2019/20 of DKKm 24.0 (a loss of DKKm 14.6).

EPS from continuing operations were DKKm 14.8 (negative at DKKm 8.2).

Gross profit and gross margin

Roblon's gross profit amounted to DKKm 131.1, an increase of DKKm 8.5 compared with a gross profit of DKKm 122.6 in 2018/19. The gross margin for the 2019/20 financial year was 51.5% (45.9%).

The gross profit and gross margin for 2019/20 were positively affected by a favourable product mix, whereas 2018/19 was adversely affected by losses on inventory write-downs on the customer Senvion, which reduced the gross profit by DKKm 6.5 and the gross margin by 2.4 percentage points. These figures should also be considered in light of the above-mentioned special circumstances concerning Senvion and COVID-19.

Other operating income

The settlement amount from Senvion of DKKm 45.3 and COVID-19 subsidies of approximately DKKm 5.0 received in the USA were included in other operating income, which totalled DKKm 51.3 (DKKm 1.5).

Other external costs

Other external costs amounted to DKKm 35.5 (DKKm 42.9). The reduction was attributable to the elimination of costs relating to an external service partner in the USA and reduced travel and trade show activity in 2019/20 due to issues related to COVID-19.

All previous agreements with an external service partner on operating and production assistance in the USA were cancelled at the beginning of the 2019/20 financial year, at which time Roblon US entered into an agreement to expand its lease to support the growth plans. The subsidiary now has the disposal of the entire 13,000 sqm. building in Granite Falls, Hickory, North Carolina, USA.

Staff costs

Staff costs amounted to DKKm 95.8 (DKKm 87.1). The increase was due to the recruitment of additional staff at the US factory and the fact that, at 6 November 2019, an additional 16 employees at the US factory were taken over from a former service and production partner. Roblon incurred approx. DKKm 1 in extra costs related to COVID-19 in 2019/20. The costs were due to an increase in absence during the lockdown in Denmark and the USA and stricter controls to prevent employees displaying symptoms of the virus from coming to work. The Group has not used any of the subsidy schemes for companies affected by COVID-19 in Denmark.

At 31 October 2020, the Group had 174 employees, against 168 at 31 October 2019. The employees are distributed among the Company's locations in Denmark and in the USA. At 31 October, there were 100 hourly-paid workers (106) and 74 salaried employees (62).

Depreciation, amortisation and impairment

Depreciation, amortisation and impairment for the Group amounted to DKKm 17.9 (DKKm 20.8). In reality, the Group's depreciation, amortisation and impairment increased by DKKm 5.5, as the figure for 2018/19 included a DKKm 8.4 write-off of the residual value of intangible assets related to investments in the wind turbine project with Senvion.

The implementation of IFRS 16 caused an increase in depreciation of DKKm 2.3 in 2019/20. The remainder of the increase in depreciation and amortisation mainly related to investments in the expansion of production capacity in the USA to accommodate higher demand and to improve productivity. Other investments, including a total of DKKm 10.4 in a new ERP system, also contributed to the increased depreciation and amortisation.

Depreciation, amortisation and impairment is expected to increase further in the coming financial year as a result of investments made during 2019/20 and planned investments of around DKKm 25 in 2020/21 in, among other things, product development and additional capacity and productivity investments in production equipment in FOC and Composite. The high level of investment supports the identified growth opportunities in both the FOC and the Composite product groups in the coming years.

Net financial items

Net financial items amounted to DKKm 0.0 (DKKm 2.8). The return on Roblon's securities portfolio was adversely affected by COVID-19, resulting in a lower positive return in 2019/20 than in the previous year.

Tax on profit/loss for the year from continuing operations

Tax on the profit for the year from continuing operations was recognised as a total expense of DKKm 9.4, against a tax expense of DKKm 5.0 for the previous year. The total tax rate was 26.2%, against 25.5% last year. The tax rate was affected by previous years' tax adjustments. The tax rate adjusted for this was 24.1% (25.9%).

Consolidated balance sheet

Total assets for the Group amounted to DKKm 284.5 at 31 October 2020 (DKKm 271.6) – a 4.7% increase over last year. Working capital was DKKm 73.7 (DKKm 87.2), equalling 29.0% (32.6%) of revenue for the year. Invested capital at 31 October 2020 amounted to DKKm 159.5, compared with DKKm 160.3 last year.

The positive working capital development was explained by the drop in trade receivables exceeding the increase in inventories and the drop in trade payables.

Management has defined a goal for the 2020/21 financial year of reducing working capital to a maximum of 25% of revenue for the year.

IFRS 16 was implemented at the beginning of 2019/20 using the modified retrospective method without restatement of comparative figures. As stated in the annual report for 2018/19, assets and liabilities increased by DKKm 3.4 at the beginning of the 2019/20 financial year.

Intangible assets
In total, the Group recognised intangible assets at a value of DKKm 23.6 at 31 October 2020 (DKKm 24.7).

Completed development projects and development projects in progress amounted to DKKm 9.8 (DKKm 8.2).

Property, plant and equipment
In the consolidated balance sheet, property, plant and equipment at 31 October 2020 was recognised at DKKm 76.8 (DKKm 52.8). The improvement was mainly due to investments in expanding production capacity and the effect of recognising lease assets in accordance with IFRS 16, which at 31 October 2020 were recognised in property, plant and equipment at DKKm 12.9.

Inventories
The Group's inventories amounted to DKKm 61.4 at 31 October 2020 (DKKm 55.8). The DKKm 5.6 increase was mainly attributable to larger inventories of critical raw materials. The overall inventory level is expected to be reduced during the course of 2020/21.

Receivables
Total receivables at 31 October 2020 amounted to DKKm 38.9 (DKKm 72.9). The reduction was attributable to a low revenue level in Q4 2019/20 compared with the previous year's high level.

Marketable securities
The market value of the Group's securities portfolio at 31 October 2020 was DKKm 76.2 (DKKm 51.1). The higher value of marketable securities related to additional purchases of securities in 2019/20 in the net amount of DKKm 25.1.

The portfolio of marketable securities comprises listed bonds and equities and similar securities. 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.

Financing and capital resources
The Group's net cash flow from operating activities in 2019/20 was an inflow of DKKm 65.6 (an outflow of DKKm 35.6). Roblon's total investment in property, plant and equipment was DKKm 23.6 (DKKm 14.2). Investment in intangible assets, which in 2019/20 mainly related to product development, amounted to DKKm 3.4 (DKKm 8.6).

Cash outflow from financing activities was DKKm 9.3 (DKKm 11.2), comprising repayment of lease liability and of operating credits.

At the balance sheet date, marketable securities and net cash amounted to DKKm 83.4 (DKKm 54.1). In addition to this, Roblon has an undrawn credit facility of DKKm 10.0 (DKKm 10.0) with the Group's bankers.

Equity
The Group's equity at 31 October 2020 amounted to DKKm 238.2 (DKKm 216.0). Equity thus increased by DKKm 22.1, made up of a profit for the year of DKKm 24.0 and a negative foreign exchange adjustment of DKKm 1.9 on translation of foreign subsidiary.

The Group is financially sound with an equity ratio of 83.7% (79.5%). The recognition of right-of-use assets in the balance sheet in accordance with IFRS 16 reduced the equity ratio at 31 October 2020 by 4.0 percentage points.

Dividend
Based on the profit for the year in 2019/20 and profit expectations for and planned investments in 2020/21, the Board of Directors proposes to the company in general meeting that no dividend be distributed for the year.

Events after the balance sheet date
No material events have occurred after the balance sheet date of 31 October 2020 of significance to the annual report.

Parent company

In 2019/20, the parent company's revenue was DKKm 163.4 (DKKm 174.9) and its operating profit (EBIT) was DKKm 2.7 (DKKm 13.7). Profit for the year from continuing operations amounted to DKKm 3.0 (DKKm 13.1).

The parent company financial statements do not comprise profit from the subsidiary, which is the main difference relative to the consolidated financial statements. Due to the development in the US subsidiary, an impairment test was carried out at 31 October 2020. The impairment test did not give rise to any write-down of the stated values.

At 31 October 2020, the parent company's equity ratio was 89.7% (83,9%).

Outlook for 2020/21

Outlook

Profit guidance

Management expects Roblon's revenue and operations to continue to be adversely affected by COVID-19 in the coming financial year 2020/21, particularly in the first half.

The effects of COVID-19 are still not fully known. For example, the situation in South America causes uncertainty concerning order intake and requested delivery dates for known projects in the Composite product group. Management has therefore lowered its expectations with respect to project order revenue, which is expected to be below the year-earlier period in 2020/21, and particularly in the first half of the financial year.

In the FOC product group, revenue is expected to rise in 2020/21, particularly in the second half. Growth is expected to be generated through the continuing expansion of production capacity in Roblon US and the introduction of new products developed in collaboration with strategic customers, particularly in the US and European markets. Earnings are also expected to benefit from the productivity-enhancing activities initiated in the past financial year.

2020/21 earnings are expected to be adversely affected by product mix issues and increased depreciation resulting from completed and planned investments in production capacity.

In 2019/20, Roblon implemented measures and planned additional measures for 2020/21 that are expected to drive earnings growth in 2020/21 and subsequent years:

- Completion of measures to expand production capacity and enhance productivity in FOC US.
- Completion of the trimming of the customer and product portfolio in FOC EMEA.
- Market introduction of Rod to FOC customers in EMEA.
- General cost adjustments.

Profit guidance for 2020/21:

- Revenue in the range of DKKm 260-280 (DKKm 254.6).
- Operating profit before amortisation, depreciation and impairment (EBITDA) in the range of DKKm 5-13 (DKKm 53.7) (DKKm 9.2 ex. Senvion).
- Loss before tax in the range of DKKm 19-11 (profit of DKKm 35.8) (loss of DKKm 8.4 ex. Senvion).

For Q1 2020/21, Management forecasts revenue in the range of DKKm 40-45, an operating loss before amortisation, depreciation and impairment (EBITDA) in the range of DKKm 11-9 and a loss before tax in the range of DKKm 19-17.

Roblon has developed and focused its core business on delivering high-performance fibre solutions and technologies, and the Group has established a strong foundation for future growth. Management believes that the Group has created a solid platform with strategic customers. This, combined with the implemented measures to drive earnings and a high level of investment in production capacity, supports Management's confidence that the Group will be able to achieve its financial objectives, assuming normal economic conditions. Accordingly, the targets of annual revenue growth of at least 15%, an EBIT margin of at least 10%, annual EPS growth of at least 15% and a return on invested capital (ROIC) before tax of at least 20% are maintained from 2021/22 onwards.

Foreign exchange projections

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

The projections for 2020/21 are based on the following foreign exchange assumptions:

- USD/DKK 635
- EUR/DKK DKK pegged to EUR at existing rate

Head office building put up for sale

In the past financial year, Roblon decided to initiate a prospective sale of the Group's head office in Frederikshavn. After the sale, the Group's Danish activities will be centred at Roblon's facilities in Gærum, which currently house production and various administrative functions. As well as generating positive synergies in the day-to-day operations, this initiative is also expected to have a positive impact on Roblon's results and equity going forward. Relevant prospective buyers have shown an interest in the property, but the sales process has been hampered somewhat by the COVID-19 situation.

Forward-looking statements

Please note that short-term forecasts are subject to a high degree of uncertainty in light of all markets being affected by COVID-19.

Roblon's sales structure is 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.

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 actual results may consequently 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.

See also the risk management section on page 19.

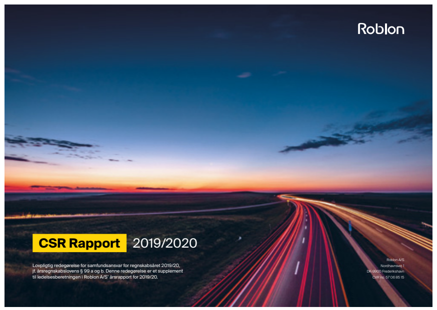
Management

Corporate social responsibility

We consider corporate social responsibility (CSR) to be a natural part of the Roblon Group's business principles, and we acknowledge that we have a responsibility for our employees and our surrounding society. We have naturally integrated CSR into the Group's endeavours to execute the 2021 Strategy. We interact with our customers and other stakeholders to maintain a CSR policy and implement measures that contribute to sustainable value creation.

Roblon's CSR efforts and results are described in Roblon's CSR Report 2019/20, which can be downloaded at roblon.com/csr-report-2020.

The CSR report for 2019/20 also comprises a report on Management's gender composition pursuant to section 99 b of the Danish Financial Statements Act.



Corporate governance

Roblon' statutory report on corporate governance for the financial year 2019/20 pursuant to section 107 b of the Danish Financial Statements Act will be available at roblon.com/Corporate-Governance-2020. The report gives a detailed account of Roblon's management structure and a description of the key elements of the Company's financial reporting process and internal controls in relation to financial reporting.

Furthermore, the report describes Roblon's consideration of the Recommendations issued by the Committee on Corporate Governance, as implemented in the Rules for issuers of shares issued by Nasdaq Copenhagen, as well as descriptions of the individual members of the Board of Directors and Executive Management. In 2019/20, Roblon complied with the corporate governance recommendations, with the exception of the composition of the governance, nomination and remuneration committee, one member of which is dependent and one member is independent. Furthermore, Roblon's first remuneration report will be presented for approval at the annual general meeting in January 2021.

Management structure

Roblon has a two-tier management structure consisting of the Board of Directors and the Executive Management. The Board of Directors, whose members are elected by the shareholders, supervises the Executive Management. The Board of Directors and the Executive Board are independent of each other.

The Board of Directors is in charge of the overall management of the Company and is responsible for decisions on the strategic development, financial forecasts, risk management, acquisition and disposal of enterprises and major development and investment projects. Moreover, the Board of Directors lays down the Executive Management's terms of employment and remuneration.

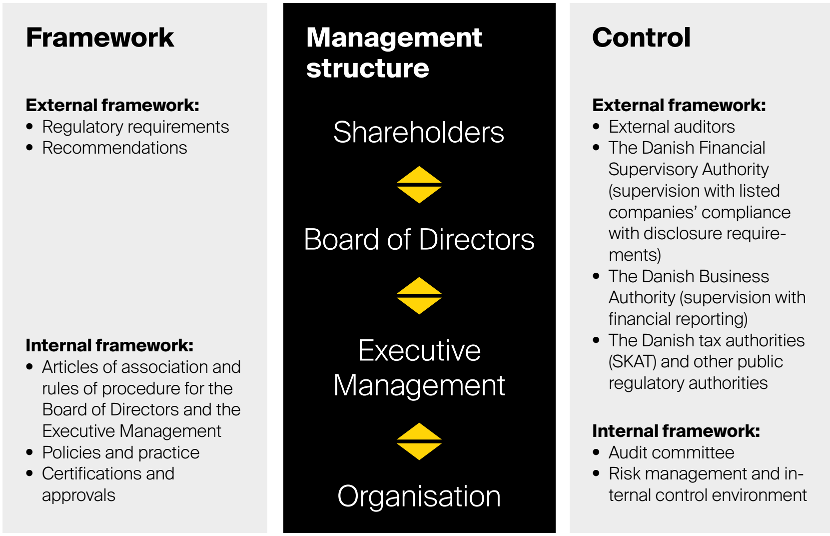
The Board of Directors has set up three committees:

- A governance, nomination and remuneration committee, which is principally charged with preparing the statutory report on corporate governance, the remuneration policy and report, initiating the Board evaluation and keeping the Board of Directors up to date on other relevant governance issues.

- An audit committee, which is principally charged with monitoring the Group's risk management, preparation of financial statements, financial reporting and internal controls, nomination of auditors for appointment and monitoring of and communications with the auditors appointed at the general meeting.

- An innovation and product development committee, which is principally charged with setting the strategic direction for long-term development of products and technology and monitoring the Executive 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.

The Executive Management is appointed by the Board of Directors and is responsible for the general management of the Company, including its operating performance, results and internal development. The Executive Management is responsible for carrying out the strategy and overall decisions approved by the Board of Directors.



Roblon's governance model

Roblon's governance model, which describes Roblon's framework, management structure and control environments, is illustrated in the figure above.

Financial reporting process and internal controls

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.

Roblon's risk management and internal controls in relation to the financial reporting process are designed with a view to effectively managing, and thus reducing or 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 Executive Management regularly monitors compliance with relevant legislation and other financial reporting regulations and provisions and reports its findings to the Board of Directors.

Remuneration policy and report

Roblon's remuneration policy, setting out general guidelines for the remuneration of the Board of Directors and the Executive Management, was presented and approved by the shareholders in general meeting on 23 January 2020. The remuneration policy can be found at roblon.com/renumeration-policy.

Pursuant to section 139b of the Danish Companies Act, Roblon has prepared a statutory remuneration report for 2019/20, which can be found at roblon.com/renumeration-report-2020.

Board of Directors and Executive Management

Information on the individual members of the Board of Directors and the Executive Management, such as their education, other executive functions, specialised skills, number of Roblon shares, etc. is set out in the separate report on corporate governance. The report will be available at roblon.com/Corporate-Governance-2020.

Shareholder information

Shareholder 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 A shares of DKK 200 each and 1,510,400 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 B shares are negotiable instruments and freely transferable. Each A share of DKK 200 carries 100 votes. Each B share 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 2020, 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, Lottenborgvej 26D, 1st floor, DK-2800 Kgs. Lyngby.

Shareholder structure

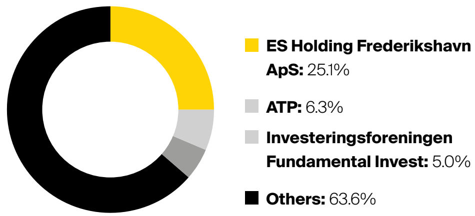
Roblon had 2,152 shareholders registered by name at 31 October 2020 (1,852), together representing approx. 89.5% (87.0%) of the Company's share capital.

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

	Ownership %	**Voting share % (minimum)**
ES Holding Frederikshavn ApS CVR no. 29325731	25.1	68.8
ATP CVR no. 43405810	6.3	2.6
Investeringsforeningen Fundamental Invest CVR no. 25709675	5.0	2.1

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.

Shareholder structure



At 31 October 2020, the members of the Board of Directors and the Executive Management and their related parties held 46,054 (32,382) of the Company's B shares, corresponding to 2.6% (1.8%) of the share capital and 3.0% (2.1%) 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 shareholders in general meeting, the Company may purchase treasury shares representing up to 10% of the share capital. The authority is valid until 30/6 2021 for the Company to purchase 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 purchase.

The Board of Directors will request a renewed authorisation at the annual general meeting to be held on 28 January 2021.

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. In its internal rules, the Company has elected to keep an insider register of individuals who, through their relationship with the Company, may have inside and price-sensitive information about the Group's situation. Persons in the insider register may normally trade in the Company's shares only during a four-week trading window opening after the publication of the Company's 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 to maintain an open, active dialogue with shareholders, equity research 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 & Mid 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 does not participate 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 its website, www.roblon.com, as a tool of communication with the stock market. On the website, additional information on the Group and Roblon's business.

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. 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.

Financial calendar

22 December 2020	Preliminary statement
28 January 2021	Annual General Meeting
10 March 2021	Interim report for Q1 2020/21
24 June 2021	Interim report for Q2 2020/21
16 September 2021	Interim report for Q3 2020/21
21 December 2021	Preliminary statement
27 January 2022	Annual General Meeting

Company announcements

Roblon A/S company announcements to the Danish FSA and Nasdaq Copenhagen in 2019/20.

12	20 December 2019	Notice convening AGM
13	23 December 2019	Leading employees' transactions
14	23 December 2019	Leading employees' transactions
15	27 December 2019	Leading employees' transactions
1	7 January 2020	Leading employees' transactions
2	23 January 2020	Interim report for Q1 2019/20
3	23 January 2020	Decisions of the Annual General Meeting
4	2 April 2020	Conditional settlement agreement with Senvion
5	30 April 2020	Conditional settlement agreement with Senvion realised
6	24 June 2020	Interim report for Q2 2019/20
7	29 June 2020	Leading employees' transactions
8	7 August 2020	Major Shareholder Announcement
9	17 September 2020	Interim report for Q3 2019/20
10	30 October 2020	Profit guidance for 2019/20 lowered

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

Dividend policy

Roblon's objective is to ensure attractive long-term returns for the shareholders through a combination of a positive market value development for the Group, supplemented by dividend payments.

It is the Company's intention to distribute dividends annually corresponding to 40-50% of the profit for the year. 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.

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 is distributed evenly among all shareholders, regardless of share class.

Based on the negative performance in 2018/19, no dividend was distributed for that financial year. The profit for 2019/20 was favourably affected by the extraordinary receipt of a settlement amount in compensation for the non-performance of a business contract, which was the principal cause of the net loss for 2018/19. Based on the profit for the year in 2019/20 and expected profit for and planned investments in 2020/21, the Board of Directors proposes to the company in general meeting that no dividend be distributed for the year.

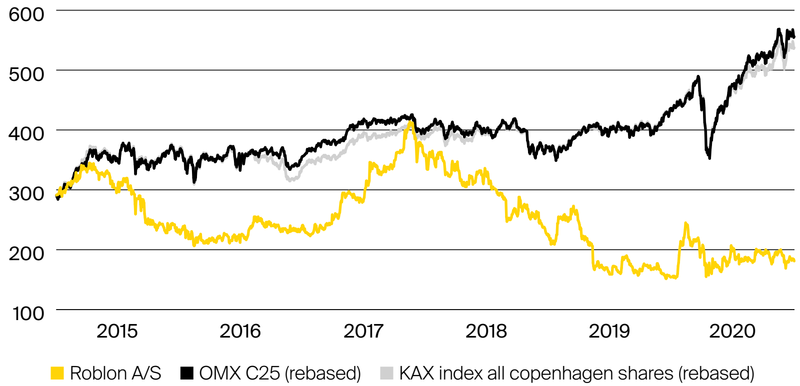
Price development

The Roblon B share opened the financial year at 161 and closed at 176.5 at the end of October 2020, which was an increase of 9.6% (in 2018/19 a decrease of 38.3%).

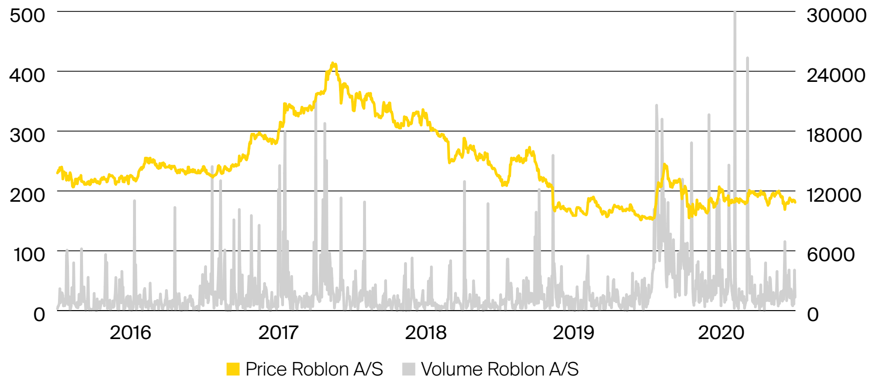
The overall market value of the Company's listed share capital at the end of the financial year was approx. DKKm 267, against approx. DKKm 243 at 31 October 2019.

At the end of October 2020, the free float in listed Roblon B shares was approx. 89%, against 83% at the end of October 2019.

Price development



Price index **Volume**



Statement and report

Statement by the Management

The Board of Directors and the Executive Management today considered and approved the annual report of Roblon A/S for 2019/20.

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

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 2020 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 November 2019 – 31 October 2020.

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, 22 December 2020

Executive Management

Lars Østergaard
Managing Director and CEO

Carsten Michno
Chief Financial Officer (CFO)

Kim Müller
Chief Technology Officer (CTO)

Board of Directors

Jørgen Kjær Jacobsen
Chairman

Ole Lønsmann Andersen
Deputy chairman

Peter Sloth Vagner Karlsen

Randi Toftlund Pedersen

Nita Svendsen
Employee representative

Flemming Nielsen
Employee representative

Independent auditors' report

To the shareholders of Roblon A/S

Our opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 October 2020 and of the results of the Group's and Parent Company's operations and cash flows for the financial year 1 November 2019 - 31 October 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited
The Consolidated Financial Statements and the Parent Company Financial Statements of Roblon A/S for the financial year 1 November 2019 - 31 October 2020 comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

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 Financial Statements section of our report.

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

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IEASBA Code.

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

Appointment
We were first appointed auditors of Roblon A/S on 25 January 2018 for the financial year 2017/18. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of three years including the financial year 2019/20.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2019/20. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Measurement of inventories The Group measures inventories at cost. Besides direct costs, work in progress and finished goods also comprise indirect production costs. If the net realisable value is lower than the cost, the asset is written down to its lower value. Indirect production costs are recognised based on actual indirect production costs and a share of the estimated production capacity. The net realisable value of the Group's inventories is calculated at selling price with deduction of costs of completion and costs incurred to execute sales. The value is determined allowing for marketability, obsolescence and development in expected sales sum. We focused on the measurement of inventories because the statement of inventories is based on significant accounting estimates. We refer to note 2 and note 18 of the Consolidated Financial Statements and the Parent Company Financial Statements.	We obtained an understanding of the Group's accounting policies and procedures for the measurement of inventories. By random sampling, we tested the Group's calculation of the cost of raw materials and consumables, work in progress and finished goods, including the calculation of indirect production costs. We challenged Management's assessment of estimated items in the calculation of indirect production costs, and we performed an analytical assessment of indirect production costs. In addition, we assessed total production capacity and its utilisation and performed sensitivity analyses in respect of capacity utilisation. By random sampling, we tested the basis of the calculation of write-down to net realisable value and profits on most recent sales in the financial year. We tested the mathematical accuracy of the calculations.

Key audit matter	How our audit addressed the key audit matter
Measurement of trademarks, licences and customer relationships The Group measures trademarks, licences and customer relationships at the lower of cost less accumulated amortisation and impairment loss and the recoverable amount. Management has prepared an impairment test of the value of the intangible assets of Roblon US Inc. comprising trademarks, which at 31 October 2020 was DKK 6,046 thousand. The impairment test is based on the discounted value in use of expected cash flows from the assets over their expected useful lives. The cash flows are based on budgets and strategy plans approved by Management. We focused on the measurement of the Group's trademarks, licences and customer relationships because the measurement of the assets is based on significant assumptions, including Management's expectations as regards growth rates, contribution ratios and discount rate. We refer to note 2 and note 13 of the Consolidated Financial Statements.	We obtained an understanding of the Group's accounting policies and procedures for the measurement of the Group's trademarks, licences and customer relationships. We evaluated Management's assessments relating to impairment losses recognised on the Group's trademarks through comparison with budgets approved by Management, evaluation of the growth rates and contribution ratios applied, e.g. by applying historical data, measures taken to improve profitability as well as contribution ratios realised after the balance sheet date. We drew on our internal specialist for an assessment of the discount rate. We challenged Management as regards its assessment of growth rates, contribution margins and discount rate and evaluated the sensitivity analyses performed. We tested the mathematical accuracy of the calculations.

Key audit matter	How our audit addressed the key audit matter
Measurement of the Parent Company's equity investment in Roblon US Inc. The Parent Company measures investments in subsidiaries at cost. If cost exceeds the recoverable amount, the asset is written down to its lower value. Management has tested the value of the shares in Roblon US Inc. for impairment. The impairment test is based on the discounted value in use of the expected cash flows of Roblon US Inc. The cash flows are based on budgets and strategy plans approved by Management. We focused on the measurement of the Parent Company's equity investment in Roblon US Inc. because the measurement of the equity investment is based on significant assumptions, including Management's expectations as regards growth rates, contribution margins, the profitability of Roblon US Inc. as well as the discount rate. We refer to note 2 and note 16 of the Parent Company Financial Statements.	We obtained an understanding of the Parent Company's accounting policies and procedures for the measurement of the Parent Company's equity investment in Roblon US Inc. We evaluated Management's assessments relating to impairment losses recognised on the Parent Company's equity investment in Roblon US Inc. through comparison with budgets approved by Management, evaluation of the growth rates and contribution ratios applied, e.g. by applying historical data, measures taken to improve profitability as well as contribution ratios realised after the balance sheet date. We drew on our internal specialist for an assessment of the discount rate. We challenged Management as regards its assessment of growth rates, contribution margins and discount rate and evaluated the sensitivity analyses performed. We tested the mathematical accuracy of the calculations.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 Financial Statements.

As part of an audit 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 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 Company'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 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 Company'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 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 Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

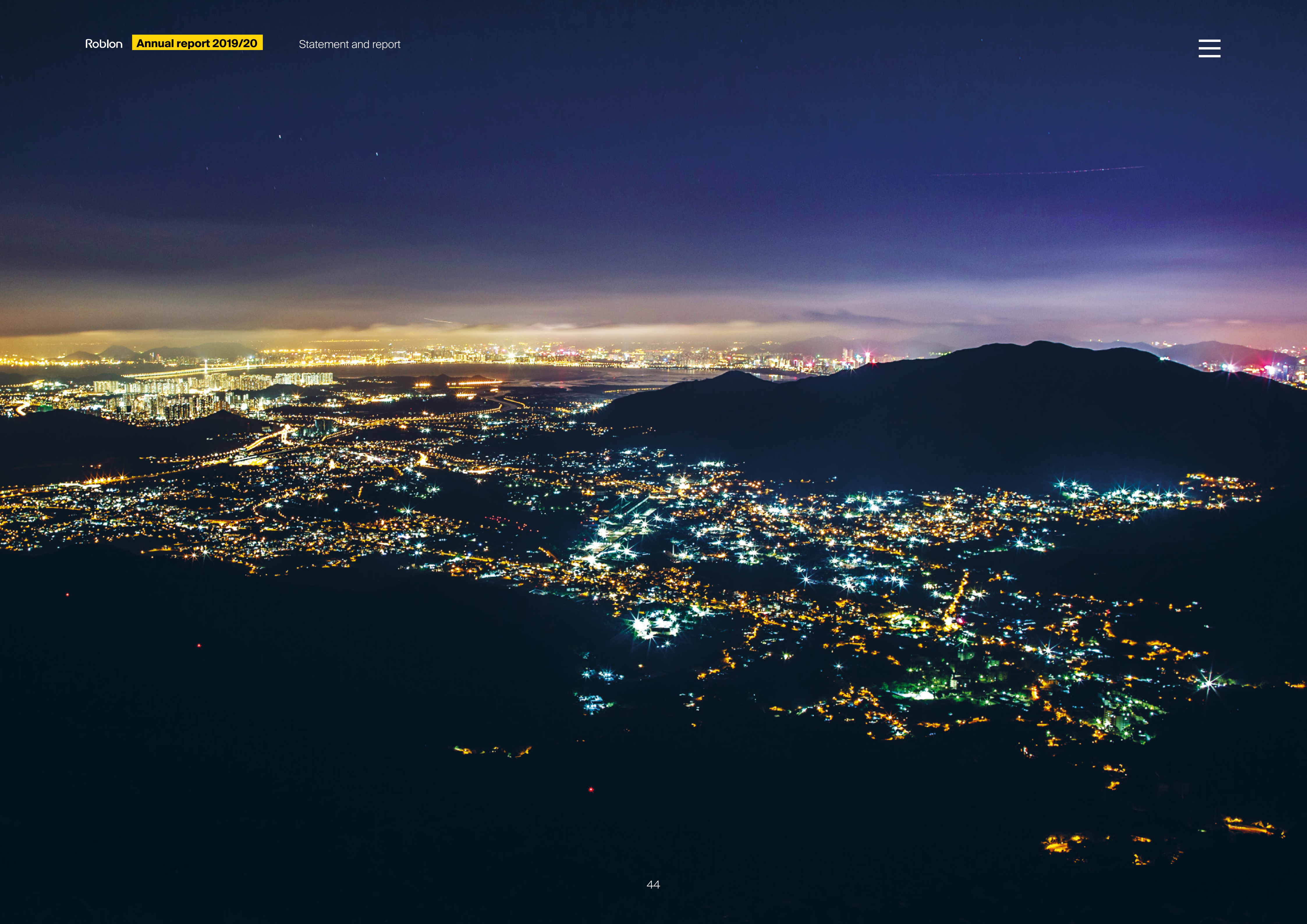
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation 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, 22 December 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Henrik Kragh
State Authorised
Public Accountant
mne26783

Line Borregaard
State Authorised
Public Accountant
mne34353



Financial statements

Income statement

for the period 1 November - 31 October

Amounts in DKK'000	Note	GROUP 2019/20	GROUP 2018/19	PARENT COMPANY 2019/20	PARENT COMPANY 2018/19
Revenue	3	254,645	267,190	163,362	174,890
Cost of sales	4	-123,565	-144,553	-71,754	-79,507
Gross profit		**131,080**	**122,637**	**91,608**	**95,383**
Work carried out for own account and capitalised	5	2,655	4,139	2,655	4,139
Other operating income	6	51,303	1,524	6,030	8,829
Other external costs		-35,529	-42,897	-23,174	-25,200
Staff costs	8	-95,769	-87,088	-63,132	-61,282
Depreciation, amortisation and impairment		-17,899	-20,762	-11,316	-8,218
Operating profit/loss (EBIT) from continuing operations		**35,841**	**-22,447**	**2,671**	**13,651**
Financial income	9	589	3,376	1,307	4,120
Financial expenses	10	-584	-587	-154	-587
Profit/loss before tax from continuing operations		**35,846**	**-19,658**	**3,824**	**17,184**
Tax on profit/loss for the year from continuing operations	11	-9,385	5,013	-842	-4,115
Profit/loss for the year from continuing operations after tax		**26,461**	**-14,645**	**2,982**	**13,069**
Profit/loss for the year from discontinued operations after tax	29	-2,420	-	-2,420	-
Profit/loss for the year		**24,041**	**-14,645**	**562**	**13,069**
Earnings per share (DKK)	**12**				
Earnings per share (EPS), continuing operations		14.8	-8.2		
Earnings per share, diluted (EPS-D), continuing operations		14.8	-8.2		

Consolidated statement of comprehensive income

for the period 1 November - 31 October

Amounts in DKK'000	Note	GROUP 2019/20	GROUP 2018/19	PARENT COMPANY 2019/20	PARENT COMPANY 2018/19
Profit/loss for the year		**24,041**	**-14,645**	**562**	**13,069**
Other comprehensive income					
Items that will be recycled to profit or loss					
Foreign exchange adjustment on translation of foreign subsidiary		-1,866	71	-	-
Other comprehensive income		**-1,866**	**71**	**-**	**-**
Comprehensive income for the year		**22,175**	**-14,574**	**562**	**13,069**

Balance sheet

At 31 October

		GROUP		PARENT COMPANY	
Amounts in DKK'000	**Note**	**2020**	**2019**	**2020**	**2019**
ASSETS					
Completed development projects		5,843	879	5,843	879
Development projects in projects in progress		4,006	7,292	4,006	7,292
Trademarks, licenses and customer relations		6,046	7,355	-	-
Other intangible assets		7,715	9,156	7,715	9,156
Intangible assets	**13**	**23,610**	**24,682**	**17,564**	**17,327**
Land and buildings	14	19,726	21,185	19,726	21,185
Plant and machinery	14	29,979	25,795	20,006	17,189
Other fixtures and fittings, tools and equipment	14	1,281	1,255	1,281	1,255
Property, plant and equipment in progress	14	12,909	4,582	4,021	1,524
Right-of-use assets	15	12,919	-	785	-
Property, plant and equipment		**76,814**	**52,817**	**45,819**	**41,153**
Investment in subsidiary	16	-	-	27,796	27,796
Non-current receivable re. sale of discontinued operation	17	-	2,376	-	2,376
Deferred tax assets	22	806	8,886	-	-
Financial assets		**806**	**11,262**	**27,796**	**30,172**
Total non-current assets		**101,230**	**88,761**	**91,179**	**88,652**
Inventories	**18**	**61,407**	**55,809**	**47,073**	**44,884**
Trade receivables	19	35,713	69,362	23,706	58,232
Current receivable re. sale of discontinued operation	17	-	755	-	755
Amount owed by subsidiary		-	-	27,487	45,086
Prepaid income tax		1,176	-	1,176	-
Other receivables		1,362	2,163	1,330	2,163
Prepayments		159	621	159	621
Receivables		**38,410**	**72,901**	**53,858**	**106,857**
Securities	**20**	**76,210**	**51,115**	**76,210**	**51,115**
Cash and cash equivalents		**7,212**	**3,012**	**4,945**	**189**
Total current assets		**183,239**	**182,837**	**182,086**	**203,045**
Total assets		**284,469**	**271,598**	**273,265**	**291,697**

		GROUP		PARENT COMPANY	
Amounts in DKK'000	**Note**	**2020**	**2019**	**2020**	**2019**
EQUITY AND LIABILITIES					
Share capital		35,763	35,763	35,763	35,763
Other reserves		-3,380	-1,514	5,048	4,154
Retained earnings		205,807	181,766	204,392	204,724
Total equity	**21**	**238,190**	**216,015**	**245,203**	**244,641**
Deferred tax liabilities	22	5,315	5,786	5,315	5,786
Lease liability		10,513	-	331	-
Total non-current liabilities		**15,828**	**5,786**	**5,646**	**5,786**
Current portion of lease liability		2,568	-	309	-
Operating credit		-	6,708	-	6,708
Other provisions	23	320	140	320	140
Advance payments		461	2,757	461	2,757
Trade payables		10,478	28,700	5,994	21,278
Income tax		231	1,535	-	1,535
Other interest-bearing debt		2,759	-	2,759	-
Other payables		13,634	9,957	12,573	8,852
Total current liabilities		**30,451**	**49,797**	**22,416**	**41,270**
Total liabilities		**46,279**	**55,583**	**28,062**	**47,056**
Total equity and liabilities		**284,469**	**271,598**	**273,265**	**291,697**

Statement of changes in equity

GROUP						
Amounts in DKK'000	**Share capital**	**Currency translation reserve**	**Reserve for available-for-sale financial assets**	**Retained earnings**	**Proposed dividends**	**Total equity**
Equity at 31 October 2019	**35,763**	**-1,514**	**-**	**181,766**	**-**	**216,015**
Profit/loss for the year				24,041	-	24,041
Foreign exchange adjustment on translation of foreign subsidiary		-1,866	-	-	-	-1,866
Comprehensive income for the financial year		**-1,866**	**-**	**24,041**	**-**	**22,175**
Equity at 31 October 2020	**35,763**	**-3,380**	**-**	**205,807**	**-**	**238,190**
Equity at 31 October 2018	**35,763**	**-1,585**	**-127**	**196,411**	**17,882**	**248,344**
Adjustment, beginning of year			127			127
	35,763	**-1,585**	**-**	**196,411**	**17,882**	**248,471**
Profit/loss for the year				-14,645	-	-14,645
Foreign exchange adjustment on translation of foreign subsidiary		71	-	-	-	71
Comprehensive income for the financial year		**71**	**-**	**-14,645**	**-**	**-14,574**
Distributed dividends					-17,882	-17,882
Equity at 31 October 2019	**35,763**	**-1,514**	**-**	**181,766**	**-**	**216,015**

PARENT COMPANY						
Amounts in DKK'000	**Share capital**	**Reserve for available-for-sale financial assets**	**Reserve for develop-ment costs**	**Retained earnings**	**Proposed dividends**	**Total equity**
Equity at 31 October 2019	**35,763**	**-**	**4,154**	**204,724**	**-**	**244,641**
Profit/loss for the year				562	-	562
Change in reserve			894	-894	-	-
Comprehensive income for the financial year		**-**	**894**	**-332**	**-**	**562**
Equity at 31 October 2020	**35,763**	**-**	**5,048**	**204,392**	**-**	**245,203**
Equity at 31 October 2018	**35,763**	**-127**	**2,495**	**193,314**	**17,882**	**249,327**
Adjustment, beginning of year		127				127
	35,763	**-**	**2,495**	**193,314**	**17,882**	**249,454**
Profit/loss for the year				13,069	-	13,069
Change in reserve			1,659	-1,659	-	-
Comprehensive income for the financial year		**-**	**1,659**	**11,410**	**-**	**13,069**
Distributed dividends					-17,882	-17,882
Equity at 31 October 2019	**35,763**	**-**	**4,154**	**204,724**	**-**	**244,641**

Statement of cash flows

for the period 1 November - 31 October

		GROUP		PARENT COMPANY	
Amounts in DKK'000	**Note**	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Operating profit/loss (EBIT) from continuing operations		35,841	-22,447	2,671	13,651
Operating profit/loss (EBIT) from discontinued operations	29	-3,102	-	-3,102	-
Operating profit/loss (EBIT)		**32,739**	**-22,447**	**-431**	**13,651**
Adjustment for non-cash items	27	16,981	20,151	11,232	7,944
Change in working capital	28	18,363	-33,325	21,368	-44,025
Cash generated from operations		**68,083**	**-35,621**	**32,169**	**-22,430**
Financial income received		984	1,663	1,697	2,409
Financial expenses paid		-65	-101	-65	-101
Income tax paid		-3,535	-3,491	-3,466	-3,410
Income tax received		126	1,951	126	1,951
Cash flow from operating activities		**65,593**	**-35,599**	**30,461**	**-21,581**
Purchase of intangible assets		-3,403	-8,565	-3,403	-8,565
Purchase of property, plant and equipment		-23,648	-14,224	-12,038	-10,266
Sale of property, plant and equipment		464	-	464	-
Purchase of securities		-41,445	-3,930	-41,445	-3,930
Sale of securities		16,335	65,003	16,335	65,003
Loan to subsidiary		-	-	-17,106	-15,129
Repayment received on loan to subsidiary		-	-	39,000	-
Cash flow from investing activities		**-51,697**	**38,284**	**-18,193**	**27,113**
Operating credits used		-6,708	6,708	-6,708	6,708
Lease payments	15	-2,544	-	-360	-
Dividends paid		-	-17,882	-	-17,882
Cash flow from financing activities		**-9,252**	**-11,174**	**-7,068**	**-11,174**
Change in cash and cash equivalents		4,644	-8,489	5,200	-5,642
Cash and cash equivalents at beginning of year		3,012	11,501	189	5,831
Value adjustment of cash and cash equivalents		-444	-	-444	-
Cash and cash equivalents at end of year		**7,212**	**3,012**	**4,945**	**189**

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 2019 – 31 October 2020 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 2019/20 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 22 December 2020, the Board of Directors and Executive Management considered and approved the annual report of Roblon A/S for 2019/20. The annual report will be submitted to Roblon A/S' shareholders for adoption at the annual general meeting to be held on 28 January 2021.

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 33 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 33 to the financial statements.

Changes to accounting policies
The accounting policies have been changed relative to those applied in the annual report for 2018/19 as a result of the implementation of new standards as described below.

Implementation of new standards and interpretations
Roblon A/S has implemented the standards and interpretations that are effective for 2019/20. New and amended standards are implemented when they come into force.

- IASB issued IFRS 16 Leases. On implementation at 1 November 2019, Roblon applied the modified retrospective method without restatement of comparative figures. Previously, leases were treated as operating leases. Under the new standard on leases, all leases, regardless of type – with a few exceptions – are to be recognised in the lessee's balance sheet as an asset with a corresponding lease liability. The lessee's income statement is also affected, as the annual lease expense consists of two elements: a depreciation charge and an interest expense, unlike previously when annual expenses in respect of operating leases were reported under other external costs. If the discount rate is not set out in the lease, the interest rate is fixed at 3% p.a.

The implementation reduced the profit for 2019/20 by DKKm 0.3. Assets and liabilities increased by DKKm 3.4 at the beginning of the 2019/20 financial year, which is consistent with what was disclosed in the annual report for 2018/19.

The lease liability according to the previous accounting policy was DKKm 5.9 at the end of 2018/19 and included service agreements at a value of DKKm 2.3 which are not recognised under IFRS 16. Liabilities related to leases that are recognised under IFRS 16 thus amounted to DKKm 3.6, of which discounting amounted to DKKm 0.2. Accordingly, the discounted value of lease liabilities at the beginning of 2019/20 was DKKm 3.4.

Leases with a total term of less than 12 months are not recognised, unless they contain an extension option that is expected to be exercised.

The recognition of right-of-use assets in the balance sheet in accordance with IFRS 16 reduced the equity ratio at 31 October 2020 by 4.0 percentage points.

IASB has issued new standards, amendments to existing standards and interpretations, which are not yet in force but will come into force in 2020/21 or later. These are not expected to have a significant influence on Roblon's financial statements.

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 33 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.

These estimates and assumptions are based on historic experience and other relevant factors. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the reporting period in which changes occur, and in future reporting periods if the change affects the period in which the change occurs as well as subsequent reporting periods.

Significant accounting judgements, estimates, assumptions and uncertainties
Recognition and measurement of assets and liabilities often depend on future events subject to some uncertainty. In that connection, it is necessary to assume e.g. a course of events that reflects Management's assessment of the most probable course of events. In the 2019/20 consolidated financial statements, the following key assumptions and uncertainties should be noted:

Trademarks, licenses and customer relations and investment in subsidiary
If there is evidence of impairment, the assets are tested for impairment. The Group's trademarks, licenses and customer relations are connected to products sold in industries characterised by strong demand and growth.

Based on profit developments for 2019/20, Management assessed that there was evidence of impairment of trademarks. Consequently, an impairment test was performed at 31 October 2020, which did not give rise to the recognition of impairment losses.

The value of trademarks, licences and customer relations recognised in the balance sheet at 31 October 2020 was DKKm 6.0 (DKKm 7.4).

Based on profit developments for 2019/20, Management furthermore assessed that there was evidence of impairment of the investment in Roblon US. Consequently, an impairment test was performed at 31 October 2020, which did not give rise to the recognition of impairment losses.

The value of the parent company's investment recognised in the balance sheet at 31 October 2020 was DKKm 27.8 (DKKm 27.8).

The estimation uncertainty associated with the impairment tests performed relates to the parameters applied in the calculations, including future cash flows, growth rates, contribution margins and discount rates.

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 2020 was DKKm 61.4 (DKKm 55.8). Total inventory write-down at 31 October 2020 was DKKm 6.0 (DKKm 12.6, of which DKKm 6.5 concerned write-down of inventory related to the Senvion project contract).

Notes to the financial statements

3. Revenue

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2019/20**	**2018/19**	**2019/20**	**2018/19**
The Group's revenue largely derived from the sale of goods.				
Revenue from external customers:				
By product groups				
FOC	159,688	147,819	68,405	80,934
Composite	94,957	119,371	94,957	93,956
Total	**254,645**	**267,190**	**163,362**	**174,890**
By geographical markets				
Denmark	2,508	3,367	3,766	3,367
United Kingdom	35,416	29,538	35,416	29,431
Italy	25,715	20,710	25,715	20,710
Rest of Europe	28,736	68,134	28,732	42,446
Asia	19,247	23,498	18,947	23,252
Brazil	37,677	49,569	37,677	49,556
Latin America	14,858	16,386	842	198
USA	90,488	55,988	12,267	5,930
Total	**254,645**	**267,190**	**163,362**	**174,890**

Of the Group's non-current assets, DKKm 45.8 (DKKm 58.5) were located in Denmark and DKKm 37.0 (DKKm 19.0) in the USA.

Of the Group's total revenue, four individual customers accounted for more than 10%. Revenue relating to these customers was DKKm 45.7, DKKm 34.9, DKKm 30.3 and DKKm 29.3, respectively. Last year, two individual customers accounted for more than 10% of the Group's total revenue. Revenue relating to these customers was DKKm 33.8 and DKKm 31.7, respectively.

The USD/DKK exchange rate development positively affected the Group's reported revenue by DKKm 1.7 relative to the expected USD/DKK exchange rate of 650.

4. Cost of sales

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Cost of sales	124,598	136,392	72,510	77,164
Change in inventory write-down	-1,033	8,161	-756	2,343
Total	**123,565**	**144,553**	**71,754**	**79,507**

5. Work carried out for own account and capitalised

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Work carried out for own account and capitalised as intangible assets, see note 13	1,505	3,655	1,505	3,655
Work carried out for own account and capitalised as property, plant and equipment, see note 14	1,150	484	1,150	484
Total	**2,655**	**4,139**	**2,655**	**4,139**

6. Other operating income

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Profit/loss from sale of non-current assets	264	-26	264	-26
Management fee, subsidiary	-	-	5,013	7,305
Administrative services rendered to purchaser of divested operations	-	900	-	900
Public subsidies	4,990	-	-	-
Settlement	45,296	-	-	-
Rental income	753	650	753	650
Total	**51,303**	**1,524**	**6,030**	**8,829**

7. Fees to auditors appointed in general meeting

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2019/20**	**2018/19**	**2019/20**	**2018/19**
PwC				
Fee for statutory audit of financial statements	328	370	328	370
Fees for tax advice	4	94	4	94
Fees for other services	297	207	297	207
Total	**629**	**671**	**629**	**671**

Fees for tax advice and other services provided to the Group by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab amounted to DKKt 301 (DKKt 301) and consisted in tax advice, etc. in connection with employment of staff abroad and other general accounting advice. Fees to other auditors during the financial year amounted to DKKt 124.

Notes to the financial statements

8. Staff costs

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Wages and salaries	86,283	78,187	58,723	57,181
Defined contribution plans	5,461	5,123	4,261	4,261
Other social security costs	5,181	5,188	1,304	1,250
Cost reimbursement received from public authorities	-1,156	-1,410	-1,156	-1,410
Total	**95,769**	**87,088**	**63,132**	**61,282**
Remuneration, parent company Board of Directors	1,210	1,170	1,210	1,170
Remuneration, parent company Executive Management	5,943	5,387	5,943	5,387
Pension contributions, parent company Executive Management	485	445	485	445
Total remuneration and pensions, parent company Executive Management	6,428	5,832	6,428	5,832
Total remuneration and pensions, parent company Board of Directors and Executive Management	7,638	7,002	7,638	7,002
Remuneration, senior employees	7,506	7,308	5,243	5,187
Pension contributions, senior employees	418	525	418	399
Total remuneration and pensions, senior employees	7,924	7,833	5,661	5,586
Total remuneration and pensions, Board of Directors, Executive Management and senior employees	15,562	14,835	13,299	12,588
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	193	171	106	104

9. Financial income

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Other interest income	106	108	106	108
Interest income from subsidiary	-	-	718	655
Foreign exchange gain and adjustment (net)	44	934	44	1,023
Financial income at amortised cost	150	1,042	868	1,786
Market value gain on securities	52	1,711	52	1,711
Return on securities	387	623	387	623
Financial income at fair value	439	2,334	439	2,334
Total financial income	**589**	**3,376**	**1,307**	**4,120**

10. Financial expenses

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Other interest expenses	65	101	65	101
Interest, lease liability	452	-	22	-
Financial expenses at amortised cost	517	101	87	101
Market value loss on securities	67	486	67	486
Financial expenses at fair value	67	486	67	486
Total financial expenses	**584**	**587**	**154**	**587**

Notes to the financial statements

11. Tax on profit/loss for the year

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Tax for the year is specified as follows:				
Tax on profit/loss for the year from continuing operations	9,385	-5,013	842	4,115
Tax regarding discontinued operations	-682	-	-682	-
Tax on profit/loss for the year	**8,703**	**-5,013**	**160**	**4,115**
Tax on profit/loss for the year from continuing operations is calculated as follows:				
Current tax	1,640	2,320	1,313	2,320
Deferred tax	6,985	-7,413	-471	1,442
Prior-year tax adjustments	760	80	-	353
	9,385	**-5,013**	**842**	**4,115**
Calculated tax on profit/loss before tax from continuing operations, 22%	7,886	-4,345	842	3,780
Tax effect of:				
Non-deductible items	7	9	-20	-18
Other adjustments	732	-757	20	-
Prior-year tax adjustments	760	80	-	353
Total	**9,385**	**-5,013**	**842**	**4,115**
Effective tax rate	26.2%	25.5%	22.0%	23.9%

12. Earnings per share

	GROUP	
Amounts in DKK'000	**2019/20**	**2018/19**
Profit/loss for the year after tax	**26,461**	**-14,645**
Profit/loss for the year after tax, discontinued operations	**-2,420**	**-**
Number of A shares of DKK 200 each	27,775	27,775
Number of B shares of DKK 20 each	1,510,400	1,510,400
Calculated total number of shares (A shares converted at a factor of 10 to 277,750 shares)	1,788,150	1,788,150
A shares in percent of calculated total number of shares	15.5%	15.5%
Earnings per A share, continuing operations	147.7	-81.7
Earnings per A share, discontinued operations	-13.5	-
Earnings per A share, continuing and discontinued operations	134.2	-81.7
B shares in percent of calculated total number of shares	84.5%	84.5%
Earnings per B share, continuing operations	14.8	-8.2
Earnings per B share, discontinued operations	-1.4	-
Earnings per B share, continuing and discontinued operations (EPS)	13.5	-8.2

Notes to the financial statements

13. Intangible assets

Amounts in DKK'000	GROUP: Completed development projects	GROUP: Development projects in progress	GROUP: Trademarks, licenses and customer relations	GROUP: Other intangible assets	PARENT COMPANY: Completed development projects	PARENT COMPANY: Development projects in progress	PARENT COMPANY: Other intangible assets
Cost at 1 November 2019	4,423	7,292	19,423	10,365	4,423	7,292	10,365
Addition of assets developed in-house	-	1,505	-	-	-	1,505	-
Other additions	-	1,209	-	689	-	1,209	689
Disposals/impairment	-2,497	-574	-9,012	-	-2,497	-574	-
Foreign exchange adjustment	-	-	-983	-	-	-	-
Transferred	5,426	-5,426	-	-	5,426	-5,426	-
Cost at 31 October 2020	**7,352**	**4,006**	**9,428**	**11,054**	**7,352**	**4,006**	**11,054**
Amortisation and impairment at 1 November 2019	3,544	-	12,068	1,209	3,544	-	1,209
Reversal on disposal	-2,497	-	-9,012	-	-2,497	-	-
Amortisation for the year	462	-	981	2,130	462	-	2,130
Foreign exchange adjustment	-	-	-655	-	-	-	-
Amortisation and impairment at 31 October 2020	**1,509**	**-**	**3,382**	**3,339**	**1,509**	**-**	**3,339**
Carrying amount at 31 October 2020	**5,843**	**4,006**	**6,046**	**7,715**	**5,843**	**4,006**	**7,715**
Cost at 1 November 2018	3,868	5,047	19,108	4,600	3,868	5,047	4,600
Addition of assets developed in-house	-	1,544	-	2,111	-	1,544	2,111
Other additions	-	1,256	-	3,654	-	1,256	3,654
Foreign exchange adjustment	-	-	315	-	-	-	-
Transferred	555	-555	-	-	555	-555	-
Cost at 31 October 2019	**4,423**	**7,292**	**19,423**	**10,365**	**4,423**	**7,292**	**10,365**
Amortisation and impairment at 1 November 2018	2,828	-	1,988	-	2,828	-	-
Amortisation and impairment for the year	716	-	9,930	1,209	716	-	1,209
Foreign exchange adjustment	-	-	150	-	-	-	-
Amortisation and impairment at 31 October 2019	**3,544**	**-**	**12,068**	**1,209**	**3,544**	**-**	**1,209**
Carrying amount at 31 October 2019	**879**	**7,292**	**7,355**	**9,156**	**879**	**7,292**	**9,156**

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 the accounting policy in note 33 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% (10%).
During 2019/20, due to a strategic decision about Roblon's product portfolio, it was decided to write down a project that was not yet fully developed. The write-down of the development project amounted to DKKm 0.6.
No need for impairment write-down was identified in the previous financial year.

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

During the financial year 2019/20, development costs in the amount of DKKm 3.5 (DKKm 5.0) were recognised as expenses.

Management furthermore assessed that there was evidence of impairment of trademarks, licences and customer relations. An impairment test was performed at 31 October 2020. The cash flows in the impairment test were based on budgets and strategy plans approved by Management and a discount factor of 10%. The impairment test did not give rise to the recognition of impairment losses.

Notes to the financial statements

14. Property, plant and equipment

	GROUP					PARENT COMPANY				
Amounts in DKK'000	**Land and buildings**	**Plant and machinery**	**Other fixtures and fittings, tools and equipment**	**Property, plant and equipment in progress**	**Lease assets**	**Land and buildings**	**Plant and machinery**	**Other fixtures and fittings, tools and equipment**	**Property, plant and equipment in progress**	**Lease assets**
Cost at 1 November 2019	64,539	104,377	7,114	4,582	3,414	64,539	89,942	7,114	1,524	626
Addition of assets developed in-house	-	394	-	756	-	-	394	-	756	-
Other additions	805	1,979	713	18,831	12,528	805	1,979	713	7,252	491
Foreign exchange adjustment	-	-1,017	-	-253	-694	-	-	-	-	-
Transfers	-	10,927	80	-11,007	-	-	5,431	80	-5,511	-
Disposals	-	-456	-1,200	-	-	-	-456	-1,200	-	-
Cost at 31 October 2020	**65,344**	**116,204**	**6,707**	**12,909**	**15,248**	**65,344**	**97,290**	**6,707**	**4,021**	**1,117**
Depreciation and impairment at 1 November 2019	43,354	78,582	5,859	-	-	43,354	72,753	5,859	-	-
Reversal on disposal	-	-456	-1,000	-	-		-456	-1,000	-	-
Foreign exchange adjustment	-	-418	-	-	-75	-	-	-	-	-
Depreciation for the year	2,264	8,517	567	-	2,404	2,264	4,987	567	-	332
Depreciation and impairment at 31 October 2020	**45,618**	**86,225**	**5,426**	**-**	**2,329**	**45,618**	**77,284**	**5,426**	**-**	**332**
Carrying amount at 31 October 2020	**19,726**	**29,979**	**1,281**	**12,909**	**12,919**	**19,726**	**20,006**	**1,281**	**4,021**	**785**
Cost at 1 November 2018	63,841	94,411	6,318	2,088	-	63,841	81,944	6,318	1,368	-
Addition of assets developed in-house	-	484	-	-	-	-	484	-	-	-
Other additions	698	2,659	866	9,519		698	726	866	7,494	-
Foreign exchange adjustment	-	348	-	-	-	-	-	-	-	-
Transfers	-	7,025	-	-7,025	-	-	7,338	-	-7,338	-
Disposals	-	-550	-70		-	-	-550	-70	-	-
Cost at 31 October 2019	**64,539**	**104,377**	**7,114**	**4,582**	**-**	**64,539**	**89,942**	**7,114**	**1,524**	**-**
Depreciation and impairment at 1 November 2018	41,148	72,753	5,396	-	-	41,148	69,723	5,396	-	-
Reversal on disposal	-	-550	-44	-	-	-	-550	-44	-	-
Foreign exchange adjustment	-	185	-	-	-	-	-	-	-	-
Depreciation for the year	2,206	6,194	507	-	-	2,206	3,580	507	-	-
Depreciation and impairment at 31 October 2019	**43,354**	**78,582**	**5,859**	**-**	**-**	**43,354**	**72,753**	**5,859**	**-**	**-**
Carrying amount at 31 October 2019	**21,185**	**25,795**	**1,255**	**4,582**	**-**	**21,185**	**17,189**	**1,255**	**1,524**	**-**

Notes to the financial statements

15. Leases after 1 November 2019

Amounts in DKK'000	GROUP 2019/20	PARENT COMPANY 2019/20
Roblon's lease assets comprise leased production facilities and operating equipment in Roblon US. The parent company's lease assets comprise leased cars only.		
In previous years, Roblon's leases were all classified as operating leases and were therefore not recognised in the balance sheet under IAS 17.		
Income statement items relating to leases		
Lease expenses re. leases of short duration	95	95
Depreciation, leased buildings	1,857	-
Depreciation, other leased fixtures and fittings, tools and equipment	472	332
Interest expenses related to lease liabilities	452	22
Total	**2,876**	**449**

	GROUP		PARENT COMPANY
Amounts in DKK'000	Land and buildings	Other fixtures and fittings, tools and equipment	Other fixtures and fittings, tools and equipment
Balance sheet items relating to leases			
Cost at 1 November 2019	2,788	626	626
Additions	11,049	1,479	491
Foreign exchange adjustment	-686	-8	-
Cost at 31 October 2020	**13,151**	**2,097**	**1,117**
Depreciation for the year	1,932	472	332
Foreign exchange adjustment	-75	-	-
Depreciation at 31 October 2020	**1,857**	**472**	**332**
Carrying amount at 31 October 2020	**11,294**	**1,625**	**785**

The scope of the Group's leases, exposure to potential cash flows and the Group's process for determining the discount rate are described in the accounting policies, note 1, and in note 33.

	GROUP 2019/20	PARENT COMPANY 2019/20
Lease liabilities		
Less than one year	2,568	309
Between one and five years	9,295	353
More than five years	2,327	-
Total	**14,190**	**662**
Cash flows from leasing activities		
Payment of lease payments, including interest	2,544	360
Total	**2,544**	**360**

Notes to the financial statements

16. Investment in subsidiary

	MODERSELSKAB	
Amounts in DKK'000	**2019/20**	**2018/19**
Cost at 1 November	27,796	27,796
Cost at 31 October	**27,796**	**27,796**

Name	**Registered office**	**Ownership**	**Share capital**
Roblon US Inc.	North Carolina	100%	USD 0.1

17. Receivable regarding sale of discontinued operation

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Receivable from buyer of divested operation	3,102	3,931	3,102	3,931
Impairment write-down	-3,102	-800	-3,102	-800
Total	**0**	**3,131**	**0**	**3,131**
The receivable falls due within the following periods from the balance sheet date:				
Less than one year	-	755	-	755
Between one and two years	-	600	-	600
Between two and five years	-	1,776	-	1,776
Total	**0**	**3,131**	**0**	**3,131**

As part of the agreement to sell Roblon Lighting on 30 April 2017, the Group provided a loan of DKKm 2.6. Due to elevated repayment risk, Roblon has made a DKKm 3.1 loss provision for the full amount of the loan, including accrued interest.

18. Inventories

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Raw materials and consumables	27,956	31,722	18,581	26,075
Work in progress	23,692	14,766	22,461	13,300
Finished goods	9,759	9,321	6,031	5,509
Total	**61,407**	**55,809**	**47,073**	**44,884**
Inventory write-downs:				
Write-downs at 1 November	12,615	3,267	6,149	3,806
Adjustment/reversed provision re. Senvion	-5,595	1,187	-	-
Change in write-downs	-1,033	8,161	-756	2,343
Write-downs at 31 October	**5,987**	**12,615**	**5,393**	**6,149**

In total, the Group's write-downs for obsolescence amounted to DKKm 6.0 (DKKm 12.6), equalling a write-down ratio of 8.9% (18,4%) of the calculated gross value of the inventories. Adjusted for the write-down related to the Senvion project contract, the comparative figure for 2018/19 is 9.9%.

In total, the parent company's write-downs for obsolescence amounted to DKKm 5.4 (DKKm 6.1), equalling a write-down ratio of 12.2% (12.0%) of the calculated gross value of the inventories.

Notes to the financial statements

19. Trade receivables

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Trade receivables	35,713	69,362	23,706	58,232
Trade receivables	**35,713**	**69,362**	**23,706**	**58,232**

Of the total trade receivables, DKKm 12.8 were secured by letter of credit, other third-party security or by credit insurance (DKKm 33.5).

Provision for impairment of trade receivables is made based on an expected credit loss model. The calculated impairment was DKKt 38. Trade receivables are written down to net realisable value. See also the section on credit risk in note 24 Financial risk.

20. Marketable securities

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Marketable securities comprise listed bonds, equity portfolios and other listed securities measured at fair value determined as market price at the balance sheet date, which is level 1 in the fair value hierarchy.				
Cost at 1 November	50,397	111,072	50,397	111,072
Additions during the year	41,445	3,930	41,445	3,930
Disposals during the year	-16,011	-64,605	-16,011	-64,605
Cost at 31 October	**75,831**	**50,397**	**75,831**	**50,397**
Value adjustment at 1 November	718	-236	718	-236
Fair value adjustments during the year	-339	954	-339	954
Value adjustment at 31 October	**379**	**718**	**379**	**718**
Carrying amount at 31 October	**76,210**	**51,115**	**76,210**	**51,115**
Distributed as follows:				
Bonds	64,535	43,352	64,535	43,352
Shares	11,675	7,763	11,675	7,763
Marketable securities	**76,210**	**51,115**	**76,210**	**51,115**
The following additional information applies to bonds:				
Average duration of (years)	2.9	2.4	2.9	2.4
Average effective yield of	0.5	0.7	0.5	0.7

Notes to the financial statements

21. Equity

	NUMBER 2019/20	NUMBER 2018/19	NOMINAL VALUE, DKK'000 2019/20	NOMINAL VALUE, DKK'000 2018/19
Share capital				
A shares of DKK 200 each	27,775	27,775	5,555	5,555
B shares of DKK 20 each	1,510,400	1,510,400	30,208	30,208
Total			**35,763**	**35,763**

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

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

The share capital has been fully paid up.

The A shares are not listed.

The B shares are listed. If a 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 is distributed evenly among all shareholders, regardless of share class.

22. Deferred tax assets and liabilities

Amounts in DKK'000	GROUP 2019/20	GROUP 2018/19	PARENT COMPANY 2019/20	PARENT COMPANY 2018/19
Deferred tax at 1 November	3,100	-4,648	-5,786	-4,344
Adjustment, beginning of year	-768	335	-8	-
Deferred tax for the year, recognised in profit for the year	-6,977	7,413	479	-1,442
Market value adjustment	136	-	-	-
Deferred tax at 31 October	**-4,509**	**3,100**	**-5,315**	**-5,786**
Deferred tax assets	806	8,886	-	-
Deferred tax liabilities	-5,315	-5,786	-5,315	-5,786
Net deferred tax at 31 October	**-4,509**	**3,100**	**-5,315**	**-5,786**
The provision for deferred tax relates to:				
Current assets	344	436	344	436
Intangible assets	3,667	3,691	3,864	3,812
Property, plant and equipment	4,512	3,199	1,851	1,745
Tax loss carry-forward	-3,270	-10,219	-	-
Total non-current liabilities	-744	-207	-744	-207
Total	**4,509**	**-3,100**	**5,315**	**5,786**

At 31 October 2019, the Group recognised a deferred tax asset of DKKm 8.9, which mainly consisted in tax losses carried forward. The tax loss was primarily due to the Senvion loss and thus did not represent an ordinary operating loss. As a result of the net profit for 2019/20, most of the above-mentioned tax losses can be utilised. The Group's deferred tax assets at 31 October 2020 mainly consisted in tax losses carried forward. It is deemed highly probable that the Group will generate sufficient earnings within a few years for the deferred tax asset to be recovered.

23. Other provisions

Amounts in DKK'000	GROUP 2019/20	GROUP 2018/19	PARENT COMPANY 2019/20	PARENT COMPANY 2018/19
Other provisions at 1 November	140	440	140	440
Additions during the period	470	290	470	290
Used during the period	-290	-590	-290	-590
Other provisions at 31 October	**320**	**140**	**320**	**140**

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

24. Financial risk

Amounts in DKK'000	GROUP 31 October 2020	31 October 2019
Specification of financial assets and liabilities		
Non-current receivable regarding sale of discontinued operation	-	2,376
Current receivable regarding sale of discontinued operation	-	755
Trade receivables	35,713	69,362
Other receivables	1,362	2,163
Cash and cash equivalents	7,212	3,012
Financial assets at amortised cost	**44,287**	**77,668**
Marketable securities	76,210	51,115
Financial assets at fair value through profit or loss	**76,210**	**51,115**
Lease liability	13,081	-
Operating credit	-	6,708
Advance payments	461	2,757
Trade payables	10,477	28,700
Financial liabilities measured at amortised cost	**24,019**	**38,165**

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, marketable securities and unutilised credit facilities.

Financial liabilities fall due in more than five years.

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.

Currency risk
A large proportion of Roblon's revenue, production and capacity costs are invoiced and settled in foreign currencies, principally EUR. Transactions in the Group's subsidiary mainly take place in USD, and all assets and liabilities in the subsidiary's balance sheet are denominated in USD.

Roblon's foreign exchange policy is to ensure that, whenever possible, transactions are made in DKK and EUR, as transactions in EUR are not considered to involve risk due to the fixed exchange rate policy. Roblon's results and financial position may be affected by fluctuations between USD and DKK.

The Group's foreign exchange policy allows for hedging of currency risks by means of forward exchange contracts or other relevant instruments. In view of the level of the Group's total exposures, Management has not deemed it appropriate to enter into hedging transactions.

The Group's currency positions at 31 October 2020 stated in DKK:

Amounts in DKK'000	Receivables/ cash and cash equivalents	Debt	Net position
Currency			
EUR	21,668	-441	21,227
USD	14,582	-4,629	9,953
GBP	52	1	53
Total	**36,302**	**-5,069**	**31,233**

A 10% depreciation of the USD against DKK at the balance sheet date would impact profit and equity negatively by approximately DKKm 1.0 (negative impact of DKKm 0.6). A 10% appreciation of the USD against DKK at the balance sheet date would impact profit and equity positively by approximately DKKm 1.0 (a positive impact of DKKm 0.6).

The Group's currency positions at 31 October 2019 stated in DKK:

Amounts in DKK'000	Receivables/ cash and cash equivalents	Debt	Net position
Currency			
EUR	57,027	-13,452	43,575
USD	14,176	-7,735	6,441
GBP	167	-	167
Total	**71,370**	**-21,187**	**50,183**

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 in bank accounts, in listed bonds and equities.

Notes to the financial statements

24. Financial risk – continued

Risks related to securities
The Group has invested DKKm 76.2 via asset management agreements. The 12-month Value at Risk (VaR) is 5.7%, which means that with a 95% confidence level, the Group's maximum loss risk is up to DKKm 4.6 of the total value of securities at 31 October 2020 (DKKm 2.0).

The Group has contracted with Danske Capital and Nykredit Asset Management to follow an active management strategy with low risk exposure.

Asset management agreements, whether individually tailored arrangements or structured portfolio products, may only be entered into via professional and approved providers governed (owned) by systemic financial institutions.

Significant elements of the mandate that asset managers are given by Roblon:
- Focus should be on protecting the invested capital rather than on optimising returns
- An investment horizon of two years (although we may withdraw at short notice, if required)
- A maximum of 20% in equities and a minimum of 80% in bonds.

Marketable securities comprise listed bonds and equity portfolios measured at fair value determined as market price at the balance sheet date, which is level 1 in the fair value hierarchy.

Interest rate risk:
Bonds have an average duration of 2.9 (2.4), which is 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 positive impact of DKKm 1.8 (DKKm 1.2) before tax on the Group's results 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 1.8 (DKKm 1.2).

Interest rate risk is managed by way of agreements with Danske Capital and Nykredit Asset Management, as described above.

As the Group does not have significant interest-bearing debt, its exposure to market interest rate fluctuations is not significant from a risk perspective.

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 systemic banks only and invested in a portfolio of highly secure and liquid marketable securities.

The Group's cash reserve consists of the following:

Amounts in DKK'000	**2019/20**	**2018/19**
Marketable securities	76,210	51,115
Cash	7,212	3,012
Unutilised credit facilities	10,000	3,292
Total	**93,422**	**57,419**

Credit risk
The Group's principal credit risk relates to trade receivables. The Group performs credit assessments of new customers and regularly reassesses the credit rating of existing customers. Roblon on an individual basis assesses any need to take out credit insurance via the established credit insurance scheme, to require full or partial advance payment or to obtain any other security for payment.

At 31 October 2020, receivables were partially credit insured and a significant portion of the Group's receivables were secured by alternative means. 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.

Of the total trade receivables, DKKm 12.8 were secured by letter of credit, other third-party security or by credit insurance (DKKm 33.5).

The parent company has a receivable in the subsidiary, Roblon US Ltd. The amount is not due yet and is expected to be repaid through the subsidiary's future earnings.

Trade receivables with the subsidiary are specified as follows:

	GROUP		**PARENT COMPANY**	
Amounts in DKK'000	**31 October 2020**	**31 October 2019**	**31 October 2020**	**31 October 2019**
Not yet due				
Not yet due	29,204	61,555	45,130	95,660
Overdue by up to one month	6,076	7,036	5,630	6,887
Overdue by between one and three months	360	666	360	666
Overdue by between three and six months	-	-	-	-
Overdue by more than six months	73	105	73	105
Total	**35,713**	**69,362**	**51,193**	**103,318**

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

Specifically in respect of overdue receivables, a loss provision of DKKt 38 was made at 31 October 2020 (DKKt 0.0).

Notes to the financial statements

24. Financial risk – continued

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 securities, cash and equity, including share capital, other reserves and retained earnings.

The Group has substantial 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.

It is the Company's intention to distribute dividends annually corresponding to 50% of the nominal value of the B share, equivalent to DKK 10 per B 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.

25. Operating leases before 1 November 2019

As from 1 November 2019, Roblon's lease assets and liabilities are recognised in the balance sheet in accordance with IFRS 16. This note shows lease liabilities in accordance with IAS 17. See also note 15.

On acquisition of a business in the USA in April 2017, the Group entered into a number of service agreements with the seller to ensure a smooth transition in connection with the acquisition. Service agreements were entered into regarding sales, finance and IT, production and leasing of production and office facilities.

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

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Within one year of the balance sheet date	0	3,981	0	211
Between one and five years from the balance sheet date	0	1,949	0	446
Total	**0**	**5,930**	**0**	**657**
Rental and lease expenses recognised in profit for the year	**95**	**5,487**	**95**	**244**

The parent company lets production facilities under a lease which 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.

26. Contingent liabilities

Bank guarantees have been provided in the amount of DKKm 0.0 as security for advance payments received (DKKm 0.2).

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

27. Adjustment for non-cash items

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Profit/loss from sale of property, plant and equipment	-264	26	-264	26
Depreciation, amortisation and impairment	17,899	20,762	11,316	8,218
Provisions	180	-300	180	-300
Foreign exchange adjustment	-834	-337	-	-
Total	**16,981**	**20,151**	**11,232**	**7,944**

28. Change in working capital

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Change in inventories	-5,598	-14,350	-2,189	-20,599
Change in receivables	38,043	-23,480	34,657	-36,533
Change in current liabilities	-14,082	4,505	-11,100	13,107
Total	**18,363**	**-33,325**	**21,368**	**-44,025**

29. Discontinued operations

	GROUP		PARENT COMPANY	
Amounts in DKK'000	**2019/20**	**2018/19**	**2019/20**	**2018/19**
As part of the agreement to sell Roblon Lighting on 30 April 2017, the Group provided a loan of DKKm 2.6. Due to elevated repayment risk, Roblon has made a DKKm 3.1 loss provision for the full amount of the loan, including accrued interest.				
Income statement, discontinued operations				
Net proceeds from divestment of operations	-3,102	-	-3,102	-
Tax on this amount	682	-	682	-
Profit/loss for the year	**-2,420**	**-**	**-2,420**	**-**

30. 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.

Roblon A/S is comprised by the consolidated financial statements of ES Holding Frederikshavn ApS.

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

Shareholders exercising control over the Group
ES Holding Frederikshavn ApS, Marmorvej 23, 3rd floor left, DK-2100 Copenhagen Ø, owns the 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 of DKKm 3.3 and dividend of DKKm 0.0 to the parent company, ES Holding Frederikshavn ApS.

	PARENT COMPANY	
Amounts in DKK'000	**2019/20**	**2018/19**
Transactions with the subsidiary, Roblon US Inc.		
Sale of goods to subsidiary	1,253	-
Purchase of goods from subsidiary	2,055	5,388
Management fee from subsidiary	5,015	5,332
Reinvoiced expenses from parent company	3,715	2,891
Reinvoiced expenses from subsidiary	1,402	1,437
Interest income from subsidiary	718	655
Amount owed by subsidiary	27,487	45,086

Notes to the financial statements

31. Shareholder information

	OWNERSHIP %		VOTING SHARE %	
	2020	2019	2020	2019
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, Marmorvej 23, 3rd floor left, DK-2100 Copenhagen Ø	25.1	25.1	68.8	68.8
ATP, CVR no. 43405810, Kongens Vænge 8, DK-3400 Hillerød	6.3	-	2.6	-
Investeringsforeningen Fundamental Invest, CVR no. 25709675, Badstuestræde 20, DK-1209 Copenhagen K	5.0	6.1	2.1	2.7

32. Events after the balance sheet date

No material events have occurred after the balance sheet date of 31 October 2020 of significance to the annual report.

33. 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.

Segment information
Based on the internal reporting to Roblon's parent company Board of Directors, the segment reporting comprises a single segment. Additional information is provided on external revenue by product groups:

FOC (comprising cable materials and cable machinery for the fibre optic cable industry)

Composite (comprising composite materials for onshore and offshore industries)

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.

Notes to the financial statements

33. Accounting policies – continued

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.

The Group exercises control over a company if the Group is exposed to or has rights to variable returns from its involvement with the company and has the ability to affect those returns through the power over the company.

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 by consolidating 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.

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 economic 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 finished goods for both product groups, FOC and Composite, is recognised in profit/loss when control with the goods is obtained by the customer, typically upon delivery.

The terms of payment in the Group's sales agreements with customers depend on the product, the performance obligation and the underlying customer relationship. Typically, the terms of payment are current month plus 30-90 days.

The Group generally does not have any return obligations and only ordinary warranty obligations in connection with sale of goods.

Revenue is measured excluding VAT, taxes and duties and other charges by third parties.

Expenses incurred in connection with sales and securing contracts are recognised in the income statement as incurred.

Other operating income and expenses
Other operating income and expenses comprise items secondary to the principal objective of the Company. Material public subsidies are included in other operating income. Public subsidies comprise remissible loans granted by public authorities. Remissible loans are recognised in liabilities until it is highly probable that the conditions for remission of the debt are met.

Cost of sales
Costs comprise raw materials and consumables used in the manufacturing process to generate revenue. Raw materials and consumables used in development projects are recognised in other external costs, and in assets when relating to capitalisable development projects.

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. Development projects are capitalised if they meet the requirements defined in the accounting policy on intangible assets.

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

Notes to the financial statements

33. Accounting policies – continued

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 profit/loss 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).

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.

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.

The value of development projects in progress is 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 other intangible assets are amortised on a straight-line basis over 3-10 years.

Completed development projects, trademarks and other intangible assets are tested for impairment if there is evidence that their value may be impaired in excess of the amortised amounts.

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. The useful lives and residual values of property, plant and equipment are reassessed annually.

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, sub-suppliers 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 recoverable amount where this is lower than 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 sale of property, plant and equipment are determined as the difference between the selling price less costs to sell costs and the carrying amount at the selling date. 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.

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.

Lease assets and liabilities from 1 November 2019
A right-of-use asset (lease asset) and a lease liability are recognised in the balance sheet when, under a lease, a specific identifiable asset is made available for the Group's use for the lease term and when the Group obtains substantially all of the economic benefits from the use, and the right to direct the use, of the identified asset. On initial recognition, right-of-use assets are recognised in the balance sheet at the present value of lease payments discounted over the lease term, with recognition of a corresponding lease liability.

If the lease includes an option to extend the lease term, Management assesses the period for which it reasonably expects the lease to be extended. Leases with a total term of less than 12 months are not recognised, unless they contain an extension option that is expected to be exercised. On subsequent recognition, the asset is measured at cost less any accumulated depreciation and impairment. The lease liability is recalculated if changes are made to the lease or if the Group changes its assessment of the lease term.

Notes to the financial statements

33. Accounting policies – continued

The useful lives of lease assets are assessed based on the terms and conditions of the lease. For Roblon's lease of office and factory premises in the USA, the useful life is assessed to be the remaining term of the lease plus an agreed three-year extension period. At 31 October 2020, the total useful life of the lease is six years.

The lease liability is reduced by regular lease payments, and in the income statement, depreciation of the lease asset is recognised, calculated on the basis of the useful life of the lease asset and the interest expense on the lease liability. The basis of depreciation is the cost of the asset, equalling the discounted value plus any upfront payment. Depreciation is calculated according to the straight-line method over the estimated useful life.

Cars	1-5 years
Other fixtures and fittings, tools and equipment	5 years
Buildings	7 years

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 production overheads. 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 applying the expected credit loss model.

Marketable securities
Marketable securities 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 purchase. 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 profit or loss.

Fair value measurement
The Group uses the fair value convention in connection with certain disclosure requirements and for the recognition of financial instruments. Fair value is defined as the price obtainable when selling an asset, or payable when transferring a liability, in an arm's length transaction between market participants (exit price).

Fair value is a market-based, not a company-specific, valuation. The Company uses the assumptions that market participants would apply in pricing the asset or liability based on the prevailing market conditions, including assumptions relating to risk. Accordingly, the Company's intentions with owning the asset or settling the liability are not considered when determining fair value.

Fair value measurement is based on the primary market. If no primary market exists, fair value is based on the most advantageous market, defined as the market that maximises the price of the asset or liability less transaction and transport costs.

All assets and liabilities that are measured at fair value, or whose fair value is disclosed, are categorised under the fair value hierarchy as described below:

Level 1: Value determined on the basis of the market value of similar assets/liabilities in an active market
Level 2: Value determined according to recognised valuation methods based on observable market inputs
Level 3: Value determined according to recognised valuation methods and reasonable estimates (unobservable market inputs)

EQUITY

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

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 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 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.

Dividend
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.

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.

Notes to the financial statements

33. Accounting policies – continued

Operating leases before 1 November 2019
Operating lease payments are recognised in profit/loss on a straight-line basis over the lease term.

Liabilities
Current liabilities, which comprise trade payables, advance payments received from customers 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.

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, payment of instalments and interest on lease liabilities and overdraft facilities, purchase and sale of treasury shares and subscription of employee shares.

Cash and cash equivalents comprises cash and bank deposits.

Notes to the financial statements

34. Financial ratio definitions and formulas

The financial ratios have been calculated in accordance with 'Recommendations & Ratios'. issued by the Danish Finance Society.

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

Order book	The value of orders received that will generate revenue in subsequent financial years
Order intake	Order book at year end + revenue - order book at beginning of year
Book-to-bill ratio	Order intake / revenue
Revenue growth	(Revenue in year n - revenue in year n-1) * 100 / revenue in year n-1
Gross profit	Revenue less cost of sales
Gross margin	Gross profit * 100 / revenue
EBIT margin	Operating profit * 100 / revenue
EBIT margin (ex. Senvion)	Operating profit (ex. Senvion)[1] * 100 / revenue (ex. Senvion)[1]
ROIC/return on average invested capital	Operating profit (EBIT) * 100 / average invested capital. Invested capital comprises equity and income tax less cash and securities
ROIC/return on average invested capital (ex. Senvion)	Operating profit (EBIT) (ex. Senvion)[1] * 100 / average invested capital. Invested capital comprises equity and income tax less cash and securities
Equity ratio	Equity * 100 / total assets at year end
Return on equity	Profit after tax * 100 / average equity
Return on equity (ex. Senvion)	Profit after tax (ex. Senvion)[1] * 100 / average equity
Working capital	Inventories + receivables - current liabilities (adjusted for tax)
Working capital, % of revenue	Working capital * 100 / revenue
Average no. of full-time employees	Total ATP contribution / ATP rate for a full-time employee
Gross profit per full-time employee	Gross profit / average no. of full-time employees
Earnings per DKK 20 share (EPS)	Profit after tax / average number of shares (ex. treasury shares), calculated in accordance with IAS 33
Price/earnings ratio (PE)	Market price / earnings per DKK 20 share
Payout ratio	Total dividend payment * 100 / profit after tax
Cash flow from operations per DKK 20 share	Cash flows from operating activities / average number of shares (ex. treasury shares)
Book value of shares	Equity / number of shares at year end (ex. treasury shares)
Price/book value	Quoted year-end market price / book value of shares

[1] Items ex. Senvion are disclosed on p. 22.

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